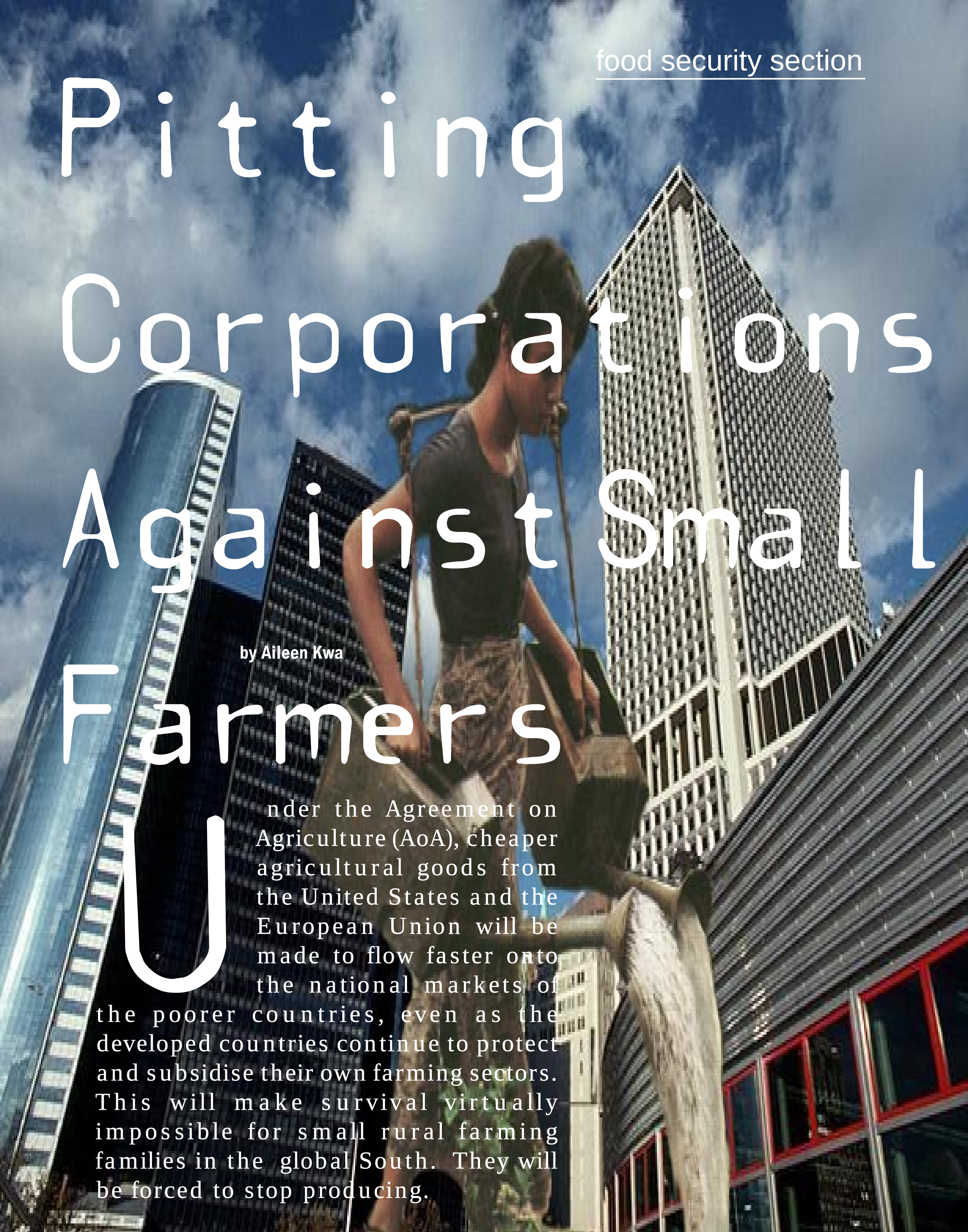

Pitting Corporations Against Small Farmers

by Aileen Kwa

Under the Agreement on Agriculture (AoA), cheaper agricultural goods from the United States and the European Union will be made to flow faster onto the national markets of the poorer countries, even as the developed countries continue to protect and subsidise their own farming sectors. This will make survival virtually impossible for small rural farming families in the global South. They will be forced to stop producing.

For developing counties to be able to compete under the AoA proposed by the World Trade Organization (WTO) they have to lower what already are quasi-slave wages. Unable to live on such substandard income, family members look for other sources of income away from the farm. The younger women set out to find work in urban poor areas or go abroad as low-skilled workers. The men also try to seek employment outside of the community, leaving the weaker ones to survive as they can or until there is money to send home. The older women, who are usually tired and ill, are left to care for the children and family. The impoverishment of the rural worker in Asia because of international agreements is well documented in the region, along with the social problems of migration.

