



Slow Trade – Sound Farming

A Multilateral Framework for Sustainable Markets in Agriculture



HEINRICH
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 Wuppertal Institute
for Climate, Environment
and Energy



This document has been produced with the financial assistance of the European Union. The contents of this document are the sole responsibility of Misereor and Heinrich-Böll-Stiftung and can under no circumstances be regarded as reflecting the position of the European Union.

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Published by Heinrich Böll Foundation and MISEREOR

Printed in Germany, April 2007

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Bischöfliches Hilfswerk MISEREOR e.V.

Layout Michael Pickardt

Production MVG-Medien-Produktion Aachen

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Available for download at www.ecofair-trade.org

The following publication does not necessarily represent the views of the publishers.

ISBN 978-3-88916-271-7

Photos Misereor (2/3, Cover), Erika Barahona Ede (9), dpa (14, 19), Maurice Oudet (75, Cover), KNA-Bild (26, 49)

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North American Regional Consultation

Washington D.C., USA
September 2006



European Regional Consultation

Brussels, Belgium
November 2006



Mexico and Central American Regional Consultation

Teotihuacán, Mexico
October 2006



West African Regional Consultation

Mbour, Senegal
February 2006

South American Regional Consultation
Curitiba, Brazil
August 2006





German
Regional
Consultation
Berlin, Germany
October 2006



EcoFair Trade Dialogue
panel discussion
Hong Kong
December 2005



Asian Regional
Consultation
Chiang Mai, Thailand
May 2006

THE ECOFAIR TRADE DIALOGUE

New Directions for Agricultural Trade Rules

Acknowledgements

This report is based on an extensive international dialogue, which drew upon a broad range of ideas, experiences and insights from a large number of stakeholders.

The international dialogue not only generated profound analysis around difficult and complex issues. But as well, it catalysed both intellectual tensions and disagreements about fundamental points in the debate. We see this as a positive and essential part of developing a new perspective. With joint efforts such as these, not all differences could be resolved. Therefore, the individual members of the Expert Panel reserve the right to assert their views where they may differ from those that are described in the report.

The report was compiled and written by Wolfgang Sachs and Tilman Santarius, the moderators of the EcoFair Trade Dialogue, in close collaboration with the members of the Expert Panel: Souleymane Bassoum, Gonzalo Fanjul Suárez, Arze Glipo, Aileen Kwa, Hannes Lorenzen, Sophia Murphy, Oduor Ong'wen, Anna Luiza Ferreira Pijnappel, Rita Schwentesius Rindermann, and Daniel De La Torre Ugarte.

We also wish to acknowledge the role played by Kamal Malhotra, who participated in many of the meetings of the Expert Panel in his individual capacity and provided useful comments and advice during the dialogue process.

We as well received a lot of written feedback from members of the International Consultative Board of the EcoFair Trade Dialogue, in particular from Mario Aguja, Brother David Andrews, Jesús Antón, Laura Carlsen, José María Alvarez Coque,

Biswajit Dhar, Bernward Geier, Christiane Grefe, Mark Halle, Benny Härlin, Ulrike Höfken, Panos Konandreas, Ibrahim Assane Mayaki, Robert Taylor and Bill Vorley. Helen Rupp made contributions to the gender analysis in the project.

Furthermore, we wish to acknowledge the individuals who offered their time, knowledge and experience during the Regional Consultations. Their contributions are deeply appreciated and their names are listed in the appendix.

Colleagues from the Heinrich Böll Foundation and MISEREOR provided their support in the preparation of the Regional Consultations as well as useful comments and suggestions during the drafting process. They included Wilhelm Thees and René Millogo, Heike Löschmann and Hilke Koegl, Thomas Fatheuer and Clarisse Castro, Liane Schalatek, Charly Poppe, Anne Kaiser, Jorge Villareal and Johanna Goetter, as well as Anja Mertineit and Heinz Oelers.

The team that managed the overall dialogue process and who comprised the editorial group from the Heinrich Böll Foundation and MISEREOR consisted of: Jörg Haas, Silke Helfrich, Alicia Kolmans and Mute Schimpf. They were supported by Rita Hoppe, Silvia Cottin, Johanna van Biesbrock and Annette Maennel.

The final report was edited by Johannah Bernstein and the layout was designed by Michael Pickardt.

We are very grateful for the contributions that all of these individuals and colleagues have made to this important project.

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Preface

The publication of this proposal for a fundamental reform of the international agricultural trade regime coincides with a period in which the problems confronting the existing world market system – especially with regard to agriculture – are becoming increasingly evident.

The World Trade Organization's (WTO) Doha Round of multilateral trade negotiations is on the brink of failure: it is being thwarted above all by the refusal of the EU and the USA to make greater concessions to the developing countries in the agricultural sector and their simultaneous demand for a far-reaching opening of markets in the South. At the same time, a growing number of projection studies anticipate that only the industrialised countries and a few exporting developing countries will be the winners of the Doha Round, while the majority of the poor countries will be among the losers. Moreover, above and beyond the level of nation states, it has emerged that market liberalisation basically plays into the hands of strong economic actors, reinforcing their market power to the detriment of the economically weak – both in the North and the South.

Actual experience gained to date with market liberalisation within the framework of the WTO or regional trade agreements and structural adjustment programmes has demonstrated for some time that particularly with respect to the agricultural sector economic globalisation brings substantial problems in its wake. These include increasing impoverishment of the rural population in developing countries and the loss of their access to resources such as land, water and seed as well as to markets. Exposed to strong price and concentration pressure, many families abandon farming, in industrialised and developing countries alike. The ensuing degradation of the environment and loss of biological and cultural diversity are equally alarming. Furthermore, current agricultural trade rules largely turn a blind eye to the challenges facing global agriculture in the 21st century, such as Peak Oil or the problem of climate change.

But what form must the international agricultural trade regime take in order to contribute

towards greater social justice and sustainable development throughout the world? How must it be designed to cope with the new challenges of the future?

These questions were tackled by the Heinrich Böll Foundation and MISEREOR in the worldwide EcoFair Trade Dialogue – working in cooperation with the Wuppertal Institute for Climate, Environment and Energy and a panel of experts from all continents, all of whom collaborated on the production of the present report. The dialogue was conducted in regional consultations in Africa, Asia, Latin and North America and Europe. Participants included not only representatives of farmers' organizations and NGOs but also of ministries, parliaments, the scientific community and international organizations. The diverse conditions encountered in the different regions of the world and the varying positions taken in civil society were of paramount importance in our deliberations. Through this publication, we are making the results of the dialogue accessible to political decision-makers, civil society organizations and interested members of the general public.

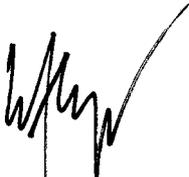
We trust that the report will provide orientation as well as subjects for debate on the tasks of the future: towards a socially and ecologically more just world trade system, sustainable agriculture and food security throughout the world. Previous publications by our respective organizations have paved the way by offering similar food for thought and exchange, such as MISEREOR's study "Greening the North" and the "Jo'burg Memo" by the Heinrich Böll Foundation. It was against this background that we initiated the EcoFair Trade Dialogue.

It is now widely acknowledged that sustainable development is not possible unless trade policy is also treated in conjunction with societal issues concerned with the livelihoods and rights of human beings and the protection of the environment. This view constitutes the foundation of the principles presented in this report for the regulation of agricultural trade, e.g. *Economic Subsidiarity*, *Multifunctionality of Agriculture*, *Trade Justice* and *Environmental Integrity*. Proceed-

ding from these principles and an in-depth analysis of the shortcomings of the prevailing agricultural trade system, concrete reform proposals have been elaborated, also taking into account institutional challenges.

No doubt many a question remains unanswered and some points will give rise to controversy. Nevertheless, it is obvious that a paradigm change is becoming ever more pressing. The time is thus ripe for a broad and intensive discussion geared to developing new and innovative

solutions and creating a more just and sustainable global society for all. The present report "Slow Trade – Sound Farming" is one of our main contributions to this debate. Over the next few years – especially between 2007 and 2009 – the EcoFair Trade Dialogue will organise conferences and seminars to make the reform proposals known worldwide while they are being debated with political decision-makers and civil society organizations, and with a view to inspiring action.



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For the hurried reader...



The reform of agricultural trade rules is at the center of negotiations at the World Trade Organization (WTO) regarding a multilateral framework for the global economy. However, the reforms envisaged do not bode well for the future of agriculture across the globe. They will deepen the desperation of small

farmers and undermine local and global ecosystems. Moreover, they will make agriculture unfit for productivity leaps in the upcoming post-fossil age. With their gaze fixed upon the reduction of tariffs and subsidies, protagonists from both the North and major Southern countries largely ignore the challenges posed to agriculture and rural

communities by poverty, environmental decline, and dwindling oil resources. While farmers everywhere will have to respond creatively to these challenges, trade and structural adjustment policies drive change into the wrong direction. For this reason, this document proposes political perspectives and policy instruments for a trading system that offers genuine opportunities for the poor, preserves the environment, and helps agriculture to shift to a solar resource base.

The EcoFair Trade Dialogue was launched by the Heinrich Böll Foundation and Miseror (both based in Germany but with offices and partner-organizations around the world), together with the Wuppertal Institute in the wake of the WTO Ministerial Meeting in Cancun in September 2003, when agriculture figured as an important bargaining chip for concessions in industry and services. This report is the product of consultations and workshops that were undertaken with an enormous number of civil society organizations across all of the continents. The 12 authors themselves come from the Americas, Australia, Africa and Asia, from small countries and large trading powers, from South and North; they work as trade analysts for non-governmental organizations, as promoters of sustainable agriculture at the grass-roots level, as researchers in universities, or as policy advisors for parliaments and governments.

In allusion to the international movement ‘Slow Food’ that champions the cause of good, clean, and fair food, this report is called ‘Slow Trade – Sound Farming’. The title graphically conveys the report’s view that trade in favor of people and the planet will de-escalate trade competition that favors power and profit.

Part 1 sets out seven **principles** for the design of an agricultural trade architecture. The principles are based on the conviction that public interest values are to be placed before private interests, and that markets are to be framed by politics. The principle of *Multi-functionality* emphasizes the fact that farming is embedded in social and natural webs; the principle of *Human Rights* underlines that trade reform must improve the plight of the least advantaged citizens on the globe; the principle of *Environmental Integrity* reflects agriculture’s mission to regenerate soils, water and biodiversity while producing food, fuel and fiber; the principle of *Democratic Sovereignty* defends the rights of citizens to express their collective preferences on how to shape trade and investment policies that

impact their day-to-day lives; the principle of *Extra-territorial Responsibility* expresses the global responsibility – in particular of powerful countries – not to inflict harm on citizens beyond their borders; the principle of *Economic Subsidiarity* implies that economic exchanges in the food system should preferably be carried out at the local and national level, while exchanges on the continental or global level should have only a complementary function; and finally, the principle of *Trade Justice* suggests that reversing present asymmetries calls for an inequality of opportunity in favor of the weak rather than an equality of opportunity which favors the strong.

Part 2 surveys the most pertinent **problems** that are connected with the deregulation of agricultural trade. *A business lens on agriculture* points out that trade talks are governed by the narrow vision of agriculture as a money machine generating growth and foreign currency. However, agriculture’s role goes far beyond the accounting sheet; it is the mainstay of rural life, just as it is part and parcel of the biosphere. When these contexts are systematically neglected, trade policy generates mistaken decisions.

More specifically, the chapter *In disregard of livelihoods* highlights the fatal consequences of this neglect for small farmers and rural societies in many countries. People have been pulled and pushed off their land and into urban agglomerates; globalization and trade liberalization are in part accountable for the current demise of the peasantry. The authors of this document, however, reject the hidden assumption of free trade diplomats that small farmers are on their way out – a price of progress. Instead, small-scale family farms hold the key for more productivity, environmental sustainability, and more employment.

The chapter *Forgetful of nature* demonstrates how the business vision of agriculture has generated potentially ruinous consequences for both nature and farming. An increase in cross-border trade in agricultural goods will most likely lead to a further spread of large-scale industrial agriculture, hungry for water and land. In addition, this puts the future of farming itself at risk, as the environmental base crumbles, and one of the main ingredients of industrial agriculture – cheap oil – disappears.

Putting the spotlight on trade negotiations, *Leeway for corporations* argues that the free trade philosophy is grounded in the assumption that the only barriers to open trade come from state

actions. However, corporate concentration and unchecked market power is at least as much of a problem. Where corporations are dominant, producers are hampered in selling their products not because of tariff barriers or public subsidies, but because corporations control prices and standards. As a result, deregulation of markets coincides with corporate interests. While liberalization dismantled national border protections, it ended up strengthening transnational cartels.

And finally, the chapter *Enduring asymmetries* addresses the huge inequalities in the present trade system. The ‘one-size-fits-all’ prescription of eliminating trade barriers puts less competitive countries at a disadvantage since it forces weak and strong players to compete in the same league. Moreover, what has euphemistically been called a level-playing field in trade competition is actually a set of rigged rules that tilt the field to the advantage of powerful cartels and countries. In such a setting, it has proven to be a fallacy for too many countries to direct their agricultural production towards exports and the global market. Yet derigging the rules is not sufficient since free trade plays into the hands of the strong. Instead, trade rules will only become fair if they favor the weak over the strong.

Part 3 sketches out **solutions**. These include options for redesigning agricultural trade rules along with a number of instruments for steering transnational flows in farm goods. The proposals rest on the view that the concerns for human dignity and the integrity of the biosphere must be incorporated into the architecture of trade rules. It is an expression of structural irresponsibility when the WTO restricts its competence only to trade issues, calling on national governments to take charge for social and ecological concerns while at the same time diminishing their authority through the politics of deregulation.

First, countries need a *larger national policy space*. After decades of disempowering national politics, power has to be returned to national governments and communities to shape trade flows according to their collective preferences. Above all, they must regain the authority to govern the import of goods, services, and investments.

As agriculture remains the main source of livelihood for the majority of people in developing countries, import liberalization has to take a back seat when domestic livelihoods and food security are at stake. This is why countries require a free space with respect to international trade rules in

order to protect domestic markets from import surges through border control policies, including tariffs, quotas, and price- and volume-triggered safeguard measures. Furthermore, countries need to retain some authority, for instance, to influence flows of foreign investment, to direct the activities of transnational corporations, to link domestic production to strict food safety or environmental standards, or to design support schemes for maintaining a healthy rural economy. It is neither effective in terms of the common good nor legitimate in terms of democratic sovereignty if trade concerns drive politics and society. ‘Obstacles to trade’ are welcome as long as they are provisions for the public benefit.

Second, agriculture – in providing both private wealth and common wealth – is unlikely to prosper unless there is sufficient *Investment in multi-functionality*. However, ensuring environmental as well as social multi-functionality calls for granting support to agriculture. It is therefore misleading to advocate the removal of all domestic support schemes. The adequate level and structure of investment and regulation for agriculture is the issue, not the elimination of the state’s role.

Support can be institutional or financial. Institutional support may include tax policies, promotion of knowledge, infrastructure, and provision of research – all tools that are of core importance in the transition to sustainability. Financial support, in contrast, may include payments to farmers, albeit under tight conditions. Under the principle of extra-territorial responsibility, support schemes should not unduly harm the opportunities of others in foreign markets. Export subsidies are in any case illegitimate. If agricultural dumping is not to be strictly prohibited, a multilateral institution should establish a ‘Dumping Alert Mechanism’ that warns governments when dumping threatens to undercut the economic base of farmers in importing countries.

Third, farmers everywhere, whether poor or prosperous, in the South or in the North, suffer from low and volatile prices for their produce. *Stabilizing prices* at sufficient levels is arguably the single most important measure to enable small farmers to support themselves and to save them from gradual extinction. Due to the uniqueness of agriculture as a business, however, supply responses to changes in price are usually slow and imperfect. Supply management offers a powerful tool to help support reasonable prices for both producers and consumers.

Supply management has been practiced in many countries; it attempts to balance production with market demand. Key to its proper functioning is a flexible adjustment mechanism that determines the amount of quota and the price per product with a view to matching production capacities to market needs. If a legal framework supports such a scheme, if all stakeholders are guaranteed a fair say, and if monitoring and enforcement mechanisms ensure compliance, supply management can offer a viable solution to the price crises in agriculture. For the international level, a 'Multilateral Cooperative Framework for Balancing the World Market Supply' is proposed as a platform for collaborative supply management on part of the major agricultural export countries.

Fourth, *Setting standards*, namely sustainability process and production standards, will be an essential part for any public policy that seeks to align the pursuit of private gain with the protection of the biosphere and of fundamental social rights. For too long, the dismantling of protectionist measures has had the effect of actually protecting the ruthless. As long as production costs are not required to incorporate the cost of safeguarding common goods, free trade will continue to accelerate both the marginalization of the poor and the decline of the biosphere. Trading internationally has to be understood as a privilege to be offset by internalizing social and environmental costs.

As a first step, countries are advised to promote the development of independent sustainability standards and certification systems for farmers and processors in the national economy; standards for organic agriculture serve as one example. As a second step, they must mainstream such standards as mandatory requirements for all domestic producers. Having done this, they may set up corresponding sustainability standards for qualified market access to grant preference for sustainable commodities over those that are produced in an environmentally and socially harmful manner. Such qualified market access schemes should conform to 'Meta-standards' at the multilateral level that define common criteria for the process of participatory standard-setting. At the same time, a 'Centre for Dispute Mediation in Conflicts Over Standards' would mediate disputes on different sustainability standards between countries. Finally, revenues from tariffs on harmful products in richer countries are channeled into an international 'Sustainable Rural

Development Fund', which would support the transition to sustainable production practices and exports in developing countries.

Fifth, *Democratizing the food chain* is the reform perspective that responds to the fact that it is often corporations and not governments that structure markets to the disadvantage of small producers and local businesses. The idea is to shift more power to producers and artisans while ensuring that any intervention in local markets by foreign corporations is made subject to competition control and domestic investment policies.

Three multilateral instruments are proposed to shape the conduct of corporations: first, a publicly accessible data bank containing information on size and scope of large agribusinesses, as well as on mergers, acquisitions and joint ventures in the food system; second, an 'Anti-trust Body' that scrutinizes mergers and acquisitions, and forestalls the abuse of market power; and third, a range of 'Development Contract Boards' that supervise contracts concluded among various actors in transnational commodity chains for establishing a fair distribution of benefits. In addition, measures for re-regionalizing trade flows are recommended, including policies for local content management, requiring corporations to purchase from local suppliers, to involve local processors or to sell to locally based retailers.

And finally, *Redressing asymmetries* outlines proposals on export and market access policies that aim at strengthening the position of small farmers when it comes to international trade flows. It is doubtful that completely free trade – premised on the assumption that Northern protectionism is abolished – could create anything close to a real level playing field because the asymmetries among nations and within countries are just too great.

To begin with, the attention lavished on export promotion tends to hide the fact that exports often fail to benefit the majority of producers, in particular small farmers, just as they often imply major environmental cost. In response, this report offers guidelines for a sustainable export policy. Such a policy will in particular place national food security before exports, and prioritize subsistence production or domestic markets over the production for foreign markets. Furthermore, to realize greater equity among nations, weaker players need a system of preferences, not just equal chances. Following the principle of trade justice, special and differential treatment should therefore become a structural characteristic that is

embedded within the trade regime. Market access rules are proposed that use a combination of tariffs and quotas. Tariff rates differentiate products according to their quality, while quotas for products from weaker economies are provided for within each tariff rate should a country wish to import a product. Last but not least, it is not set in stone that cross-border trade is necessarily animated by the search for profit; it can also be conducted in the spirit of reciprocity and mutual solidarity. What if Southern countries opted out of trade competition, weaving together regional trade agreements that seek to implement solidarity exchanges?

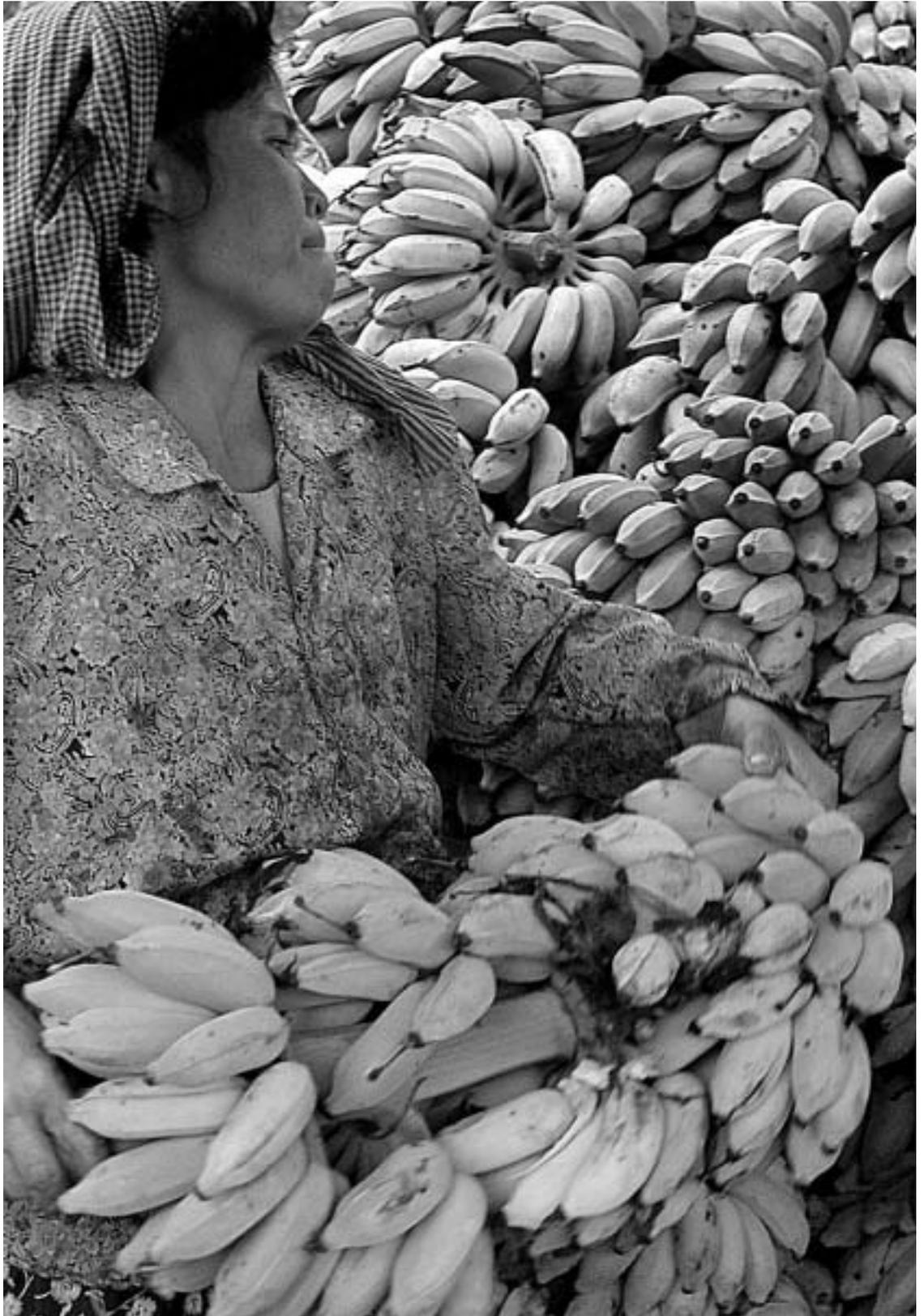
By way of conclusion, **Part 4** of the report highlights the broad contours of a **post-WTO architecture** of agricultural trade. The authors of this document hold the view that a multilateral framework for trade is indispensable. However the WTO in its present institutional make-up fails to meet the requirements for such a framework. As a consequence the WTO faces the challenge to reinvent itself – or to ultimately leave the institu-

tionalization of agricultural trade rules to other settings in the context of the United Nations.

Given the analysis and recommendations of this report, a new institution would include at least five branches: the coordination branch, the quality branch, the price management branch, the anti-trust branch, and the dispute settlement branch. They would perform the five functions of a trade organization that truly works for the public interest: to provide a setting for intergovernmental negotiations, to guarantee a floor of quality of trade flows based on multilateral meta-standards, to control international market prices through a cooperative mechanism based on supply management, to supervise competition through anti-trust measures, and to offer a mechanism for settling disputes. Above all, while at present the overall objective is the removal of barriers to trade for the sake of creating a unified global market place, a future institution will place the coordination of differing interests among nations at the center of attention. Its essential objective will be to manage trade and not to deregulate trade.

Introduction

The EcoFair Trade Dialogue



“And what should I do here gentlemen, pointing out to you the uses of agriculture?”

Who supplies our wants?

Who provides our means of subsistence?

Is it not the agriculturist?

For how should we clothe ourselves, how nourish ourselves, without the agriculturist?”

Counselor Lieuvain shouted these questions at an unruly crowd that listened attentively in the town square of Yonville, apart of course from Mme Emma Bovary and her lover Rodolphe, who were engulfed in thoughts of their own, which most likely had little to do with agriculture.

The question that Gustave Flaubert’s Counselor Lieuvain raised over 150 years ago (in *Madame Bovary*, part 2, chap. 8) has not lost any of its relevance today. Indeed if a contemporary novelist decided to set a similar story in the WTO headquarters on the shore of Lake Geneva, he or she would plausibly have his or her hero pose the same questions to a similarly attentive, yet agitated audience of diplomats. For it appears that the world of trade and finance has lost sight of the multiple uses of agriculture, despite the fact that it occupies the top of the Doha Round’s trade agenda.

The tunnel vision of trade

As WTO Director-General Pascal Lamy has pointed out in the context of the ailing Doha negotiations, agriculture is the “make-it or break-it issue” for governments who are struggling to agree on the reform of global trade rules. It is at the core of the agriculture issue where the stand-off between Southern countries (regardless of the differences among them) that demand access to export markets and Northern countries that also want market access but are defending high levels of public support for agriculture at the same time. Also at the core of the agriculture debate is the fundamental challenge of how to ensure true fairness in the free trade regime. Without a compromise in agriculture, the entire negotiation package will unravel and this will have the effect of undoing important agreements in core sectors, such as industry or services, as well. Agriculture is not just critical to the global trade regime, it is presently the linchpin of any framework of rules for the global economy as a whole.

Yet despite the critical importance of agriculture in global trade negotiations, it appears that neither the state nor the fate of global agriculture

are of particular concern to trade diplomats. They rarely review the plight of peasants in India, the loss of potato varieties in the Andes, or the impact of global warming on rice yields in Vietnam. Likewise in other arenas of trade reform, whether it is structural adjustment programmes or regional trade agreements, both the world of farming and the importance of the natural environment remain marginalized from the inner workings of global trade economics. The day-to-day survival issues that loom heavily for farmers and their families are conspicuously absent from negotiation tables.

The spotlight is instead focused on issues such as import tariffs or export subsidies, access standards or safeguard mechanisms, most of them loaded with impenetrable complexities. This should come as no surprise, since trade negotiators are chiefly concerned about increasing both the value and the efficiency of trade flows across borders, so as to strengthen their respective country’s competitive position in international markets. For these actors, the world of agriculture is in perfect balance when global competition is allowed to work itself out in such a way that producers who manage to achieve the most efficient combination of production factors will ultimately prevail. In other words, trade policy, as it is currently regulated, treats agriculture as a business that produces commodities for sale against foreign currency. To be sure, this spotlight highlights a dimension of agriculture that would otherwise remain in the dark. Nevertheless, the shadow created by this spotlight is enormous in its proportions and impacts. As witnessed in trade talks, negotiators use agricultural exports as a tool to boost their nation’s economic performance, but are strikingly unconcerned about the consequences of this strategy for farmers and ecosystems. In their eagerness to maximize national economic opportunities, negotiators downplay the importance of the overall share of the agriculture sector in GDP, and in many cases, its overall share of export values.

However, it is a widespread tendency to consider the money value of market turnover as an appropriate indicator of the weight of agriculture relative to other sectors of the economy. With

the share of agriculture in gross national product decreasing in many industrialized economies, often to a meager 2-5%, farming is increasingly perceived as a sector that is rapidly fading into economic insignificance. "Why should European business be held back by something as marginal as farming interests?" proclaimed industry representatives as they observed their export opportunities dwindle with the European Commission's defense of agricultural interests in recent trade talks. This sort of misguided assertion is as unconvincing as insisting that the human heart, given its share of 2-3% in body weight, is unimportant to a human being's overall health.

Notwithstanding all of the consequences that flow from ignoring the importance and significance of agriculture, the tunnel vision that characterizes trade in agriculture as a business presents other serious problems. For the regulation of the narrow aspect of trade continuously spills over into the regulation of the sector at large. The effort to create unified global markets by removing so-called 'barriers to trade' casts a long shadow over the agriculture sector as a whole. Underpinned, moreover, by the fear of sanctions by the WTO or the pressure of loan conditions by the International Monetary Fund, the narrow view of trade pretends to have ontological priority over any non-trade concerns. Put differently, the tail keeps on wagging the dog. It is this defect that makes the newly emerging framework for agricultural trade unfit for the 21st century.

Our concerns

This report provides an overview of the elements of a framework for agricultural trade that would actually foster not only the goals of social equity and environmental sustainability, but national economic growth as well. The report highlights the particular importance of livelihood rights and ecological integrity against the economic competitiveness of nations, the main value of which is most often prioritized by trade reforms initiated by the IMF, the WTO, or by bilateral and regional trade agreements. What is patently clear is that the struggle for gains in export markets is driving negotiations as opposed to the important rights to food, sustainable farming livelihoods or healthy ecosystems, which at best, receive passing attention or at worst, are sacrificed for the sake of unfettered economic growth.

The authors of this report reject the dominant pattern that favors economic growth over the

importance of meeting human needs and protecting the environment. The authors are convinced that the unregulated trade in food, fibers, and fuels does nothing to make the world safer, more secure or sustainable. Rather it renders the world a far less hospitable place not just for future, but already, for present generations.

Free trade in agriculture will aggravate the global poverty crisis. As farming becomes integrated into global market relations, the ranks of the poor, marginalised and dispossessed will increase exponentially around the world. To be sure, larger farm enterprises and corporate agribusinesses are well-placed to enjoy significant gains. But the bulk of small landholders, women farmers and rural craftspersons are likely to be further marginalized into obscurity. Trade liberalization promises to make the world a more socially explosive place. In contrast, the framework for fairness, described in this report, aims at strengthening the economic position of sustainable small and medium-scale agriculture along with rural business. It is skeptical about the unconditional increase of cross-border trade that will only help the already strong, and argues instead for a socially responsible trade policy that allows governments to combine a mix of import protection and export promotion measures. The authors further argue that pro-poor policies require governments to find ways to integrate the economic and social importance of sustainable small and medium agriculture into the domestic economy, ensuring as a matter of priority, the access of small-holders to internal markets. Above all, the authors of this report disagree with the widespread insinuation that small farmers are becoming a relic of the distant past. On the contrary, the authors maintain that a flourishing small-holder economy is a critical mainstay for securing the livelihoods of a growing number of people, and for sustaining diversity in society's knowledge and culture base. These are all valued and essential elements of a truly post-industrial world.

