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AGRICULTURAL TRADE AND THE WTO NEGOTIATIONS: CONCERNS AND CONSENSUS AMONG FARMERS' ORGANISATIONS

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AGRICULTURAL TRADE AND THE WTO NEGOTIATIONS: - CONCERNS AND CONSENSUS AMONG FARMERS' ORGANISATIONS (Consolidated statement)

I. INTRODUCTION

1. A well-functioning international agricultural system is essential to meet the food needs of a rapidly-growing world population in a sustainable way. It is also essential for the conservation of the earth's natural resources such as farmland, forests and water, and for the economic development of the rural communities.

2. For many countries, agricultural trade plays - and will continue to play - a crucial role in the development of their economies and in ensuring global food security. The Uruguay Round of multilateral trade negotiations completed in 1994, strengthened rules and procedures for agricultural trade and should give greater confidence and predictability to the international trading system. It is critical that the process be more participatory, with farmers' organizations being consulted by the World Trade Organization (WTO) in order to give farmers confidence in the system.

3. A general effect of this new framework of rules and commitments for agriculture has been to refocus domestic policy of member governments of the WTO.¹ As a consequence, there has been a change in traditional mechanisms designed to support farmers in the direction of less trade-distorting means.

4. Liberalisation has also been taking place in the context of regional trade groupings as well as through the adoption, by many governments, of more market-oriented trade policies.

5. Liberalisation of agricultural trade should not be regarded as an end in itself nor as a reason for governments to no longer assure sound domestic agricultural policies adapted to specific country conditions. It can be a means to improve the functioning of agricultural markets to utilize comparative and competitive advantages and to contribute to improving farm incomes, the eradication of poverty and the promotion of an economically, socially and environmentally sustainable path for agricultural development.

6. The impact of trade liberalisation should be measured in terms of its effects on economic

¹ In this document, reference to domestic agricultural policy encompasses the wide array of government policies and programs that impact the agricultural sector. These include programs for: risk management, commodities, education, nutrition, food safety, inspection, promotion, conservation, credit, rural development, food aid, trade, international development, and others which form the complex of interrelated laws and structures that countries have set up to ensure their food security and maintain a healthy agricultural sector.

growth - both in industrialised and developing countries - to greater food security, to job creation and stability, to reinforcing a balanced development of rural areas. It should serve to underpin more equitable patterns of progress to ensure that economic growth and greater integration of the world economy fulfils its potential to enhance the welfare and livelihood of family farmers throughout the world, and keep agriculture sustainable.

7. Whether a country is a net food importer, a net food exporter, developing or industrialised, all have an agricultural potential that can be harnessed by farm families to contribute to world food security. IFAP member organisations strongly support all such efforts to improve world food security. Agricultural trade itself is an important factor in food security, but alone, is not sufficient to ensure it. The greater part of world agricultural production is sold on domestic markets.

8. Given the nature and extent of government intervention in agricultural markets in the past, ongoing deregulation and liberalisation are likely to have considerable impact on the structure, composition and type of agricultural production in the future and consequently on the livelihoods of family farmers in most parts of the world. In some cases, these policies may create negative consequences, particularly for small and medium-sized farmers around the world. Unlike other primary industries, agricultural production is carried out by a large number of individual farmers under a considerable variety of climatic and other natural conditions. Therefore, agricultural trade policies must reflect the requirements arising from the unique characteristics of this sector.

9. Since agricultural negotiations recommence in 1999/2000 with the stated aim of continuing the reform process, the current phase of adjustment to the new trade regime needs to be carefully monitored to ensure that farmers' interests are being taken into account. The major common concern of IFAP member organisations is that all farmers should gain a reasonable income for their work. In many countries, it will not be possible to ensure this without appropriate levels of support.

10. In spite of historical, cultural, geographical, social and political differences, as well as their position as net food importers or exporters on the world market, farmers' organisations represented in IFAP - including agricultural cooperatives - wish to highlight their many common concerns and broad areas of agreement with regard to their expectations for the outcome of the next round of WTO negotiations in agriculture.

II. AGRICULTURE AGREEMENT AND RELATED ISSUES

Overview

11. The WTO Agreement on Agriculture provides for a continuation of trade negotiations in 1999/2000 - one year before the end of the 6-year implementation period² - in order to see

² The implementation period for commitments made by developing countries is 10 years

what further commitments are necessary to achieve “the long-term objective of substantial, progressive reductions in support and protection” to agriculture. It is important to recognize the reform process as long-term and ongoing. Change must allow for adjustment by farmers at their own pace and carried out in a fair and orderly way.

12. Article 20 of the Agreement on Agriculture states that the negotiations will take into account experience gained during the implementation of the Uruguay Round agreements, the effects of the reduction commitments on world trade in agriculture, non-trade concerns, and special and differential treatment for developing countries.

13. Farmers recognize that trade is important for generating economic growth and improving the standard of living of the world's peoples. However, the fact that trade alone cannot solve the challenges facing humankind such as poverty, environment and food security should also be recognized. Experience over the last five years shows that issues of the eradication of poverty, and promotion of an economically, socially and environmentally sustainable path for agricultural development need to be addressed in the context of WTO trade negotiations, as well as in other international fora.

14. For the 100 national farmers' organizations in membership of IFAP, these are genuine and legitimate concerns shared by many farmers throughout the world. However, care must be taken to avoid using these issues simply as a pretext to introduce trade-distorting and protectionist measures.

15. With a new WTO negotiations being launched, it is important that farmers' organizations be fully involved and consulted, not only on specific issues but also on the overall focus and direction. In the light of the experience regarding the limited consultative process and external transparency of the WTO, IFAP seeks a wider opening of WTO, in particular to representative farmers' organizations.

16. For farmers, policy reform means changing policies so that they are better adapted to the needs of the agricultural community in a global economy, and able to assure an adequate standard of living for farmers worldwide. This is not the same as the agenda of many governments, which see farm policy reform as dismantling previous farm programs and making savings in their budgets. In so doing, they leave the destiny of their agriculture to the vagaries of an imperfect global market. Fairness and equity must be the underlying objective of policy reform.

17. In order to ensure predictability in the farm policy environment, it is important for farmers' organizations to be involved in developing a new policy framework, which is stable and organized.