It is not only in the developing countries that the rural workers become impoverished. According to Anuradha Mittal of Food First based in Oakland, California, US farmers have been hurt under WTO agreements, as corporate interests have taken over subsidies. It is the agribusinesses that benefit from the protectionism espoused by the US for American farmers.

Diverse Women for Diversity against the AoA

This November, the World Trade Organization (WTO) will hold negotiations on the Agreement on Agriculture in conjunction with the WTO Ministerial Meeting in Seattle, Washington, USA.

To make their voices heard in this meeting, parallel activities are being organised by Diverse Women for Diversity, a network of individuals and women's organisations working around the issues of rural women and international trade agreements. These activities are:

Diverse Women Food Festival, 29 November
Diverse Women Americas Day, 30 November
Diverse Women Global Issues, 1 December

All of us cannot attend this meeting but we can ask our national governments to make public their strategy on the negotiations and have them inform the public how they will protect the role of their national poor farmers. It would be most significant to find out what plans the negotiating officials have to empower women in agriculture. We must insist that the negotiators be well versed in the impacts of international trade agreements on the poor and particularly on rural women.

What's behind AoA?

Agriculture was theoretically always part of the General Agreement on Tariffs and Trade (GATT), but was never effectively governed by GATT rules. This was because, in the 1950s, the US insisted on being allowed to maintain their protective mechanisms for various agricultural commodities, even threatening to leave the GATT if prevented from doing so. This was how it was issued a "non-time-limited waiver" on agricultural products, allowing it to restrict agricultural imports and grant big subsidies to American farm products.

But by the 1970s and 1980s, from being a net agricultural importer, Europe became an agricultural exporter, due to the high level of farm subsidies in the European countries. Consequently, US farm exports dropped from US$44 billion, to US$26 billion in the 1970s. At the same time, the Europeans and the North Americans were also waging a subsidy war to win third-country markets for their products. By the 1980s, this subsidy war was getting too costly for both sides. The main victims, however, were the farmers in developing countries, such as the small-scale cattle growers of west Africa and south Africa, who were driven to ruin by low-priced exports of subsidised beef from the European Union.

The impetus behind reintroducing agriculture in the GATT/WTO was really the US and EU wanting to ensure access to third-country markets in a way that would not be increasingly more costly to themselves. The rhetoric about trade liberalisation is the tool they are using to further open up the markets they have earmarked for their exports, largely the developing countries. Based on comparative advantage, the argument goes,

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photo of woman farmer courtery of FAO

countries should specialise in producing and exporting goods which they are able to produce cheaply, and without government support. At the same time, they should lower their market barriers to allow cheap imports to come in. This way, consumers all over the world would be able to procure food at lower prices.

At the time of the Uruguay Round, the developing countries agreed to the AoA having been made to believe that with liberalisation in the developed countries, i.e., lower subsidies and reduced tariff barriers, they would gain better access to the markets of these countries.

In reality, however, these expectations have not materialised. Subsidy and tariff levels have not been lowered in the developed countries. The countries of the South, however, are obliged not only to accept tight limits on subsidy levels which are already low, but are also forced to open up their markets. Significantly, small farmers in the South, and also in the North, are being pitted against the giant agribusiness corporations which are the prime beneficiaries of the existing AoA policies.

While developed countries have been able to continue high subsidy levels, developing countries have been prohibited from increasing their subsidies because they had not previously supported agriculture.

The Bones of the AoA

The agreement covers three main areas:

1. *Market Access*

In this area, countries have agreed to convert all their nontariff barriers into tariffs. These tariffs have to be reduced by 36 percent for developed countries and 24 percent for developing countries over six and 10 years respectively.

Very importantly, countries also agreed to allow a set amount of imports of all products into their borders. This level was 4 percent of domestic consumption for developing countries and 5 percent for developed countries.

2. *Domestic Support*

Countries agreed to reduce domestic supports by 20 percent for developed countries and 13.3 percent for developing countries.

However, certain categories of support were introduced which are not subject to reduction commitments, and largely benefit the subsidy structures already existing in the US and the EU.

3. *Export Subsidy*

Developed countries are required to reduce their export subsidies by 36 percent, and developing countries by 24 percent over six and 10 years respectively. Countries are also required to reduce the subsidised exports by 21 percent and developing countries by 14 percent.

The Tricks of the Trade

While these commitments make an impressive list, the reality is much less so. The following analogy (borrowed from Kaukab of the South Centre, an intergovernmental organisation in Geneva) sums up the power disparities at play in the positions of countries in agricultural trade governed by AoA rules.

Some big boys were playing basketball in a courtyard and in the process they were breaking many windows. They decided that they should really control the situation, and they should play their game outside the courtyard. But since playing inside the courtyard was so enjoyable, they agreed among themselves that instead of breaking 100 windows, they would limit themselves to 80 windows.