Free trade in agriculture will also aggravate the global crisis of the biosphere. Unregulated long-distance trade of large volumes of crops and meat, apart from special cases like cocoa and coffee, tends to give a large boost to industrial farming in both Southern and Northern countries. However conventional industrial agriculture is a source of many serious environmental consequences. It is a high consumer of land, water and fuel as well as a high emitter of chemicals and nitrates. Although a

reduction in subsidies might at times be a disincentive for the further intensification of agriculture, an overall expansion of trade flows is likely to accelerate the decline of the health of the biosphere. In contrast, this report regards farmers and breeders as actors who provide goods while continually promoting the health of ecosystems, animals, and people. It therefore proposes a trade regime designed to stimulate environmental responsibility in agricultural practice.

As sustainable farming systems are more fit for a future after oil and gas, it follows that trade regimes that disregard environmental factors are historically outdated. The authors of this report therefore call for rules of exchange that secure a minimum standard of environmental quality for global trade and investments. Putting people and the planet ahead of GNP growth, however, requires governments to slow down their drive for higher export earnings – the drive that has been the primary objective of trade reform thus far. While any suggestion to re-position the significance of growth will make some parties in the debate nervous, the consequences are not as dire as classical economists might argue.

First, it is by now considered as common sense – except perhaps in some trade circles – that economic growth by itself will not lead to development in human and social terms. Human development depends on the institutional context of economic growth. What matters most is the existence of the rule of law and public policy interventions that foster social and natural capital. A trade regime cannot claim to advance development worldwide, if its only goal is the promotion of economic growth. Growth must be framed by the public interest in meeting basic human needs and ensuring a safe and healthy environment. Furthermore, as the pattern of demand changes, especially in the food sector, growth that is pro-poor and pro-environment is more likely to succeed than growth that is solely focused on increasing GDP. Input markets become costlier with the price hike in raw materials, just as output markets become more demanding in quality, in particular in the high price segment. Putting growth in perspective is key to the long-term development of societies and the health and integrity of the global environment – and this is what multilateral trade institutions should focus on as a matter of the highest priority!

Since the de-regulation of global trade is clearly the wrong approach for building just and sustain-

able societies, the authors of this report hold out little hope for the Doha Round of negotiations under the WTO to meet the twin challenges of poverty and environmental decline. On the contrary, these challenges will continue to grow in magnitude and will generate even greater human suffering if the current round is allowed to continue unchecked. If however the Round finally disintegrates, parties will have the opportunity to return to the drawing board. Instead of attempting to resurrect the dead body of Doha, it would then be high time to construct a new architecture of trade rules but from a different starting point. If this does in fact happen, future historians will consider the breakdown of Doha not as a defeat, but as a blessing in disguise. In either case, it is time to mobilize efforts to commence a process of negotiation towards a General Agreement on Sustainable Trade. This report is a contribution to this endeavor.

Our process

This report is the result of extensive dialogue, consultation and exchange that took place across many continents and with hundreds of civil society organizations. The 12 authors come from all continents – from the Americas to Australia, from Africa to Asia –, from small countries and large trading powers, from South and North. Most of the authors come from civil society; in their professional life they work as trade analysts for non-governmental organizations, as promoters of sustainable agriculture at the grass-roots level, as researchers in universities, or as policy advisors for parliaments or governments.

It was in the wake of the WTO Ministerial Meeting in Cancun in September 2003 that the Heinrich Böll Foundation and Misereor, both based in Germany but with offices and partner organizations across the world, together with the Wuppertal Institute as the scientific facilitator, decided to launch the EcoFair Trade Dialogue. In April 2005, under the broad canopies of purple-blooming jacaranda trees on the campus of Chapingo University near Mexico City, the authors convened for the first time, with four subsequent meetings convened in Germany, Senegal and Mexico. Through a common effort, we attempted to make sense of the ongoing trade negotiations, grappled with the ominous fate of agriculture under industrialization, pondered the experiences of small farmers with trade reforms on the ground, recalled agriculture's burden on the biosphere,

and explored new directions for trade rules beyond the free trade paradigm.

Several background papers accompanied the dialogue among the authors on the core themes. These papers can be found at: www.ecofair-trade.org. Furthermore throughout 2006, seven stakeholder consultations were organized in different countries and different settings to discuss preliminary findings with a range of local and professional experts from grass-roots organizations to government decision-makers. In order to reflect the realities of the diverse regions of the world, these consultations took place in Senegal for West Africa and in Thailand for South East Asia, in Brazil, Mexico and the US for South,

Central and North America, as well as in Belgium and Germany for Europe. Through these consultations we reached out to over 250 people across the globe that provided valuable feedback and comments that helped to shape the various reform proposals contained in this report. Finally, regular contact was undertaken with a broader circle of experts, the 'International Consultative Board' consisting of 28 international experts and decision-makers, who reviewed papers, advised on specific questions, and participated in consultations. Through this report, we are proud to present the outcome of these debates to policy-makers, civil society organizations, and the broader public.



At the WTO Ministerial Meeting in Cancun in 2003, numerous civil society organizations called for moving agriculture out of the ambit of the WTO. We would like to join those who put it differently. It is time to move the WTO out of agriculture. This formula emphasizes that the free trade philo-

sophy underpinning the WTO drives changes in agriculture into the wrong direction. Following the structural adjustment programmes prescribed by international financial institutions for many developing countries in the 1980s and 1990s, the WTO became a dominant force, embodying the efforts by major export nations to transform the

world into a borderless marketplace where economic efficiency would reign supreme. The market was expected to rule, and politics was supposed to retreat. To be sure, this approach is not without merits. It had matured at a time when state bureaucracies, be it in communist countries, welfare democracies or developing states, weighed rather heavily on societies. But now the market-first approach has run its course; the landscape of challenges has changed. In the first decade of the 21st century, it is clear that the world is hardly preoccupied about the possibility of nation-states overpowering markets. Instead it fears eroding states, worsening poverty, and widespread environmental collapse, not to mention the ever-present danger of corporations overpowering democracies.

In view of these evolving challenges, it makes absolutely no sense for public policy to focus exclusively on how best to maximize private gains. Politics, instead, will have to return to its original task – promoting the common good. Against this backdrop of changing priorities, what are the fundamental principles that must guide the design of an eco-fair trade framework for agriculture?

Multi-functionality

At times, etymology can be revealing. Consider the word ‘agriculture’: already the noun ‘culture’ in ‘agri-culture’ reflects dimensions that span well beyond crops and cowsheds. Moreover, the Latin ‘cultura’ reveals a close link between farming (lat.: colere) and worship (lat.: cultus). From time immemorial, indeed, cultivating plants has been linked to both ways of life and conceptions of the world. The word ‘agri-culture’ reflects this duality. Indeed, it is a testimony to the fact that agriculture is a polyvalent activity that should not be reduced to the language of crop yields and money.

Farming not only produces tons of maize or meat, but also livelihoods and landscapes and meaning as well. In other terms, agriculture fulfills many functions. It generates commercial goods, such as bushels of wheat, liters of olive oil, or sacks of coffee to be sold to processors and wholesalers. Beyond that, however, it also provides subsistence, sustains food habits, supports artisans, shapes community relations, and underlies human rituals and ceremonies. Different farming systems co-produce different social contexts, but the production of economic goods is in most cases closely related to the (re-)

production of common social goods. Similarly, agriculture impacts water cycles, generates soils, conditions the patrimony of plants and animals, and molds hills and valleys. Once again, although different farming systems co-produce different natural contexts, the production of commercial goods is intimately connected to the (re-) production of common environmental goods. As common goods are essential for well-being, sacrificing them blindly diminishes overall welfare. However, unlike public goods such as bridges or schools common goods are not purposefully produced, but assets, such as social cohesion or fisheries that are unintentionally generated by humans or nature. They are usually taken for granted, and therefore vulnerable to being neglected.

Agriculture is not an isolated activity; it is embedded in social and natural webs. Seen in this light, the multi-functionality of agriculture reflects the larger truth that there is more than one source for the well-being of society; real wealth is based on the availability of both commercial goods and common goods. In other words, it is social and natural capital together with monetary capital that generates the wealth of nations.

In order to secure common and not just private wealth markets must be framed by politics. Markets are unrivalled in producing and delivering goods and services efficiently, but they were never meant to create community or equity, security or sustainability, sacredness or beauty. It is up to citizens, governments and lawmakers to ensure that such common goods are as carefully safeguarded as private goods are by businesses and consumers. This is a genuinely political task because common goods cannot be quantified more than in a rudimentary fashion; their protection, therefore, needs to be based on judgment rather than on calculation. From this vantage point, it must be the core objective of any multilateral trade regime to define a framework of rules that allows for the mobilization of financial capital without the degradation of social and natural capital.

Human Rights

Far from being just an afterthought to trade, attention to the importance of protecting common goods has been at the core of international lawmaking since the Second World War. In addition to international trade law, which was first codified in GATT and subsequently in the WTO, several other strands of norms and institutions

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have been developed to guide the emerging world society – most importantly human rights law.

Indeed the canon of international human rights law, which comprises the Universal Declaration on Human Rights as well as the International Covenants on Civil and Political Rights and on Economic, Social and Cultural Rights, enumerates important norms that mediate the relationship between the state and individuals – can be considered the constitution of the world society. It codifies the idea that the rights of persons precede the rights of states, with the consequence that states – and other powerful actors such as transnational corporations, as can be argued in times of globalization¹ – have the duty to ensure the conditions for basic economic security and social participation of citizens. As the Universal Declaration on Human Rights of 1948 states “Everyone has the right to a standard of living adequate for the health and well-being of himself and his family, including, food, clothing, housing, and medical care” (Article 25). Without these conditions people would be deprived of their birthright to a healthy and prosperous life. Therefore states have committed themselves to respect, protect, and fulfill these rights.

In relation to the right to food, for instance, the obligation to ‘respect’ means that states must not deprive people of their right to adequate food and must ensure that individuals are free from hunger. Similarly, the obligation to ‘protect’ implies that third parties, including powerful economic actors such as corporations must not be allowed to deprive individuals of their access to food. This means that people should have physical and economic access at all times to food that is adequate in quantity and quality for a healthy and active life. And finally, by ensuring that vulnerable groups can feed themselves or, in the last resort, providing them with food, states carry out their obligation to ‘fulfill’ this right.² It is important to note that human rights imply absolute obligations. They are ends in themselves and cannot be subject either to political bargaining or to economic trade-offs. In particular they cannot be overruled by cost-benefit considerations, accepting sacrifices in the present for presumed aggregate gains in the future.

However, there is no mention of human rights in the statutes or by-laws of the WTO, nor has the Appellate Body made any reference to them.³ This is astonishing, since human rights law is the foundation of the United Nations system; it signals how far the WTO has insulated itself from

the common values that underpin the UN system. Consequently there has never been a systematic review of the impact of trade liberalization policies on the ability of individuals to exercise their fundamental human rights across the world. Nevertheless, there is sufficient evidence to assume that the loss of import protection or the increased market power of corporations more often than not undercut livelihoods and the basic economic security of considerable parts of the population in Southern countries. There can be no doubt, however, that the choice of trade policies must be constrained by the obligations set out in international human rights instruments. Therefore, a framework for trade will have to be designed in a way that ensures that the living conditions of the least advantaged citizens on the globe are significantly improved, and at a minimum are not allowed to worsen in any way.

Environmental Integrity

Agriculture underpins the availability of common goods not only in the social, but also in the natural sphere. It is mainly through agriculture that humans enter in contact with nature. On the one hand, humans have the ability to significantly modify species, water-courses, and landscapes, and on the other hand they receive vital resources and life-sustaining services. For better or worse, agriculture largely shapes the natural commonwealth. Next to energy, it is the way in which agricultural practices are conducted in future years that will determine the fate of the biosphere.

Trade agreements continue to disregard the intimate connection between agriculture and the environment. This neglect has potentially ruinous consequences for both nature and farming. On the one hand, increased cross-border trade in agricultural goods is likely to lead to a further spread of industrial agriculture, relying heavily on external inputs, such as engineered seeds, fertilizers, pesticides, fuel, and irrigation. On the other hand it is the future of farming itself that is threatened by the looming prospects of environmental degradation that results from unsustainable agricultural practices. Soils cannot be renewed, agro-biodiversity diminishes, scarcity of water makes irrigation less feasible, and the imminent peak in world oil production deprives industrial agriculture of its main ingredient – cheap oil. Industrial agriculture is “sawing off the branch it is sitting on”. Last but not least, in particular in the Southern hemisphere, global warming is likely to

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reduce fertile land and productivity – this prospect alone should awaken trade negotiations from their tunnel-vision induced slumber.

Given this context, the fundamental orientation of agriculture must change. While for decades the standard of excellence has been to achieve maximum yields per hectare, environmental protection and management now becomes paramount. What counts is not just output for the market, but the continuing environmental health of ecosystems near and afar. Innumerable examples in crop cultivation and livestock-raising point the way, but there is no doubt that farming practices across the world – just a few decades after they had been lured into using industrial inputs – will have to be overhauled again. Environmental sustainability calls for greater attention to be paid to the complex interplay of the different webs of life that inhabit agro-ecological systems. It also implies moving from an attitude of control and dominance over nature to a spirit of stewardship that is grounded in a respect for nature. Bio-diverse and locally adapted farming systems hold most promise for the transition to a post-fossil agriculture where divers fields will have to replace the use of chemicals and human intelligence the use of fuel. At any rate regenerating land, water, and biodiversity while recovering investments for land, animals, and work, is the collateral benefit to be expected from any agricultural system in the future.

Democratic Sovereignty

The principle of Democratic Sovereignty is a core universal principle in international relations. At one end of the spectrum, Democratic Sovereignty refers to the ability of the nation state to be subject to no outside power, or to be able to act without interference. On the other end of the spectrum, Democratic Sovereignty regards the state's legitimacy and sovereignty as arising from the community of citizens and sees the state's fidelity as belonging to that community.

Opening up foreign markets for the export of goods and investments has been the primary interest of economically powerful countries since time immemorial. These objectives have become even more aggressively pursued in the era of GATT and the WTO. The driving force behind negotiations has been the unwavering ambition of the dominant triad – the United States, the European Union and Japan and their desire to capture markets behind foreign borders in order to boost

their own economic growth. Meanwhile, they have been joined by other countries, especially those countries with large-scale industrial or agricultural exports from the South, such as South Korea and China, or Argentina, and Brazil. All export interests, however, share a common utopia, namely to create a borderless world where they can move goods and services around the globe, unfettered by rules specific to a place or a community. To a great extent, trade liberalization has had the effect of actually elevating exporting as a right that is allowed to override all other rights.

But one country's exports are another country's imports. What appears as a barrier to trade to the exporting country may well be perceived as a collective preference from the point of view of the importing country. The desire to export often clashes with the democratic right of nations and communities to manage their own internal affairs. If unregulated, imports may impact on what the WTO's Agreement on Agriculture somewhat bashfully calls 'non-trade concerns'. Yet this seemingly innocuous phrase hides what most societies would consider issues of highest public concern: food security, the welfare of rural regions, the state of the environment, and the future potential for development. What happens to agriculture largely influences what happens to nutrition, health, gender equality, nature, and the local economy.

These are common goods of the greatest importance to all citizens of a country. And it falls within the sovereign jurisdiction of nation states to decide how to care for the provision of these goods within society. However if states are to exercise the right of Democratic Sovereignty, they cannot be allowed to become victims of collateral damage that may be generated by deregulated imports of products and investments.

The principle of Democratic Sovereignty includes the ability to govern the flow of imports. Therefore the policy space available under trade rules to protect local communities, as usually represented by national governments, must be wide enough to enable citizens to express their collective preferences on how to shape trade and investment policies that impact on their everyday lives. It is, after all, a liberal economist's fallacy to think that markets are not owned by anybody and therefore should be available to all. For markets, far from operating in a social void, are associated with specific societies that are entitled to shape them according to their requirements. In other words markets are not autonomous, their action

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has to be framed by public policy. This is true for Southern and Northern societies alike.

Extra-territorial Responsibility

It goes without saying that the notion of national sovereignty – democratic or not – has been transformed by the phenomenon of economic globalization. The world – not everywhere and not in equal intensity – has become interdependent. The nation-state, in its idealized version, once encompassed a physical territory governed by one central government, one economy, one nation, and one culture. Like a container, it held society in all its aspects within a clearly demarcated space. But with globalization, the container has broken open. Goods, money, information, images, and people now flow across frontiers, leading to the emergence of a transnational space in which interactions occur as if national spaces did not exist. In this context, nation-states are now one actor among many others against the backdrop of a wide range of transnational networks. There can be no doubt that they will lose influence and relevance in shaping the course of events unless they engage in supranational cooperation and act on the basis of pooled sovereignty.

However when money, people and goods flow seamlessly across frontiers, shouldn't the concept of responsibility also assume a cross-border character? To ask this question takes us one step closer to finding the answer. Insofar as the sphere of action has become transnational, the sphere of responsibility cannot remain strictly national, insulated as such by events occurring outside state borders. This is also true for countries whose actions or the actions of their inhabitants have effects that reach far beyond their frontiers. However, there are two possible ways of framing global responsibility in this context. Either it is exercised in a spirit of omnipotence or in a spirit of moderation. While hegemony will trump in the first case, fairness is the mark of the second. It is the very core of the principle of fairness not to seek advantages at the expense of others; likewise it is the core of global responsibility not to do harm to others. In a globalized world, nation-states and powerful actors must have due regard for citizens in other countries primarily in a negative sense; they should refrain from inflicting harm on citizens beyond their borders. This is the very essence of Principle 21 of the Stockholm Declaration of 1972 that has become widely accepted as a norm of international law.

However, when it comes to trade policy, countries, either individually or multilaterally, typically take actions that do in fact impact adversely on other countries through such acts as dumping, through investments, and through exports. These impacts matter if they contradict obligations deriving from an international treaty, be it an economic, social or environmental one. For instance the human rights obligations of states and non-state actors do not stop at territorial borders, they reach geographically to other countries as well. As the Special Rapporteur to the Human Rights Commission on the Right to Food has recently stated: "Governments must recognize their extraterritorial obligations towards the right to food. They should refrain from implementing any policies or programs that might have negative effects on the right to food of people living outside their territories".⁴ Dumping would be a case in point: when the European Union dumps subsidized milk products in Burkina Faso or Brazil, thereby undercutting domestic food production in the receiving countries, basic survival rights are at stake. Similarly, foreign direct investments that disregard labor rights contradict obligations under the International Labor Organization (ILO), just as much as environmentally destructive ones may contravene obligations assumed under the UN Conventions on Climate Change or Biodiversity. And exports may not only represent economic, but also environmental or social dumping if they are produced in a way that ignores obligations under different international agreements.

Economic Subsidiarity

The potential conflict between the principles of Democratic Sovereignty and Extra-territorial Responsibility – namely that a country should be allowed to govern its imports, while at the same time these import measures should not harm others – is put into perspective by the principle of Economic Subsidiarity. According to this principle, economic exchanges should preferably be carried out at the local and national level, while exchanges on the continental or global level should have only a subsidiary function. Economic Subsidiarity aims at localizing economic activities whenever possible and reasonable. In the light of this principle, present-day globalization is to a considerable extent questionable, since it promotes long-distance exchanges of products and services that could be provided locally or

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nationally as well. A general preference for shorter rather than longer commodity chains is supported by reasons of democracy, development, and ecology.

Considerations of democracy suggest that production networks in their geographical scale should not entirely outstrip the scale of political communities. Economic activities that surpass the boundaries of political communities happen largely beyond the range of influence that is normally available to citizens and governments, unless of course governments are operating on a multilateral level. However, citizens are likely to be able to identify and express their preferences much more easily when they have maximum comprehension of, and control over the economic activities affecting them. Thus production networks and trade flows that center on the local or national level are likely to have a far greater degree of democratic legitimacy.

Also considerations of human development should encourage international institutions to regard as an important task the re-regionalization of trade flows wherever possible – even if this might constrain the potential for economic efficiency. Efficiency in the allocation of goods is not an end in itself, but a means to ensure the reproduction of livelihoods and the economic well-being of the people. Rather than endangering local communities by making them the hubs for the extraction of capital, goods and resources, the regionalization of trade flows serves as a catalyst to spur sustainable development at the local level – in particular if production enjoys forward and backward linkages to other sectors of the local economy, such as to local input providers, processors, and traditional retail outlets. And where smallholder agriculture is well integrated into the local economy and rural non-farm employment in the production of off-farm goods and services is stimulated, the regionalization of trade flows will have important positive ramifications for poverty alleviation.⁵

Finally, from an environmental perspective, long production chains imply long distances in transport. If there is some kernel of truth to the suspicion that the period of globalization will come to be seen as the Indian summer of the oil age⁶, the geographical scale of agricultural markets will have to be reconsidered. About three quarters of the energy consumption in the food system takes place beyond the farm gate, and energy used to transport foods to rich country markets from around the globe, 365 days a year,

regardless of seasons, accounts for a significant part of total energy consumption in the food system. If climate change is taken seriously, the reduction of food miles through the re-regionalization of production chains has to be the cornerstone of trade, energy and infrastructure policies that will guide the reform of the industrial food system.

Trade Justice

Treating unequal individuals equally can lead to real injustice. While it is a matter of course in boxing or soccer not to have players of very different weight or talent competing in the same league, the free trade system ignores this truism of fairness. Rather, its philosophy is to put every player, strong ones and weak ones alike, onto the same playing field. While the GATT in its early years had a membership that was predominantly represented by the richer countries, it was probably a major mistake to extend the GATT model to a world beset with social discrepancies. For in such a world, equality of opportunity ends up favoring the already strong. Consequently reversing present asymmetries calls for an inequality of opportunity in favor of the weak.

Nevertheless, transnational markets in agriculture are presently structured in such a way that they continue to disadvantage producers in Southern countries. Market power concentrated in a few transnational agribusinesses, together with the use of export subsidies, food aid, and some forms of domestic support paid out by rich governments to their farmers all conspire to drive down prices in non-rich countries, ruining their local farmers and industries. Exercising money power in this way is blatantly unfair. It ignores the Extra-territorial Responsibility of all nations to safeguard social and economic human rights and to strengthen the position of disadvantaged countries. Since rich countries failed to sufficiently move on this matter, it is not surprising that Doha talks were dealt a fatal blow.

What is needed in a drastically unequal world is a form of positive measures that redress the historic wrongs of past discriminatory approaches. Until the international community succeeds in making poverty history, there can be no question that special and differential treatment must be the rule, not just the exception. One way this can be done is by distributing rights to market access unequally. Economically more powerful countries – independent of their classi-

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fication as developed or developing nations – should grant preferential access to weaker countries, while weaker countries should be given more discretion to control imports and investments. Furthermore, groups of countries may be given space to enter into cooperative relations with each other, granting advantages among themselves. If such schemes are designed in the spirit of mutual assistance, the same advantages may be legitimately denied to richer

countries. In this case, the principle of non-discrimination would not apply. And finally, different forms of financial redistribution from stronger to weaker countries will have to be institutionalized. However, such support should be channeled less through aid than through global fiscal policies. A double dividend would be attainable if levies were charged to environmental over-users, and revenues distributed to economically weak countries.



2.1 A business lens on agriculture

Trade negotiations in agriculture discuss just about everything except agriculture. Be it the WTO Agreement on Agriculture, or rules agreed in numerous bilateral or regional trade agreements, or trade policies enacted through loan conditions of international financial institutions: the world of farming and rural life remains largely ignored. Instead, the focus of trade politics is restricted to agriculture's role as an economic sector that may spur growth, and generate foreign currency.

However this narrow vision has a price. For it neglects that agriculture's role goes far beyond the accounting sheet. In fact, agriculture is the mainstay of rural life, just as it is part and parcel of the global biosphere. It delivers much more than commercial goods, for it co-produces common social and environmental goods. However, the narrow vision of current trade politics continues to be blind to the non-economic aspects of agriculture. Because agriculture is

primarily a place-bound business that deals with life, it rarely follows basic economy theory and the expectations arising from it. As a result, agriculture usually has a hard time to withstand competition from industrial sectors, requiring public support for survival.

Mainstay of rural life

Trade negotiations usually disregard the important role that agriculture plays in underpinning the availability of common goods in both the social and the natural sphere. In social terms, agriculture is the mainstay of rural life, and rural life comprises much more than just agriculture. First and foremost, the rural world is based on the rural economy with its various layers, including the subsistence economy that offers food, shelter and exchange outside the cash nexus, as well as the informal sector that provides for daily necessities, and small businesses that supply services and goods, and industries that cater to larger markets. Farming and livestock raising also offer jobs and economic opportunities, but in addition, agriculture provides the basis for employment and income in related local sectors. It is important to note that farmers – the world over, but in particular in marginal regions – not only produce goods for monetary returns, and in response to the demand of markets. Most importantly, of course, they farm in order to ensure their family’s food security. In addition, they farm to produce their own seeds, to grow feed for their animals, plant trees for fuel wood, grow medicinal plants, as well as to produce clothing (cotton, wool) or construction materials (wood, bamboo). Farmers are rarely driven just by their own need for cash, nor just by what the market would pay for. Quite to the contrary, except in an industrial context, farmers produce a lot of their ‘capital’ by itself and is not necessarily dependent on monetary return to achieve it. Yet these non-monetary economic assets of agriculture are nowhere to be found in economic trade statistics, or tax and finance sheets.

Moreover, the rural economy in particular consists not just of market-related activities, but also of community-related activities, such as exchange among relatives or communal work. It is both the market and the community that sustain rural livelihoods. As a consequence, it is misleading to view the rural world exclusively through the optic of productivity and output. For example, farmers may choose to first invest in social

relations by investing returns from their cropping into expenditures on weddings, funerals, gifts or beer parties, securing thus their place in the community and the ability to call for help in hard times.⁷ Investment in community is just as much an investment in agriculture.

Furthermore farming promotes a rural culture that shapes the material world and the social imagination. Food customs, agricultural techniques and knowledge, settlement patterns, housing designs, work rhythms, festivals and worldviews are likely to be defined by tradition and culture of a distinct place. In rural Mexico for instance, corn is not just a crop, but at the very core of a food culture, as well as the object of ceremonies, just as the potato is in the Andes, rice is in the Philippines, wheat is in Italy or millet is in Mali. As the very term agri-culture implies, land and mind are interconnected. Again local habits may follow a logic different from economic rationality. In central Africa for example, where coffee and beans are intercropped, coffee tends to be controlled by men and the beans by women. Changing cropping patterns would at the same time change gender relations. And as it is well known, in most agrarian cultures, land is regarded first and foremost as a bridge connecting the present tenants to both ancestors and descendants, and only second as a factor of production waiting to be allocated for optimal use. Against the background of rural economy and culture it is evident that the value of agriculture surpasses the money value of its crops and fields. Therefore interventions that only aim at boosting the monetary value of agriculture are likely to undercut its non-monetary economic, social and cultural values.

“We should focus our debate on the global framework and existing global arrangements. However, our discussions should not be limited by the mindset of the WTO. We need to go far beyond the WTO. Our discussions should only be limited by the possibilities...”

Mario Aguja, Akbayan Representative in the Congress of the Philippines, at the Asian Regional Consultation, May 2006

Supporters of unconditional trade liberalization often ignore this larger context in which agriculture is an important part. They campaign for a competition-driven agricultural economy without taking the fate of the rural world into account. This is the case when it comes to industrialized countries where the winds of

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INVESTMENT IN
AGRICULTURE**

competition threaten to leave nothing but a few factory farms in their wake. However, it is much more the case with respect to less industrialized countries where the rural economy has to accommodate the majority of citizens. As it happens, free trade agreements along with structural adjustment programs have often failed to be sensitive to the fact that about 2.5 billion people worldwide depend – as for millennia – on agriculture for their livelihoods. Some 70% of the world’s poorest people live and work in rural areas, an important fact that should, one would think, figure more prominently in agricultural trade negotiations. Instead the larger questions, which relate to the WTO Agreement on Agriculture, are conveniently stored away under the ambit of so-called

“Of course, agriculture is much more than a business. Still, we need to emphasize the business aspect, since farmers today leave their land because they can no longer earn a living from agriculture. If these people abandon their farm work, they as well abandon the multiple functions, which agriculture provides to human communities and the natural world.”

Bruce Ross, Ross Gordon Consultants, Belgium, at the European Regional Consultation, November 2006

‘non-trade concerns’, despite the fact that they intimately connected with the economic, social and cultural human rights of vast parts of the world’s people, including their food security.

Despite this poignant reality, trade negotiators continue to remain unimpressed that trade liberalization is deepening the dualism among farmers, between those wealthy farmers that benefit from new commercial opportunities, and the majority of others who languish behind and become trapped in a vicious cycle of stagnation and poverty. Exposing the rural world to ever increasing pressure from global markets may also undermine the viability of non-farming sectors in the rural economy. This is especially the case because the global economy has the tendency to displace locally grounded business, replacing them with transnational distribution systems. As result rural life atrophies, along with the assets that are essential prerequisites for diversified economies and sustainable livelihoods.

Part and parcel of the natural world

Apart from sustaining rural life, agriculture also produces common environmental goods. Considering that about 40% of the Earth’s land surface

is used as farm or pasture land, it is by no means an exaggeration to say that most interaction that humans have with the natural world is through agriculture. Most rural economies rise up from the fields, woods, and streams, from the complex of soils, slopes, and rains that distinguish a particular landscape. And most rural economies leave their particular imprint on the biosphere, shaping water courses, plant and animal species, land forms, and microclimates. Moreover, it is through farming that humans usually provide for their basic human needs. The food and fiber obtained from fields are essential fuel for the human metabolism. Agriculture, unlike any other industry, exists in a symbiotic relationship with the natural commonwealth.

Agriculture can be regarded an intensely managed ecosystem, which – as with the case of all ecosystems – offers a multi-functional range of benefits to people. Following the classification suggested by the Millennium Ecosystem Assessment, these benefits include: provisioning services such as food, timber, or fiber; regulating services that affect climate, floods, wastes, and water quality; cultural services that provide recreational or aesthetic benefits; and supporting services, such as soil formation, photosynthesis, and nutrient cycling⁸. While the output services provided by agriculture have increased enormously over the last decades, the regulating, the cultural, and the supporting services have steadily declined. The most important driver in this transformation has been the conversion of woodlands and wetlands to cropland, alongside with energy and capital intensive technologies as well as practices employed to increase the productivity of farming and livestock raising.⁹ This has had the effect of creating a ‘predatory’ relationship between agriculture and natural resources. In other terms, as agricultural systems create privately-owned value, yielding more and more marketable goods like food and fiber, they may also damage commonly owned goods, such as water quality, capacity for photosynthesis, or beauty. Highlighting agricultural growth only in money value easily masks the possible decline in non-monetary value, and this trend will surely exacerbate the steady decline of the biosphere.

It is, however, fairly obvious that the degradation of natural capital not only weakens ecosystems, but the agricultural economy as well. After all, no other sector of the economy is as dependent on the silent workings of nature as agriculture. Basic production processes, such as soil forma-

**AS AGRICULTURAL
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tion, watering, plant growth, reproduction, nutrient supply, and pest control, rely on complex webs of life. If vital ecosystem services fail, farming itself is put at economic risk as a result of degraded ecosystems. Loss of agro-biodiversity, for instance, diminishes nature's capacity to cope with pests. A decrease in groundwater levels makes irrigation farming less viable. In many cases, the response of many farmers is to replace failing ecosystem services with oil-based and chemical inputs, thereby exposing themselves to the risk of rising oil and resource prices – and therefore to the risk of indebtedness and land loss.