General considerations

18. The increasing interdependence of economies in a growing, competitive global market place reinforces the need for fair and effective trade rules. The Uruguay Round Agreement on Agriculture requires countries to implement specific commitments, which must be fully

met, by all WTO member countries. As it was the case in the Uruguay Round, it is likely that the next Round will focus on the areas of domestic support, market access and export subsidies. These are dealt with in the following points one by one. It should be stressed however that they are closely interlinked and interrelated. Therefore further progressive actions taken in those areas should be well balanced, rational and fair. In this respect, farmers' organisations in IFAP call attention to the following points:

- The WTO should be the point of reference for the establishment and implementation of all trade rules.
- Any agricultural negotiations in the WTO must give due consideration to measures that secure sufficient income levels for farmers in different areas and countries.
- Credit must be given in the next Round for any appropriate liberalisation measures taken by countries since the Marrakech agreements were concluded.
- Agriculture has a multifunctional role in many countries, providing not only agricultural commodities and raw materials but also environmental and conservation services. Further, it contributes to employment generation and to the stability and development of rural areas. Such non-trade concerns must be given due prominence and recognition in the WTO negotiations, and allow domestic governments to deal with these issues in a non-trade distorting way.

Domestic support policies

19. Farmers have several concerns arising from the WTO Agreement on Agriculture regarding domestic support. Provision has been made in the 'green box' arrangements to include a number of domestic policies supporting agricultural producer incomes. In particular, farmers' organisations in IFAP:

- underline the importance of non-trade distorting measures which may include environmental payments, regional support and rural development programmes to sustain agriculture and rural communities especially in less favoured and more remote agricultural areas;
- underscore that, in the light of the important social role played by family farmers, countries must have the ability to continue to support sensitive farm sectors that contribute to the stability of rural communities. This should be done in a non-trade distorting way.
- insist that with increased use of 'green box' measures, these come under scrutiny in the next Round of negotiations. Further clarification on their definition, criteria and conditions of application is necessary. At the same time, definitions will have to be broadened to accommodate non-trade distorting programs, which could be minimum revenue insurance programs, and infrastructure programs such as irrigation and drainage programs. Direct and indirect assistance must be more transparent in

order to avoid distortions to competition.

- stress that in many, especially developing countries, severely constrained national budgets could rarely - if ever - extend to any sort of green box payment. In such instances, other WTO compatible measures will be essential to support key farm services and maintain farmers' incomes, and non-farm jobs. Continued investment in areas such as research, infrastructure, pesticide regulation, resolution of environmental problems and maintenance of internationally recognised, science-based standards and inspection programs are fundamental for increased productivity of agriculture and the smooth functioning of export markets.

20. IFAP's views on "farmers, society and 'green box' issues" are developed further in the next section of this statement.

Export Subsidies

21. Farmers worldwide acknowledge that government export subsidies can distort international trade and that there will be pressure to progressively phase them out in future trade negotiations. Farmers' organisations in IFAP therefore:

- recommend that where government export subsidies are used partly as an instrument to support farmers' incomes, that alternative support measures be introduced to replace them;
- recommend the establishment of effective WTO rules governing the use of government export credit programmes, export promotion programmes and food aid programmes in order to prevent such measures from being used as disguised export subsidies.

Market Access

22. The Uruguay Round Agreement on Agriculture has required countries to implement far-reaching market opening commitments and domestic policy reforms. However, liberalisation of agricultural markets may also destabilise fragile rural economies, and undermine the family farm system of agriculture. The aim of increased market access should be to achieve its essential goal to bring economic and social improvement in both food-exporting and food-importing countries, whether developing or industrialised. Farmers' organisations in IFAP stress that:

- improved market access for agricultural products is vital for countries heavily reliant on farm-based export industries for their future economic development and growth. However, while further opening of world markets must be carried out in a balanced fashion which grants equitable opportunities to all countries in their exports of agricultural products, and gives due regard to the needs of importing countries, special consideration should be given to agricultural products - including value-added products - of developing countries.

- Countries should administer tariff rate quotas in a manner such that the intended level of in-quota access is achievable.

Tariff escalation

23. World trade into the next century is likely to comprise an increasingly high percentage of value-added agricultural products. These are often subject to higher tariffs, the more advanced is the stage of processing. Farmers' organisations represented in IFAP:

- request that a major effort be made to negotiate comparable access between the primary and processed forms of a product, while respecting sensitive commodities within each country.

Safeguards

24. The Agreement on Safeguards has been established in the WTO rules in order to cope with a substantial increase in imports of products causing or threatening to cause serious injury to like products in the domestic industry. Furthermore, a Special Safeguard Clause has been established in the Agreement on Agriculture. Under current rules, significant currency exchange rate fluctuations create trade problems, and subsequently instability in domestic agriculture and farmers' incomes. Farmers' organisations in IFAP therefore suggest that :

- the safeguard clause should be applied in a proper and timely fashion, under the WTO rules, as a trigger measure to protect farm incomes from substantial increases in imports of agricultural products caused by factors including currency fluctuation.

Dispute Settlement Process

25. The dispute settlement mechanism is a key feature of the WTO rules. Many international disputes including agricultural issues have been resolved, and are being resolved, by this mechanism. The process and result of dispute settlement should be equitable, transparent, and verified by specialists in the field, and they must not violate any policy enforcement of a sovereign country as long as domestic policy measures of that country are consistent with WTO rules. Farmers' organisations in IFAP urge that:

- disputes should be resolved in a democratic and transparent way, based upon objective, scientific criteria. However, justifiable domestic policies should be respected and taken into sufficient consideration in any process of WTO dispute settlement.

III. FARMERS, SOCIETY AND 'GREEN BOX' ISSUES

The WTO 'green box'

26. The criteria for 'green box' measures are currently defined as:

- being provided through publicly-funded government programs (including government revenue foregone)
- not involving transfers from consumers, and
- not having the effect of providing price support to farmers.

27. The list of 'green box' measures is located in Annex 2 of the WTO Agreement on Agriculture.

28. Those measures that are deemed to be non-trade distorting, or minimally trade distorting, are exempt from reduction commitments, and can even be increased.

29. The 'green box' also contains special allowances with respect to the holding of food security stocks and to domestic food aid.