Some new kids came along to join the game. The big boys told them: "Since we got here first, we can continue our game and we will break only 80 and not 100 windows. But because you are newcomers, you have to play outside. Furthermore, you are not permitted to break any windows."

FAO photo

Women farmers hardly have a choice on what crops to grow

This is a simplistic analogy, but sums up the power disparities and the unequal playing field of the AoA between the developed and developing countries. While developed countries have been able to continue high subsidy levels, developing countries have been prohibited from increasing their subsidies because they had not previously supported agriculture. Essentially, the results of implementation of the AoA have been as follows:

1. The expected market access opportunities for developing countries did not materialise. In fact, in some cases, market barriers even increased and Northern markets continue to block the entry of products from developing countries. This is because the US and EU, for example, converted their nontariff barriers to very high tariff rates, especially for those products they themselves produce.

Furthermore, it is the major agricultural staple foods—meat, sugar, milk, butter, cheese and cereal, products that are in most demand—which receive the highest tariff protection by the developed countries.

2. Rather than decrease, the level of domestic supports by the US and EU in fact increased slightly. This was possible despite their reduction commitments because of the way the rules of subsidy reduction were determined. In effect, a situation was created in which the developed countries, such as the US and EU, did not in reality have to reduce their subsidies in order to comply with the reduction commitments. Furthermore, developed countries such as the EU are readjusting their subsidy policies so that increasingly, they fall into the categories that are considered legal by the WTO.

Overall subsidy levels for the US in fact increased slightly in 1996, over the 1993-1995 average, from US$23.4 billion to an estimated US$25.5 billion. Similarly, for the EU, subsidies have marginally increased from US$84.9 billion to US$85 billion.

Although some subsidies are allowed because they are said to be less trade-distorting (the so-called "green" and "blue boxes") these are not conducive to the needs of most cash-strapped developing countries. Therefore the AoA has made it possible for the North to continue their high subsidies through these mechanisms, but deprives the South such effective tools of protection as tariffs and nontariff barriers.

3. Any significant export subsidy reductions have been avoided by the developed countries since reductions are calculated based on aggregates, so that the most sensitive products continue to receive export subsidies while subsidies were cut on less sensitive products. To further water down their commitments, some countries, such as the US, are now partly subsidising their exports through policies they have placed in the "green box" (for example, the credit guarantee programs to American exporters).

In effect, therefore, the developed countries have not opened up their markets, and have certainly not decreased their subsidy levels.

CAN CORPORATIONS FEED THE WORLD?

The answer to that question is simply NO. Yet, the AoA has been used by governments in the developed countries to advance the interests of agribusinesses at the expense of small farmers in the North and South. In the North, subsidies have been readjusted for the benefit of big agricultural corporations, squeezing the small farmers out of business. In the South, a crisis of food insecurity is being created by the liberalisation of agriculture according to the designs of the AoA and other related policies such as IMF and World Bank packages.

Farmers in the South, making up 60 to 90 percent of the population in these countries, lose their only source of employment when barriers are brought down and subsidised agricultural products flood the markets. Cheap imports also mean importing unemployment and hence poverty. There may be cheaper food on the shelves, but this is unobtainable to the large majority, if they do not have sufficient foreign exchange to import the food they need, no matter how cheap it may be. They are also very vulnerable to fluctuations in the prices of food.

Real food security, as most people in developing countries already know, means food sufficiency at the local and regional levels. This is not only the most environmentally sustainable system of food pro-

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duction, it is also the only way in which the people all over the world will have access to adequate and nutritious food.

The North's logic of food insecurity, i.e., agribusinesses producing food for sale to the rest of the world, is the perfect profit-making recipe for these corporations. But for the developing world's food security, it also means sure disaster. We only need to look at the financial crises that are wrecking the economies of the developing countries. From Indonesia, to Russia, to Brazil, drastic currency devaluations have priced imported foods beyond the reach of most people, leading to widespread social and even political upheaval.

In the upcoming review of the AoA at the World Trade Organization, it is crucially important for the developing countries to block any further liberalisation in agriculture. Instead, developing-country governments must voice the interests of their people at the WTO, and refuse to be bullied into silence. The agricultural sector should receive the protection needed to ensure that domestic production is nurtured rather than dismantled. Developing-country governments cannot afford to subsidise their farmers through green and blue box-type policies. Instead, the use of tariffs and nontariff barriers should be brought back so that countries can protect and nurture their own local production. Export dumping should also be allowed to subsidise their local producers to whatever levels required, as long as they do not export the subsidised produce.

The South should stop cash-crop programmes which do not meet the food needs of their people, and instead produce a diversity of foods that can bring about their own local or regional food self-sufficiency. International trade policies such as those of the WTO must support rather than destroy the domestic interests of its members.

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