It is not just in commercial agriculture that the viability of private value production thrives on the availability of common environmental goods. It is even more the case with subsistence agriculture. No one is more dependent than the rural poor on the natural commons. However, ecosystem services sustaining the poor are usually overlooked in national statistics and poverty assessments. For example a recent study that synthesized data from 17 countries found that 22% of household income for rural communities in forested regions comes from sources typically not included in national statistics, such as harvesting wild foods, fuel wood, fodder, medicinal plants, and timber¹⁰, with poorer families having a higher share than richer families. In sum, the disregard for nature is a recipe for economic insecurity in agriculture.

But most trade policy, from structural adjustment programs to the WTO Agreement on Agriculture and regional trade agreements, undervalues the intimate connection between agriculture and the environment. This neglect has potentially ruinous consequences for the global environment, not just for nature and local farming. Increases in cross-border trade in agricultural goods are likely to lead to a further spread of industrial agriculture, consumption of external inputs, such as engineered seeds, energy-intensive fertilizers, noxious pesticides, electricity, fuel, and irrigation. These trends are all expected to expand – generating in turn a very wide range of very serious consequences for the biosphere. Most importantly, industrial agriculture is now understood to be both a major cause and also a victim of climate change, since its practices release much more greenhouse gases than traditional or organic forms of farming.¹¹ Therefore trade policy that disregards important environmental considerations is clearly ill-equipped to deal with the new generation of challenges in the

age of climate chaos and dwindling biological assets. Humankind can no longer afford to treat agriculture just as a business. Only agricultural

“In Chile, two of our major environmental problems are the so-called ‘Green Flood’ of export-oriented pine and eucalyptus monocultures that pushes away small farm families towards urban areas and the industrial breeding of salmon for exports. The impacts of these activities are devastating and will destroy the natural resource base in the medium and long term with natural disasters to unfold alongside social conflicts.”

Mario Rivas, DAS, Chile,
at the South American Regional Consultation, August 2006

systems that regenerate and improve common environmental goods while offering food, fiber, and fuel, will be able to meet the pressing human and ecological needs generated by a planet in peril.

Uniqueness of the agricultural economy

Agriculture is not just more than a business, it is also unlike any other business. For agriculture does not follow basic economy theory, nor the expectations arising from it. Textbook models of the dynamics of supply and demand in perfect markets assume the unrestrained mobility of production factors. The promise of the market to make the best out of scarce resources rests on the capacity of actors to continuously shift factors of production to more efficient applications. And indeed, markets can be superb in driving the efficient allocation of productive resources in the economy. They play out this strength in an optimal fashion when resources can be moved from one allocation to another without any friction, but in a flexible response to changing demand. As a consequence in market economies, sectors marked by highly mobile resources, such as financial markets, have a structural advantage over sectors characterized by less mobile resources, such as industry with its factories and employees. This hierarchy in mobility makes itself particularly felt in markets with large geographical scopes, i.e. in global markets. When it comes to seeking the best allocation across the globe, it is therefore not surprising that fast and mobile production factors are greatly favored over slow and immobile ones. As a rule, owners of mobile production factors benefit from trans-nationalization, while owners of place-bound factors find themselves at a distinct disadvantage.

AGRICULTURE AS A BUSINESS FAILS TO MEET THE EXPECTATIONS RAISED BY TEXTBOOK ECONOMICS

Seen from this angle, agriculture presents another fundamental handicap. Many of its production factors are relatively inert. It is true that not even financial markets conform fully to the textbook model, but agriculture is particularly badly off. Fields and, to a lesser extent, people are bound to place. While in many industries and services, productive resources can be smoothly relocated and recombined according to market conditions, in agriculture, land can neither be moved nor be put to different use so easily. The exception here is the case of industrial livestock operations, which can and in fact do move around the globe, and do not differ much from car or computer chip production facilities. But a corn or wheat farmer, faced with a long-term price decline, has much less latitude than, let us say, a manufacturer of office chairs in the same situation. While the office chair company may decide to reengineer its assembly line to produce elevator cabins or to shift his or her production to some low-cost country, the farmer would have a hard time shifting to fish-farming or relocating to countries where prices might comfortably pay for some gain.¹²

Furthermore, not only is land fixed to place, but so are soil quality, water availability, hours of daylight and climate. Moreover, plants with their distinct physiology are better suited to certain places and not to others. Crop cultivation is linked to biological and seasonal cycles that govern reproduction, maturation, and decomposition. It is not possible to stop or restart these cycles on demand, and it requires genetic interventions in

Georgescu-Roegen pointed out some forty years ago, taps into the flow of low entropy (i.e. the flow of valuable energy) that reaches the earth as solar radiation, while mining – the other source of natural wealth available to humankind – taps into the stocks of various forms of low entropy contained in the crust of the planet. However there is, as he explained, a fundamental asymmetry between the two sources of valuable energy. While mineral wealth can be turned into a flow almost at will, the rate of flow that comes from solar radiation and photosynthesis is only marginally subject to human control. As a consequence, industrial and agricultural activities are profoundly distinct.¹³ Conversely, this factor helps to explain why ‘industrial agriculture’ and livestock raising in factories are at the forefront. Since they mobilize fossil fuels for tractors and technology, phosphate for fertilizers, and ore for machinery, and since they relocate around the globe with tremendous mobility, capital- and resource-intensive industrial operations constantly out-compete extensive and site-bound family farms.

There is yet another reason why agriculture as a business is distinct from other economic activities, and does not fulfill the expectations raised by textbook economics. Economic theory generally assumes that the interplay of the supply and demand curve delivers an optimal price in the market. In response, economists and trade negotiators alike have assumed that the free play of market mechanisms will guarantee reasonable commodity prices. Yet the invisible hand is clearly not working well in agricultural markets. Economists may call it a market failure, but in agriculture neither supply nor demand corrects itself properly.¹⁴ While in many industries, production capacity once developed can eventually be reduced in response to market signals by slowing output, or dismantling factories and selling the assets to other industries. By contrast, with agriculture, total annual output changes over a much longer period of time. If (new) producers generate over-production, or if domestic support and export subsidy policies lead to excess supply on the world market, or if new technologies enhance productivity, this in turn drives a fall in commodity prices. It does not, however, reduce supply. For in the short run, crops that have been sown must be harvested, no matter how low prices are at that point in time. Even if individual farmers go out of business, supply will not change if their land is taken over by another farmer. If at

“Land is in fact a common good that is bound to a place and cannot be moved. However, transnational agri-business companies are highly mobile; they export and exploit natural resources and relocate once they have exhausted them.”

David Cardozo, Sobrevivencia, Paraguay,
at the South American Regional Consultation, August 2006

order to accelerate them. To be sure, agro-technology has in recent times been employed on massive scales to alleviate some of these conditions, for instance through fertilizers, irrigation techniques or soil-less cultivation, but there are limits. In agriculture, the odds are clearly against acceleration and mobility.

The underlying reason for this can be explained through the laws of thermodynamics. Agriculture, as the mathematician and economist Nicholas

all, in densely populated regions, such as parts of Europe or Asia, land may be put to different use in the long run, for instance, as it becomes converted into urban space. But in the short and medium term it will stay in agricultural production. And in the vast expanses of rural Argentina, Australia, Brazil, Canada, or the US, land is very likely to be farmed in the long term since there are no alternative uses for the land.

Not only is supply very inelastic, but demand is usually sustained at a relatively constant level as well. For consumers do not tend to eat more if food prices fall. Demand may slowly increase due to changing consumer habits, such as meat-based diets. Transnational food corporations may spend billions of dollars in advertising convenience snacks and fast food, which may seduce people to eat more – and which has been a primary factor in growing obesity levels around the world. Still unlike the demand for cars, houses or clothes, doubling consumers' income will only have a minor impact on their demand for food. As regards food, agriculture is doomed to be a business with limited demand. With the rise of a new market for bio-energy, however, non-food demand for crops

may potentially become unlimited in the future, in turn threatening feed and food production.¹⁵ If demand for fuel spreads, the economic prospects for crop cultivation are likely to improve considerably; at least large-scale agriculture would transform into a business with expandable demand. But for the time being, demand as well as supply are less elastic than in other sectors of the economy, resulting in ever decreasing food prices – under which small and powerless farmers suffer more than large-scale operations.

Agriculture is unique; it is not a normal business and at the same time, it is much more than a business. This uniqueness creates serious challenges for agriculture in most countries. For it is expected to provide common goods without remuneration, while struggling under declining farm gate prices and malfunctioning market mechanisms. Yet ensuring the so-called multifunctionality of agriculture makes public intervention indispensable. Therefore, governments across the world are obliged to provide support to agriculture for securing food production and sustaining family farms after the onset of industrialization.

2.2 In disregard of livelihoods

Recounting the history of the 20th century, the British historian Eric Hobsbawm describes at length the ruptures and revolutions, the wars and massacres of this, as he calls it, 'Age of Extremes'. Yet in his view, the most far-reaching sea change that occurred in that century, the one that separates the modern world for ever from the past, is the world-wide death of the peasantry. For the second half of the 20th century marked the end of several thousand years of cultural evolution during which the overwhelming majority of the population survived by growing food, raising livestock or harvesting the sea as fisherfolk. In fact the peasants of rural Europe and Japan have more or less stopped tilling the land, comprising but a very small proportion of the population.¹⁶ Still large tracts of Latin America, Asia and Africa remain dominated by farming societies, with a large part of the population earning its living from agriculture. The world's population in agriculture actually increased over the last five decades, from 1.5 to 2.5 billion.¹⁷ However, it is true that these farming societies face real threats of impoverishment, and may well rapidly follow the direction by

their Northern counterparts. By myths and promise of a better life, as a result of degrading soils, shrinking income, and growing indebtedness, people are pulled and pushed off their land and into urban agglomerates, in order to find a new way of living, or to succumb to even greater levels of poverty. Globalization and trade are in part accountable for the current demise of the peasantry. If the world does not want to witness a further loss, an alternative agricultural trade regime, which is committed at its core to addressing the global crisis of agriculture, is absolutely critical.

Liberalization and its discontents

One of the harshest impacts of globalization on farmers has been generated by cheap imports that drive national prices to such a low level where farmers can no longer compete. As recently as one decade ago, Indonesia had a flourishing farming system that was highly successful in achieving self-sufficiency. But as a result of liberal policy reforms that were implemented in the wake

GLOBALIZATION HITS FARMERS MAINLY THROUGH SURGES OF CHEAP IMPORTS

of the Asian financial crisis, overall food imports rose significantly, with imports in soybeans increasing by 50%. Just in the soy sector, two million people fell into unemployment.¹⁸ Jamaica has experienced more than a doubling of imports of vegetable oils after 1994, while domestic production declined by two thirds. In the Philippines, rice imports continue to flood the domestic market since 1995, despite the fact that rice is grown all over the country. Senegal's imports of

that countries had so far achieved was sealed and enshrined into international law, including sanctions if they were to reintroduce protectionist measures. Moreover, the WTO's Agreement on Agriculture obliged governments to convert all agricultural non-tariff trade barriers into bound tariffs that would be required to be reduced over time, and requested them to further reduce agricultural support and subsidy programs.

Although there is still some policy space available under the WTO, many countries today do not make use of it to implement policies available to stabilize food prices, or to enhance domestic productivity and self-sufficiency. Whether because of failing democracy, inadequate institutional arrangements, or policies that serve only the minority, or deficient analysis of the problems, it is clear that poorly designed governmental interventions in too many countries around the world, exposes their farm sector to the harsh consequences of unregulated competition on the world market. With the remaining political void, especially as state trading enterprises and food marketing boards have become increasingly privatized, transnational corporations are now perfectly placed to consolidate their power and control on prices and supply throughout the entire food chain (chapter 2.4).

Clearly the impact is greater in poor countries. This is especially the case for low income and food deficient countries, where agriculture provides the main source of livelihood, for as much as 50-90% of the population. Empirical evidence shows that many poor countries have had to face increasing imports and stagnating domestic production, while export earnings from agriculture have barely increased. Over the last two decades, the import bills of developing countries have increased enormously and even tripled for Least Developed Countries, trapping them in growing trade deficits.²⁰ Just a few countries in the North, such as the US, Canada, or Australia, along with few countries in the South, such as Brazil or Argentina, Chile or South Africa, share these new markets. Yet their exports generate a massive displacement of farmers and rural job losses in the importing countries. West African poultry farmers lose out to Brazilian chicken producers, who dump chicken legs at almost zero price on their markets, since these are the by-products of chicken breast production for North American consumers. Outrageously cheap wheat from Egypt drives Kenyan cereal growers out of the market, while growing evidence raises suspicion that this might be

“In Ecuador, food imports have increased and local producer prices have decreased. Producers are driven out of business. In recent years, a quarter of the economically active population has left the country. An important percentage of ‘campesino’ agriculture has been left in the hands of the poorest, the women, the elderly and the youth.”

Francisco Hidalgo Flor, SIPAE, Ecuador,
at the South American Regional Consultation, August 2006

tomato paste rose fifteen fold after 1995, which forced the reduction of domestic production by one half. There are many such examples.¹⁹ Since the 1980s, trade liberalization, together with stabilization and privatization policies, has been a major driving force behind the reform of agricultural systems and trade patterns. The steady influx of cheap imports from the world market has devastated local farm and livestock production and rendered many farmers bankrupt.

There are multiple reasons why countries have liberalized their markets. Many of those in need for financial bail-out, like the Philippines or Indonesia, surrendered to structural adjustment programs imposed by the World Bank and the International Monetary Fund, which placed conditionalities on the provision of hard cash to the dismantling of protectionist measures. Other countries opened their markets as a condition to bilateral or regional trade agreements, and some even unilaterally liberalized, as they embraced the ‘Washington Consensus’ and followed their economic advisors’ promise of faster rates of growth. In the course of trade liberalization, countries reduced their tariffs and eliminated quotas, privatized state trading enterprises and reined in government support, at times weakening national laws and regulations on social policy, food safety, the environment, or human health. Much of this happened outside the realm of the GATT or the WTO. But with the establishment of the WTO in 1994, the level of liberalization

wheat from the US or the EU that only transits through Egypt in order to make use of the Common Market for Eastern and Southern Africa, a regional free trade agreement to which Kenya and Egypt belong.²¹ By and large, agricultural trade liberalization in practice does not live up to the promises envisaged by David Ricardo, the father of free trade theory. Instead it has produced a win-lose-situation.

However, it is not just a matter of some countries gaining and others losing. Even in strong agricultural export countries, many small farmers struggle under tumbling prices, while only a minority of large-scale industrial farm operations actually flourish. Even within Brazil, for instance, millions of small soy farmers have been forced out of the market as a result of Brazil's big businesses driving down the world market price for soy beans. Women in particular are unable to compete, which is highlighted by the fact that poverty in rural areas throughout the world continues to be highest in poor female-headed households. And yet, women grow at least 65% of the food consumed in the world – a number even more impressive in light of the fact that they often do so in addition to household work and child care.²² As farm income continues to be depressed, women are now forced to take off-farm jobs to supplement family income. In the absence of proper rules and conditions, it is clear that trade liberalization in agriculture does not serve the wealth of nations, but rather the wealth of traders.

What liberalization leaves behind is not just a question of poor national economic performance, such as negative terms of trade. It is also a question of poverty for millions of small farmer and pastoralist families around the globe. Often pushed on to the margins of survival, they are forced to sell their land and migrate out of their communities in hopes of earning cash income on industrial plantations, or in urban areas. As a consequence, according to United Nations data, urban populations are expected to increase to 5 billion inhabitants in 2030, 2 billion more than today, while rural populations are expected to decline to 3 billion.²³ In particular, young people leave their parents' farms, migrating into cities while leaving behind mainly elderly women and men who can only run agriculture as a sideline or on part-time basis. An increasing number of households – and even villages – in rural areas are forced to choose between retaining sufficient labor to support agricultural production, or sending all their members to the urban world.²⁴

The impoverishment and depopulation of rural areas will likely be the biggest threat to the food system in the future, when an ever growing majority of people in cities will depend on an ever shrinking minority in rural areas to produce their food. Since these minorities can no longer earn decent living from farming anymore, rural life and rural economies may collapse altogether. What will this mean for our food security in the 21st century?

Industrialization and its discontents

Some argue, pointing to the situation in industrialized countries today, that two or three percent of the population may be just enough to provide food for the rest. They view the elimination of small farmers as a regrettable but unavoidable necessity; the price of progress. Yet this argument literally evokes a day-dream, as it is unrealistic that the hundreds of millions, now and in future decades flooding into urban agglomerations, will be absorbed by other economic sectors within a short period of time. Therefore keeping people in agriculture – at least in the short- and medium-term – is not a matter of choice, but the single most sensible option for ensuring employment in the vast majority of countries. Even in countries such as Brazil, where 77% of the rural labor force is employed in small farms, and all the more in many African countries, where this figure varies between 78% and 86%, small farms offer the greatest potential for ensuring jobs and sustainable livelihoods.²⁵ Instead, the increased industrialization of agriculture, which aims at substituting labor through machinery and chemicals, will even further aggravate the displacement of people. A corporate-dominated industrial, export-led agriculture even poses a threat to employment in those few countries where it actually flourishes, such as in Brazil. There the Ministry of Agrarian Development found that household agriculture creates on average one job per 8 hectares, while corporate farms merely offer one job per 67 hectares.²⁶

The labor intensity of small farms may be interpreted as an inefficiency. If industrial farms produce more but with less labor, aren't they more efficient? But a straightforward analysis of the economic facts reveals they are not. Contrary to conventional wisdom, economies of scale do not hold up in agriculture. A considerable body of empirical studies shows an inverse relationship between farm size and land productivity, as well

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as between land productivity and capital intensity.²⁷ Small farms produce more food on less hectares and with less capital but with more labor. Whether production per hectare or per unit of investment are considered as the indicators of efficiency, small farms trump large-scale and more industrialized ones. This is true not just for develo-

“Industrial monoculture farming in Brazil causes too many social injustices, such as the devastation of the natural resource base, the disappearance of livelihoods, the criminalization of organizations and movements, and the promulgation of laws that perpetuate this unsustainable production model.”

Rita Zanotto, MST, Brazil,
at the South American Regional Consultation, August 2006

ping countries that have greater access to very cheap farm labor. Even in the US, the smallest farms were found to be more than 100 times more efficient than the largest ones.²⁸

This is in part due to the existence of unpaid family labor that often ‘subsidizes’ small farms. Yet most of the efficiency potential is realized by labor-intensive farming practices that make optimal use of the land. While large-scale monoculture farming maximizes the yield of but one single crop in the field, small-scale mixed cropping, cover cropping or combined agroforestry, for instance, maximize the density of plants per acre and take full advantage of the mutual interactions between plants.²⁹ As global population growth is one of the major challenges to the food system in the 21st century, improving small farmers’ potential is the best solution to ensure food security throughout the world.

However, it goes without saying that small farming systems today – highly heterogeneous as they are the world over – are far from performing at maximum productivity. In many countries, unproductive agriculture is the main reason for economic stagnation in rural areas, and for insufficient domestic food production. However, the answer is not to replace these small-scale systems with industrialized agriculture. Instead, raising small farmers’ productivity through least-cost and sustainable farming practices should guide the reform of agricultural policies in order to maximize their contribution to food security.³⁰

This is all the more true when environmental impacts are taken into account. Industrial farming techniques, and more so intensive factory-based livestock raising in particular place tremendous pressures on natural resources and pollute the

environment. It is true that many small farming systems today are far from being sustainable either. Small farming also generates a range of environmental impacts. For example, in many cases small farmers may be constrained to farm marginal land, they may lack appropriate equipment, or adequate information regarding sustainable agriculture practices. For others, the Green Revolution promised higher yields through the intensive use of agri-chemicals. And while a considerable share of small farmers could drastically increase their yields through Green Revolution technologies, they do so at the cost of the environment, accelerating biodiversity loss as well as exacerbating the pollution of soils, water bodies, and the atmosphere.

Nevertheless there is sufficient scientific evidence to show that the future of sustainable agriculture lies with small farmers. In what has probably been the largest ever analysis of sustainable agricultural practices, Jules Pretty and a group of scientists, studying 286 completed and on-going farm projects in 57 countries, concluded that small farmers increased their crop yields by an average of 79% simply by using environmentally sustainable techniques such as crop rotation and organic farming. With these practices, they were able to reduce fertilizer and pesticide use, maintain or even build up soil fertility, and increase the efficiency of water, land use and carbon sequestration.³¹ While many small farmers continue to produce in unsustainable manners, compared to input-intensive, large-scale industrial farming, and especially if the small farmers are encouraged to practice biodiversity farming, small farmers hold out the greatest potential to realize agriculture’s role in regenerating social communities and the natural environment.

The benefits of small farming are considerable in scope. They include generating meaningful employment and income in rural areas, thus slowing down migration. They also include considerable potential for producing more efficiently and more sustainably in response to growing global demand for food. In addition, small farmers have a political virtue to offer. The struggle for achieving sustainable development and an agricultural trade system that takes on the global challenges in the rural world will only be of value in the future, if it is inclusive and participatory. If this struggle excludes the world’s 2.5 billion people that currently derive their livelihoods from farming, their voice will not be represented, and

**SMALL FARMING
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REALIZE
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AND THE NATURAL
ENVIRONMENT**

their knowledge and experience will not be able to contribute in meeting the global food challenge. As long as these people go to bed hungry, they are not able to engage in their communities and countries to make vital decisions, for instances,

regarding rural development, food security, and natural resource use. Empowering farmers, through fair trade rules as well as through other means, therefore, is a matter of democracy.

2.3 Forgetful of nature

As never before in history, the 21st century will expose agriculture to a series of bold challenges. Four particular pressures on agriculture will increase exponentially and their interactions will create even more dangerous threats to the biosphere. First, global climate change will pose a major threat to the life-support conditions that are essential for farming systems in many regions. This in turn will undermine the ability of the agriculture sector to meet growing demands for food. Second, in the post-‘peak oil’ age, the farming of bio-energy crops and planting of bio-materials will place enormous pressures on agriculture. Thirdly, demand for food and fuel will in any case rise due to a constantly growing world population, which midway of this century is expected to reach about 9 billion people. And finally, unsustainable farming practices continue to overuse their environmental base as if not one, but three planets were actually available for cultivation. All these challenges combined make the future of agriculture look rather grim. But trade in agriculture and current trade rules are linked to these changes. Is it possible to anticipate a trade regime that is properly equipped to deal with these challenges?

Burden on the biosphere

No human activity has more profoundly altered the face of the Earth than agriculture. It is not surprising that long before the advent of industrial agriculture, farmers time and again have felled forests and depleted soils. The Andes, North Africa, and the Middle East are important cases in point; they were at times over-farmed to the point of degradation. Even today, small farmers account for significant environmental problems, such as the deforestation of tropical forests from Brazil to Indonesia, as they are constantly forced to farm virgin forest land to sustain their own livelihoods. What is new is the extent to which modern practices systematically overexploit natural resources and pollute the

environment. Industrial agriculture is a high external-input form of agriculture. As such, it relies on hybridized or genetically modified ‘high-response varieties’ – grown in monocultures irrespective of local conditions. It also requires agrichemicals, uses large amounts of fertilizers, and often consumes much more water for irrigation than traditional farming ever could. As a result, industrial agriculture gives rise to a series of threats to the biosphere.

“In Indonesia we have experienced severe problems with palm oil plantations. Thousands of hectares are owned by foreign companies, forests are cut down and forest dwellers are expelled from their land. And while the plantations are supposed to produce a regenerative resource, they in fact exploit the resource base and cause environmental pollution and devastation.”

Delima Hasri Azahari, Consultant, Indonesia,
at the Asian Regional Consultation, May 2006

To begin with, most of the human-induced greenhouse gas emissions are caused by the burning of fossil fuels. However, land-use changes in agriculture and forestry as well as emissions from farming and livestock play a significant role as well. Agriculture alone – not considering the entire food system – contributes over 20% to global anthropogenic greenhouse-gas emissions³², releasing in particular methane, nitrous oxide, and to a lesser extent carbon dioxide. Even in the EU, which as a region is responsible for the world’s highest emissions from transport, industry and households, it is estimated that agriculture is responsible for 10% of all greenhouse gas emissions.³³ What is particularly emission-intensive is the conversion of tropical forests and savannahs into agricultural land, primarily through the burning of biomass that originally occupied the land, and the release of organic carbon stored in soils.³⁴ Next in terms of the severity of impact is livestock production. Approximately 25% of anthropogenic methane emissions come from livestock, while their

**INDUSTRIAL
AGRICULTURE, LONG-
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DISTRIBUTION AND
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CHAOS**

warming potential is about 20 times more powerful than carbon dioxide. With animals moving from pastures to intensive stall-feeding, and the number of farmed cattle, pigs, and poultry steadily increasing to meet the growing number of meat-based diets, more methane is released from enteric fermentation and animal waste. Grass-fed animals emit less methane than livestock that is fed on a high protein diet.³⁵ In addition, a significant share of methane emissions is produced from the expansion of flooded rice paddies, as well as large amounts of nitrous-oxide emissions, which are generated from the breakdown of fertilizer as well as manure and urine from livestock. Both are further contributions to the breakdown of the global climate system.

The food system at large contributes much more to anthropogenic climate change than actual farming and livestock raising. Greenhouse gases are emitted through the production and use of agro-chemicals, farm machinery and pumped irrigation, all of which account for more than 90% of the total direct and indirect energy used in agriculture. As farm inputs are very energy intensive to produce, a ton of cereals or vegetables farmed by means of industrial agriculture requires 6 to 10 times more energy than by traditional or more sustainable agricultural methods.³⁶ In addition, downstream operations, such as transportation, processing, packaging and retailing, require even more energy than agricultural production itself. For example in the US, they require more than twice as much energy than farming in the field. And nearly 75% of agricultural products in the US are processed in some way, which consumes one-quarter to one-third of the whole energy used in food systems.³⁷ Finally, in a

embrace a year-round ‘dietary summer’, the total distance traveled by imported vegetables purchased weekly by just one family can easily amount to a distance equivalent to several journeys around the equator.³⁸ When considering all of the different impacts that agricultural practices contribute to the global climate change crisis, it can safely be said that the industrialization of agriculture as a whole, as well as long-distance distribution and industrial processing, has emerged as a major driver of the climate chaos.

As we have witnessed in recent years, the global climate is now beginning to strike back with enormous ferocity. Global warming has already resulted in an increase of global average mean temperature by 0.8 degrees Celsius compared to pre-industrial levels. It is however expected to rise to as much as 6.4 degrees by the end of the 21st century, if business as usual continues.³⁹ Obviously the planet is not just getting warmer. In addition to this predicted change in global temperatures climate change will have other severe effects, including a rise in sea-level, increased frequency of extreme weather events, such as storms, increased flooding, or irregularities in monsoon patterns, as well as the melting of snow cover and ice caps, or the weakening of ocean thermohaline circulation.⁴⁰

Climate change will rebound on agriculture in a variety of ways. Crop cultivation will be most impacted by a change in temperature and precipitation, greater vulnerability to diseases, insects and pests, increased vulnerability to the degradation of soil and water resources, and pressure on native biodiversity. Scenarios for cereal crops reveal that in some temperate areas, yields will potentially increase with small increases in temperature, but decrease with larger temperature changes. In most tropical and subtropical regions, however, yields are projected to decrease with even minimal increases in temperature, as they already grow at their thermal optimum.⁴¹ Where large decreases in rainfall are expected to occur, especially in subtropical and tropical dry land and rain fed agricultural systems, such as in the Sahel, the African Horn, the Chilean Andes, or parts of Central Asia, East Asia, and South Africa, crop yields will be even more adversely affected. However, water damage to agriculture is not only associated with decreasing precipitation, but also with increased run-off. A comparative study of five major agricultural regions – Northeast China, Brazil, the US Corn belt, the Danube Delta, and

“The industrial model of production is not durable. We cannot keep importing genetically modified soy beans from Brazil in order to feed poultry in the EU, which is then dumped on third markets in the South – forcing the Brazilian farmers to overexploit their land, the EU farmers to pollute their land nearby factory farms, and the small farmers in the South to be driven out of production.”

François Dufour, Confédération Paysanne, France, at the EcoFair Trade Dialogue panel discussion in Hong Kong, December 2005

rapidly globalizing agricultural market, emissions from food miles are constantly on the rise. Each item of food today travels on average 50 percent more than it did in 1979, with modern airfreight travel emitting much more carbon dioxide than travel by ship or road. As well-off consumers now

Argentina – indicates that excess water as well as altered timing of the water supply could have even greater impacts than drought.⁴² In light of the tremendous impacts that are associated with climate change, for those regions that will be disproportionately impacted, the climate chaos may well unleash a socio-economic chaos for entire agricultural communities.

However, agriculture is not only a victim of climate change, but can be part of the solution to the problem. Agriculture not only releases greenhouse gas emissions, it can – practiced in the right way – provide important carbon sinks. Studies prove, for instance, that a shift from conventional industrial practices to organic farming significantly contributes to the mitigation of climate change, both through less emissions from inputs and farming practices, and through increased carbon storage in the soil.⁴³ At the same time, diversified sustainable farm systems are less vulnerable and offer the best potential for adapting to changing climatic conditions. Furthermore, agriculture can provide the basis for the post-carbon economy in the future. Through farming bio-materials can substitute for minerals and fossil-fuelled transport systems, and can also help to retire resource-intensive industrial products and processes. In particular, the provision of bio-gas and bio-fuels for industry, household use and transportation are important solutions for making societies more climate-friendly. However, agriculture in a solar economy would have to generate other environmental qualities than just protection of the global climate. Indeed, environmentally friendly production practices must ensure that the production of bio-energy and material does not undermine the carrying capacity of soils and ecosystems.

Today, the potential for agriculture in helping to protect against further deterioration of ecosystems is far from being realized. High-input and intensive farming systems are the prominent drivers behind increased land degradation, water scarcity, pollution, and global loss of biodiversity. For instance mono-cropping requires high levels of pesticide and fertilizer applications, which pollute the soil and the groundwater. Monocultures take livestock out of crop systems and concentrate them in confined areas, creating a surplus of manure, which is then often over-applied on land surrounding the livestock factories, and may run-off and pollute adjacent water bodies. Furthermore, the use of heavy machinery in the field often leads to soil compaction, which

impedes root growth, limits soil drainage, and in turn may result in run-off, increased erosion and the transfer of pollutants to surface waters. Where land is irrigated, salinization is an important cause of land degradation, as it leads to the accumulation of salts in the soil; about 20% of the world's irrigated acreage is estimated to be affected by salinization, with salt concentrations high enough to decrease yields significantly.⁴⁴ Moreover in many places, irrigation is depleting underground aquifers faster than they can be recharged; in some cases, such as in the Midwest of the US, agriculture even depends upon 'fossil aquifers' that mostly contain water from the last ice age and receive little or no recharge.⁴⁵

On top of land degradation, pollution, and overuse of water resources, industrial agricultural production systems have greatly diminished biodiversity – both through farming practices and through the selection of crops grown. Farming in monocultures, which only grow one single crop on a given field, is especially harmful to biodiversity; in fact monocultures are the "antithesis to diversity".⁴⁶ They require large amounts of fertilizers and pesticides, fungicides, herbicides to sustain high yields and to control insects and pests, while fields are literally turned into 'agricultural deserts' killing almost everything apart from the intended crop. Equally important is the loss of cultivated crop diversity due to the use of hybrid or genetically engineered seeds. Over several millennia farmers have selected seeds and thus shaping a specific local fauna and flora; but today only nine crops account for three quarters of the plants consumed by humans.⁴⁷

Trade as driver

Does trade liberalization in agriculture lead to a further expansion of environmentally destructive farming? The answer, according to most of the evidence, is yes, although a number of caveats must be made.⁴⁸ First, since both exports and imports increase as a result of liberalization, the overall volume of transport is bound to increase. Average distances will in all likelihood grow; more wheat travels from the US to Egypt, fresh vegetables reach Europe from India, and soybean shipments from Brazil to China are on the rise. Some reduction in transport, however, is possible if tariff escalation is removed. In this case processing would be encouraged to take place in countries that have mainly been exporters of raw materials, leaving lighter and less voluminous

**THE EXPLOSION IN
FOOD MILES IS THE
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IN AGRICULTURE**

goods for shipment. In general though, the explosion in food miles is the Achilles heel of a globalized market in agriculture, making it vulnerable to steep rises in oil price and the impacts produced by climate change.