30. Most of the proposals in this IFAP statement relate to the 'green box'. However, it should be noted that there are also some other measures in the Agreement on Agriculture that are also exempt from reduction commitments. These are:

- i. developmental measures in developing countries
- ii. 'blue box' measures
- iii. 'de minimis' levels of support.

Should the 'green box', and other exemptions, be continued?

'Green box'

31. The process of reform in agriculture should be focused on setting criteria so that policies are not trade-distorting, or are minimally trade distorting. Such policies are known as 'green box' measures.

32. IFAP strongly supports the continuation of the 'green box' in the upcoming Millennium Round of WTO trade negotiations. The right of nations to run meaningful, non-trade distorting, non-countervailable, domestic farm programs to support their agriculture is recognized and respected. It is also recognized that with the globalization of agricultural markets, certain domestic support measures distort trade competitiveness among countries. The Marrakech Agreement on Agriculture requires such trade-distorting support to be progressively reduced, or changed to be non-trade distorting, or minimally trade-distorting. However, this process will require sufficient time to allow farmers to adjust to new policies. The 'green box' is essential to promote the reform of domestic support policies in the direction of market-oriented and non-trade-distorting measures.

33. Two types of measures are of particular interest to farmers. These are:
- i. Measures to better manage economic risk. These include crop insurance, and safety net programs.
 - ii. Direct payments to producers to meet non-trade concerns.

34. As market price support to farmers is reduced under the WTO reform process, farmers become more exposed to the volatility of world market prices. It is therefore important for WTO rules to allow for the development of cost-effective and non-trade distorting measures to help stabilize farmers' incomes.

35. Direct government payments are important instruments for recompensing farmers for providing certain services demanded by society that incur extra costs.

'Blue box'

36. 'Blue box' measures are defined as "direct payments under production-limiting programs". Even though they are not completely decoupled from agricultural production, they are currently not subject to reduction. IFAP members are divided on the future of the 'blue box'. For some countries, the 'blue box' is an essential means for implementing the WTO Agreement on reducing market price support to farmers at a progressive pace. It is also important for addressing their 'non-trade' concerns. Continuation of the 'blue box' through the next round of trade talks is therefore indispensable for them. Since 'blue box' measures are less trade distorting and less production stimulating than 'amber' box measures, they believe that they should be viewed positively. Other countries believe that blue box measures were deemed as transitional programs in the Uruguay Round, and therefore need to be redesigned to meet the criteria of the 'green box'.

Developmental measures

37. IFAP supports the continuation of the exemption from domestic support reduction commitments for developmental measures in developing countries. These measures cover direct and indirect assistance for agricultural and rural development, providing that they are an integral part of the development programs of developing countries. Such measures include:

- investment subsidies which are generally available to agriculture in developing countries,
- agricultural input subsidies generally available to low-income or resource-poor producers in developing countries, and
- domestic support to producers in developing countries to encourage diversification in production.

'De minimis' level of support

38. IFAP currently supports the continuation of the 'de minimis' provision of the Agreement on Agriculture, which exempts from reduction commitments very low levels of trade distorting support in any particular year. This exemption applies to:

- product-specific support which does not exceed 5 per cent³ of the total value of production of the agricultural product in question
- non-product specific support which is less than 5 per cent of the value of total agricultural production.

Should the 'green box' be designed to give full flexibility to non-trade distorting policy measures?

39. IFAP believes that governments should have full flexibility in implementing truly non-trade distorting agricultural policy measures. This requires, however, a clear and verifiable definition of what is 'non or minimally trade distorting'. WTO must ensure that trade rules are observed. This does not mean that agricultural policies or production practices need to be standardized.

40. Agricultural production conditions vary considerably throughout the world, depending upon local climatic, topographical and ecological conditions. Also the expectations of society from their national agricultural sector varies. Flexibility is needed to accommodate the diversity of domestic policies formulated under diverse conditions in each country, so long as these policies do not have the effect of distorting international trade.

41. Regular notification of the functioning of 'green box' support measures must remain a priority for the WTO, in the normal process of exchange of information concerning the implementation of the Agreement on Agriculture. Further, a mechanism is needed in WTO to help governments determine in advance whether a program that they are developing will qualify for the 'green box' or not.

42. The WTO Agreement on Agriculture lists twelve types of domestic support measures that are eligible for the 'green box'. These measures are discussed below.

Government service programs

43. Government service programs covered by the 'green box' include:

- i. General services provided by governments:
 - public research programs, including general research, research in connection with environmental programs, and research programs relating to particular products

³ The 5 per cent threshold applies to industrialized countries; developing countries are allowed a threshold of 10 per cent.

- pest and disease control programs, including general and product-specific pests and disease control measures
 - agricultural training services and extension and advisory services
 - inspection services, including general inspection services and the inspection of particular products for health, safety, grading or standardization purposes
 - marketing and promotion services, including market information and advice, but excluding expenditure to confer a direct economic benefit to purchasers. (Government-funded export promotion programs are therefore excluded.)
 - infrastructure services, including electricity reticulation, roads and other means of transport, market and port facilities, water supply facilities, etc., but excluding subsidies on farm inputs.
- ii. Expenditures in relation to the accumulation and holding of public stocks for food security purposes. (Stockholding for purposes of supporting domestic market prices is excluded.)
 - iii. Expenditures in relation to the provision of domestic food aid to sections of the population in need.

44. Most of the regular programs of governments, particularly those in developing countries, are thus included in the 'green box'.

45. IFAP considers that the maintenance of all these government service programs is essential for the future of agriculture in all countries, provided that these programs do not distort trade. Full flexibility should be allowed in their implementation.

Direct payments to producers

46. The 'green box' also provides for the use of direct payments to producers, which are not linked to production. These payments to farmers from government have to meet the condition of not influencing the type or volume of agriculture production. In fact, no production may be required in order of to receive such payments. Direct payments currently allowed by WTO include three types of measures. These are:

Income support payments:

- iv. Direct payments to producers
- v. Decoupled income support measures

- vi. Income insurance and safety net programs
- vii. Natural disaster relief

Structural adjustment assistance:

- viii. Producer retirement programs
- ix. Resource retirement programs
- x. Investment aids

Certain specific payments under:

- xi. Environmental programs, and
- xii. Regional assistance programs.