Less clear-cut are the effects of subsidy removal in industrialized countries. On one level, reducing subsidies is regarded a classical win-win situation.⁴⁹ Since the bulk of conventional subsidies aims at reducing the cost of environmentally pernicious inputs, such as chemical fertilizers, pesticides, irrigation water, and fuel, their elimination would benefit both trade and the environment – not to mention taxpayers and consumers. Moreover price supports, unless linked to production limits, encourage higher volumes of output; their abolition, therefore, would ease environmental stress by diminishing overall production. In addition, biodiversity will benefit as pressure to expand cultivation into fragile areas lessens. On another level, however, farmers may respond to less support by shifting to more valuable and more input-intensive crops, setting off a cycle of increasing specialization and a degree of concentration, which leads to less farms at constant levels of output. For example, when New Zealand eliminated price support after 1984, the use of pesticides and fertilizers substan-

“What takes place in a free trade regime is not just the globalization of markets but the globalization of market failure. Agriculture is rife with market failures and environmental externalities, related in part to high-input industrial agriculture. It is well documented that trade liberalization spreads the model of industrial agriculture around the world. This in turn has generated severe environmental problems.”

Timothy Wise, Tufts University, USA,
at the North American Regional Consultation, September 2006

**EXPORT-ORIENTATION
SETS THE COURSE FOR
HIGH-INPUT FARMING**

tially decreased at first, only to rebound after a decade of restructuring in the farming industry.⁵⁰ Moreover, increased competition is likely to undercut more extensive farming that sustains a broad variety of crops, hedges, trees, and cultural landscapes.⁵¹ In the extreme, farming might largely disappear, concentrating only on the most lucrative locations. Borderless competition, at any rate, tends to threaten small-scale, site-oriented, integrated farming systems, as they are to be found everywhere in the world, except for most of Australia, Canada, the US, and some ex-communist countries. Apart from special cases, trade tends to marginalize alternatives to large-scale industrial agriculture.

For Southern countries, the environmental prospects in the wake of trade deregulation are similarly mixed. Of particular importance, is the partial shift of agricultural production from industrialized to developing countries that is expected with deregulated market access to Northern markets.⁵² On one level, some argue, this success for the South may make sustainable farming practices more viable for producers, because market access to the North improves returns from agriculture in the South.⁵³ But on another level, this geographical shift is most likely to be accompanied with a move from staple food production to export crops, such as from grains to processed food and meat. This is most likely to increase pressures to enlarge the area under cultivation, leading to the clearing of primary forests for arable land, the conversion of natural prairies for crop growing or livestock grazing, as well as the draining of wetlands for irrigation or for cultivation.⁵⁴ In addition, only more specialized farms, using higher volumes of pesticides, fertilizers, water, and fuel, and relying on a narrow range of plant genetic resources, may be capable of succeeding in global markets. Export-orientation sets the course for high-input farming. This is the reason why empirical studies from Chile and Mexico, for example, report a more intense use of land, native forests, surface water and aquifers, and of agrichemicals, as well as erosion of land and genetic stock.⁵⁵ In short, trade liberalization is associated with the spread of the industrial model of agriculture – along with its detrimental consequences for both the health of humans and the biosphere.

Finally, more trade is likely to increase the amount of ‘virtual resources’ used by nations. The term ‘virtual resources’ refers to the amount of land, water or other resources embodied in the agricultural goods obtained from foreign countries. The importing country thus utilizes bio-capacity of another country in order to sustain its own economy. If a country is a net-importer, i.e. if it is drawing on more virtual resources from abroad than it provides to others, it takes a disproportionate share of the Earth’s resources. Environmentally this is not necessarily a problem as long as the exporting country disposes of abundant resources. However if exports wear ecosystems down to the point that locally or nationally regenerative capacities are undermined, the importing country is in effect exporting environmental destruction. This will lead to environmental burdens being shifted across the globe, creating

new classes of winners and losers. For example the EU, in 2000 with only 15 member states at the time, already utilized 43 million hectares of valuable tracts of farmland in the South, which amounts to about 30% of fields and pastures within the EU.⁵⁶ The EU thus benefits from Latin-American soybeans, African cocoa, and Asian palm oil. A similar scenario can be described for virtual water. Depending on the respective climatic conditions, for example, the production of one kg of wheat uses between 1,000 to 2,000 liters of water, one kg of cheese uses 5,000 to 5,500 liters, and one kg of beef consumes up to 16,000 liters of water.⁵⁷ Important virtual water exporters are the USA, Canada, Australia, Argentina, and Thailand, while for instance Japan, Sri Lanka, Italy, South Korea, and the Netherlands are large net importers.⁵⁸

Both potential and known trade-related consequences are particularly acute with the emerging world market in bio-fuels. There is no doubt that humid tropical countries offer more suitable conditions than temperate zones for the production of bio-fuels that are derived from energy crops. Demand for bio-fuels is rapidly rising, especially in the urban centers of the world in response to the forecasted scarcity of petroleum-based fuels and the need to shift the global fuel mix from fossil fuels to renewable fuels. If tariff barriers are removed, the economic prospects for agro-exporters will be very positive. As a result, agriculture may well enter a new age of renewed commercial strength. In fact, Brazil is now poised to become the most important exporter of bio-ethanol made from sugar cane. Moreover Argentina is planning the large-scale cultivation of soybeans, just as Indonesia and Malaysia are stepping up palm oil production for the export of bio-diesel.⁵⁹ However risks are high that unregulated trade in bio-fuels would take the world into

a new round of agricultural intensification, land conversion, and expanding virtual acres. The cultivation of sugar and soy already today carries a heavy environmental burden – and a social

“In the new market for bio-fuels, many of the issues mentioned in the EcoFair Trade report shine a spotlight on the problems with the system at large: we face the problem of unsustainable farming patterns, declining farm gate prices, corporate concentration in the market, and asymmetries in trade relations. As for agricultural trade in general, we need regulated, eco-fair trade for bio-fuels rather than free trade.”

Suzanne Hunt, Worldwatch Institute,
at the North American Regional Consultation, September 2006

burden as well. An economic boom in bio-fuels is likely to worsen the situation. Moreover, grasslands and forests are likely to be converted into energy crop fields on a massive scale in countries such as Brazil and Indonesia, unless farmers are required to focus on productivity and to recycle agricultural waste material. And finally, the expansion of virtual acres could create serious and irreversible environmental consequences for many exporting countries. It is unlikely that international bio-fuel trade will realize its promise for the welfare of countries unless measures are taken to ensure that bio-energy plantations do not expand through land-grabbing, destruction of valuable ecosystems and the dispossession of indigenous peoples and local communities. Trade in bio-fuels will become yet another driver of environmental decline unless it is held to the most rigorous standards of environmental and social quality, and unless its expansion is matched by a simultaneous strengthening of indigenous and protected areas as well as small farmers' land rights.

**TRADE IN BIO-FUELS
WILL BECOME YET
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DECLINE UNLESS IT IS
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ENVIRONMENTAL AND
SOCIAL QUALITY**

2.4 Leeway for corporations

Nation states are the principal actors on the diplomatic stage, but in the global market, neither states nor state-owned enterprises are the dominant actors, rather it is the private firm. Some four hundred years ago the East India Company became the first multinational firm. Today, there are over 60,000 transnational corporations around the globe, with a total of some 870,000 subsidiaries. Not only do they employ a

workforce of 53 million, they also control millions of local suppliers and service firms.⁶⁰ In particular, in agricultural markets the dominant power of transnational corporations has emerged as a considerable challenge. High levels of concentration in the food trading, processing and retailing sector impact not only on farm livelihoods, but also in the way farming and livestock raising is practiced, and the type and quality of food

**WHILE
LIBERALIZATION
AIMED TO DISMANTLE
BORDER
PROTECTIONS, IT
ENDED UP
STRENGTHENING
TRANSNATIONAL
CARTELS**

provided to consumers. Free trade agreements, such as the Agreement on Agriculture in the WTO, or regional agreements such as NAFTA or CAFTA, are grounded in the assumption that the main obstacle to free trade is state intervention in markets. In fact, concentrated market power has emerged as a primary reason for the failure of markets. While liberalization aimed to dismantle border protections, it had the effect of actually strengthening transnational cartels. Eco-fair trade rules will have to include policy options that seek to re-democratize the food chain and strengthen local economies vis-à-vis transnational corporations.

Faces of power

“We are the flour in your bread, the wheat in your noodles, the salt on your fries. We are the corn in your tortillas, the chocolate in your dessert, the sweetener in your soft drink. We are the oil in your salad dressing and the beef, pork or chicken you eat for dinner. We are the cotton in your clothing, the backing on your carpet and the fertilizer in your field.”

This quote is from a corporate brochure of the US-based corporation Cargill (2001), one of the giants of global agribusiness – and the world’s second largest private corporation in terms of revenue. Cargill has operated since 1865. Since its incorporation it has steadily led the ranks in several segments in the food economy. For example, it is the biggest single trader of corn in the world, controlling a quarter of the global corn

“In visits that I have made to Europe I have learned that the situation of agriculture in North and South has many similarities. Above all, like in our region, the European family farmers are struggling with corporate concentration and agribusiness power.”

Felipe Iñiguez, MAELA, Mexico,
at the Central American Regional Consultation, October 2006

market. It has the largest terminal capacity of any company in the US, while it enjoys enormous capacities in Canada, Argentina and Brazil as well. It is among the three top beef producers in the US, and plays an important role in poultry production the world over. In terms of its operations, it owns a worldwide transportation business, with ships, trucks, barges, and railcars, as well as grain elevators for storage. Moreover, the Cargill empire is not restricted to just selling and processing

commodities, but also includes a wide range of services, including banking, loans, investment, currency deals, risk insurance, shipping.⁶¹

Cargill, however, is but one of several giant firms in the trading and processing sector, alongside its competitors Archer Daniels Midland (ADM), Bunge and Louis Dreyfus. Other sectors of the food system reveal similar patterns of market concentration, in particular among input suppliers, processors, and – more recently – retailers and supermarkets. Among input suppliers, for instance, the top 10 multinational seed firms control half of the world’s commercial seed sales, while about 10 companies control 80% of the global pesticide market. One firm, Monsanto, controls 41% of the global market in commercial maize seed and a quarter of the global soybean seed market, while it sells the seeds for a striking 88% of the total area planted in genetically engineered crops worldwide.⁶² The level of concentration among processors is extremely high as well. For example, the top five cattle slaughter houses in the US together make up 89% of the market. And in Brazil only three companies deliver 86% of refined soy oil.⁶³ Perhaps the most dramatic development in market concentration has been the emergence of food retailers and supermarkets as dominant global players. Constantly growing at a very fast pace, already in 2003 the top 30 retailers shared 19% of the market in Asia and Oceania, 29% in Latin America, and 69% in Europe.⁶⁴

Needless to say, these corporations enjoy enormous power in the market. Increasing concentration and globalization of certain segments in the food economy today has made agricultural commodity and food markets very unequal. Many of these markets look like an hourglass with a large number of farmers at the base selling to a small number of powerful and extremely globalized groups of processors, distributors, and supermarkets in the middle, who sell to a very large number of consumers at the top.⁶⁵ In such a market, agribusiness firms often have both dependent suppliers, i.e. suppliers with nowhere else to sell their production, as well as dependent buyers. In this situation, the biggest risk is that powerful players increase their profits at the costs of all other actors, to the detriment of the overall efficiency and fairness in the system.

Market power in agriculture is not new. In grain trading, for instance, four of the top five firms today dominated the market 100 years ago, too. But these days, market power has reached

another dimension acquiring important new characteristics that reflect the wider global economic trends that marked the end of the 20th century. Bio-technological innovations in the areas of input supply and crop-engineering, as well as technological advancements in transport and communications have revolutionized food production, processing and distribution, and have facilitated the concentration of power at points in the food chain where these technologies are controlled. Consumers around the globe, not least due to the globalization of communication and marketing strategies, are attracted to processed foods from hypermarkets or snacks and refreshments from convenience stores rather than by local foodstuffs, thereby rewarding global over local producers. Trade rules have also played their role in the corporatization of the food system, as the steady downward pressure on border measures and tariffs has opened up markets in ways that favor companies in a position to do business on a global scale. This trend is likely to accelerate. The further liberalization of services under the WTO's General Agreement on Trade in Services, and additional liberalization that will result from regional and bilateral agreements, will impede the regulation of corporations at the national level. In the meantime small-scale producers, independent growers, small and medium enterprises, local retailers and market vendors, small cooperatives, family farmers and consumers are struggling to cope with the impacts of the increasing market power and the further consolidation of a few dominant food corporations on their business – and the daunting challenge of saving their livelihoods.⁶⁶

An important aspect of market power is the asymmetry in access to information faced by different parts of the production system. Since transnational corporations tend to control the bottlenecks in the hourglass through which much of the production, processing and trade must pass, they also control market information. When negotiating trade deals or contracting with farmers, corporations can use their informational advantage to widen the price gap between suppliers and successive buyers, or to gouge on the prices in other ways. With market power, corporations are able to pull profits away from farmers, concentrating profits on value-adding activities and on food retail, as well as on the ever more elaborate technologies for farm production they offer, including genetically engineered seeds, expensive herbicides, pesticides and fertilizers,

or global positioning systems that determine how much of which input goes where on the farm. These inputs at times may increase the harvest. But as costs for industrial inputs rise and farm gate prices fade, corporations not only make it extremely difficult for farmers to earn a decent living, they in fact drain money out of the wider rural economy.⁶⁷

Power imbalances in the market not only enable corporations to control prices, but also to set quality standards for products and production processes. Be it in textiles, computer hardware, or food items, in recent years a large number of corporate standard schemes have emerged. Many of these have been solely governed by the corporations themselves, without the aegis of governments or the proper participation of stakeholders. Supermarkets have even developed their own fair trade and bio-food lines, in response to the growing interest of wealthier consumers. However, most of them lack meaningful participation from the respective suppliers.⁶⁸ While some of the corporate standard schemes were successful

**AGRIBUSINESS
CORPORATIONS IN
FACT DRAIN MONEY
OUT OF THE RURAL
ECONOMY**

“The farm crisis is largely a result of market concentration. In Canada, farm profits are at a record low, while corporate profits are at an all time high. Powerful corporations can skim profit off the market, to the detriment of farmers and farm workers”

Darrin Qualmin, NFU, Canada,
at the North American Regional Consultation, September 2006

in establishing basic labor or human rights in production, most of them have been designed out of a primary concern with marketing or long-term shelf-life concerns of global corporations. Farmers' preoccupations or sustainable resource use are largely disregarded. For example, Nestlé and Parmalat between them forced at least 50,000 dairy farmers out of business in Brazil when they bought out milk cooperatives in the 1990s and changed the standards for handling and storing milk prior to purchase. They insisted that farmers wishing to sell them milk install their own refrigeration units on farms – a prohibitive capital cost for many farmers, and a cost that was not justified by their output as small-scale producers.⁶⁹

Overall the emergence of standards, set by industry without reference to governments, has a profound impact on who can sell their produce where. For instance, EurepGAP, a set of standards developed by a group of European retailers, has

been adopted by most of the dominant retailers in the EU. Farmers who do not comply with these standards have hardly any access to the European market – regardless of what kind of market access conditions are provided officially by the EU. Schemes for tariff free market access that are designed to redress asymmetries, as for example the ‘Everything But Arms’ initiative to Least Developed Countries, can become meaningless if corporate created standard schemes introduce their set of market access conditions.

Worse than the introduction of corporate created standards is corporate production that lacks appropriate standards altogether. Efforts to undermine governments’ attempts to establish quality standards for process and production are also a problem. Transnational traders and retailers, and in particular industrial livestock producers, increasingly shift their investments in food production to countries where environmental and social requirements are low, and source their products from areas where laws and standards are neither properly enforced nor monitored.⁷⁰ At the same time, they challenge governments,

In part there is the risk they will neglect the public interest in favor of promoting the interests of the corporate sector. More generally there is a problem that their background and experience is over represented, while the experience of small farmers, or farm worker unions, or consumers is too rarely represented in the higher echelons of government and supranational administrations. Yet trade policy continues to be set by exporters and importers in collusion with trade officials. Today more than ever, those officials must be made accountable to protect the wider concerns of agriculture, especially the public interest in a sustainable, just and safe food system.

Transnational commodity chains

In colonial times, when companies started to weave business nets around the globe, they usually imported inputs that were otherwise not available, or exported specialty goods to foreign markets. Gold and glass beads, spices and textiles crossed borders, and were handed over from producers to traders to consumers. Later on, large companies started to set up offices in several countries, and eventually grew into multi-national corporations. Ford, Fendt or John Deere, for instance, built plants in many regions of the world to produce their tractors and machinery close to the final market. During the last couple of decades, the era of globalization brought about the rise of trans-nationally operating businesses. Transnational corporations source raw materials and intermediate products from around the globe so as to involve production facilities in multiple countries in the processing of just one given product.

Transnational commodity chains are increasingly common in all aspects of economic life, and agriculture is no exception. Much as clothing might be made from US cotton, sewed into garments in China and then sold in Europe, so do supermarkets for well-to-do consumers increasingly offer out of season foods by sourcing from farmers under contract on the other side of the hemisphere. Traditional commodities, too, are becoming integrated into transnational food chains, as soy grown in Brazil, for example, might be milled into cake in the EU and then re-exported to a factory farm in Asia as animal feed, while the soy oil is sold to an EU food processor. As a result, the globalization of economic relations is taking place primarily among and within corporations. Today two-thirds of all world trade is carried out by

“The ‘campesino’ is always the weakest link in the commodity chain. For instance in Brazil, in the tobacco sector, 90% of the production is in the hands of family farmers, but these producers are at the mercy of high price fluctuations and conditions which are imposed on them by ‘American Tobacco’ and other tobacco companies.”

Altemir Tortelli, Fetraf-Sul, Brazil,
at the South American Regional Consultation, August 2006

especially those in poorer countries, to keep standards low as a condition for maintaining their investments. As they can pit countries against each other in the global market, they enforce a kind of political inertia, which results in a ‘stuck at the bottom’ trend in standards and quality control.⁷¹

Likewise, corporations influence rule-making at the national and international level through corporate lobbying. Dan Amstutz, a former Vice-President of Cargill, for example, drafted the initial text of the WTO Agreement on Agriculture; Rufus Yerxa was US Ambassador to the GATT and served for a while as a lawyer for Monsanto, and then became Deputy Director of the WTO responsible for intellectual property issues. The ease with which agribusiness executives move in and out of government offices in many countries is proble-

transnational corporations, with more than half of it entirely among their scattered production locations.⁷²

In transnational commodity chains, market power takes on a new character. Conventionally – and in agriculture still prevalent today – a company achieves market power through horizontal integration; it then dominates one given point in a production chain, such as in the heavy farm machinery market. More recently, vertical concentration has emerged as an important source of market power in agri-food systems. Vertical concentration refers to the dominance of one firm at several if not all points along a commodity chain. For instance 90% of US chicken is produced in a vertically integrated chain, where a firm contracts with a poultry grower and provides everything – chicks, feed, veterinary services, vaccines – and buys the chickens; those that make the grade, at least.⁷³ This model is now spreading across the globe, particularly to Asia, where the Thailand-based transnational Charoen Pokphand Group (CP) has emerged as the largest agro-industrial corporation. CP runs operations in livestock, fruits and vegetables, grain and feed products, convenience stores and supermarkets, shopping malls and fast food outlets, while poultry is the Group's most important 'product'. At one end of the chain CP has established 109 feed mills in China, which provide feed for the chickens, among others, while at the other end, CP operates Kentucky Fried Chicken franchises in thirteen of China's largest cities. In the late 1990s, these franchises were serving 75.5 million birds a year to consumers. CP also exports large quantities of chicken products to foreign retailers, such as to Tesco, the largest supermarket in the United Kingdom.⁷⁴

As in poultry, transnational commodity chains all serve the purpose to source around the globe each economic activity from farm input through production, processing, distribution and retailing where costs are lowest, or for that matter, where the highest profits can be maximized. Through relocating and global sourcing, corporations are thus able to maximize external costs, and to avoid environmental, social and health costs they would otherwise bear where production standards and labor costs are high. The externalization of costs is most obvious in the industrialization of farming and livestock practices. In fact, the consolidation in the food system is a main driver behind the industrialization of agriculture the world over. As a more centralized, consolidated processor will

generally prefer to deal with more centralized retailers than the varied marketing outlets of a traditional market, by contrast, it is unlikely to deal with thousands of small farmers that offer diverse crops in relatively small quantities. For instance, nearly 90% of Carrefour's goods sold in Indonesia are domestic products, but the majority of them originate from Unilever, Nestlé, and Procter & Gamble operations.⁷⁵

One instrument that enables corporations to control commodity chains is contract farming. Through contracts, for instance, Dole establishes direct relationships with Philippine asparagus growers to serve the Japanese market, just as the giant South African supermarket Shop Rite contracts with small Zambian green bean producers through its Zambian sister company Freshmark.⁷⁶ Farmers are often open to contracts, because their biggest risk is an uncertain price. Locking in a price through a contract can be a huge asset, even if it means forgoing the chance of a windfall should prices be high at harvest or slaughter time. Sadly, to date the dominant pattern of contract farming is exploitation rather than cooperation. Hog and chicken production in the US, for example, is dominated by contracts that do not adequately serve producers – nor the wider public. The farmers raising the animals barely earn enough to make ends meet, and animals are kept in appalling conditions.⁷⁷ The case of contract-farming with high-value commodity producers in Kenya shows that farmers are forced to maximize yields, which multiplies soil erosion and environmental pollution, while their families still risk increased food insecurity because they are forced to devote all their land to export rather than food crops.⁷⁸ Often contracts are written in such a way as to impose the risk of low prices on farmers, with options for the buyers to pay less if market prices are down when the farmers deliver their products. Contract-farming practiced this way becomes a means of sustained marginalization, rather than sustainable integration into the global economy.

These are some of the ways deregulated trade strengthens the advantages of transnational corporations. For transnational agribusinesses, the elimination of national trade barriers is crucial so they can access an abundant and cheap supply of commodities wherever it best suits them around the globe. As more cross-border trade is conducted intra-firm, trade barriers become an internal cost for the company, increasing their interest in eliminating barriers. Deregulated

**THE CONSOLIDATION
IN THE FOOD SYSTEM
IS A MAIN DRIVER
BEHIND THE
INDUSTRIALIZATION
OF AGRICULTURE**

markets thus directly serve transnational corporations' interests. However, farmers and local processors, face a number of increased risks when borders are opened. If governments want to design a trade regime that empowers small farmers, managing these risks requires rules that constrain transnational corporations' market

power and that strengthen small and medium rural players. Strong guidelines to govern contracts along transnational commodity chains may offer a solution to ensure small farmers a fair share in the trading, and require corporations to comply with social and environmental process and production standards.

2.5 Enduring asymmetries

Imagine, for a short moment, the famous golf star Tiger Woods playing golf against you. He sinks the ball in only three strikes while you struggle hard to hold the iron correctly, and probably need three strikes to hit the ball once... Would this match be fun for you? Or, imagine Champions League winner FC Barcelona competing against the team of Tlaxcala, a tiny town in Mexico, on a soccer field that is facing downhill towards the half of Tlaxcala. Would this be a fair play? Who in the world would want to watch such a match on TV? Still these are basically the conditions prevailing in the global trade arena. Hong Kong against

weaker trading partners should be given allowances that are not available to the stronger ones.

Layers of asymmetries

Before considering rules, it is advisable to consider the facts. For even in the absence of any rules there are asymmetries in place that largely determine a country's opportunities in the 'league' of global trade competition. Geographic asymmetries are the mainstay of trade asymmetries, but the socio-economic structure of the agricultural sector or the institutional capacities of countries in negotiation diplomacy need to be considered respectively.

Flying smoothly through cyber space with GoogleEarth, one can click on pictures that reveal the destiny of each countries' agricultural system. Topographic, climatic, and eco-systemic endowments vary greatly, with mountainous regions here and fruitful plains there, with hot and dry climates in some countries and temperate, moist climates in others. As agriculture is an ecosystem-based endeavor, the performance of a country's sector largely depends on its natural endowments. And these endowments – as with human-built capital such as railways, canals, and know-how – in turn determine a country's competitive position on the world market. While the temperate and subtropical belts on both hemispheres enjoy prime conditions, sub-Saharan Africa is a good example of the limitations imposed by natural endowments. Only 11% of total land area in this sub-continent is crop land, and around 29% is permanent pasture. The rest is comprised of forests and woodlands, savannahs, barren lands, or deserts, besides a small share of urban areas. Thus by their very nature, most scarce or arid countries cannot compete on equal terms with the agricultural superpowers of the subtropical and temperate regions.

“It is misleading to look only at asymmetries between countries. We have to address asymmetries between the interests of different sectors of the population, and the various actors in the market. Renegotiating the trade relations between countries wouldn't be enough to tackle the asymmetries problem.”

Bishelly Elías, CIPCA, Bolivia,
at the South America Regional Consultation, August 2006

Haiti, Brazil against Benin, the US against Niger. The 'one-size-fits-all' prescription of eliminating trade barriers across countries regardless of their economic strength puts less competitive countries at a disadvantage; it forces weak and strong players to compete in the same league. Moreover, what has euphemistically been called a level-playing field in trade competition, is in reality a set of rigged rules that tilt the field to the advantage of the powerful countries. Yet de-rigging the rules is not sufficient, as free trade plays into the hands of the strong. Instead, under conditions of glaring inequality, rules are only fair if they favor the weak over the strong. Just as in golf where weaker players are granted extra strokes (a 'handicap') for a given course to allow players of different proficiency to play against each other on equal terms, in a fair trading system

**MOST ARID
COUNTRIES CANNOT
COMPETE WITH THE
AGRICULTURAL
SUPERPOWERS OF
THE SUBTROPICAL
AND TEMPERATE
REGIONS**

However, these geographic asymmetries have been exacerbated by human activities. Precisely those countries that are equipped best with fertile land and appropriate climatic conditions have invested most heavily in improving agricultural productivity. Farmers in the EU, the US, or Canada are not only blessed with the soil they are born on, they have also received massive investment and support in order to utilize it in the most effective manner.⁷⁹ Overall they enjoy working in a secure economic and social environment. In contrast, many agricultural sectors in countries of the global South are undermined by high levels of poverty, illness, and insecurity. In the global market, these fragile social and economic conditions in fact work to a country's competitive disadvantage. How can, say, the sickle-swinging Malian peasant with less than 1 hectare of farmland, deficient access to water and no access to support or credit ever compete with the highly capitalized Canadian wheat farmer with more than 100 hectares of farmland? Moreover, social inequalities within a given country may predetermine who realizes benefits from trade, or who ends up as a loser. The lower capabilities of small farmers to enter foreign markets as compared with respect to large farmers or as between local businesses and large corporations, as well as gender inequalities, are a major obstacle in this sense, with the result that women along with small-scale producers and traders are disproportionately represented among the losers.⁸⁰

In negotiations at the WTO, as well as in bilateral and regional trade talks, these geographic and socio-economic asymmetries are combined with institutional and political asymmetries. For example, eleven of the thirty Least Developed Countries, along with another nine developing countries, cannot afford to maintain delegations at the WTO. Many other developing countries maintain a presence with only one or two officials available to cover umpteen WTO meetings per week and to represent their governments at all the other international institutions in Geneva. Meanwhile the US, Japan, or the EU are supported by armies of commercial staff, lawyers, academic consultants, and special advisers, monitoring all aspects of the negotiations in microscopic detail. Things have improved somewhat since the Cancun Ministerial Conference in 2003; Southern countries have associated in groups, thus strengthening their representation in negotiations. And Brazil and India, for instance, have built up highly capable

delegations and now belong to the 'inner circle of power' at informal WTO negotiations, together with the US, the EU, Australia, and Japan. However, stark differences in negotiating capacities enable this minority of countries to slope the playing field towards the majority, and to shape

“An analysis on the basis of comparative advantages is misleading because a country as such is just an abstraction. If we look at the different economic players within a given country, this will show that trade liberalization so far was not about advancing the wealth of nations, but about advancing transnational companies and their control of the market.”

Sergio Schlesinger, FASE, Brazil,

at the South American Regional Consultation, August 2006

the rules in their interest. For too many countries geographic, socio-economic and institutional asymmetries in trade relations add up to a triple disadvantage.

Rigged rules

The fact that the whole trade negotiating process is not taking place in a limbo, but is framed within a complex web of international power politics, allows space for dominant players to abuse these asymmetries. Since the entry into force of the GATT, and especially after more and more developing countries have acceded to it since the 1960s, the few economically strong and institutionally competent countries have consistently exerted pressures and arm-twisting practices on the weakest. Despite the GATT's and later the WTO's principle of 'one country, one vote' and the guarantees of consensus, these countries determine negotiations from the very beginning: in the way they set the agenda, through the weight that countries' proposals are given during negotiations, until the final rules are approved. All too often, this includes informal pressures, such as calls to capitals or threats to reduce aid flows. This constellation – which by no means is limited to trade negotiations – has resulted in a set of 'rigged rules and double standards' in the trade regime, to the disadvantage of many.⁸¹

Still taking at face value the promise of a level playing field in world trade held out by the North, Southern countries have persistently pinned their hopes on greater and easier access for their products to rich country markets. Governments hoped to export their way out of under-development. However Northern countries continue to

**NORTHERN
COUNTRIES REFUSE
TO PLAY BY THE FREE
TRADE STANDARDS
THEY IMPOSE ON
OTHERS**

engage in targeted protectionism and export dumping. During the Uruguay Round of trade negotiations, for instance, when agriculture was negotiated for the first time under the GATT, Northern countries did agree to eliminate a number of non-tariff barriers. However, they replaced these measures with prohibitively high tariffs, so in fact very little new trade opportunities were created. Moreover, as reductions were required on the average level of tariffs, Northern countries could achieve the target by reducing tariffs on relatively unimportant goods by a greater percentage, while tariffs on sensitive goods were lowered proportionally less. In effect, Southern countries were prevented from taking full advantage of those markets where at least some of them would be competitive, such as textiles and agriculture. At the same time many of them had been forced to widely open their borders under Structural Adjustment Programs by the World Bank and the International Monetary Fund. Taking exception for themselves to the free trade standard they impose on others, the Northern countries refuse to play by their own rules.

Not only do the rules privilege powerful players, but so does the application of the rules through the Dispute Settlement Body. This body is one of the outstanding features of the WTO, since it allows one member state to denounce and retaliate against another when WTO rules have been violated. Unfortunately, however, the effectiveness of this mechanism has been seriously undermined by the lack of capacity of an impor-

violate the rules and to continue granting lavish agricultural subsidies, safe in the knowledge that these could not be challenged for a period of nine years under the WTO Subsidies Agreement. In short, in agriculture trade the 'Peace Clause' maintained a license for the North to continue harming the South.⁸²

The fallacy of export-orientation

Notwithstanding this truly tilted playing field, many trade diplomats still regard exports as the panacea against economic underdevelopment and for the alleviation of poverty. Exports are expected to be a means to save ailing economies from debt, lack of foreign currency, stagnation, and inefficiency. In particular, they are said to play a key role in generating foreign exchange that enables the acquisition, through imports, of newly affordable goods that are necessary for increasing economic growth and technological dynamism, and enhancing domestic productivity. Thus many countries that supposedly possess their comparative advantage in agriculture have trimmed their farm sector towards export-orientation. With the existing asymmetries and rigged rules in place, however, only a few developing countries *de facto* experienced rising export revenues after trade liberalization. Most of them either faced a stagnation in export volumes or falling prices in export value. In fact, between 1961 and 2001 real prices for agricultural commodities on the world market have declined by about 2 percent per year, but the average prices of agricultural commodities sold by Least Developed Countries fell by almost 70 percent relative to the price of manufactured goods.⁸³

It is questionable, however, whether a level-playing field in export-oriented agriculture brings about unequivocal benefits. In particular, export-oriented agriculture in many regions of the South has generated considerable problems. In countries where an insufficient amount of food is produced for the domestic market, export-oriented agricultural production swallowed up land that could otherwise be used to produce staple foods; thus export-orientation often went hand in hand with an increase in food imports to feed the population. Since it is not the broad part of the population that gains from exports, export-orientation has often not reduced poverty, but in fact increased it. For in most countries the potential gains from exports are highly unequally distributed among different agricultural groups, and

“There is a big difference between export of surpluses, and export-orientation. The moment a country aims at export-orientation, it will change its model of agriculture, and the structure of the agricultural sector. The case of Senegalese tomato production illustrates that farmers often do not gain but lose from such export-orientation.”

Emmanuel Ndione, ENDA – Graf, Senegal,
at the West African Regional Consultation, February 2006

tant number of WTO members to initiate a panel for the resolution of their complaints. Technical and financial constraints on top of political weakness are permanent obstacles for poor countries that might attempt to bring a case against a powerful nation. Moreover as regards agriculture, the countries of the North included the so-called 'Peace Clause' – a *carte blanche* to

among men and women. As a broad body of literature demonstrates, the main beneficiaries of exports are agro-industrial firms, especially those that are involved in basic processing of food, such as rice mills, sugar refineries, or poultry abattoirs, as well as more advanced agro-industries in the dairy sector, fruit processing, oil preparation, and the like.⁸⁴ Small farmers, in contrast, who are rather locally oriented, with limited access to natural resources, capital and infrastructure, and especially women are largely neglected from export earnings. In between these two groups are medium-sized producers with some managerial capacity, such as coffee growers or vegetable, fruit, and ornamental producers. If in the vain of export-orientation, farms grow to a certain size and achieve the capacity that is needed for entering the export business, this consolidation into larger farms once again displaces people from their land. At the same time, the UN Food and Agriculture Organization (FAO) has shown, the number of individuals absorbed into alternative employments, e.g., as laborers on export-oriented farms, is usually less than the number displaced. Therefore, as the FAO clearly points out, the greater the number of people engaged in the agricultural sector of a given country, the less appropriate it is to trim the sector for export competition.⁸⁵

This is a main reason why even in countries where agricultural exports thrive, they more often than not have failed to advance poverty alleviation and human development. This is true for rich countries, as for example, Canada currently suffers from its lowest farm incomes since the Great Depression and the 1930s, while at the same time the Canadian agribusinesses' profits are the highest in history;⁸⁶ and it is all the more true in Southern countries. Thailand, for instance, an often quoted success story, grew to be Asia's largest food exporter, the largest rice exporter in the world, and the fourth largest poultry exporter. Yet while exports increased 52% between 1995 and 2000, about 40% of rural Thailand remain stuck below the poverty line. For many rice farmers whose exports flourish, food insecurity continues to be a reality. Real farm income has not increased since 1977 as farm gate prices remain low, while spending on seed, fertilizer, and equipment rose over the same period. Many farmers had to finance their production through loans, but the low farm gate prices cannot cover paying their interest rates, deferring their loans, and at the same time ensuring their families' livelihoods.

Thus many became seriously indebted and were forced to sell their land and give up farming altogether. A concentration process was set in motion, in which only the wealthiest and biggest farms were able to persist, maximizing yields at any environmental and social cost.⁸⁷ The Asian

“Access to international markets is not a solution for the ‘campesinos’, whose problem, before anything else, is the lack of access to their own local markets which are flooded with imported products at low prices. Export orientation has led to the abandonment of the countryside and rural marginalization.”

Ramiro Téllez, La Vía Campesina, Honduras,
at the Central American Regional Consultation, October 2006

Development Bank concludes: “Thailand’s past growth has been based upon destructive patterns of exploitation of natural resources and environmental systems... The environment has been significantly degraded to the point where it may impede further economic development... Intensification has also led to a number of social problems, contributing to the skewed consolidation of wealth while increasing landlessness, joblessness, and urban migration of the unskilled and unsuccessful”.⁸⁸

In fact, environmental impacts are often the seamy side of exports. Mozambique’s exports in sugar, to cite one example, have provided impressive employment opportunities and have turned the country’s poorest region, Sofala, into the one with the lowest national poverty rate – although wages and work conditions on the plantations and in the mills are still very poor.⁸⁹ Yet apart from the fact that these export earnings largely depend on preferential access to the ‘artificial’ market of guaranteed prices in the EU, which is now going to be dismantled, the intensive production of sugar cane goes along with severe degradation of soils and depletion of water tables in this water-scarce country.⁹⁰ These types of exports are not sustainable. They will certainly bring about long-standing environmental and social costs and offset opportunities for the generations to come.

To be sure, trade as such cannot alone be held accountable for the problems arising from unsustainable farming practices. Indeed, Oxfam has suggested that sugar exports from Mozambique could be made compatible with more sustainable production: “Both in Zambia and Mozambique, there seems to be ample opportu-

THE MORE PEOPLE IN THE AGRICULTURAL SECTOR, THE LESS APPROPRIATE IT IS TO TRIM THE SECTOR FOR EXPORT COMPETITION

**TOO OFTEN, EXPORTS
HAVE BEEN MADE THE
MAIN ENGINE OF
DEVELOPMENT AT THE
EXPENSE OF OTHER
OBJECTIVES**

nity for increased efficiency in water use. The vast majority of land is now under flood irrigation, a technique that involves high water use and leads to high losses of fertilizer from cane fields resulting in pollution. Drip irrigation, a much more expensive but less labor-intensive technique, could radically reduce water and fertilizer losses, save money, and reduce pollution.”⁹¹ Yet all too often, such important sustainability measures are not considered when agriculture is turned into an export business – while more often than not, export orientation intensifies production, and thus aggravates the problems of unsustainable farming. For the problem in most countries has been that exports, rather than being one element of an overall national development strategy, have

either been its main engine and focus at the expense of other objectives or else have remained in enclaves separated from the wider economy.

Instead, realizing the potential gains from exports requires an overarching domestic policy framework in which export activities are embedded as one amongst other means. Such a framework would need to guarantee the right to food as well as other economic, cultural and social human rights and ensure that the potential economic benefits from exports are fairly distributed amongst the various actors in the food system, while production for exports should neither undermine the resilience of agro-ecosystems, nor deplete the natural resource base at a non-renewable rate.



3.1 Enlarging national policy space

Trade liberalization empowers transnational business by disempowering national politics. It follows the philosophy that state failures by far surpass market failures when it comes to promo-

ting the common good. Consequently, structural adjustment programs as well as obligations under the WTO and other free trade agreements have sought to restrict the scope of national politics

THE GOVERNANCE OF IMPORTS IS MORE IMPORTANT FOR THE WELL-BEING OF A SOCIETY THAN THE FACILITATION OF EXPORTS

through the regulation of trans-border flows in order to remove barriers to the free flow of goods and investments. Moreover, as the WTO considers barriers not only tariffs or quotas at the border, but non-tariff measures as well, such as price controls, investment rules or health standards, the power of societies to protect the public interest according to their collective preferences is seriously weakened.⁹² This contradicts the principle of Democratic Sovereignty that recognizes a society's right to self-governance and diversity. More specifically, when faced with the pressures of trade deregulation, governments tend to downplay the importance of providing for universal access to social and environmental common goods.

Indeed, it is hard to see how essential public benefits can be effectively provided for unless politics assumes responsibility for it on the national and sub-national level. For instance, safeguarding the human right to food may call for reviewing land tenure laws. On the other hand, redirecting farming practices towards a regenerative agriculture may require a particular system of economic incentives and disincentives, or linking crop cultivation and industry may imply changes in investment policies. In particular, with regard to livelihood rights, environmental protection, and sustainable economic development, it is only in the national space where situation-specific policies can be implemented, which not only grow

misconceived if they privilege export promotion over import governance. For the management of imports is more important for the well-being of a society than the facilitation of exports. The question is not – as in the wake of the Washington Consensus – what countries need to be integrated into the world market, but what they need to achieve equitable and sustainable development. Since less powerful economies are particularly vulnerable to cheap and unqualified imports, they must be guaranteed the right to regulate access to their internal markets in order to best protect their human development needs. It was always a mistake to believe that fairness in world trade is achieved simply by providing better access for the South to Northern agricultural markets. Instead, what matters more is the ability of weaker countries to regulate imports in order to protect, if necessary, young industries, small farmers or indeed a fragile environmental base.

However, it has to be admitted that the plea for more national policy space can become counter-productive in the context of authoritarian or corrupt governments. Unfortunately, there is a large number of governments that are not governed by democratic regimes or where they formally are, they continue to promote policies that serve elite minorities instead of the majorities of citizens. And in other cases, many governments simply do not function efficiently and lack the institutional capacities to implement effective policies. However, policy space is the basis for domestic social forces to demand and secure their democratic rights.

For the sake of livelihood security

As agriculture remains the main source of livelihood for the majority of populations in most developing countries, the sensible policy for governments and other policy makers is to ensure that import liberalization takes a back seat when domestic livelihoods and food security are at stake. More so, in the light of the human right to food, political authorities have the obligation – and consequently the right with respect to international rules – to protect, sustain and support the necessary conditions to encourage production of sufficient healthy food in a way that conserves the land, water and ecological integrity of a place, and respects and supports producers' livelihoods.⁹⁴

Above all, this obligation requires adequate space for the governance of imports to protect

“Too often it is taken for granted that governments represent their people. However governments are often focused on balancing their national accounts, with little concern for whether small producers gain or lose. Much policy space is actually abused by governments in order to support powerful interest groups and corrupt elites.”

Babacar Ndao, FONGS/CNCR, Senegal,
at the West African Regional Consultation, February 2006

out of the a political consensus, but which are grounded in local knowledge and commitment. Without a certain amount of ownership by the political community, it is likely that common goods will not be adequately protected, thereby twisting the welfare balance of trade into the negative. Similar arguments underlie the 2004 UNCTAD XI concept of “political space”, which, however, tends to refer only to developing countries.⁹³

From this perspective, in particular for developing countries, it is clear that trade reforms are

small farmers and artisans from devastating import surges. For many developing countries that have lost this space as a result of structural adjustment, they are often unable to control the volume of cheap food or dumped products that are flooded into their markets. But the availability of cheap imports will not ensure national food security if domestic agricultural production is undermined by imports of food or non-food crops. For example, in India accelerated imports of edible oil products drove away countless producers of sunflower, coconut and palm oil; in Ghana stockbreeders and butchers cannot survive against the massive volume of cheap meat imports from Europe; and in Mexico maize farmers have been driven to the wall by subsidized exports from the United States. Imports that undercut domestic prices reduce consumption costs for urban dwellers but undermine the livelihood of countless people engaged in agriculture and food production. In such circumstances, it is better for governments to restrict trade, rather than to put a large number of rural livelihoods at risk.⁹⁵

While there have been attempts by governments to raise border protection, the remedies available within the WTO and bilateral agreements are limited. The various agreements in the WTO, including the GATT and the Agreement on Agriculture, theoretically offer Member States some options for safeguard measures and quality standards. But in practice, these have been of limited use to countries and have proved to be completely inadequate in addressing price volatilities in the international market.⁹⁶ In the Doha Round of negotiations, countries of the ‘Group of 33’ introduced a Special Safeguard Mechanism that was both price and volume-triggered; however no proposal of quantitative restrictions on imports has been placed on the agenda. Indeed, the suggestion for a safeguard mechanism was undermined by the central focus of the Round on unrestrained market access in both North and South. Such a focus implies that tariffs or other instruments of border protection are gradually removed rather than redefined in order to create a space for the domestic economy to develop. In contrast to an open border politics, this report maintains that countries should provide more policy space to use both tariffs and quantitative restrictions. This may include price- and volume-triggered tariffs, price bands, as well as quantitative restrictions (e.g., quotas), or other safeguard mechanisms.⁹⁷

For the sake of sustainability

In addition to securing farmer livelihoods by protecting them from devastating import surges, countries need policy space to implement policies and measures that chart their self-defined path to sustainable development. This is consistent with the principle espoused in the Johannesburg Plan of Implementation of the World Summit on Sustainable Development that “each country has the primary responsibility for its own sustainable development, and the role of national policies and development strategies cannot be overempha-

“How and why should we produce for others if we can’t even support ourselves? More important than gaining access to foreign markets is the need to develop internal markets. Therefore it is key that countries are able to protect themselves from agricultural imports.”

Eloi Nombé, Confédération Paysanne du Burkina Faso, at the West African Regional Consultation, February 2006

sized”.⁹⁸ Following the proposed principle of Economic Subsidiarity, such an approach calls for policies that make domestic production and processing of food a priority, along with the development of domestic markets. Furthermore, following the principle of Environmental Integrity, it calls for policies that discourage pollution and overuse of soils and water, while encouraging the transition towards a biodiversity-based agriculture. In the light of sustainable development objectives, the governance of imports is not just a matter of restricting cheap imports, but rather of linking the import of goods, services, and capital to sustainability considerations. Countries must retain authority, for instance, to influence flows of foreign investment, to direct the activities of transnational corporations, to link domestic production to strict social or environmental standards, or to design support schemes to ensure healthy rural economies.

National regulation has been increasingly impeded in the past two decades by the introduction of structural adjustment policies in the 1980s, by the increasing number of side agreements to the GATT, and later on by the WTO, including the Agreement to Technical Barriers to Trade (TBT), the Agreement on Sanitary and Phytosanitary Measures (SPS), the General Agreement on Trade in Services (GATS), or the Agreement on Trade-Related Investment Measures (TRIMS). As these and other agreements restrict technical regula-

COUNTRIES NEED SPACE TO IMPLEMENT POLICIES THAT CHART THEIR SELF-DEFINED PATH TO SUSTAINABLE DEVELOPMENT

Greater national policy space is needed:

- To protect small farming systems from import surges through border control policies, including tariffs, quotas, and price- and volume-triggered safeguard measures;
- To ensure the functioning of support policies, such as supply management or state trading enterprises, through selected border control measures;
- To allow for domestic regulation on food safety, food quality, and environmental security;
- To maintain a level-playing field between responsible domestic producers and importers through corresponding quality conditions on imports; and
- To implement guidelines for foreign corporations, including local content policies or conditions on foreign direct investment for increasing domestic value creation.

tions, domestic support measures, or the implementation of health and social standards, public policy loses its capacity to support society in protecting public goods. Furthermore, as the GATS – and as well, some bilateral and regional agreements, such as the North American Free

“Policy space is not about isolating ourselves from the rest of the world. It is about shaping our policies according to the specific conditions of a certain country and region, considering and prioritizing the right of people to consume culturally adapted, healthy, and sustainably farmed products.”

Eva Carazo, Movimiento de Agricultura Orgánica Costarricense, Costa Rica, at the Central American Regional Consultation, October 2006

Trade Agreement (NAFTA) – extend the non-discrimination principle beyond products and services to actual companies, this creates serious problems precisely in the regulation of (agricultural) services, such as banking or extension, which are central to livelihood security.

However, countries must assert their authority in restricting the activities of foreign corporations if they conflict with national anti-trust legislation, or if they abuse their market power for price manipulation or the building of cartels. Further on, national governments might need to regulate corporate activities in order to protect the interests of domestic producers. For example, contract-farming by foreign supermarket could be conditioned to retain a fair share of the profits for local farmers. Governments might want to improve the inter-linkages between farmers, local processors, small-scale retailers and consumers in their rural areas, as well as between foreign corporations and local economies, so as to keep as much value creation as possible in the region and to protect against the flight of capital. Therefore, policy space for local content policies or for legislation on requirements for joint ventures with local firms must be retained (more in chapter 3.5).

Likewise, policy space must be preserved for specific support measures. For instance, domestic supply management schemes will not function properly unless they are linked to effective border control measures that restrict imports of those products under the scheme (more in chapter 3.3). The same holds true for state trading enterprises or state-owned marketing boards. If such institutions should substantially support farmers in food distribution and marketing, guarantee minimum prices, and stabilize price levels through buffer stocks or storing, they will require corresponding domestic legislation that controls import prices and quantities, and mandates such management of trade flows at the national level (more in chapter 3.5).

In addition, countries must be able to defend their right to impose measures for the sake of food safety, food quality, and environmental security, since these are important measures for preventing food-borne illnesses, and to protect the natural resource base and the resilience of ecosystems. This requires increasing the capacity of countries in developing not only stronger and more effective regulatory measures, such as process and production standards for sustainable farming, processing and retailing, but also standards for the installation of monitoring and risk assessment systems. It would defy the principle of Democratic Sovereignty if such domestic measures would become subject to a multilateral review mechanism that decides upon their necessity, let alone their legitimacy.

Moreover, once countries have strict domestic legislation in place, they need adequate policy space to impose these same standards on imports. Countries must be empowered to condi-

tion access to their markets with certain sustainability considerations in order to prevent domestic producers from being disadvantaged by importers (more in chapter 3.4).

3.2 Investing in multi-functionality

Agriculture in most countries is in a fatal bind. On the one hand, farmers are struggling with declining farm income and corporate concentration, but on the other hand, they are expected to provide indispensable public benefits without remuneration. In particular, small and medium-scale farmers in fragmented ecological settings are highly vulnerable to competition pressure due to biased agricultural policies and subsidies towards industrial agriculture and malfunctioning market mechanisms in the global market. For this reason governments across the world are constrained to provide institutional or financial support to agriculture for securing food production and sustaining family farms. Except in countries with vast expanses of agricultural land and little traditional farming, small-scale and family farming is unlikely to survive unless it is supported by public policy measures. Furthermore, just as support is required to ensure the viability of social common goods, it is also required to underpin the provision of environmental common goods. Under competitive conditions, farmers must be awarded for producing – as economists say – positive externalities, such as clean water, biodiversity, and rural landscapes. In both cases, it is the so-called multi-functionality of agriculture, which is at stake, and which distinguishes it from other business sectors.

Against this backdrop, the long-running debate on the reduction of domestic support for agriculture, the second pillar of reform under the Agreement for Agriculture, manifests itself in a new light. While a number of economists and politicians view domestic support policies as a stronghold of protectionism to be entirely dismantled, appreciation for the non-marketable dimensions of agriculture suggests a shift in perception. For ensuring the multi-functionality of agriculture – in both the social and the environmental sense – calls for domestic support. Insofar as this insight is taken seriously, the search for fair and environmental trade rules changes in focus. Attention will be directed towards the

proper level and structure of domestic support rather than its elimination.

Nevertheless, it goes without saying that the present systems of domestic support are woefully inadequate in promoting multi-functionality. As to its social side, agricultural subsidies in the US and the EU (both among the largest trading powers each of whom grant the highest levels of subsidies) flow mainly to large industrial landholders, retailers and food industry instead of to family farms and to sustainable rural development. Eligibility for subsidies in the US is not linked to income levels, but to the type of crops that farmers produce. 90% of payments are channeled towards corn, wheat, soy and rice, while farmers who produce about 400 other crops receive no financial assistance whatsoever.⁹⁹ In the EU, since the latest reform of the Common Agriculture Policy (CAP), direct payments to farmers on a hectare basis allow companies to include these subsidies into their price calculations, e.g., for machinery and chemical inputs but also for low farm gate prices the processing industries pay. As the hectare based payments are in most cases not bound to employment or environmental conditions, 80% of the total subsidies continue to be accumulated by less than 20% of the farms.¹⁰⁰ This is why intensive, large-scale farms and export-oriented agribusiness profit most from the public payments. As to the environmental side of multi-functionality, a similar story holds true. As public funds continue being used to intensify agricultural production the effect is largely the decline of ecosystems. Subsidizing chemical inputs, machinery, irrigation, and factory farms externalize negative effects on the environment and costs on society as a whole.

Against this background it is high time to redesign current domestic support schemes. A first step in this endeavor is to clearly distinguish between at least three different types of support. The first type is market price support in which producer and consumer prices are influenced through a range of policies, such as guaranteed prices for certain produce, tariffs and levies on

**ENSURING THE
SOCIAL AND
ENVIRONMENTAL
MULTI-
FUNCTIONALITY OF
AGRICULTURE CALLS
FOR DOMESTIC
SUPPORT**

imports, or quotas, among others. Market price support has not only come under criticism because such ‘dirigiste’ measures are not compatible with the free trade paradigm; their essential shortcoming is that they provide incentives to over-produce, and hence contribute to dumping and a depression of prices in foreign markets. Introducing supply management schemes where possible is a viable solution: they stabilize prices, but without creating over-supply (see chapter 3.3).

A second type of domestic support consists of direct payments to farmers in which money is transferred from taxpayers to producers without raising consumer prices. In the past, due to WTO requirements both supply management schemes as well as other market price support measures have been largely replaced by increasing amounts of direct payments. Yet such payments create problems of their own. As the increasingly concentrated agro-industry can indirectly use these subsidies by lowering offers for farm gate prices, this still provide incentives for increased production, as farmers may continue to produce even if they are not competitive. Therefore, direct payments must strictly be conditioned to improve sustainable production practices, create employment and reduce dumping practices.

A third category of domestic support consists of specific support measures for rural economies, such as research, extension, education, infrastructure, as well as rural development and agro-environmental programs. Oriented in the right direction, so as to foster environmentally benign small-scale and family farming, this category of support can combine policies and measures that create an ‘enabling policy environment’ for sustainable agriculture.¹⁰¹ Considering that farmers should receive most of their income from their farming, and not from the government, a combination of ecologically and socially conditioned direct payments, supply management as well as an enabling policy framework should guide the reform of domestic support schemes.

Policy frameworks for sustainable family farming

The guiding strategy for governments intending on facilitating access of family farmers to internal markets – which matters more than their access to foreign markets – should be to support small farmers, in particular women, in reclaiming long-term access to their domestic and local markets. First and foremost, this includes policies beyond

trade, which protect the land rights of communities as well as access to basic natural resources, especially strengthening women’s rights and land entitlements. Moreover, as countries step back from both export-orientation and import dependency, governments will need to ensure that decentralized rural infrastructure fosters local marketing. They must also ensure that rural and urban areas are sufficiently connected so as to elevate the hinterlands as the main suppliers of food for towns and cities.

Additionally, if small-scale production should be favored over large-scale monoculture farming, these farmers will require support achieving ‘critical economic mass’ through associative forms of economic activity, covering, for instance, joint warehousing, processing, and marketing. A good example is the Anand Milk Producers Union (AMPU) in India, which was so successful that the National Dairy Development Board of India adopted it as its model. Owned by a union of small milk producer cooperatives, which are in turn owned by hundreds of rural women – some of which actually own one dairy cow, the Union operated a large, modern dairy facility that supplied a variety of quality branded dairy products all over India.¹⁰² Comparable examples can be found in Northern countries; for instance, in the marketing of fair organic milk in Germany, in some regions small farms have joined together to run their own dairy facility, so as to maintain a fair price for their milk. Governments should provide institutional and financial support, including public finances for micro-credit and loan programs, to foster such associations.

In this vein, governments are well-advised to empower farmer organizations and producer cooperatives to help them play a decisive role in the local and regional market. In several parts of Latin America, for instance, the direct participation of family farmers in the local market has been improved through self-initiative and NGO-support for the creation of weekly ecological markets (Ferias Ecológicas). Relatively small infrastructural and knowledge support – for example, provision of market stands or timely transport, support with advertisement and training in basic bookkeeping – have had tremendous impacts. Similarly, several successful initiatives of local and regional trade networks have emerged, also in industrial countries.

In addition, improvements in small-scale production depend far more on expanding the knowledge base than on expanding the amount of

farm inputs. Indeed, analysis has shown that in those countries with successful increases of agricultural productivity, public investments in agricultural research and development as well as in rural infrastructure were the most important drivers. Nevertheless, spending on agricultural research is still very limited especially in developing countries. What is more problematic is that research, no matter if it is carried out in the North or the South, is increasingly dominated by corporations. Most of the private sector funds for agricultural research are employed by large input suppliers or processors, while at the same time corporations also happen to be the primary beneficiaries of publicly financed research. Consequently most research and development has focused on capital-intensive, high-input agriculture, such as on re-engineering crops with modern biotechnologies – sectors in which corporations will capture highest returns.¹⁰³ Through patents, which corporations use as business tools to refinance their investments and to prevent farmers from reusing their developed products, such as seeds, corporations create new dependencies on corporate-based knowledge, and contribute to the erosion of farmer-based and locally generated knowledge.¹⁰⁴

Besides calling for a reorientation of research and development, governments, research institutions as well as farmer cooperatives should advance low-cost, locally specific technological development that improves both the productivity and the environmental sustainability of more extensive and traditional knowledge-based farming systems. Research should be re-oriented towards the needs of small-scale and family farmers and sustainable agriculture, and it should become more farmer-led. In addition, research should professionalize the exchange of traditional knowledge, in particular for female farmers, because in times of global environmental change and fast-evolving economic restructurings, traditional knowledge on seed breeding, sustainable farming practices, and small-scale marketing strategies must be constantly improved by intercultural learning and information sharing.

Finally, farmers should be supported in their constant transition towards more sustainable farming practices. In North and South alike, farmers will need to maintain their natural production base and to produce healthy quality products in order to remain viable in the long-term. Multiple strategies to de-industrialize agriculture have been developed during the past decades, inclu-

ding Resource-Conserving Agriculture, Organic Agriculture, as well as Agroecology as the most effective way of restoring on-farm nutrient cycles and establishing biodiversity farming practices.¹⁰⁵ Considering the ecological predicament, it is high time that such strategies become the course of action for far-sighted farmers in North and South.

“Be careful when demanding for more sustainability research without insisting on which actors should actually conduct it. Many large corporations will develop GMOs and declare them as the solution to sustainability. But GMOs generate new dependencies. We need farmer-led research for sustainable agriculture in order to enlarge farmers’ knowledge base and to enhance their capabilities.”

P.V. Satheesh, Deccan Development Society, India, at the Asian Regional Consultation, May 2006

Governments must support this transition through a range of policies and measures that have proven viable in the past.¹⁰⁶ For instance, if polluting practices are penalized with taxes and levies, this makes polluters pay for the resulting environmental costs, and hence, will reduce pollution. Taxes could also be raised on industrial farm inputs, such as fertilizer or pesticides, so as to accelerate the transition towards closing on-farm nutrient cycles. At the same time, governments could offer low-interest loans for investing in resource-conserving technologies, and carry out environmental restoration programs to restore the capacity of local ecosystems. If farmers’ training and farmer field schools for sustainable farming practices are supported, and if the capacities of respective local NGOs are scaled up, this will catalyze further activities in the farming communities and generate local ownership on the process. Last but not least, communication strategies that provide better information for the public will promote a shift in consumption patterns towards more sustainable and locally produced food items. Most importantly, however, governments should foster the development of local and civil-society based schemes for sustainability process and production standards, and develop strategies to ensure that standards are mainstreamed in all aspects of agricultural production (see chapter 3.4).

Tight conditions on direct payments

As supply management schemes and enabling policy frameworks correct the market trends currently working against sustainable family

GOVERNMENTS SHOULD ADVANCE LOW-COST TECHNOLOGIES THAT IMPROVE THE PRODUCTIVITY OF SMALL FARMING SYSTEMS

farming, they make compensatory payments to farmers much less necessary. Nevertheless, limited governmental subsidies might be needed in certain cases. For instance, as farmers face real adjustment costs when converting to a more sustainable agriculture, governments may need to provide subsidies for the transition period. However the current schemes of massive direct payments must be reformed, and any type of direct payments should be conditioned to strict criteria. Since currently most payments still maintain an incentive for the maximization of yields, and thus for over-production, they must be profoundly reformed. In addition, eligibility for direct payments should be made dependant on the application of sustainable farming practices, while the amount paid should be linked to the number of jobs offered on the farm.¹⁰⁷ This will promote rural employment and benefit farms that carry out labor intensive and environmentally sound farming practices.

And yet, even after a massive reform of support systems in North and South, considerably unequal opportunities remain between economically stronger and weaker countries. This is especially the case where subsidy levels in financially strong countries are excessively high. And still, even with strict conditions in place, weaker countries will not be able to match the support levels that are affordable for economically stronger countries, even though not all support needs to take a financial form. Therefore, the composition of subsidies continues to be on the agenda. So far the discussion about ‘green box’ subsidies in WTO negotiations mostly focuses on their negative ‘trade distorting effect’.¹⁰⁸ This is

those parties favoring subsidies in order to support the social and environmental multi-functionality of agriculture might even consider collaborating with those who wanted to minimize ‘trade distortions’. Since neither ‘de-coupled income support’ nor ‘investment aid’, categories which are currently allowed under the green box, contribute to sustainability unless they are linked to other conditions – even those subsidies can generate perverse effects if they enable farmers to continue unsustainable practices.

Support without dumping

In the current debate, governmental support schemes are usually blamed for two reasons: first, support is said to distort prices and increase domestic production, and thereby decrease the market share of imports. Secondly, support is said to cause product dumping onto other markets. In the context of an eco-fair trade regime, and for the sake of the principles of Democratic Sovereignty and Economic Subsidiarity, the former concern is not a priority. For no society in the world, be it in the South or the North, should be prevented from achieving food self-sufficiency on their own terms. However, a multilateral trade regime that respects the principle of Extra-territorial Responsibility should ensure that support schemes do not harm others. For the dumping of products, either through export subsidies, in the worst case scenario or through green box payments, is in any case illegitimate. As a stop-gap measure until agricultural dumping is effectively prohibited, a multilateral institution should be authorized to establish a ‘Dumping Alert Mechanism’ that warns governments when dumping may undermine farmers’ affairs in the importing countries. On the basis of that information, importing countries should be advised and provided the opportunity to protect their domestic sector, e.g. by adding a percentage tariff equivalent to the dumping margin on their tariff levels.