47. Among the four categories of **income support measures**, IFAP supports the continued inclusion of payments for natural disaster relief in the 'green box'. However, it should be understood that "natural disasters" are events that are observed to occur infrequently.

48. IFAP recognizes that for farmers in many countries, it will not be possible to gain a reasonable income for their work from world market prices for agricultural products. It is acknowledged that some producers in some industrialized countries receive a significant portion of their net income from 'green box' payments. It is also acknowledged that most governments in developing countries are not able to support their producers in this way.

49. Policy measures are needed to help farmers manage economic risk. This means developing suitable income safety-net programs, and other risk management tools. The instruments used should be cost-effective, while at the same time not distorting production or trade.

50. Direct income payments from government are important instruments for rewarding farmers for certain services provided to society. However, it should be recognized that in practice they are mainly only available to farmers in the industrialized countries. Direct payments should have a clearly-defined goal, and support should not exceed the level necessary to achieve that goal. Direct payments should be managed with no, or minimal, effects on production.

51. IFAP is aware that publicly-funded government programs are either not available, or are inadequate, in many countries, particularly developing countries. Under these circumstances, the condition that only publicly-funded government programs are eligible for the 'green box' – and therefore cannot be attacked in WTO (non-actionable) - should be reviewed. Recourse should be allowed for the funding by producers themselves from levies on domestic and foreign sales or safety-net or income-stabilization programs, providing that such schemes are transparent. However, strict disciplines should be in place to prevent funding schemes which are trade-distorting.

52. **Structural adjustment assistance** is an important tool for governments to assist farmers to adjust to change. Such assistance does not interfere in the direction of change determined by market forces, but facilitates adaptation to that change in a less brutal way than under market forces alone. IFAP supports the continuation of such measures in the ‘green box’.

53. As a complement to “producer retirement programs” which are included in the ‘green box’, IFAP would like to see “programs for beginning farmers” also included.

54. The third category of direct payment programs to producers covers payments for **environmental programs, and regional assistance programs**. These are services relating to non-trade concerns.

55. For some countries, supporting the ‘multifunctionality’ of agriculture is a key policy objective. In the context of agricultural policy reform, support for the multifunctionality of agriculture means: promoting a competitive, market-oriented agricultural production sector, while at the same time meeting other concerns of society including food security, food safety and quality, environmental protection, and the viability of the rural areas. The OECD meeting of Ministers of Agriculture in March 1998 officially recognized such an objective, providing that the objective is sought in ways which maximize benefits, are most cost efficient and avoid distortion of production and trade.

56. The services provided by a multifunctional agriculture should be transparent and clearly defined. These services are those which:

- appear concurrently with agricultural production
- cannot be traded economically
- contribute to public welfare through the balanced utilization of national agricultural resources, and the harmonious management of national territory.

57. Such services include clearly-defined programs dealing with:

- environmental conservation, including preservation of biodiversity
- landscape and nature management
- sustainable management of renewable natural resources like land and water, including those which go beyond reasonable considerations of what constitutes good farming practice
- passing on rural traditions and culture
- maintenance of food security
- contributing to the socio-economic viability of many rural and less-favoured areas.

58. There is rarely a commercial market for such services; they are therefore public goods, and the extra cost incurred as a result should be rewarded by government payments.

59. Several nations have also introduced into the regulatory framework for their agricultural policy, strict rules covering ethical and other considerations on the way agriculture must operate. They cover items such as:

- animal welfare
- production and processing methods.

60. These are legitimate concerns of sovereign nations. However, the application of particularly strict standards raises costs for farmers by imposing requirements that go beyond reasonable notions of good farming practice. They place affected farmers under a severe competitive disadvantage on world markets. In such cases, WTO rules must allow for compensation payments to be made to affected farmers through government programs, provided that such payments are non trade distorting or minimally trade distorting

61. However, the model for compensating farmers for these constraints should be the same as for payments already included in the 'green box' under "environment programs". In other words, compensation should be limited to the extra costs or income loss caused by those stricter rules, and applied in a non trade-distorting way.

Should there be a limit on the total quantity of funds of 'green box' expenditures?

62. By definition, 'green box' measures are expected to be non-trade distorting or minimally trade distorting. Many IFAP members therefore oppose any limits being imposed on the total quantity of funds for 'green box' expenditures. Some countries, however, may wish to set limits for the amount of decoupled aid that can be received by any individual farm.

63. Domestic agricultural policies are being reformed in many countries in accordance with the reform process of the Uruguay Round Agreement on Agriculture (URAA). However, the efforts required of farmers to adjust to new domestic policy measures must not be underestimated. Adjustment assistance will continue to be needed in many countries, and should not be limited if it is non-trade distorting.

Should 'green box' criteria be expanded to give a better balance between "decoupled payments" and "income insurance" based programs?

64. Market price support to farmers, in many but not all WTO member countries, has been reduced significantly under the URAA reform process. Farmers are now more market oriented, and therefore more exposed to the volatility of world market prices. In this situation, a major challenge for policy makers is how to stabilize net farm incomes.

65. In many countries, farmers will be unable to negotiate direct payments for environmental services - and other characteristics of a multi-functional agriculture - on a permanent basis. However, governments are generally more prepared to inject funds into the rural economy in times of severe economic depression.

66. Today, such payments in bad years are normally not permitted under WTO 'green box' rules, since they distort markets. They can therefore be challenged and countervailed.

67. More effort needs to be directed towards safety-net programs to stabilize farmers' incomes. These should be designed in such a way as to not interfere with markets and trade.

68. At present, WTO rules provide adequate flexibility for 'decoupled payments' to producers, but are very restrictive in terms of the use of 'income insurance' based programs. Yet direct payment programs are only affordable by the richer countries, whereas income support programs are accessible by countries with fewer financial resources.

69. IFAP feels that in order to qualify for 'green box' status, whole farm revenue insurance schemes should be designed as one of the safety net programs which have no, or minimal, incentive on production. 'Green box' criteria for whole farm revenue insurance schemes, should not be restricted to one model as in the present Agreement on Agriculture, namely 70 per cent of a previous three year average.

70. Each country's agriculture reflects its unique geographic and socio-economic circumstances. 'Green box' criteria should therefore only be standardized to the extent necessary to ensure that policies are non-trade distorting.