Nevertheless, the bias of existing support systems towards promoting privilege and degradation is reinforced by the bias inherent in the definition of dumping under the WTO. Governmental support measures are considered to be the main driving forces behind price distortions that lead to dumping. As benchmark for calculating the distortion induced by support measures serves the world market price of a product; any support – beyond 5% of production value – is regarded as trade-distorting and therefore illegitimate.

“Public support for agriculture as such is not the problem, as long as it does not lead to dumping. Some support measures do not cause dumping, such as public investment in research, investment in infrastructure, support for alternatives such as agro-ecology or reforestation programs.”

Tania Vanegas, Centro Humboldt, Nicaragua,
at the Central American Regional Consultation, October 2006

not surprising since the distorting impact of green box payments on world production and trade is well analyzed.¹⁰⁹ Therefore, green box criteria must be reformed. Yet discussion should also focus on the positive social and environmental effects that subsidies must generate, if they continue to be maintained. If a ‘genuinely greening the green box’ did dominate the agenda,

However the world market price might be too low to serve as a point of reference, especially when major suppliers fail to incorporate the costs of social and environmental damage. For instance, neither the costs of the irreversible depletion of ground water for irrigation from fossil aquifers in the US Midwest, nor those arising from the deforestation of primary forests for pasture land and, successively, export-oriented soy monocultures in the Brazilian Cerrado, count into the support calculations of the WTO, or the OECD. Apart from this fundamental flaw, it has to be acknowledged that the full costs of sustainable agricultural production – in a world of highly diverse social settings and ecosystems – can only be defined in a national (or even regional) context, not at the global level. What it may cost to sustain family farming and the natural resources base in a region with prime conditions may not be sufficient to sustain farming systems in a region with marginal land. Hence, the ideal of a global ‘single price’ that maximizes efficiency across all economies is incompatible with the principles of sustainability.

Against this backdrop, it is important to consider the additional impacts of dumping products that are sold at artificially low prices where they do not internalize the full environmental and social costs of production. In an eco-fair trade regime, a product would be considered to be dumped if it was sold below the market price in producer countries that internalized social and environmental costs. This new concept of dumping would prevent current trends of mounting cost externalization. Even conventional economic theory predicates ‘free trade’ on the basis of full production costs, which exclude social and environmental externalities. By contrast, an eco-fair trade regime would only

Elements of a ‘Dumping Alert Mechanism’:

- A Dumping Alert Mechanism warns governments when dumped exports may undercut farmers’ livelihoods in importing countries;
- Exporting countries are registered at a multilateral body and are required to provide information on each year’s support levels;
- The multilateral body verifies this data and publishes for each exporting country the amount of dumping that takes place;
- Countries that import goods are informed and advised to increase their border tariffs vis-à-vis countries that practice dumping.

allow the trading of goods at prices that internalized all the costs of sustainable production. One method for calculating a benchmark could build on existing scientific efforts to estimate the full cost of production in agriculture. For example, a group of researchers has approximated the full cost of agricultural production in the United Kingdom, including costs from food-borne illnesses, environmental pollution, or the BSE-crisis.¹¹⁰ Using this metric, in the long run the ‘Dumping Alert Mechanism’ would compute the difference between the costs of sustainable production and the actual export prices for each exported product from a given country, and publish this data to alert importing countries to potential dumping.

THE IDEAL OF A GLOBAL ‘SINGLE PRICE’ IS INCOMPATIBLE WITH THE PRINCIPLES OF SUSTAINABILITY

3.3 Stabilizing prices to protect farming livelihoods

The predominant problem for agricultural producers around the world is the declining world market price for food staples. Family farmers everywhere, be they poor or prosperous, be they Southern or Northern, suffer from drastic price variations and all-time low prices that depress their income and threaten their livelihoods. Societies should in any case protect their farm sectors against import surges and they should promote support for sustainable family farming. However, these measures will not be enough to stabilize

global price levels as long as other countries continue to over-supply the world market. Moreover, one of the main factors behind low farm gate prices is not over-production, but corporate power and control of the market. In what is called a buyers market, powerful processing or trading companies can set prices at their will, and hence continuously depress farm gate prices (chapter 2.4). International trade negotiations must address the problem of world price volatility and price decline as a matter of highest priority.

INTERNATIONAL NEGOTIATIONS MUST ADDRESS THE PROBLEM OF WORLD PRICE VOLATILITY AND DECLINE

Domestic supply management

The standard response to the crisis of low prices in agriculture, at least on the part of affluent countries, is to compensate farmers' income losses with enormous governmental subsidies. However, reducing or even removing these subsi-

“Once I have a quota for milk produced from, let’s say, 25 cows, nobody can take away that market from me. I am truly convinced that I have an entitlement to own the market, which belonged to my father and grandfathers.”

Bruce Saunders, Dairy Farmers of Canada, at the EcoFair Trade Dialogue panel discussion in Hong Kong, December 2005

dies does not, as historical evidence clearly indicates, lead to significant drops in production. On the contrary, production often increases.¹¹¹ For example, after several supply management schemes had been removed with the US Farm Bill in 1996, crop prices tumbled to depths, which had not been seen since the 1970s. And yet planted acreage did not experience any significant downward adjustment. Likewise in Canada, neither the infamous cutback of subsidies for grain transportation in 1995, which had been the single most important government mechanism to support agriculture, nor the tremendous loss of income due to the decline in world market prices after the implementation of the US Farm Bill in 1996, took land out of production. Instead crop acreage remained stubbornly stable. Given the lack of alternative non-agricultural uses in the

“In Nicaragua we have a guaranteed price for national rice producers, which has been negotiated between small and industrial producers and the processing industry. The producers are given certain quotas, and if they are not able to serve the demand, processors are granted the right to import the deficit at a zero tariff. Similar programs exist in El Salvador for corn, rice and sorghum. However, with CAFTA they are all being dismantled.”

Raúl Morales, Fenacoop, Nicaragua, at the Central American Regional Consultation, October 2006

main exporting nations, such as the US, Canada, Argentina, or Brazil, planting different crops is the only viable option for farmers. Hence in Canada between 1991 and 2001, the production of wheat – Canada's leading crop – decreased by 23%, while oilseed production increased by 143%. And

yet, the total aggregate area of land in production hardly changed, thereby demonstrating that neither government subsidies nor their elimination offers a workable solution to the problem of market failure.¹¹²

Supply management in agriculture has been practiced in many countries in the past, and is still practiced today. In general, it describes the process of balancing the production with the market demand. As a result, supply management systems require accompanying border control measures. Since the 1960s in Canada, for instance, national production boards for eggs, turkey, chicks, and poultry have endeavored to balance the interests of all stakeholders in the respective production chains. The central element of these schemes is a quota production system, in which farmers purchase a license that allows them to produce a specified volume of the commodity. The boards maintain the legal ownership of the quota, and they have the right to make small adjustments. Quota licenses may be transferred to other farmers, while a market concentration of quota holders is restricted in order to protect family farms against corporate consolidation. The actual prices are negotiated between marketing boards and processors, while they are based on the costs of production and set to a level that provides farmers with a fair return. The administration of the system is financed through a levy on all products produced. Over time, these supply management schemes have made significant contributions to Canada's thriving farm sector. The guarantee of stable incomes in the long run has resulted in an increase in number of young farmers producing the commodities covered by the schemes. Astoundingly consumer prices for milk, for example, are even lower than in the US, which has abandoned its supply management. And at the same time, Canada's supply management has the effect of constraining dumping practices since it does not lead to massive oversupply, which would have to be exported.

In general, a supply management scheme is viable if it consists of three components. First, it must include a long-term program that controls the overall utilization of the production capacity. Second, it requires a short-term production control program that would provide for annual adjustments. And third, it needs a fine tuning mechanism that would deal with intra-marketing year variations. Key to its proper functioning is a flexible adjustment mechanism to balance market needs with production capacities, i.e. to

determine the amount of quotas and the price per product. The lack of a mechanism to provide for flexible correction to market demand was the reason behind the failure of many of these quota schemes, especially those in the EU. If there is a clear underpinning legal framework, if all stakeholders are guaranteed a role in negotiations and adjustments, and if strict monitoring and enforcement mechanisms are put in place to ensure compliance, supply management indeed offers a viable solution to the price crises in agriculture.¹¹³

A cooperative mechanism for balancing the world market supply

In the medium-run, given advances in crop yields and the increase in crop acreage in countries like Brazil due to the persistence of intensive and export-oriented agriculture, there will be a need for the major crop exporting countries of the world to establish cooperative mechanisms to manage the production of crops.¹¹⁴ At the multilateral level, negotiations could be launched to adopt a ‘Multilateral Cooperative Framework for Balancing the World Market Supply’. This framework would leave the actual implementation of supply management schemes to domestic policy makers. The multilateral framework would not only ensure that major exporting nations implement supply management schemes, it could also solve the ‘prisoner’s dilemma’, namely that world market supply management can only be achieved cooperatively.

Currently, the world market in food staples, such as cereals and oilseeds, as well as for products like cotton, sugar, or rice, is dominated by merely a handful of countries. Therefore, a multilateral framework that includes the main exporting countries of these crops would be viable and enforceable. For example, six countries – Argentina, Australia, Brazil, Canada, the EU, and the US – held 47% and 58% shares respectively in global production capacity of wheat and corn, and 52% and 64% shares respectively of global exports in 2003.¹¹⁵ A multilateral framework with these countries as main parties would indeed be a considerable contribution to a fairer distribution of production capacities and, therefore, to poverty reduction and the economic renewal of rural economies worldwide.

What are the possible effects of such a framework? Will it serve the justifiable needs of poor

Steps towards a ‘Multilateral Cooperative Framework for Balancing the World Market Supply’:

- Identify those countries with a significant influence on world market prices as participants of the scheme (e.g. Argentina, Australia, Brazil, Canada, EU, US etc.);
- Agree on the crop-specific caps that would govern overall global production capacity (e.g. -3% of global wheat production) in order to raise world market prices above a certain minimum level;
- Determine country and crop-specific reduction targets (e.g. US -8%, EU -4% etc.), according to each country’s share in global exports;
- Implement monitoring and verification mechanisms to assist countries with compliance (e.g. independent third party verification); and
- Ensure flexible review of the scheme over short periods for adjustment and improvement, and for improving implementation at the national level.

farmers around the world while placing new requirements on participating countries? Will other producing countries continue to free-ride, enjoying higher prices without cutting back production? Fortunately, the framework will certainly benefit both farmers – and taxpayers alike – in the participating countries. It is the farmers who primarily produce export crops, which will suffer most from low and volatile prices. If these farmers produce less but in effect receive higher incomes, they will certainly be better off as a result of the scheme. Therefore, even countries of the South, such as Brazil (soy, corn) or Thailand (rice), will be motivated to participate. As regards benefits to taxpayers, the current practice of affluent countries compensating their farmers for losses would be terminated. Billions of euros and dollars spent on compensating farmers’ incomes would thus be replaced by a management scheme that is self-financed through a built-in levy on the products covered by the scheme. Finally, even a sneaking transfer of production capacity from countries under the

**A FRAMEWORK FOR
BALANCING THE
WORLD MARKET
SUPPLY WOULD BE A
CONTRIBUTION TO
POVERTY REDUCTION
WORLDWIDE**

scheme to free-rider countries would still be in the interest of the countries under the scheme, because the net return on exports will be higher

“We often cite export subsidies as the devil – and they are. Still, countries such as Australia and New Zealand have had a greater impact on the decline of world dairy prices, and, according to their claim, they don’t provide subsidies to their dairy farmers. What we need is a shared, international supply management scheme. The question then is: who has to reduce production and by how much?”

Yves Leduc, Dairy Farmers of Canada,
at the North American Regional Consultation, September 2006

than it is under the currently flawed conditions. At the same time this shift of production capacity to countries dependent on imports will increase the market share of their farmers, and improve their domestic food self-sufficiency.

Admittedly those that may lose in the short term are the urban poor, especially in Net Food-Importing Developing Countries, as they may face higher food prices. However it is important to note

that many of these countries have a rural population of 50-80%, the majority of which are small farmers dependent on prices that ensure a reasonable return on their work. Therefore a short-term approach to this problem must be avoided. Sacrificing the livelihoods of small farmers to keep food prices low for the urban poor is not a satisfactory trade-off. Instead, support for consumers while local production is expanded would provide both a way to increase the food supply and hence sustain affordable price levels, and to encourage employment in rural areas by supporting the farm sector. Transitional corrective measures may be necessary to mitigate the impacts of increasing food prices where dumped commodities are taken out of circulation. For example, as has recently been proposed by the African Group, an ‘Import Financing Facility’ can be made available to Net Food-Importing Developing Countries that helps them subsidize food in the short-term and develop efficient local production to relieve them from import dependency in the long run.¹¹⁶

3.4 Setting standards for quality trade

In agriculture and many other economic sectors, the present-day economic system is anything but a least-cost system.¹¹⁷ In a true least-cost system, the losses inflicted upon common goods while producing commercial goods would be weighed against the gains made in the market. From this viewpoint, the objective of agriculture is not just to produce earnings but to contribute to the health for all, including both nutrition for people and regeneration of natural ecosystems. Food systems, therefore, are to be evaluated in terms of a common health framework that accounts for both the quality of food and the long-term health of communities and ecosystems.¹¹⁸ However, since the free play of market forces favors private gain over common goods, it is up to politics to rectify this imbalance. Public policy interventions are necessary to ensure framework conditions that align the pursuit of private gain with the protection of the biosphere and human rights.

Moreover, trade reform has to create a level playing field in the social and environmental responsibility between farmers and businesses. At present, deregulation unduly favors unsustain-

able farming practices and trading decisions, since corporations locate activities where social and environmental costs can be most easily externalized. Too often, the dismantling of protectionism has resulted in protection of the ruthless. For instance, sugar workers in Brazil toil while supermarket chains compete at low prices, moreover, the elimination of mangroves may optimize shrimp production for middle class dishes while creating environmental hazards, and finally, pesticides used in Pakistani cotton fields, while polluting soils and laborers is indeed the hidden price for easy shopping in the fashion stores of the world. As long as production costs are not required to incorporate the cost of safeguarding common goods, free trade will continue to accelerate both the marginalization of the poor and the decline of the biosphere. It is only through minimum standards for securing the dignity of labor and the integrity of the global environment that a groundwork for a fairer and safer 21st century can be established. In the end, trading internationally must be understood as a privilege to be offset by internalizing social and environmental costs.

**TRADING
INTERNATIONALLY
MUST BE
UNDERSTOOD AS A
PRIVILEGE TO BE
OFFSET BY
INTERNALIZING
SOCIAL AND
ENVIRONMENTAL
COSTS**

Sustainability process and production standards

As a first step, national politics should foster the development of standard monitoring and verification schemes. The establishment of production process standards is crucial for minimizing clear-cutting, over-exploitation of water reserves, chemical pollution, or greenhouse gas emissions. The feasibility of monitoring and evaluating production processes has been clearly demonstrated by fair trade and organic agriculture initiatives, which are usually enforced by inspection and certification bodies. The 'IFOAM Norms' for organic agriculture, as one example, include a detailed set of general principles and standards with requirements for crop production and animal husbandry, including criteria for the evaluation and use of selected off-farm inputs, and standards for processing, handling, and labeling.¹¹⁹ Although IFOAM is considered as the global platform of the certified organic movement, the IFOAM Norms are but one set of standards among many others that have been developed by national or private organizations. Today in more than one hundred countries, farmers' organizations and consumer groups have developed their own sets of organic standards and certification rules – many of them consistent with IFOAM provisions, but specified and adapted to their respective environmental and social circumstances.¹²⁰ Governments should support the independent development of such standard schemes.

In a second step, governments should plan to develop domestic agricultural transformation strategies with standards becoming mandatory for all agricultural production. The steep increase in the volume of global area farmed under certified organic agriculture¹²¹ has resulted in significant environmental and social improvements. For instance, organic agriculture consumes less water and generates less soil pollution and fewer health risks. At the same time, species diversity is on average 30% higher than in conventional farming systems. In many cases, it is more labor intensive, because more sustainable soil management crop rotation, associated crops, sustainable weeding practices and precautionary pest treatment practices substitute chemical pesticides through labor.¹²²

And yet critics argue that environmental standard schemes for production processes are socially imbalanced. For certification can be costly and complicated and, therefore, tends to disad-

vantage small producers. Costs can be reduced if farmers form producer groups or co-operatives that are certified as a whole; but fees may still be high, and internal inspection systems within the group create new costs. Therefore, given the fact that quality control is necessary, governments should foster the development of local, independent sustainability certification schemes. Local schemes have the potential to establish monitoring and certification mechanisms that are best suited to the structure of the farming system and the economic capabilities of the farmers; they can best minimize costs and regulatory burdens placed on small producers.

“The experience in our region has revealed that only participatory certification processes can be sustainable. We must empower farmer and producer unions to set up their own quality control systems.”

Fabíola Zerbiní, FACES do Brasil, Brazil,
at the South American Regional Consultation, August 2006

Moreover, locally and nationally independent schemes could be supported by a mechanism that shifts the costs of certification from farmers engaging in sustainable production to those who continue conventional practices, as well as from farmers to consumers. The experience with energy feed-in laws, which catalyzed an impressive penetration of costly renewable energy systems in the energy market in several countries are models that could be considered in the agriculture context. For example, a fee could be added on all conventional products, which in turn cross finances the costs for certification in sustainable agriculture, and assists small farmers in complying with standards and certification requirements.

Qualified market access

A trade regime that is serious about sustainability should support such inclusive sustainability standards at the national and international level. Based on proven implementation of domestic sustainability process and production standards, governments must have the competence to also link market access to these standards. Thus trade in more environmentally and socially sound products will be favored over trade in conventionally produced goods. Indeed, the qualification of market access in terms of social and environ-

**COMMERCIAL GOODS
THAT HAVE BEEN CO-
PRODUCED ALONG
WITH COMMON
ENVIRONMENTAL AND
SOCIAL GOODS
SHOULD BE GIVEN A
TRADING ADVANTAGE**

mental requirements is urgent since agro-industries and food retailers increasingly invest in countries where environmental and social requirements are weakest (chapter 2.4). Such a strategy transforms these actors into protagonists of unconditional market access in countries with high food prices, thus increasing profits from sales, but undermining the competitive position of domestic responsible producers. Sustainability standards at the border would work like trade filters to reduce social and environmental dumping.¹²³ Governments could provide a ‘carrot’ to sustainable producers and grant preferential market access to products that adhere to certain sustainability standards.¹²⁴ In other words, commercial goods that have been demonstrably co-produced along with common environmental and social goods would be given a trading advantage, thus encouraging a shift in production and marketing towards eco-fair commodities worldwide.

“If we respect the sovereignty principle, of course we have to accept that Northern markets also need to be protected. No matter if rich or poor, countries have a right to preserve their communities and their natural production base from predatory competitors.”

Françoise Bangré, Fédération Nationale des Femmes Rurales du Burkina Faso, at the West African Regional Consultation, February 2006

**THE TRANS-BORDER
BUSINESS OF GLOBAL
CORPORATIONS MUST
BE SUBJECT TO
QUALIFIED MARKET
ACCESS**

However there are a number of questions that must be addressed. For example, would a scheme for qualified market access that rests on national sustainability standards turn into a new form of protectionism from Northern countries against the global South? Wouldn’t qualified market access lead to another form of trade discrimination, given that industrial countries currently demonstrate the greatest interest in environmental standard setting; have wealthier farmers who can afford to pay for the resulting compliance costs; and have in the past used food safety and other standards as a disguised restriction to trade?

First, it is probably a misconception to believe that Northern countries will be less offended than Southern countries by standards that aim at de-industrializing agriculture. This might be the case today since standards mostly encompass elaborate hygiene or health requirements for products. However, it might be different when Northern as well as Southern countries develop interests to protect their markets from social and environ-

mental dumping. Any move towards sustainable agriculture will be doomed to failure if cheap foreign goods produced by destructive methods are allowed to penetrate the market. In this regard, it will also be up to the North to change its practices. It is not inconceivable that one day India will produce its own environmental production standards for poultry imports or Thailand standards for sustainable fishing. To be sure, the spread of industrial agriculture is global in scope, and even in poor countries, regions that are well integrated into the global market are usually characterized by industrial agricultural production systems. However, overall agriculture in the North is much more industrialized than in most of the South. For instance, the level of mechanization is nearly four times higher in developed countries than in developing countries. Regarding the use of synthetic fertilizers – and presumably pesticides, too – this picture is less clear. Still despite China, Brazil, India and a few other developing countries, the majority of the developing world uses less fertilizer than the developed countries.¹²⁵ Moreover, many countries of the South with their vast regions characterized by small-scale agriculture that is organic by default will be better positioned than the countries characterized by industrial monoculture farming in most of the North.

It is neither regions nor farming systems, but only exports produced by environmentally harmful farming practices, which would be challenged through qualified market access. Therefore a key question that must be addressed is where do such exports originate and who profits from low standards? Although extensive data is still far lacking on the issue, presumably the bulk of global exports originate from high-input industrial systems in the North as well as in few regions of the South.¹²⁶ For instance, the top five wheat exporters are the US, France, Canada, Australia and Argentina – countries that are characterized by highly industrialized agricultural systems. If all EU wheat exports are included, about 75% of world exports in wheat from 2006 through 2015 will be produced by high-input farming.¹²⁷ Likewise the top three soy bean producers are the US, Brazil, and Argentina, which account for 80% of global soybean and 70% of global soy oil production.¹²⁸ If their exports are challenged by the rest of the world through qualified market access, it will not be the small soy farmers in Brazil or Argentina who are affected, but the large industrial producers that account for

the majority of exports from these countries. These producers as well, along with the respective transnational trading and processing corporations, have to be urged to shift towards more sustainable farming practices?

Furthermore, it has to be taken into account that in practice, more than governmental standards, corporate created standards, such as EurepGAP (see chapter 2.4), may become an unqualified trade barrier. Caribbean States have recently complained at the WTO against this initiative of European retailers which increasingly discriminates imports from developing countries based on food processing and long shelf life standards. To the contrary, measures and instruments for qualified market access against ecological and social dumping would have to be developed simultaneously from the bottom up by civil society initiatives and from the top down by national governments. For instance, farmer networks like RIAF in the MERCOSUR region have initiated a mutual recognition of products from small farmers which are partly recognized by MERCOSUR member states as qualified for lower or zero tariff products; farmers mutually acknowledge themselves as 'small farmers', while they are then recognized by other MERCOSUR member states that grant preferential access to products from these small farmers.

Finally, there is no question that the concept of qualified market access extends well beyond agricultural goods. The requirement that investments, goods, and services, which cross borders will have to measure up to social and environmental standards is an indispensable element for any eco-fair trade regime. The agricultural sector itself comprises a much broader range of goods than products, which are simply derived from plants or animals; the companies producing fertilizers, pesticides, machinery should be taken into account along with food processors and retail corporations. As well, the trans-border business of these companies must be subject to qualified market access. Why should Kenya not formulate investments standards for the entry of supermarket chains, Uruguay fuel standards for harvesters, or Thailand develop production standards for fertilizers? There is no doubt that qualified market access is neither to be restricted to agricultural goods nor to the South-North flow of trade. Quite to the contrary, given the unsustainability of developed economies, it is potentially more relevant for non-agricultural goods and the North-South flow of trade.

Still, a cross-country comparison of the implementation of environmental law suggests that it will be the Northern countries which are more likely to establish qualified market access schemes, since many Southern countries will lack the institutional capacity or political will and power to do so. In this light, qualified market access – although a concept that benefits all countries alike – would run the risk of privileging

“Why should those actors who constantly break the rules of international environmental and labor agreements be allowed to continue such illicit behaviour, while those who adhere to these agreements and attempt to improve farming practices are the ones who have to shoulder the extra cost burden. We need a trade system that turns this deficient situation on its head!”

Anja Osterhaus, Fair Trade Advocacy Office, Belgium,
at the European Regional Consultation, November 2006

the North. This problem could be addressed by establishing a funding mechanism linked to the introduction of standards at the border. Revenues generated from managing market access in richer countries would be earmarked for a fund that would be channeled into structural aid for the promotion of sustainable rural development in marginal regions.¹²⁹ In this way tariffs applied to socially and environmentally harmful practices and products would be transformed into aid for sustainable rural development programs. Equivalent to the existing Global Environmental Facility (GEF), a 'Sustainable Rural Development Fund' comprising both governmental and non-governmental organizations could establish criteria and support mechanisms that would facilitate the transition towards sustainable farming practices as well as the implementation of qualified market access schemes in the South.

Meta-standards for the standard-setting process

Attempts by some countries to impose protectionist measures against others through qualified market access can be prevented through the development of global common standards. However the development of global standards is an enormous challenge, especially in a world that is characterized by highly diverse agro-ecosystems, farming practices, and food cultures. It would indeed be a loss for both ecology and culture if harmonized global standards led to the harmo-

‘Qualified Market Access’ and ‘Sustainable Rural Development Fund’

- As a first step, countries would establish independent quality standards and certification systems at the domestic level. As a second step they would evolve these standards into mandatory requirements for domestic producers
- Based on proven implementation of these mandatory requirements, countries could then gradually impose quality standards at the border and differentiate market access conditions between products that adhere to their sustainability standards, as opposed to products that are unsustainably produced;
- Revenues from tariffs applied to harmful products in the North are channeled into an international ‘Sustainable Rural Development Fund’, which supports the transition towards sustainable farming practices and the implementation of qualified market access schemes in developing countries.

systems. By contrast, in Southern local markets, where farmers sell directly to consumers, simpler and less costly standard and labeling systems will be more appropriate. Therefore, production standards should be developed locally to ensure that environmental, economic and social considerations and the particular capabilities of the farming community are properly addressed.

The development of meta-standards may offer a solution. Meta-standards would not harmonize specific production standards. Instead they would define common norms for the process of standard setting. Is the process, which leads to local or national quality standards sufficiently democratic? Are all the relevant stakeholders included, since? After all, standard setting should reflect a common effort that includes the participation of farmers, consumers, non-governmental organizations, local retailers, and small-scale sellers. Where common criteria for the standard-setting processes have been developed, these can provide a basis for mutual acceptance of the various local and national standard schemes in the trade between nations. Universal process standards rather than production standards should be at the heart of negotiations over the mutual acceptance of national production standards in order to ensure a balanced set of common rules for a highly diverse world.

Meta-standards in the context of agriculture have been developed by the International Federation of the Movement for Organic Agriculture (IFOAM), who commissioned the IFOAM-associated International Organic Accreditation Service (IOAS) to draft guidelines for the acceptance of the various locally and nationally developed IFOAM organic standard schemes. It would be a first step in the right direction if governments around the world were to accept IOAS-accredited organic standard schemes at the domestic level. More general guidelines for process standards have been developed by the International Standardization Organization (ISO), which provides a general code of good practice for standardization (ISO/IEC Guide 59), or by the ISEAL Alliance, which provides a specific code of good practices for setting social and environmental standards.¹³¹ Negotiations for such meta-standards in sustainable agriculture standard setting processes would ensure the independence of the myriad of sustainable production practices, while at the same time, provide a common ground for cross-border trade. An independent multilateral complaint body could be

nization of production practices around the world. This has been the case where certified organic standards developed in one country have been transferred to production systems in another. For example, standards of the EU organic label prohibit synthetic fertilizers, but in some tropical areas some amount of fertilizer seems indispensable. In several places, such as in northern Sumatra, farmers groups have therefore developed their own organic standardization system, which aims at reducing synthetic fertilizers, but does not exclude them because intensified livestock raising for manure production in that region is simply not an appropriate option.¹³⁰ Moreover, many organic standards schemes focus on specific farming practices, but disregard equally important social and economic aspects that must be considered in the development of sustainable agricultural practices, such as the need for balance between subsistence and export agriculture or the preservation and integration of traditional knowledge. Finally, standard schemes developed in the North require relatively costly monitoring and verification

META-STANDARDS ON THE PROCESS OF STANDARD-SETTING CAN ENSURE A SET OF COMMON RULES FOR A HIGHLY DIVERSE WORLD

established to deal with conflict between countries regarding differences in their standards. For example, a ‘Centre for Dispute Mediation in Conflicts Over Standards’ could be established to provide impartial complaint mediation and dispute settlement.

Although meta-standards do not define quality norms for farming and livestock practices, they will require the development of such norms, which in turn, will establish an important quality standard in international trade. The setting of such standards for trade is essential to redress the negative effects of globalization. Thus far, participation in the transnational economy has had the effect of driving down standards, since open borders invite companies to source or to locate where norms are weakest. By contrast, sustainable global markets are unachievable unless they drive up standards for companies participating in them. Transnational markets should induce a race to the top rather than a race to the bottom. As a general rule, the floor for global business should be higher than for local business, and not the other way around. Entry into global markets must be conditional on a minimum degree of sustainability performance. Otherwise the playing field remains biased against responsible farmers and companies. Through multilaterally agreed meta-standards, countries would be required to establish and enforce domestic quality standards for sustainable agricultural production, and to develop these standards in a process that is open, inclusive, and democratic.

‘Meta-standards’ and a ‘Centre for Dispute Mediation in Conflicts Over Standards’

- At the multilateral level, governments would agree to meta-standards that would govern the setting of process and production standards for sustainable agriculture;
- Meta-standards would define specific elements of the process, including duration, terms of references for the balanced involvement of all affected stakeholders, publication of results, periodic assessment and review of standards, etc.;
- A complaints resolution mechanism, such as a ‘Centre for Dispute Mediation in Conflicts Over Standards’ would be established to settle standard-related disputes between countries;
- With these meta-standards in place, governments would then be required to develop and enforce sustainability standards for process and production methods in agriculture at the national level, or require mandatory participation in standard schemes developed by local actors.

3.5 Democratizing the food chain

If trade regulation is to respond to the emerging challenges of globalization, it must address the problem of market power and concentration in the global market. The challenges for national and international policy makers in addressing these challenges are akin to the metaphysical challenge of ‘squaring a circle’. This is particularly the case because the level of concentration already achieved in agricultural markets, and the power that corporations now wield are significant impediments. Therefore, before any multilateral effort to regulate corporate behavior is initiated, much work remains to be done to raise public awareness and to mobilize public pressure for political action. Three elements of a legally binding global framework for corporate responsi-

bility and accountability are critical: a mechanism for the stricter enforcement of anti-trust law at national and international level; the establishment of global commodity boards that impose fair trade standards along commodity chains and hold transnational corporations accountable; and the implementation of a set of measures to regionalize trade, promote and protect sustainable rural economies.

Anti-trust and competition law

There are two prerequisites for an effective corporate regulatory framework. The first is access to information, in light of the lack of information about the size and scope of large agribusinesses,

the market share they control, and the terms of their contracts. Just as WTO rules insist that governments complete questionnaires about any state-trading enterprises in their country, this approach could be expanded to include any company beyond a defined size and market share – be it

UNCTAD, the International Competition Network, or the Competition Committee at the OECD, are by and large ineffective in curbing market concentration.¹³³ Thus the challenge of how best to confront competition issues at the multilateral level remains to be adequately addressed.

“The ‘eco’ in a future eco-fair trade regime could be achieved by a modernization of trade policies, including instruments that qualify trade flows such as qualified market access. However the ‘fair’ would need a modernisation of competition policy that disciplines the power of corporations.”