IV. SANITARY AND PHYTOSANITARY AGREEMENT

71. Strict measures must be taken to safeguard human, animal and plant health and to protect the environment. Consumers must have full confidence in the safety and wholesomeness of their food whether from domestic production or from imports alike. Farmers' organisations in IFAP call attention to the following points:

- A well-functioning SPS agreement is one of the most critical features of the WTO agreements for all farmers. It is therefore necessary that measures be better defined in order to take into account, on the one hand scientific aspects, and on the other hand justifiable demands and requirements of society in the area of acceptability of products.
- It is essential that the SPS measures should not be used as barriers to trade. However, when scientific opinion is clearly divided, countries should be permitted to apply the precautionary principle with respect to allowing in imports of a particular product.
- In order to ensure an efficient well-functioning science-based system, standard setting bodies such as the Codex Alimentarius need more resources to meet their new responsibilities under the Uruguay Round agreements, and to allow the Codex process to become more participatory.
- A faster response from control bodies is necessary to keep up with the rapid pace of technological development, especially at national level. It is in the interest of the public and the environment that more efficient and speedier registration procedures for sanitary and phytosanitary drugs are established.
- Greater visibility and transparency of the standard-setting process is essential, in order to raise its profile and promote increased farmer and consumer confidence in

science-based applications and systems of implementation. In this regard, the existence of an independent approval body is an asset.

- It is essential that farmers' organisations participate more actively, via their governments, in standard-setting bodies like the Codex Alimentarius and OIE which are reference points for WTO agreements, to ensure that food safety and environmental issues from a farmer perspective are taken into consideration.

V. TRADE AND DEVELOPING COUNTRIES

72. In many developing countries, the farm sector is not only the most populous sector in society, it is also crucial to economic performance, export earnings, social cohesion and local food security. Recognising that developing countries are at differing stages of development and therefore have different needs, farmers' organisations in IFAP:

- urge that higher priority be given to issues affecting developing countries within the multilateral trade framework. In the next round of negotiations, particular attention should be given to the liberalisation of sectors of traditional interest to developing countries, such as footwear, textiles, processed and semi-processed agricultural products.
- urge that parallel to multilateral negotiations to open world markets, national governments implement internal policy measures so that the benefits of any growth in agro-exports reach down to small-holder level;
- request that a major effort be made to negotiate significant reductions in tariffs on processed and semi-processed agricultural and food products of export interest to developing countries;
- insist that trade rules should not be used to impose unfair standards on developing countries;
- encourage developing countries to organise themselves to deal with both the substance and process of the WTO system to ensure balanced input into the negotiating process. In this respect, a programme of training for developing countries farm leaders should be undertaken to further their understanding of the implications of the Uruguay Round for the farm sector and the technicalities of the agreement so that they are better able to promote their interests in future negotiations;
- propose that the protocol dealing with the net food-importing countries be reviewed so as to bridge the gap between intentions and realisations. Further, other specificities of developing countries might also be included e.g. those relating to small island states, landlocked countries, etc.
- request that support promised to developing countries in the Uruguay Round agreement be placed on a firm contractual basis. This support is essential to bring

their laws, policies and technical capacities into line with Uruguay Round agreements and international standards, through training in the full spectrum of trade-related technical issues, from legal and analytical questions to trade and trade-related policy formulation, strengthening of institutional capacity and trade support and promotion.

- underscore the importance of the sequencing and pacing of reforms, so that smallholder farmers - already handicapped by social and economic constraints - are not exposed to intense competition before infrastructure is improved. Consideration could be given to establishing formal links between the level of assistance received to adjust to the reform process and the speed of opening of their markets. The reduction of overseas development assistance over the last decade must be reversed, and the pledge to commit to 0.7 per cent of GNP to development assistance respected.
- recommend targeting development cooperation at the specific needs of the least developed producers to assist them in benefiting from market opportunities and in overcoming supply side constraints, at the same time, building up domestic markets.

73. IFAP's views on "trade-related preferential treatment for developing countries" are developed further in the next section of this statement.

VI. TRADE-RELATED PREFERENTIAL TREATMENT FOR DEVELOPING COUNTRIES

74. There are serious imbalances in the agricultural trading system against farmers in the developing countries. In order to ensure a 'level playing field' in agricultural trade, it is essential to rectify these imbalances.

75. Farmers recognize that trade is important for generating economic growth and improving the standard of living of the world's peoples. However, experience over the last five years shows that commitments made under the WTO trade agreements are currently insufficient to contribute to the eradication of poverty, and promote an economically, socially and environmentally sustainable path for agricultural development.

76. A much higher priority needs to be given to the concerns of developing countries in the new trade round. This is one of the main demands of IFAP. However, as a condition, any trade preferences given to developing countries must actually benefit the farmers in those countries. As the recent United Nations Conference on Trade and Development (UNCTAD) emphasized, "improving market access, resolving issues relating to the implementation of WTO agreements, fully implementing special and differential treatment, facilitating accession to the WTO, and providing technical assistance are key to a multilateral trading system that is fair, equitable and rules-based and that operates in a non-discriminatory and transparent manner and in a way that provides benefits for all countries, especially developing countries."

77. The agenda for the WTO Millennium Round should include the following concerns of farmers in developing countries.

Market access

78. Improved market access and preferences must be provided to all the exports from the least-developed countries. There are 41 countries in the 'least-developed' category, yet today they only account for 0.5 per cent of world trade. Significant efforts need to be made to integrate these countries into the multilateral trading system.

79. Developing countries, in particular the least-developed countries, need more marketing opportunities for their exports of both primary and value-added products in the markets of the industrialized countries. At the same time, international trade should assist, the desire and efforts of every nation, including net food importing developing countries, to attain food security out of its productive resources. This will not affect trade, since farmers in net food importing developing countries practice mainly subsistence farming and do not produce for export.

80. A major effort must be made by industrialized countries, in a concerted manner, to secure early progress on improving market access for the food and agricultural exports of developing countries, and in particular the least developed countries. This should be done on a product-specific basis (4 or 6 digit HS code).

81. A much clearer definition of what constitutes a developing country is needed in WTO rules for the purposes of applying any increased trade preferences to developing countries. Further, criteria will be necessary to determine when a country has become internationally competitive in certain commodities and no longer qualifies for developing country status in the production and export of those commodities. WTO rules should be established for developing countries to graduate to full WTO obligations using objective economic criteria.

Domestic support

82. With the signing of the Treaty of Marrakech in 1994 – which marked an end to the last trade Round - many developing countries consolidated commitments on internal support and tariff protection at levels so low that it is very difficult for them to develop their own local agricultural sector. For example, 61 out of 71 developing countries consolidated domestic support levels (AMS) of zero. Even if they wanted to subsidize their agriculture, very few developing countries have the funds to do so. Others are committed by the conditions attached to loans from the World Bank and IMF, as well as by WTO rules, to not raising domestic support above this zero level. In contrast, industrialized countries have negotiated much more flexibility under the WTO Agreement on Agriculture to retain various support mechanisms.

83. This situation is to the disadvantage of producers in developing countries, so that fair trade competition does not exist at the moment. The result of not having a 'level playing field' is continuing poverty in the rural areas, rural exodus and increased dependence of developing countries on imports from the industrialized countries.

84. In the next round of WTO negotiations, it is important to allow the developing countries flexibility to develop local agriculture and production.

Technical assistance

85. In the Marrakech agreement, developing countries were promised increases in technical assistance. However, little has been forthcoming in practice.

86. IFAP requests that, in the new Round of trade negotiations, the support promised to developing countries in the Marrakech agreement be placed on a firm contractual basis. This support is essential to bring laws, policies and technical capacities in the developing countries into line with their commitments in WTO.

87. Support for agricultural development in developing countries must, as a priority, allow for a better organization of agricultural producers. Such capacity building is an essential condition for beneficial and sustainable growth. The next Round of WTO negotiations should favour such initiatives.

88. Training is needed in the full spectrum of trade-related technical issues from legal and analytical questions to trade and trade-related policy formulation, and strengthening of institutional capacity.

89. The WTO “Integrated Framework for Least-Developed Countries”, which involves the World Bank and others in technical support for trade in WTO, is a good initiative to help developing countries meet their implementation obligations, and participate in the WTO process. However, the Integrated Framework is desperately under-funded. This is an unsatisfactory situation just when a new trade round is in prospect, and need for technical support by developing country negotiators is greatest.

90. The Millennium Round should include on its agenda, a substantial increase in budgetary resources for technical assistance to developing countries.

91. Technical assistance is essential to facilitate increased participation of developing countries in both the substance and process of the WTO system to ensure balanced input into the negotiating process. In this respect, a programme of training for developing countries farm leaders should be undertaken to further their understanding of the implications of the Uruguay Round for the farm sector and the technicalities of the agreement so that they are better able to promote their interests in future negotiations.

92. External assistance, or development cooperation, is extremely important in the context of helping farmers in developing countries to adjust to the constraints and opportunities of the Marrakech agreements. Indeed, a much higher priority needs to be given to the specific needs of developing countries, including increasing technology transfer, capacity building, and infrastructure. However, this is dealt with more appropriately in other fora than WTO, such as

the World Bank and the specialized agencies of the United Nations⁴. In the WTO context, special treatment for farmers in developing countries must be strengthened in other ways.

Special and differential treatment for developing countries

93. Since the application of the Marrakech Agreements in 1995, FAO analysis shows that there has been little change in the volume of agricultural exports from developing countries. At the same time however, food imports have been rising rapidly, following liberalization and low tariffs imposed under structural adjustment schemes of the World Bank and the IMF, and consolidated in WTO.

94. The Uruguay Round agreements recognize the specificity of the developing countries. They currently include Articles 6.2 and 6.4(b), as well as the increased *de minimis* provision of 10 per cent - compared with 5 per cent for industrialized countries – for the support reduction threshold.

95. Special and differential treatment for developing countries must not only be maintained, but should be strengthened in recognition of the disparities not only in the levels of development compared with industrialized countries, but also as a necessary corrective measure given the wide leeway given to industrialized countries concerning their support measures.

96. The sequencing and pacing of reforms is critically important, so that smallholder farmers - already handicapped by social and economic constraints - are not exposed to intense competition before infrastructure is improved. Consideration could be given to establishing formal links between the level of assistance received to adjust to the reform process and the speed of opening of their markets. The reduction of overseas development assistance over the last decade must be reversed and the commitment to 0.7 per cent of GNP respected.

97. However, this is not sufficient to level the playing field with the industrialized countries. More flexibility is needed for developing countries to manage domestic farm policy to address non-trade concerns, such as food security, rural development and poverty eradication. For example, special and differential treatment should be accorded to enable farmers in developing countries to undertake agricultural diversification, particularly if there is a need to shift to other crops wherein they have better comparative advantage. Without this flexibility, it will be very difficult to develop local agriculture so that small farmers can survive, and rural poverty be reduced.

98. Achieving both household and national food security is one of the most important problems facing developing countries. A chronic lack of resources severely handicaps developing countries in developing their agriculture in a global economy in competition with industrialized countries. WTO trade rules must be drawn up in such a way as to contribute to the attainment of food security in developing countries. All forms of export support by industrialized countries (as mentioned in paragraph 56.ii) on products of commercial interest

⁴ See IFAP policy document: “Rural Poverty and Sustainable Development”, June 1998

to developing countries, and the lack of adequate transition periods for liberalizing trade in certain products in developing countries, are harmful to farmers in developing countries in their efforts to produce for their own needs and those of urban centres in their countries.

99. Net food importing and least developed countries should have the right to protect their internal market, particularly when a collapse of world market prices undermines their efforts to develop domestic production.

Agreement on Sanitary and Phytosanitary measures (SPS)

100. Sanitary and Phytosanitary standards in many industrialised countries are being strengthened in response to increasing concerns of consumers, and to priorities being given by governments in the industrialised countries to issues of human, animal and plant health. In spite of Article 10 of the SPS Agreement which provides for special treatment for developing countries when setting SPS standards, few developing countries have been able to fully adopt SPS standards. Several nations have stressed that governments have a sovereign right to decide what level of health protection is appropriate for their population. The appropriate level of protection is only achieved through SPS measures that must be justified scientifically. Even provisional measures must have some scientific basis and must be given full scientific justification within a reasonable amount of time.