Bill Vorley, IIED, United Kingdom,
at the European Regional Consultation, November 2006

The establishment of an independent multilateral ‘Anti-trust Body’ is essential if anti-trust law is to adequately counter the rapid increase of concentration in the global market. Such a body could help to prevent corporations from overpowering governments and locating to areas where national legislation is weak. Such an anti-trust body would have the authority to scrutinize mergers and acquisitions, to prohibit them where necessary, and to deter corporations from abusing their dominant position in the market. The body should neither involve industry nor be dominated by industrialized countries. However, it should report to a public board to be comprised of a majority of (small) farmer representatives, and a minority of representatives from consumers and companies.¹³⁴ However, multilateral anti-trust negotiations will only succeed if sound competition policies are in place at the national level, or if they can build on effective rules at the level of regional organizations (EU, ASEAN, Mercusor etc.).¹³⁵

private or public. A multilateral institution, such as UNCTAD or the FAO, could collect this information and maintain a publicly accessible databank, including comprehensive information on mergers, acquisitions and joint ventures in agri-food markets. The second prerequisite is that governments must shut the revolving door between corporations and government agencies. This could be achieved by requiring full disclosure of money received from agribusiness or corporate lobbies by potential staff members, or by undertaking rigorous conflict of interest checks before private-sector appointments are made. Stronger laws are needed to ensure longer mandatory periods between the transition from the private sector to public office.¹³²

Governments will be better equipped to enact stricter anti-trust legislation in a political climate where access to information is guaranteed and corporate influence is duly controlled. Similarly, they will be better positioned to participate in multilateral negotiations for a framework of anti-trust rules. One important example where public pressure has had significant impact is in the context of WTO discussions on competition issues. The reason for the public outcry was that the competition agenda as promoted by the EU, the US and some other WTO members was focused on advancing the interests of global firms, as opposed to reducing their power and level of concentration in the global market. The termination of negotiations at the WTO was a hard-earned victory for civil society organizations. However, rich-country governments still attempt to advance the corporate agenda in many bilateral and regional trade agreements. Other multilateral fora dealing with competition, such as the ‘UN Set’ at

Development contracts along commodity chains

With the trans-nationalization of business relations, commodity chains now stretch far across the globe, positioning individual actors at the most favorable locations so that the sum of rationalization gains can ensure a crucial market edge. However farmers, especially small farmers, are often the weakest link in those chains. They can be blackmailed because few large corporations dominate what is a buyers’ market, while farmers are unable to invest their ‘capital’ – whether land, climate or physical strength – elsewhere. Post-production phases such as processing, design, retailing, represent the bulk of what consumers are willing to pay. Profits and power typically increase towards the final stages of production and marketing, but decrease towards the suppliers of raw materials and subcontractors. What often happens, in the words of a banana producer, is “a perverse transfer of wealth, by some of the supermarkets, from farmers and farm workers of developing countries to the consumers of developed countries”.¹³⁶

MULTILATERAL ANTI-TRUST NEGOTIATIONS WILL ONLY SUCCEED IF SOUND COMPETITION POLICIES ARE IN PLACE AT THE NATIONAL LEVEL

In many respects, the situation is akin to the process of industrialization in nineteenth-century Europe. After a period of systematic exploitation, the political elite came to recognize that the development of clear rules governing the relationship between workers and employers would indeed benefit both the interests of the state and the economy. The prohibition of child labor, the limits on working hours, social insurance systems for illness and unemployment, health and safety standards and legal minimum wage would form the core of a system that could be described as a social market economy. It is long overdue that obligations concerning fairness in relations within global production chains should now become a critical element of corporate accountability frameworks. The assurance of non-exploitative exchange is a central responsibility for transnational corporations. Beyond their own self-interests, corporations have the civic responsibility to ensure the secure integration of supply firms and contractual partners into their business and to provide for a fair and equitable distribution of profits, particularly in dealing with rural communities in the South. For this reason, transnational product chains must be governed through development contracts between small producers and buyers.

The regulation of trade flows between market actors and along transnational production chains would be new to the realm of international politics. Nevertheless, this approach has been successfully practiced for decades at the grass-roots level. In the 1970s the 'fair trade movement' catalyzed a process of governing trade flows in commodity chains to secure a more equitable relationship between producers in distant countries, mostly in the South, and consumers in the North. Whether the product is bananas, coffee or childrens' toys, the principle is always the same: a higher final price and pre-investment finance aid, combined with negotiated standards for the production process to ensure a fair share and better working conditions for producers, improved product quality and increased 'ethical consumption' practices. Moreover, fair pricing must be understood not just in terms of full cost pricing that reflects all the costs of production. Fair pricing must also be understood as essential to ensuring that the health of communities and natural ecosystems is protected. Fair trade initiatives have established successful contracts for long-term business partnerships that may serve as important precedents for international trade agreements.¹³⁷

The idea is not to upgrade 'fair trade' and simply increase its market share.¹³⁸ Rather it is to recognize that its constituent elements may provide important guidance in the possible negotiation of common rules for the governance of transnational production chains. Governments may opt for a multilateral mechanism that upgrades some of the fair trade building elements as mandatory practices in transnational business relations. As a first step, corporations would be obliged to conduct transparent, open and participatory negotiations with suppliers and subcontractors on development contracts for all aspects of their trans-border business. Following the fair trade principles, these contracts would have to comply with the following requirements: (1) pay a price to producers that covers the costs of sustainable production and livelihoods; (2) pay a premium that producers can invest into development priorities; (3) partially pay in advance, when producers so request; and (4) sign contracts that allow for long-term planning and sustainable production practices. Corporations would be required to deliver their contracts to newly-established 'Development Contract Boards', which would supervise those contracts and publish their terms of references to enhance transparency and public information.

Companies would have to obtain accreditation to those boards. Regular audits should make sure that companies along with their suppliers meet a basic standard of fairness.¹³⁹ In this way, development contracts, including corresponding forms of contract-farming, may set the conditions which determine when companies may engage in transnational businesses. On the other hand, they would ensure that farmers and small-scale suppliers enjoy real participation in international markets, and a decent wage for their work. At the same time, publicly available information on such contracts would help producer organizations and farmer unions, national governments, and civil society organizations to adhere to fair business relations in transnational production chains, and to raise concerns where they might arise.

Given the complexity of those contracts, global trade would indeed become 'slow trade'. However, this approach would ensure trade justice, democracy and sustainability since the primary agents of international agricultural trade – transnational companies – would be held accountable for the regeneration of agriculture worldwide.

**OBLIGATIONS
CONCERNING
FAIRNESS IN GLOBAL
PRODUCTION CHAINS
SHOULD BE PART OF
CORPORATE
ACCOUNTABILITY
FRAMEWORKS**

Three multilateral institutions for the regulation of corporations

- UNCTAD or FAO should establish a publicly accessible databank containing information on the size and scope of large agribusinesses, as well as information on mergers, acquisitions and joint ventures in the food system;
- A multilateral ‘Anti-trust Body’ should be established to scrutinize mergers and acquisitions, and prevent corporations from abusing their market power (e.g. in the control of market prices, or building of cartels);
- ‘Development Contract Boards’ should be set up to supervise trans-border contracts that would guarantee fair and equitable distribution of benefits among the various actors in transnational production chains.

Regionalizing production chains

The implicit slow down of trade in transnational commodity chains through the accreditation of business contracts at commodity boards must be accompanied by the explicit and active transformation of transnational commodity chains into regional ones based on the principle of Economic Subsidiarity. Despite the reality that trade and economic activities tend to increasingly take place along transnational commodity chains, the reference point to which communities and societies can express ‘non-trade concerns’ still remains the nation state, the province or state or the local community. Collective preferences as well as the political will continue to be shaped in the public realm, and not along global economic value chains.

As with measures to re-regionalize trade and production chains, countries must first reconsider the role of state-trading enterprises, as well as state-owned marketing boards. State-trading enterprises historically have been set up by governments to achieve certain public policy objectives, such as supporting domestic prices, promoting efficiencies in agricultural production and marke-

ting, and making available affordable food supplies for low-income populations. For example, in Indonesia as well as in the Philippines, state-trading enterprises engage in paddy rice procurement, rice importation and rice distribution. While in India, apart from procurement and buffer stocking, they provide a minimum price support for 24 commodities.¹⁴⁰ Hence, state-trading enterprises offer countries an important entry point for regulation of the market. Since they depend on government mandates and are subject to public interest law, they can potentially play a useful role in counteracting the market power of global agribusiness. Nevertheless, in the process of deregulating and liberalizing developing country economies, state-trading enterprises – once common in agricultural sectors in most parts of the world – have been the subject of severe criticism. It is true that state-trading enterprises have been susceptible to corruption and mismanagement. However, governments need to review their potential for reform, rather than simply proceeding to dismantle them. Given the strategic potential of state-trading enterprises in food price and supply stabilization as well as in food quality considerations, a strategy of transparency, accountability and good governance would be appropriate steps forward. In particular, in the light of the stark power concentration and market disruptions generated by large transnational corporations, governments must have a sufficient policy space to improve and strengthen state-trading enterprises since current operations in most countries are minimal and can barely influence the market.¹⁴¹ In addition, governments should strengthen farmers’ and consumers’ direct involvement in marketing and trading boards to avoid governmental corruption.

Measures that restore policy space for sustainable investment policies would go even further than just counterbalancing corporations. A number of aspects of the negotiations under the WTO’s General Agreement on Trade in Services pertain specifically to investor’s rights; in line with the WTO Agreement on Trade-Related Investment Measures, and even more so with investment chapters in some bilateral and regional agreements, they consolidate the rights of corporations to establish themselves in foreign countries, to acquire local companies, to secure work visas for foreign personnel, etc. Measures for re-regionalizing trade and commodity chains are contrary to these agreements. Policies for local content management would enable communities to

**COLLECTIVE
PREFERENCES
CONTINUE TO BE
SHAPED IN THE
PUBLIC REALM, AND
NOT ALONG GLOBAL
ECONOMIC VALUE
CHAINS**

maximize inter-linkages between different sectors of the rural economy as corporations would be required to purchase from local suppliers – e.g. feed inputs for livestock raising or locally produced food in rural tourism services –, to involve local processors, and eventually to sell to locally-based traders or retailers. Likewise, related services should be locally provided as much as possible, and in some cases, corporations should even be obliged to contribute to training and improving local service providers.

In addition, a ‘site-here-to-sell-here policy’ provides an important guideline for governments considering an investment from a foreign company.¹⁴² The government could insist, where appropriate, that the foreign company could only sell in a given market if they agreed to produce there as well. In other words, market access of corporations would become dependent on running production facilities in that market. Such a policy should be considered in sectors where import substitution is possible. For instance, Norway would not apply it in the coffee sector; but Ghana might well consider imposing a site-here-to-sell-here-policy in the case of processed tomato products, as it witnessed a few trading corporations profit from the shut down of most of Ghana’s flourishing domestic tomato industry. A site-here-to-sell-here-policy would enable governments not only to maximize domestic production, but also to ensure that this production is controlled domestically. If a company was obliged to produce locally what it wanted to sell in the local market, its activities would be brought back under the control of communities and citizens. Business would be subject to greater transparency and accountability to stakeholder power, and would not just be geared to the interest of far-away shareholders. Moreover, threats by corporations to relocate if standards are raised or if wages are increased would become meaningless, since the price of doing so would be to lose market share to local competitors. If, through a set of these and additional measures, communities would gain the ability to embed the activities of corporations into the local economy, they could still reap the benefits of cross-country technology transfer and information-sharing that multinational corporations may bring about, while realizing the full potential of their respective rural economies, and ensuring them a fair share in global value creation.

Finally, policies that make distance more expensive are a vital cornerstone for the re-regionaliza-

tion of production chains. Since agricultural trade is very transport-intensive, considering the kilometers involved, the expansion of global markets would not have been profitable without declining freight costs. In particular, competition of foreign

“There is not just one type of market, with one singular trading system. There are many different types of markets, with different production, trade and distribution systems. We need to re-regionalize trade, as the one-size-fits-all approach to create one uniform global market does not work to the public interest.”

Josefa Francisco, IGTA Asia, Philippines,
at the Asian Regional Consultation, May 2006

products in domestic market sectors – e.g. Brazilian chicken legs against local poultry, wheat from the US against domestic wheat – requires low transport costs; otherwise, the lower marginal production costs abroad would soon be eaten up by greater outlays on transport. Yet over and above the rising oil prices that can be expected in the face of the global peak oil scenario, crop miles imply stress on the biosphere, in particular through the pollution of air and water, and the emission of greenhouse gases.

Up to now, damage to the biosphere has not been properly mitigated because no owner exists who could claim compensation for any damage caused. To reverse this situation, a new generation of instruments is needed, such as ‘user fees’ for the use of common goods. Such fees have been discussed in multilateral fora since the 2000 Monterrey Finance Summit and the 2002 World Summit on Sustainable Development. For example a user charge based on aircraft emissions would be an effective and reasonable mechanism for controlling the level of atmospheric pollution caused by global aviation. Such a charge would decrease the demand for air travel by incorporating the environmental externalities into the price of air passage and air freight. Moreover, the user charges would serve as an incentive for mobilizing the efficiency potential in engines, aircrafts and routing. Likewise, an annual fee could be collected from all ships, regardless of flag state or seat of the company, in order to tax the use of the high seas for transportation. Although less environmentally harmful, ocean shipping does indeed generate a number of serious marine and air pollution impacts. To this end, user fees would help to re-internalize some of the costs that have increasingly been externa-

**A NEW GENERATION
OF INSTRUMENTS IS
NEEDED, SUCH AS
FEES FOR THE USE OF
GLOBAL COMMON
GOODS**

lized through globalization. Just like subsidies and standards, user charges are tools that governments, who are conscious of the importance of

protecting common goods, should consider in order to secure long-term environmental health in agricultural trade.

3.6 Redressing asymmetries

**IN A TRULY ECO-FAIR
TRADE REGIME,
AGRICULTURAL
EXPORTS MAY SHRINK
TO BECOME A
RESIDUAL CATEGORY**

Balancing out the enormous asymmetries among nations in the world has been one of the stated goals in particular of the Doha Round, otherwise known as the 'Development Round'. The promise of a level playing field in world trade held out by the North has come to be viewed by the South as a viable path – were it not betrayed by Northern protectionism and export dumping. However damaging this hypocrisy, it is doubtful that even completely free trade could create anything such as a level playing field because the asymmetries within countries and among countries are just too great. To begin with, all the attention lavished on export promotion tends to hide the fact that exports often fail to benefit small farmers, just as they often imply major environmental costs. What then could be the guidelines for sustainable export policies? Furthermore, to realize greater equity among nations, weaker players

“Trade is not an end but instead a means to a larger goal. The question is: what kind of development do we want to achieve, including the relationship between agriculture and the economy and society at large. In answering this question, we need to determine the role of trade as one amongst other means to achieve this development.”

Biswajit Dhar, Indian Institute of Foreign Affairs, India,
at the Asian Regional Consultation, May 2006

need certain preferences, and not just equal chances. Following the principle of Trade Justice, 'Special and Differential Treatment' should therefore be the norm rather than the exception. What market access rules could systematically favor weaker economies? And finally, cross-border trade does not necessarily be animated by the search for profit; it can also be conducted in the spirit of reciprocity and mutual solidarity. What if Southern countries opted out of trade competition, weaving together regional trade agreements that seek to implement solidarity exchanges?

Putting exports in context

It is conceivable that in a truly eco-fair trade regime, the volume of agricultural exports will shrink to become a residual category. Agricultural policy will only treat exports as a marginal concern where it strengthens small farmers' access to local markets in order to maximize farm-level and national food security; where it regionalizes production chains where possible in order to create employment opportunities and ensure the vitality of rural economies; and where it fosters the ongoing transformation towards ever more sustainable farming practices.

Nevertheless exports will continue to play an important role for development. However it is neither the cash value nor the volume that make exports a valuable tool for sustainable development, but their particular quality as well as their inter-linkages with domestic production and consumption. Countries committed to sustainable development will not simply maximize their export activities, but will instead opt for the integration of carefully selected export activities into a coherent national development strategy. If exports are to make a positive contribution to poverty reduction and economic diversification without deteriorating social and environmental commons, they need to be embedded into an overarching domestic policy framework. Such a framework has to be designed according to each countries' particular circumstances, as any export engagement needs to consider the country's range of endowments and capabilities, and the particular socio-economic structure of its agricultural sector. What then are the appropriate criteria that could help agricultural exports contribute positively to sustainable development at the national level?

First and foremost, countries that face poverty and hunger within their borders but export agricultural goods must consider whether they are truly spending limited resources effectively. In many poverty-stricken countries there are already enough calories produced, but the majority leaves the ports as

animal feed for factory farms abroad, instead of being used as food staples for domestic consumption. In the future, the production of energy crops for exports might aggravate this structural problem. However, the assumption that foreign currency income from exports will eventually enable the state to invest more in overcoming poverty has not been realized. Any trade-off between the needs of the poor today and the imagined gains for the state tomorrow is likely to be made in the wrong direction. Instead poor governments must not prioritize domestic food security over export-orientation, but rather, should implement policies that redirect production and distribution towards domestic markets and capacity-building.

Moreover, a national policy framework needs to ensure that the production of export goods is not based on cost-externalization, or the exhaustion of non-renewable domestic resources. For example countries in arid regions should be concerned about exports that use large amounts of water in their production and thus deplete aquifers and ground water tables, such as cut flowers, or vegetables. Resource use is to be internalized into the price of the product through appropriate environmental policies, such as taxes or fees. Moreover as the exports business often goes along with intensive industrial farming practices, impacts associated with these practices, such as the pollution of soils and water with chemical residues or the loss of biodiversity, should be banned. For a comparative advantage that is based on non-renewable resource exploitation or destruction will not pay off in the long-run.

In addition, a smart trade policy framework will ensure that export earnings are reinvested in a way that creates a virtuous circle. It is primarily Least Developed Countries, where the linkages between export-oriented agriculture and the rest of the economy are rather weak, who have witnessed the development of export enclaves that not only failed to stimulate other sectors, but also failed to induce economic growth. Governments, therefore, should include elements that effectively embed export activities into the wider rural economy. An export component in agricultural growth and rural development is most effective in reducing poverty and strengthening rural development if farming is well connected to further value-adding enterprises in the food system, such as local processing and retailing industries, and if the agricul-

tural sector as a whole has substantial linkages with other economic sectors. The UN Food and Agriculture Organization (FAO) has discovered that such 'linkage-rich' agriculture so far rarely

“In Latin America the export-oriented model that replaced the model of import substitution has enslaved the economy to the primary sector with production concentrated on raw materials. We must reverse this export-led strategy and work towards catalyzing more diversified and balanced economic development.”

Juan Luis Díaz, FUNDAPAZ, Argentina,
at the South American Regional Consultation, August 2006

dovetails with export agriculture. FAO states that 'linkage-rich' agriculture is usually encouraged by labor intensive rather than capital intensive methods of production, as well as by a more equitable distribution of income, consumption patterns favoring local rather than imported goods and services, and through links to other markets, especially urban produce markets that can continue to absorb production increases without large falls in produce prices.¹⁴³ Only if such a framework is in place, export earnings could effectively be used to upgrade and diversify the agrarian production base, and at the same time considerably improve sustainable rural development.

Small farmers will be better positioned to reap potential benefits from exports where these framework conditions are in place. Currently the best export opportunities emerge from small-scale production of high value commodities, such as fruits or vegetables. Indeed in recent years, in cases where farmers were successful in producing crops for foreign markets, they have experienced the fastest pace of poverty reduction.¹⁴⁴ Despite the fact that men are the primary face of the export business, in some cases women could improve their income base, such as in the production of shea butter or smoked fish.¹⁴⁵ These farmers were able to diversify their income, create employment opportunities, and reduce their vulnerability. For example, in Ghana low-income female farmers have been able to increase their income and extend their land rights by participating in cocoa production for export through an inter-cropping system that includes food staples. Again public policy holds the key to a fair distribution of benefits from exports. In the absence of institutions that make markets work

A NATIONAL POLICY FRAMEWORK NEEDS TO ENSURE THAT THE PRODUCTION OF EXPORT GOODS IS NOT BASED ON COST-EXTERNALIZATION

PUBLIC POLICY HOLDS THE KEY TO A FAIR DISTRIBUTION OF BENEFITS FROM EXPORTS

Guidelines for a sustainable export policy

- Place priority for national food security above exports, and give priority to the production for subsistence and domestic markets over production for foreign markets;
- Discourage the export sector from occupying land and natural resources if such occupation negatively impacts on the domestic sector;
- Avoid the concentration of export benefits in the hands of a few large-scale farm operations or corporations;
- Involve rural small producers and farmer cooperatives, as well as landless laborers, in the export economy as much as possible, while ensuring fair trade relations and decent working conditions;
- Promote the empowerment of women in the exports business, and ensure gender equity in reaping export benefits;
- Prevent the industrialization of agriculture, and foster the spread of knowledge-and labor-intensive agricultural production practices, such as biodiversity farming and agroecology;
- Effectively link export agriculture to other economic sectors, and embed it in the wider rural economy.

SPECIAL AND DIFFERENTIAL TREATMENT MUST BECOME A SYSTEMIC STRUCTURAL CHARACTERISTIC OF THE TRADE REGIME

for the poor, globalization can be expected to increase return to scale and exacerbate inequalities. Therefore, trade policy has to be seen as an integral part of national poverty reduction strategies, in which land redistribution, recognition of communal land rights, development of marketing infrastructure, and provision of services in particular to women farmers, all play a key role in extending opportunities. Measures to reduce costs to small farmers through improved transport infrastructure, access to market information, and credit are also vital.

Systemic Differential Treatment

Ever since developing countries started joining the GATT, they requested a special treatment based on their economic weaknesses and disadvantages. This special treatment was acknowledged for the first time in the 1979 GATT rules. The ‘Enabling Clause’ was adopted to allow a ‘Special and Differential Treatment’ (SDT) to certain developing countries, such as quota- or tariff-free market access for Least Developed Countries. However, since it was enacted, SDT has failed to meet expectations.¹⁴⁶ In many cases, SDT provisions offered by developed countries consisted of ‘best endeavor’ language, which was bound to further developing country concessions in other policy areas. In other cases, SDT provisions were never implemented. Nevertheless those SDT provisions that did favor developing countries merely consisted of corrective measures to the common agenda. Longer periods for the implementation of agreements, for instance, or slightly smoother tariff reduction formulae did not change the course, but only the timing of trade liberalization vis-à-vis the stronger players. At the end of the day, however, weak and strong countries were treated alike, with the same ‘one-size-fits-all’ approach.

In a rush of sarcasm, the writer Anatole France once mocked “the majestic egalitarianism of the law, which forbids rich and poor alike to sleep under bridges, to beg in streets, and to steal bread”. The aphorism pinpoints to the injustices that can arise when everyone is treated equally, emphasizing that the end result actually depends on the starting conditions. The concept of SDT contains some kernel of this wisdom. For it implies that recognizing every nation as equal does not necessarily imply treating them in equal fashion; on the contrary, it is fair to treat equally only those of equal strength, and to treat unequally those of unequal strength. From this perspective, SDT is an important key to greater fairness in trade relations. However, it must evolve from an end-of-the-pipe corrective measure to a ‘Systemic Differential Treatment’, i.e. it must become a systemic structural characteristic of the trade regime.

Identifying criteria for differentiating between developing countries is a thorny issue. Currently, the WTO Agreement on Agriculture distinguishes Net Food-Importing Countries as well as Least Developed Countries from the remaining developing countries. Providing special treatment to Least Developed countries, as is practiced for

example in the EU's 'Everything But Arms' initiative is highly appropriate. But what happens if a country has just graduated out of that group and is now being treated equally vis-à-vis the more advanced developing countries? Indeed a more sophisticated differentiation would ensure a greater degree of fairness in the system.

A one-by-one grading of countries would ensure the necessary nuances in differentiation whereby potential trade benefits could be distributed on a progressive basis among all countries. One criterion could be the amount of GNP per capita. Such a differentiation could bind developed and developing countries alike, thereby departing from the tendency of distributing rights and obligations along the North-South axis. For example, a middle-income country like Algeria would be granted special treatment by the EU, but would itself be required to grant special treatment to Niger. This way the provision not only contributes to closing the North-South gap, but also helps balance rapidly evolving asymmetries among developing countries.¹⁴⁷ However, there are important drawbacks of a GNP-based system of differentiation. Smaller countries might lose out against larger ones. Moreover, GNP as an indicator provides neither information on the distribution of income in a given country, nor insights into the real needs of these countries – apart from their desire to increase incomes.

As a middle ground approach, the Board of Swedish Agriculture proposed the creation of five groups of developing countries based on multiple criteria.¹⁴⁸ These consisted of: food insecure, food neutral and food secure countries, as well as a broader category of poor countries based on their rural development needs, and a number of exceptions to countries that would not qualify for special treatment, such as advanced developing countries and significant net agricultural exporting countries. In any case, whatever classification is chosen in the end, it should enable a systematic yet nuanced differentiation, which is objective, relevant and highly robust in light of the wide array of asymmetries that dominate agricultural trade relations.

What would be the constituent elements of a regime of systemic differential treatment? It is self-evident that any policies introduced in the name of greater equity among nations have to be compatible with policies for livelihood security and environmental protection. Increasing the quantitative flow of exports from South to North will undermine these goals unless quality is also

secured. For these reasons, this report recommends that social and environmental process and production standards should be developed under the rubric of multilaterally agreed meta-standards (chapter 3.4). In addition, this report suggests that countries should be enabled to qualify the access to their markets upon compliance with these standards – for instance through lower or zero tariffs for socially and environmentally sound products. However, the key question remains as to whether a scheme of qualified market access based on strict sustainability process and production standards could be compatible with the need to foster trade opportunities for the poorest and most needy countries?

There are two possible solutions. First, countries that wish to import a certain commodity could set up a qualified tariff rate quota system. Under such a system they would first classify imports according to tariff levels under their qualified market access scheme. Sustainably produced mangos, for instance, would pay zero or a very low

“Small farmers from our region have had very mixed experiences with exports to Europe. In many cases, too much export-led agriculture has created unhealthy dependencies. Developing fair and sustained trade relations with our neighboring countries should be a primary concern.”

Assétou Kanouté, ADAF/Gallè, Mali,
at the West African Regional Consultation, February 2006

tariff, while higher tariffs would be placed on conventionally produced mangos. Second, in each tariff class, quotas would be established and granted to countries on the basis of the differentiation criteria. In other words, quotas would be allocated to weaker countries first, and would only allow imports from stronger countries when those quotas were exhausted. For example, Algeria would not be allowed to export its millet to the EU until Niger had exhausted its quota for millet exports to the EU. This would be an option even in sectors where countries had implemented a supply management scheme. As a matter of Trade Justice, for instance Northern countries with the capacity of self-sufficiency could reduce domestic supply to a level at which they leave a certain share of demand open for imports. Second, poor countries will require assistance to implement quality standards and to comply with the standards enacted by richer countries under their qualified market access schemes. As sugge-

sted above, an 'International Rural Development Fund' could facilitate such assistance by supporting producers in the global South in producing sustainable goods (chapter 3.4).

Solidarity exchanges

It is not set essential for international economic exchange networks to embrace both North and South, just as it is not a natural law that their evolution be governed solely by the profit motive. Instead Southern country groupings may well be more effective in addressing shared concerns for human well-being and sustainable development. Trade across borders does not need to be driven primarily by the pursuit of economic gain. Interactions can also consolidate around endeavors that aim at carrying out socially important projects in areas like health, infrastructure, housing, or sustainable production. However, an essential paradigm shift is indispensable, namely that cross-border links must be forged for the purpose of cooperation, and not for the purpose of competition.

There are essentially three approaches for overcoming inequalities: beating the hegemon on their own terms; garnering a greater share in the distribution of benefits; or retreating from the race by redefining the terms for success. Solidarity exchanges imply the latter option. They bid farewell to the idea that every country in the end is expected to turn into a 'developed country' by competing its way to the top. As soon as one interprets 'development' in much broader terms than GDP and per capita incomes, by including strong communities and communal ties, a rich connection with nature and the environment, and the thriving of cultures, languages and customs, different avenues of cooperation open up. The realization of human rights would be an obvious starting point for such cooperative exchanges, based on the important assumption that all countries must be able to secure their citizens' economic, social

and cultural rights. Resources and investments must be mobilized and goods must be exchanged to ensure the universal access to food, drinking water, housing, employment, health and education. In addition, it is obvious that a broad-scale transition to sustainable production and consumption patterns will offer considerable opportunities for cooperation and cross-border collaboration.

A fair trading regime will facilitate solidarity exchanges. It would prompt a fundamental change in the framework that currently fosters competition to one that fosters cooperation. A great deal of development cooperation during the past 50 years has been conducted in this spirit, and there is absolutely no reason why such cooperative networks should necessarily be built around the North-South axis. Presently, for instance, The Bolivarian Alternative for the Americas (ALBA), championed by Hugo Chavez and leaders in Cuba, Bolivia, Argentina, and Ecuador, can be read as an attempt at regional integration that is not primarily based on trade liberalization, but on a new vision of welfare and social equity.¹⁴⁹ Whatever one might think about the ambivalent exchanges between Venezuelan oil and Cuban doctors or between Bolivian natural gas and Venezuelan infrastructure know-how, it is sufficiently clear that the profit motive has been replaced by an ethos of solidarity. Why should it be so unthinkable that economic organizations such as the South Asian Association of Regional Cooperation (SAARC) or the African Union reflect this shift in values? After all, even the European Union, on close examination, is much more than just a free trade zone. It has constructed a political and social architecture that is intended to balance the profit motive with important social and environmental values. Indeed, embedding these values into the global trade framework would not only serve the cause of trade justice, but it would protect the global environment and guarantee the sustainable livelihoods of millions of farmers around the world.

**CROSS-BORDER
TRADE LINKS SHOULD
BE FORGED FOR THE
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Conclusion

Towards a post-WTO Architecture of Agricultural Trade



The authors of this document maintain that a multilateral framework for trade is indispensable. However the WTO in its present institutional shape fails to meet the requirements for such a framework. As a consequence, the WTO faces the challenge to reinvent itself or to leave the institutionalization of trade rules to other settings in the context of the United Nations. Below we set out a number of preliminary suggestions for new agriculture trade architecture based on the key issues and recommendations put forth in this report.

On principles

GATT and WTO have been established on the basis of the principles of 'Most Favored Nation' and 'National Treatment', both expressions of the general principle of Non-Discrimination. In our view, non-discrimination should continue to be an underlying principle so long as it is properly quali-

fied by the principle of Democratic Sovereignty (see chapter on Principles). Yet we suggest to eliminate the National Treatment rule, at least in the context of agriculture. We believe that the ethos of global solidarity and the principle of Extra-territorial Responsibility require that nations should not be discriminated against, either in a positive or negative sense. However, they justify protection of domestic producers over foreign competitors at the border. In this light, we concur with the principle expressed in the 2004 Draft Peoples' Convention on Food Sovereignty that: "Food sovereignty becomes the right of people and communities to decide and implement their agricultural and food policies and strategies for sustainable production and distribution of food".¹⁵⁰ Indeed, the proposed policies to govern imports are grounded in the principles of Democratic Sovereignty and Economic Subsidiarity, which themselves are incompatible with the National Treatment principle.