101. Financial and technical resources will be needed for developing countries to enable them to develop equivalent standards that objectively show that the measure meets an importing country's appropriate level of protection. A commitment to make such resources available needs to be made.

Marrakech decision on the least-developed and net-food importing developing countries

102. The ministerial decision taken in Marrakech concerning the least-developed and net-food importing countries is, unfortunately, not a binding agreement. Rather it is a statement of good intentions which remain largely unfulfilled.

103. In the next Round, IFAP proposes that this 'Decision' be reviewed so as to bridge the gap between intentions and realisations. For example, funding for concessional import facilities could be set up for when domestic food prices in these countries reach a certain level. In addition, IFAP is requesting that other specificities of developing countries should also be included in this protocol e.g. those relating to small island states, landlocked countries, etc.

104. Food aid to developing countries should be subject to a set of disciplines in WTO. An internationally-recognized code of conduct should be drawn up in the appropriate international forum. Countries which follow this code would be deemed to be in compliance with their WTO obligations. An international code of conduct on food aid shipments should meet the following criteria:

- be destined as a priority to countries practising 'good governance'

- be directed towards the most needy populations
- not disturb internal markets
- not be tied to commercial contracts
- allow any financial benefits obtained to be used for agricultural development.

Intellectual property rights

105. The present system of protection of intellectual property rights does not protect the traditional knowledge of indigenous communities. For example, efforts made by farmers in developing countries to develop local food and medicinal plant varieties over generations.

106. The new Round of negotiations should set up a multilateral legal framework to effectively protect traditional knowledge of rural communities, particularly farmers' heritage rights.

107. This can be done in the context of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

108. Another problem for farmers of the TRIPS agreement concerns transfer of technology. In spite of globalization and trade liberalization, developing countries only account for 6 per cent of global research and development expenditures. Technological developments are still firmly centred in the industrialized countries.

109. Article 7 of the TRIPS agreement states that "...the protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology...". These are good words, but the required technology transfer is not happening. This Article needs to be made operational in the new Round.

110. Intellectual property rights cover many issues of concern to many countries, such as patenting of whole life forms, geographical indications of product origin, and technological innovations. Concerning geographical indications of product origin, IFAP considers that it is important to strengthen international protection of these indications, especially for wines and spirits. Technical, legal and financial assistance is needed by developing countries in the area of intellectual property rights.

VII. ISSUES WHICH HAVE A BEARING ON AGRICULTURAL TRADE

Instability in world markets

111. Consideration should be given in WTO to addressing the causes - as opposed to only the effects - of instability in world agricultural markets. World market prices of agricultural products often do not reflect the reality of costs of production. Rather, they are the result of the balance between supply and demand at a given point in time. Under certain conditions, the world price can be below the costs of production of even the most competitive producers.

IFAP therefore recommends the following:

- i. Supply management programs such as land set aside, stock management, programs to encourage non-food uses of farm products or farm land - such as bio-fuels or conservation reserves, food aid combined with development programs would be undertaken with the objective of providing an agricultural 'safety net'.
- ii. Establishment of effective WTO rules to discipline the use, and provide for the reduction, not only of direct export subsidies but also indirect export assistance of any kind.
- iii. Cooperation between the International Monetary Fund and the WTO to examine ways to take account of the destabilizing effects on international agricultural trade of large swings in currency exchange rates by building a new system of international payments.

Trade preferences and commodity protocols

112. Certain preferential trade measures and commodity protocols have been important development instruments to promote and diversify the economies of developing countries. These preferential agreements must be maintained into the future. Farmers' organisations in IFAP:

- consider that trade preferences are not trade privileges, but rather a way of ensuring that certain developing countries are able to participate in international trade along with stronger industrialised economies. In a context of global reform and deregulation, trade preferences are needed to help certain developing countries to increase exports, diversify and improve competitiveness, e.g. island states with small populations and remote markets;
- recognise that the elimination of trade preferences, or a reduction in their value, could have a devastating effect on the economies of some developing countries. This could lead to severe economic hardship and social upheaval particularly for those countries which are heavily dependent on one commodity export, and have difficulty diversifying their agricultural export crops.
- suggest improved coordination between development programmes, technical cooperation and trade policies; taking care that preferences and wider trade development assistance be targeted to enhance the market opportunities of small and medium sized producers, within WTO commitments.
- note the importance of coherence in industrialised country policies so that they complement and do not undermine efforts of developing countries to become more active trading partners.

Regional Trade agreements

113. Liberalisation is gaining momentum within the framework of many regional trade agreements, many of which have built-in timetables for achieving freer trade including in the agricultural sector. However, some regional trade agreements have quite different timetables for labour standards, environmental and market access commitments, and elimination of tariffs which add to confusion and concern. Furthermore, when SPS agreements become regional, major trade issues between regions can develop. Farmers' organisations in IFAP:

- assert that all trade negotiations must be approached in a coordinated fashion to ensure that trade agreements and initiatives complement each other, and are integrated into the multilateral process;
- point out that in some cases, such agreements could be important instruments for strengthening the negotiating position of developing countries in world trade, especially the smaller, more fragile economies. Special and differential treatment for developing countries should extend to allowing more flexibility (longer transition periods, etc.) for the plans and schedules of Regional Trade Agreements among developing countries, compared with RTAs among industrialised countries;
- highlight that where such agreements are negotiated for political reasons, that there be a balance between costs and benefits and burden-sharing between the different economic sectors. Where the agricultural sector is unduly affected, provision should be made to assist in the adjustment process;
- believe that while regional trade agreements can contribute to the enhancement of farmers' livelihoods and world food security, global trade agreements are preferable.

Trade-Related Intellectual Property Rights

114. Farmers recognise that the substantial investment made by the private sector for research and development into new technologies and inputs must be recovered through royalties under intellectual property protection. Farmers' organisations call attention to the following points:

- Strengthened intellectual property regimes of the WTO are important in stimulating innovation and in encouraging investment in research and development.
- Higher prices for protected technologies and products could inhibit the transfer of, and access to, much needed technology to developing countries. This requires special attention in the WTO agreements to the terms of transfer of technology to developing countries.
- Measures are necessary to ensure equitable compensation and protection for traditional or community-based knowledge to local communities for use of source

plant and animal material in the TRIPs agreement.

- As technology becomes increasingly private and patented and therefore possibly more expensive and less accessible to developing countries, there is a need to look to increased public funding for technological development internationally, for example in the CGIAR network.

Trade and Environment

115. Environmental measures are likely to play an increasingly important role in the way in which agricultural commodities are produced, processed and marketed. Farmers' organisations in IFAP call attention to the recommendations outlined in its policy statement: *Trade and Environment - a farmers' perspective* adopted at its 32nd General Conference in 1996. They further emphasise that:

- in order to ensure that, on the one hand demands for trade liberalisation do not undermine legitimate domestic environmental policy concerns, and on the other hand that environmental measures and criteria are not used as barriers to trade in agricultural products, international trade must comply with a number of environmental rules agreed to in the WTO;
- eco-labelling and other applications of environmental standards should be subject to WTO disciplines no less rigorous than disciplines placed on the application of other standards,
- sufficient information must be made available to developing countries to enable them to adjust to changes in environmental standards of all types and to take advantage of the increasing demand for environmentally-friendly goods. Technical assistance for capacity building at all levels will be necessary.

VIII. NEW ISSUES

116. The world trade scene is evolving very fast. There are many new issues emerging that could impact on farmers and affect the rural areas for many years to come. It is important that farmers' organisations take account of these trends to ensure that agricultural trade liberalisation does not result in rising inequalities, destabilisation and marginalisation of the more vulnerable sectors of the farming community.

Investment and Investment flows

117. Since the deregulation of international capital markets, foreign direct investment is increasing faster than international trade and needs to be disciplined by rules under the WTO. A Multilateral Agreement on Investment is currently being negotiated in the OECD and discussed in WTO. The possible implications of such a liberalisation agreement are of

concern to all countries. Farmers' organisations in IFAP:

- are greatly concerned that least-developed countries are being by-passed by private capital transfers, which are replacing aid as the main channel for financial flows to developing countries, marginalizing those most in need of investment. Substantial investment resources are needed in the third-world to develop the processing and value-added side of their essentially agricultural economies;
- stress that there should be clear rules to ensure that the benefits flowing from natural resource exploitation result in infrastructure, research and domestic development;
- insist that adequate domestic policies are in place to prevent the natural resource base from being depleted, which would result in few lasting national benefits;
- propose inclusion of investment guidelines for development to prevent misguided commercial investment in agriculture that results in the unfair displacement of small holders from their land, especially in situations where tenure is traditional or community based;
- call attention to the need for the negotiations on the Multilateral Agreement on Investment to take into account the concerns expressed above;
- urge developing countries to promote joint ventures in agro-industry with a view to enhancing their competitive capacity.

Competition Policy

118. Rules on competition policy are required to ensure that open markets function competitively in an often imperfect market situation. These would apply discipline to prevent potential abuses of market power. Farmers' organisations in IFAP:

- stress that with increasing industrial concentration in the input, processing and marketing sectors, farmers are becoming more and more dependent upon the strategic policies of transnational corporations;
- are concerned that as their percentage of market share increases and approaches a monopoly position, transnational corporations could manipulate markets and stocks through predatory pricing practices and depress prices received by farmers for their products. An effective international competition policy is needed in order to ensure that international market power does not become abuse of international markets.
- insist that farmer-owned cooperatives and other collective producer marketing institutions continue to be given special status and legislation reflecting their specific nature and characteristics.

State Trading Enterprises

119. Although State Trading Enterprises (STEs) are now subject to the rules on market access and subsidies as stipulated under the provisions of the Agreement on Agriculture, their continued activities in certain areas have led some countries to express concern that they may be being used to circumvent Uruguay Round commitments.

120. It is important to draw a distinction between state trading enterprises which are owned and controlled by governments, and producer-controlled commodity boards operating under government legislative authority.

121. Governments have developed different forms of marketing structure which permit farmers to deal effectively with their buyers and give them the leverage to successfully deal with the limited number of firms dominating the market. These include agricultural marketing boards, agencies and commissions. Farmers' organisations:

- advocate the right to maintain non-trade distorting marketing structures;
- note that the impending accession to the WTO of countries such as China and Russia, both of which use central purchasing organisations to set the basic terms of trade and marketing, requires transparency of their operations;
- support WTO rules that confirm the right of countries to grant marketing bodies the power to regulate the volume of domestic product market, to operate a central desk selling agency and to pool returns providing they are non-trade distorting in their operations.

Trade and labour standards

122. The liberalisation of international trade has increased awareness of the lack of core labour standards in many countries. This is an important issue. Farmers' organisations in IFAP believe that:

- it is important to recognise that developing countries have a competitive advantage with lower labour costs and that trade barriers must not be invoked to counter this advantage;
- trade should not entrench a country's lack of core labour standards; rather it should have a dynamic effect with the goal of expanding opportunities, improving working conditions and raising wage levels in developing countries;
- WTO should cooperate with the International Labour Office (ILO) in dealing with labour standards. ILO has the necessary competence in this area while the WTO has the necessary rule enforcement ability;

- unilateral trade measures should not be used to impose or enforce labour standards.

IX. CONCLUSIONS

123. IFAP supports the development of a coordinated and equitable agricultural trade policy for all farmers. In continuing the reform process in the upcoming WTO negotiations, governments must take into account the special nature of agriculture and its vital contribution to the survival and development of rural economies. In other words, governments should strive to ensure that in the process of trade liberalisation full account is taken of all the costs and benefits so that even countries without natural comparative advantages can make economic and social progress.

124. The new trade rules encourage and promote food production among the most economically efficient and capable. This could lead to significant changes in some communities, especially in more marginal farming regions which may require support from their governments to manage the transition.

125. There is a need therefore, to guide or direct trade liberalisation to ensure that balance and equity are built into trade rules so that they contribute towards economically, socially and environmentally sustainable development.

126. As the preparatory work of the WTO leading to the 1999/2000 negotiations begins, farmers' organisations in IFAP must be fully involved and consulted from the outset, not only on specific issues but on the overall focus and direction. For this, IFAP member organisations must have access through their governments, and IFAP must have direct access (i.e. not through governments) to the WTO so that the views of farmers can be made known.