Furthermore, the concept of ‘non-tariff barriers’ is difficult to reconcile with the principle of Democratic Sovereignty. The concept was introduced during the transition from the GATT to the WTO. It has led to major interventions in support policies, patenting rules, basic services, and property laws, extending the influence of trade rules into domestic politics far behind borders. But the weight given to the concept of ‘non-tariff barriers’ undermines the right of people and communities to organize their affairs – e.g. support to farmers, intellectual property rights, and land tenure laws – according to their preferences. The language of ‘non-tariff barriers’ has a reductionist effect; it boils down complex and diverse political arrangements to mere obstacles to trade. In accordance with the principle of Democratic Sovereignty, trade policy rule-making should not interfere with domestic politics, but should concentrate instead on market access issues and on quality standards for international exchanges.

However the principle of Democratic Sovereignty is circumscribed by the right of other people and communities to their own right to sovereignty. In other words, the freedom of a nation ends where the freedom of another nation begins. This is where the principle of Extra-territorial Responsibility comes into play i.e. nations have to be held accountable for the external trans-border effects of their policies that might harm other countries. The most obvious examples are export subsidies, domestic support influencing export prices, food aid etc. that lead to dumping on international and foreign markets. It is on the basis Extra-territorial Responsibility that such policies must be abolished, and not on the grounds of establishing a global level-playing field.

Moreover, the principle of Democratic Sovereignty is also circumscribed by the principle of Trade Justice. The latter principle, especially if understood as a systemic differential treatment of countries, seeks to address the drastic inequalities among nations in the world; it systematically privileges less powerful nations over more powerful ones and requires that rights and duties must be distributed unequally, i.e. according to respective needs and capacities.

Finally, any new multilateral institution on agricultural trade would have to be established under the auspices of the United Nations. Therefore the foundational principles enshrined in the UN Charter would naturally govern the new trade

institution. As a result, all of the UN instruments on human rights, most notably the UN Declaration on Human Rights would underpin the new trade institution as well. By contrast with the goal of economic efficiency that is currently the dominant objective of the WTO, the new multilateral trade institution would be governed by the principles of Human Rights, Environmental Integrity, Trade Justice and Economic Subsidiarity. The goal of economic efficiency would step back to become one among other means available to maximize employment opportunities and to achieve decent livelihoods, as well as environmental security and social justice.

On functions

The WTO currently performs three functions. It is the central forum for intergovernmental negotiations, it promulgates legally-binding rules, and it settles trade disputes. Any new institutional arrangement will have to fulfill these functions as well, adding, however, some more while also changing the overall objectives. At least three additional functions would have to be developed. These include the control of international market prices through a cooperative mechanism based on supply management, the quality control of trade flows based on multilateral meta-standards, and the supervision of competition through anti-trust measures. While the current objective of the WTO is the removal of tariffs and non-tariff barriers to trade for the sake of creating a unified global market place, any new institution would have to prioritize reconciling of competing interests among nations. Its primary objective would be to manage and not deregulate international trade.

We propose that the new institution would at least be comprised of five branches: the Coordination Branch, the Quality Branch, the Price Management Branch, the Anti-trust Branch, and the Dispute Settlement Branch.

The primary task of the *Coordination Branch* would be to balance domestic preferences and international interests. The branch would have to oversee the restoration of national policy space in trade. Furthermore, it would have to evaluate the international effects of domestic policies especially with regard to possible harmful effects in international and foreign markets. For example, the coordination branch would host the ‘Dumping Alert Mechanism’ (chapter 3.2). In this context, it will have to establish measures to ensure that the exercise of democratic sovereignty will not negati-

vely affect the legitimate interests of other nations. It will, therefore, be mandated to host the 'Centre for Dispute Mediation in Conflicts Over Standards' (chapter 3.4), a body that would mediate conflicts between different sets of national quality standards before a complaint would be brought to the dispute settlement branch. The body would also ensure that countries did not use national quality standards as a disguised form of trade discrimination. Furthermore, the Coordination Branch would support the negotiations on 'Systemic Differential Treatment' (chapter 3.6), to ensure that the special needs and considerations of weaker countries were addressed. It would also monitor trade flows with a view to upholding the Trade Justice principle.

The objective of the *Quality Branch* would be to ensure a minimum quality standard in global markets. The branch would support negotiations on a set of 'Meta-standards' that would provide the overarching framework for domestic sustainability process and production standards (chapter 3.4) to prevent the destruction of social and environmental commons. The Quality Branch will also have to establish monitoring and verification mechanisms. Additionally, it would host a number of 'Development Contract Boards' (chapter 3.5) to supervise fairness in trans-border business contracts along specific commodity chains. Accreditation to these boards would be a condition that companies would have to meet in order to participate in world trade. Since all of these functions described above could not be discharged by the trade policy body alone, collaboration would be essential with key United Nations bodies, such as the UN Food and Agriculture Organization, the UN Environment Programme, the respective multilateral environmental treaty regimes, as well as the World Health Organization, the International Labor Organization, and, finally, bodies such as the proposed 'Sustainable Rural Development Fund' (chapter 3.4), which would channel revenues from qualified market access schemes at the national border to support marginal producers to transition to sustainable farming practices. As well, the Quality Branch would be responsible for ensuring systematic consultation with NGOs and the private sector, in addition to facilitating their participation in decision-making.

The task of the *Price Management Branch* would be to control the swings between price peaks and price declines on the world market by coordinating supply management of agricultural goods. More

specifically, the branch will support the negotiations on the 'Multilateral Cooperative Framework for Balancing the World Market Supply' (chapter 3.3) to manage the use of production capacity in the North and in the agricultural export nations of the South. This will help to control radical swing prices. The observation of price fluctuations, the negotiation among partners concerned, the definition of price bands, and the identification of suitable instruments for influencing production capacity will be other areas of focus for the Price Management Branch. In addition, the Price Management Branch will collaborate with the Quality Branch to oversee fair producer prices in 'Development Contracts' throughout the entire commodity chain (chapter 3.5).

The *Anti-Trust Branch* will be responsible for negotiating and deciding competition policies at the global level. In particular, it will have to address market concentration in the input production, processing, trading, and retailing sector. The branch will maintain a publicly accessible databank containing information on the size and activities of transnational businesses, including mergers and acquisitions. With the 'Anti-trust Body' (chapter 3.5) at its core, the branch will – similar to national anti-trust policies – monitor the market power of corporations, define market shares beyond which oligopolistic conditions are assumed to exist, implement measures to curb the disappearance of competition in particular markets, and scrutinize mergers and acquisitions. Its activity will have to be linked to some juridical body like the dispute settlement mechanism or an international court for trade law.

Finally the *Dispute Settlement Branch* will be responsible for the settlement of disputes among member states, and between member states and third parties such as corporations and NGOs. Overall, this branch will continue establishing panels on trade disputes, as is currently the case within the WTO. If one of the panels is unable to secure agreement acceptable to all parties, then there would have recourse for appeal to an independent judicial body. Ensuring the impartiality of the dispute settlement mechanism will be essential since it will be adjudicating conflicts between social, environmental, and commercial values. For this reason it is advisable to move the appeal body – equivalent to the standing Appellate Body in the WTO – out of the institution mainly concerned with trade. In addition, this will be necessary to ensure that non-state actors will be able to exercise their right to complaint.

Endnotes

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- 6 Kunstler 2005
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- 8 Millennium Ecosystem Assessment 2005
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- 10 Millennium Ecosystem Assessment 2005, p. 13
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- 12 Schuh 2002
- 13 Georgescu-Roegen 1981, p. 303
- 14 De La Torre Ugarte 2007
- 15 Berndes 2003; Schütz/Bringezu 2006
- 16 Hobsbawm 1994, p. 289
- 17 FAOSTAT 2006
- 18 Glipo/Ignacio 2005
- 19 see Glipo 2006
- 20 FAOSTAT 2006
- 21 Glipo 2006; Raman 2004
- 22 FAO 1995; Ong'wen/Wright 2007
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- 44 FAO 2002b
- 45 Horrigan et al. 2002
- 46 Shiva 2002
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- 51 CBD 2003
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- 53 WTO 2004
- 54 CBD 2003
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- 57 Hoekstra 2003
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- 60 UNCTAD 2003
- 61 Murphy 2006
- 62 ETC Group 2003
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- 79 De La Torre Ugarte 2007
- 80 Fanjul 2006
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- 83 FAO 2004
- 84 see for example, Mayrand/Paquin/Dionne 2005; Vorley 2002
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- 91 Oxfam 2004, p. 30
- 92 Wade 2005
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- 101 Pretty 1995, pp. 238
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Participants of the regional consultations

West African Regional Consultation, Mbour, Senegal; February 2006

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Bangré, Françoise	Fédération Nationale des Femmes Rurales du Burkina (FENAFER\B)	Burkina Faso
Coulibaly, Ismael	Coordination Nationale des Organisations Paysannes (CNOP)	Mali
Diop, Abdoulaye	Agral Export	Senegal
Goita, Mamadou	Institut de Recherche et de Promotion des Alternatives en Développement (IRPAD)	Mali
Hama Garba, Mohamed	Environment Development Action in the Third World, Protection Naturelle des cultures (ENDA Pronat)	Senegal
Kama, Joseph	Mouvement des Adultes Ruraux Catholiques du Sénégal (MARCS)	Senegal
Kanouté, Assétou	Association pour Développement des Activités de Production et de Formation (ADAF-Gallè)	Mali
Kèïta, Modibo	Cabinet d'Études Kèïta – Kala Saba (CEK- Kala Saba)	Mali
Marone, Sadibou	Le Soleil	Senegal
Mayaki, Ibrahim	HUB, réseau de développement rural et agricole pour l'Afrique / WCA, Conference of West and Central African Ministers of Agriculture (CMA)	Senegal
Millogo, René	Service de Dialogue et de Concertation (SEDICO)	Burkina Faso
Ndao, Babacar	Fédération des ONG du Sénégal (FONGS) / Réseau des Organisations paysannes et des producteurs de l'Afrique de l'Ouest (ROPPA)	Senegal
Ndione, Emmanuel	Environment Development Action in the Third World, Groupe de Recherche Action Formation (ENDA GRAF)	Senegal
Niang, Thiendou	Réseau d'Expertise des Politiques Agricoles (REPA)	Senegal
Nombré, Eloi	Confédération Paysanne du Burkina Faso	Burkina Faso
Ouattara, Bernadette	Institut Africain pour le Développement Economique et Sociale (INADES Formation)	Burkina Faso
Oudet, Maurice	Service D'Édition en Langues Nationales (SEDELAN)	Burkina Faso
Thees, Wilhelm	Service de Dialogue et de Concertation (SEDICO)	Burkina Faso

Asian Regional Consultation; Chiang Mai, Thailand; May 2006

Aguja, Mario	Phil. Congress/ AKBAYAN Party-List	Philippines
Bernardino, Naty	Asia Gender and Trade Network-Asia (IGTN)	Philippines
Cainglet, Jayson	Regional Consultant on Agriculture and Trade	Philippines
Chomthongdi, Jacques-Chai	Focus on the Global South/ Free Trade Agreements – Watch (FTA-Watch)	Thailand
Cruzada, Elisabeth	Magsasaka at Siyentipiko Para sa Pag-unlad ng Agrikultura (MASIPAG)	Philippines
Dhar, Biswajit	Indian Institute of Foreign Affairs, WTO-Center	India
Francis, Sheelu	Tamil Nadu Women's Collective	India
Francisco, Josefa	Asia Gender and Trade Network-Asia (IGTN)	Philippines
Geppert, Meike	Local Act	Thailand
Gronski, Robert	National Catholic Rural Life Conference	USA

Hasri Azahari, Delima	Expert to Minister for Institutional Relations and Foreign Cooperation, Ministry of Agriculture	Indonesia
Hoang Thi Huyen	Center for Sustainable Production and Promotion of Rural Trade, Gov.of Vietnam	Vietnam
La Van Ly	Agriculture Extension Centre – Lang Son province	Vietnam
My Lan	Vredeseilanden Country Office – Vietnam (VECO-Vietnam)	Vietnam
Napitupulu, Tina	Bina Desa	Indonesia
Narintarakul, Kingkorn	Thai Action on Globalization/ Free Trade Agreements – Watch (FTA-Watch)	Thailand
Nguyen Viet Khoa	National Agriculture Extension Centre, Ministry of Agriculture and Rural Development	Vietnam
Ofreneo, René	Fair Trade Alliance	Philippines
P.V. Satheesh	Deccan Development Society (DDS)	India
Pascual, Francisco	International South Group Network (ISGN)	Philippines
Pasimio, Judy	Asia Pacific Forum on Women, Law and Development (APWLD)	Thailand
Pham Thi Thuy	Vredeseilanden Country Office – Vietnam (VECO-Vietnam)	Vietnam
Setiawan, Bonnie	Institute for Global Justice (IGJ)	Indonesia
Singh, Anil	South Asian Network for Secularism and Democracy (SANSAD)	India
Soe, Valentina	Asia Pacific Forum on Women, Law and Development (APWLD)	Thailand
Soentero, Titi	Asia Pacific Forum on Women, Law and Development (APWLD)	Thailand
Surono, Sulastri	University of Indonesia	Indonesia
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Tañada, Lorenzo	Phil. Congress Liberal Party of the Philippines	Philippines
Tutu, Ashraf-Ul-Alam	Coastal Development Partnership (CDP)	Bangladesh
van Grisven, Marco	Vredeseilanden Country Office – Vietnam (VECO-Vietnam)	Vietnam
Weerapong, Dararat	Stockholm Environment Institute	Thailand

South American Regional Consultation; Curitiba, Brazil; August 2006

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Brito, Jorge	Fundación CRATE	Chile
Cal, Daniel	Centro Latinoamericano de Economía Humana (CLAEH)	Uruguay
Campolina, Adriano	ActionAid	Brazil
Cardozo, David	Sobrevivencia	Paraguay
Cedro, Rafael	Ministério do Desenvolvimento Agrário (MDA)	Brazil
Amorim, Maria da Graça	Federação dos Trabalhadores na Agricultura Familiar da região Sul (Fetraf-Sul)	Brazil
Delgado, Nelson	Universidade Federal Rural do Rio de Janeiro (UFRRJ)	Brazil
Díaz, Juan Luis	Fundación para el Desarrollo en Justicia y Paz (FUNDAPAZ)	Argentina
Dilger, Gerhard	Journalist	Brazil
Elías, Bishelly	Centro de Investigación y Promoción de Campesinado (CIPCA)	Bolivia
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Lazo, Lalo	Foro Boliviano Medioambiente y Desarrollo (FOBOMADE)	Bolivia
López, Gualberto	Fundación Acción Cultural Loyola (ACLO)	Bolivia
Machado Aráoz, Horacio	Bienaventurados Los Pobres (BePe)	Argentina

Mello, Ladislao	Pastoral Social	Paraguay
Mineiro, Adhemar	Rede Brasileira Pela Integração dos Povos (REBRIP) / Departamento Intersindical de Estatística e Estudos Socioeconômicos (Dieese)	Brazil
Nobre, Míriam	Sempreviva Organização Feminista – Mulheres em solidariedade Norte-Sul (SOF- MMM)	Brazil
Pedace, Roque	Argentina Sustentable	Argentina
Pereira, Sixto	Centro de Capacitación y Desarrollo Agrícola (CCDA)	Paraguay
Piepenstock, Anne	AGRECOL-Andes	Bolivia
Pinto, Francisco	Fundación Terram	Chile
Revers – Galego, Isidoro	Comissão Pastoral da Terra (CPT)	Brazil
Rivas, Mario	Departamento de Acción Social, Obispado de Temuco (DAS)	Chile
Rodríguez, Graciela	Instituto Eqüit	Brazil
Rodríguez, Francisca	Asociación Nacional de Mujeres Rurales e Indígenas (ANAMURI)	Chile
Santos, José Antonio	Associação de Agricultura Orgânica do Paraná (AOPA)	Brazil
Schlesinger, Sergio	Federação de Órgãos para Assistência Social e Educacional (FASE)	Brazil
Soto, Sergio	Programa Argentina Sustentable (PAS)	Argentina
Tortelli, Altemir	Federação dos Trabalhadores na Agricultura Familiar da região Sul (FetraF-Sul)	Brazil
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Wehrle, Andrés	Centro de Educación, Capacitación y Tecnología Campesina (CECTEC)	Paraguay
Zanotto, Rita	Movimento dos Trabalhadores Rurais Sem Terra (MST)	Brazil
Zerbini, Fabíola	Fórum de Articulação para o Comércio Ético e Solidário do Brasil (FACES do Brasil)	Brazil

North American Regional Consultation; Washington D.C., USA; September 2006

Alpert, Emily	Oxfam America	USA
Anderson, Molly	Agribusiness Accountability Initiative	USA
Bramble, Barbara	National Wildlife Federation	USA
Dubois, James	Georgetown University Law Center	USA
Gronski, Robert	National Catholic Rural Life Conference	USA
Hansen-Kuhn, Karen	ActionAid USA	USA
Harkness, Jim	Institute for Agriculture and Trade Policy	USA
Hebebrand, Charlotte	International Food and Agricultural Trade Policy Council	USA
Hunt, Suzanne	Worldwatch Institute	USA
Kuhlmann, Katrin	Women's Edge Coaliton	USA
Leduc, Yves	Dairy Farmers of Canada	Canada
Mitchell, Larry	American Corn Growers Association	USA
Muller, Mark	Institute for Agriculture and Trade Policy	USA
Ozer, Kathy	National Family Farm Coalition	USA
Porterfield, Matt	Georgetown University Law Center	USA
Qualman, Darrin	National Farmers Union	Canada
Riley, Maria	Center of Concern	USA
Sampson, Kristin	Center of Concern	USA
Small, Reverend Andrew	US Conference of Catholic Bishops	USA
Spieldoch, Alexandra	Institute for Agriculture and Trade Policy	USA
Steenblik, Ronald	Institute for International Sustainable Development	Canada
Strickner, Alexandra	Institute for Agriculture and Trade Policy	Switzerland
Tucker, Todd	Global Trade Watch	USA
Waskow, David	Friends of the Earth – US	USA
Wise, Timothy	Tufts University	USA

Mexico and Central America Regional Consultation; Teotihuacan, Mexico; October 2006

Aguilar, José Luis	Pastoral de la Tierra Interdiocesana	Guatemala
Benítez, Sigfredo	FUNDACAFE	El Salvador
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Carlsen, Laura	International Relations Center (IRC)	Mexico
Castillo, William	Pastoral Social, Limón	Costa Rica
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Garóz, Byron	Coordinación de ONG y Cooperativas (CongCoop)	Guatemala
Gauster, Susana	Alianza Social Continental	Guatemala
Guerrero, Marcela	Consejo Consultivo Soceidad Civil PAC	Costa Rica
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Keleman, Alder	El Colégio de México (colmex)	Mexico
Marielle, Cati	Grupo de Estudios Ambientales (GEA)	Mexico
Oliva Martínez, Leonides	Centro de Asesoría y Capacitación Integral Donajiac (CACID)	Mexico
Monterroso, Alberto	Comercializadora Aj Ticonel	Guatemala
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Nadal, Alejandro	El Colégio de México (colmex)	Mexico
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Saldaña, Francisco	Foro Agropecuario	El Salvador
San Vicente, Adela	Partido de la Revolución Democrática, Congreso de México	Mexico
Stuart, Roberto	Grupo de Promoción de Agricultura Ecológica (GPAE)	Nicaragua
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Téllez, Ramiro	Vía Campesina	Honduras
Ticehurst, Simon	Oxfam	Mexico
Tolentino, José Angel	Fundación Nacional para el Desarrollo	El Salvador
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German Regional Consultation; Berlin, Germany; October 2006

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European Regional Consultation; Brussels, Belgium; November 2006

Adams, Richard	European Economic and Social Committee – Various Interests’ Group	Belgium
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Engelen, Gert	Vredeseilanden	Belgium
Geier, Bernward	COLABORA	Germany
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Vertriest, Isabel	Oxfam Wereldwinkels	Belgium
Vorley, Bill	International Institute for Environment and Development	United Kingdom

EcoFair Trade Dialogue Discussion Papers

Murphy, Sophia (2006): Concentrated Market Power and Agricultural Trade.

EcoFair Trade Dialogue Discussion Papers No. 1

Sound markets depend upon competition, but the degree of concentrated market power in global agricultural markets has already grown to an alarming size. Sophia Murphy shows ways for accountable agri-food markets.

Glipo, Arze (2006): Achieving Food and Livelihood Security in Developing Countries: The Need for a Stronger Governance of Imports.

EcoFair Trade Dialogue Discussion Papers No. 2

Cheap influxes of agricultural imports have devastated farmer livelihoods in North and South. Arze Glipo analyses how the governance of agricultural imports in developing countries has been seriously eroded due to trade liberalization, and identifies main instruments and measures to restore countries' policy space in the governance of imports.

Fanjul Suárez, Gonzalo (2006): Agriculture and Trade in an Asymmetric World.

EcoFair Trade Dialogue Discussion Papers No. 3

Free trade plays into the hands of the strong. De-rigging the rules is therefore not sufficient for a fair trading system. Gonzalo Fanjul explains in his discussion paper some major asymmetries, and how to redress these asymmetries in order to systematically favor weak over strong players in the trade arena.

Malhotra, Kamal (2006): A Sustainable Human Development Approach to the Role of Exports in a National Development Strategy.

EcoFair Trade Dialogue Discussion Papers No. 4

While exports can make a positive contribution to both poverty reduction and sustainable human development, they do so only if they are designed in accordance to the particular circumstances of a given country. Kamal Malhotra outlines the macro-economic interrelationship between exports and human development.

Lorenzen, Hannes (2007): Qualified Market Access. How to include environmental and social conditions in trade agreements.

EcoFair Trade Dialogue Discussion Papers No. 5

The current free trade paradigm promotes a race to the bottom of environmental and social standards in agricultural production, in particular as transnational corporations relocate where standards are lowest. Hannes Lorenzen suggests »qualified market access« as an instrument that re-considers tariffs and quotas in terms of their suitability for protecting common goods.

De La Torre Ugarte, Daniel (2007): The Contributions and Challenges of Supply Management in a New Institutional Agricultural Trade Framework.

EcoFair Trade Dialogue Discussion Papers No. 6

Other than in many industries, in agriculture supply and demand are very inelastic. A trade regime that is based on the assumption that free market adjustments in agriculture works, is ill-advised. Daniel De La Torre Ugarte therefore analyses the potential role of supply management in a future trade regime.

Ong'wen, Oduor/Wright, Sarah (2007): Small Farmers and the Future of Sustainable Agriculture.

EcoFair Trade Discussion Paper No. 7

The future of truly socially and environmentally sustainable agriculture lies in small farming systems, in particular if they are practicing biodiversity farming. Oduor Ong'wen and Sarah Wright analyse reasons why and opportunities how small farmers can be empowered – and how trade rules should look like in this regard.

Kwa, Aileen/Bassoum, Souleymane (2007): Exploring the Linkages Between Agricultural Exports and Sustainable Development.

EcoFair Trade Discussion Papers No. 8

projected

Sachs, Wolfgang/Santarius, Tilman (2007): World Trade and the Regeneration of Agriculture.

EcoFair Trade Dialogue Discussion Papers No. 9

Ever since humans settled agriculture has generated environmental degradation and social tensions. However industrial agricultural farming practices particularly impact the environment, and are highly dependent on environmental resources that cannot be renewed. Tilman Santarius and Wolfgang Sachs investigate how industrial agriculture is intertwined with the current trade regime, and discuss trade policies that may help to regenerate agriculture with the ecosphere.

Expert Panel



Souleymane Bassoum

Senegal, Director of AGRECOL-Afrique and a recognized expert on sustainable agriculture policies in the West African region. His main areas of work are **ecological agriculture** and **fair trade**. He is a practitioner of organic farming and has a degree in agriculture.



Gonzalo Fanjul Suárez

Spain, research coordinator at Intermón Oxfam. Having closely followed the agriculture negotiations at the WTO for the last several years as well as issues concerning the developmental impacts of the **common agricultural policy** of the EU, he has a profound expertise on **agricultural trade issues**. He has a degree in economics.



Arze Glipo

Philippines, director of the Integrated Rural Development Foundation of the Philippines (IRDF), convenor of the Asia Pacific Network on Food Sovereignty (APNFS). She has developed a profound knowledge on **trade related gender and poverty issues**. She has a Master's in **development economics**.



Aileen Kwa

Singapore, currently stationed in Geneva, is a policy consultant on trade issues. She has been monitoring trade negotiations since the Singapore Ministerial in 1996 and has also worked with developing country delegations in Geneva, especially on **agricultural issues**. She is co-author of the book "Behind the Scenes at the WTO: The Real World of Trade Negotiations".



Hannes Lorenzen

Germany, is advisor to the Committee on Agriculture and Rural Development of the European Parliament for the Greens/EFA Group and as such a specialist on **European agriculture policies**. He has a Master's in Sociology and Agriculture and a postgraduate degree in **international rural development**.



Sophia Murphy

British and Canadian, currently living in Australia, Senior Advisor to the US-based Institute for Agriculture and Trade Policy (IATP) and an internationally recognized expert in **food and trade issues**. She has authored a number of papers on food security, multilateral trade rules and the structure of global agricultural markets. She has a Master's Degree in social policy, planning and participation in developing countries.

Oduor Ong'wen

Kenya, country director of SEATINI (Southern and Eastern Africa Trade Information and Negotiations Institute). Former executive director of EcoNews Africa. He has a Master's degree in economic policy of developing countries and an undergraduate degree in mathematics and chemistry. Expert in **world trade issues** and **sustainability**.



Anna Luiza Ferreira Pijnappel

Brazil, consultant for the Department of International Affairs at the Brazilian Ministry of Rural Development (MDA). In this context she follows closely the **agricultural trade negotiations** at the WTO and MERCOSUR. She has a special focus on the effects of **trade agreements** on family farming in Brazil. She has a Master's in international affairs.



Rita Schwentesius Rindermann,

originally from Germany, since 20 years in Mexico, is research coordinator of CIESTAAM (Research Center on Economic, Social and Technological Aspects of International Agriculture at Chapingo University). Her specialization is the **agricultural chapter of the North American Free Trade Agreement (NAFTA)**. She has a Master's in plant production and a Ph.D. in international agricultural economics.



Daniel De La Torre Ugarte

Peru, since 15 years in the USA, associate director of the University of Tennessee's Agricultural Policy Analysis Center. His primary research area is **agricultural supply management**. Daniel De La Torre's broad list of publications includes the report "Rethinking **US Agricultural Policy**: Changing Course to Secure Farmer Livelihoods Worldwide" (2003). He has a PhD in agricultural economics.



Wolfgang Sachs (Moderator)

Germany, Senior Fellow at the Wuppertal Institute for Climate, Environment and Energy. His primary areas of research are **globalization** and **sustainability, environment** and **development** as well as **new models of wealth**. He served as the coordinator and lead author of "The Jo'burg Memo. Fairness in a Fragile World" (2002) He has a Master's in sociology and theology and a PhD in social sciences.



Tilman Santarius (Co-Moderator)

Germany, Senior research fellow at the Wuppertal Institute for Climate, Environment and Energy. His main areas of work are economic instruments in **climate policy**, global governance and issues regarding **trade and the environment**. With Wolfgang Sachs he co-authored the book "Fair Future. Limited Resources, Security, and Global Justice" (2007). He has a Master's in Sociology, anthropology and economics.



The Organizations

The Heinrich Böll Foundation is part of the Green political movement that has developed worldwide as a response to the traditional politics of socialism, liberalism, and conservatism. Our main tenets are ecology and sustainability, democracy and human rights, self-determination and justice. We place particular emphasis on gender democracy, meaning social emancipation and equal rights for women and men. We are also committed to equal rights for cultural and ethnic minorities and to the societal and political participation of immigrants. Finally, we promote non-violence and proactive peace policies.

To achieve our goals, we seek strategic partnerships with others who share our values. We are an independent organisation, that is, we determine our own priorities and policies. We are based in the Federal Republic of Germany, yet we are an international actor in both ideal and practical terms.

Our namesake, the writer and Nobel Prize laureate Heinrich Böll, personifies the values we stand for: defence of freedom, civic courage, tolerance, open debate, and the valuation of art and culture as independent spheres of thought and action.

MISEREOR was founded in 1958 as an agency “against hunger and disease in the world”. In its capacity as the overseas development agency of the Catholic Church in Germany, it offers to cooperate in a spirit of partnership with all people of goodwill to promote development, fight worldwide poverty, liberate people from injustice, exercise solidarity with the poor and the persecuted, and help create “One World”.

MISEREOR is mandated by the Catholic Church in Germany:

- ▶ to fight the causes of hardship and misery as manifested chiefly in countries of Asia, Africa and Latin America in the forms of hunger, disease, poverty and other forms of human suffering,
- ▶ thus enabling the people affected to lead a life of human dignity,
- ▶ and to promote justice, freedom, reconciliation and peace in the world.

The assistance we provide in the South is designed to stimulate and support self-help and pave the way for sustainable improvement in the living conditions of the poor. MISEREOR is also engaged in education, advocacy and campaigning work in the North.

The Wuppertal Institute explores and develops models, strategies and instruments to support sustainable development at local, national and international level. Sustainability research at the Wuppertal Institute focuses on ecology and its relation to economy and society. Special emphasis is put on analysing and supporting technological and social innovations that decouple prosperity and economic growth from the use of natural resources.«

This is how the Wuppertal Institute’s mission statement describes the Institute’s activities. Based on the classic scientific disciplines, the research conducted towards this end combines their approaches to generate practical and actor-oriented solutions. Problems, solutions and networks are equally focused on global, national and regional/local levels.

The Institute was founded in 1991 under the direction of Professor Ernst Ulrich von Weizsäcker. Professor Peter Henricke heads the Institute as its President and Chief Research Executive. The Business Manager is Brigitte Mutert-Breidbach. The Institute’s seat is in Wuppertal, and it has been represented in Germany’s capital by its Berlin Office since 2004. In 2005, the Wuppertal Institute and the United Nations Environment Programme jointly founded the UNEP/Wuppertal Institute Collaborating Centre on Sustainable Consumption and Production (CSCP) in Wuppertal.

HEINRICH
BÖLL
FOUNDATION

The Green Political
Foundation

MISEREOR
IHR HILFSWERK

The German
Catholic Bishops’
Organization for
Development
Cooperation

 **Wuppertal Institute**
for Climate, Environment
and Energy

The Institute for Applied
Sustainability Research

The reform of agricultural trade rules is at the center of negotiations at the World Trade Organization (WTO) regarding a multilateral framework for the global economy. However, the reforms envisaged do not bode well for the future of agriculture across the globe. They will deepen the desperation of farmers across the world and undermine local and global ecosystems. In contrast, this report explores new directions for trade rules beyond the free trade paradigm. Placing the challenges posed to agriculture and rural communities at the center of attention, it proposes political perspectives and policy instruments for a trading system that offers genuine opportunities for the poor, preserves the environment, and helps agriculture leap into the post-fossil age.

This report is the result of the EcoFair Trade Dialogue, a two-years extensive consultation and exchange process that took place across all continents. The proposals have been discussed and improved upon by a great number of representatives from farmer organizations and grass-roots initiatives, politics, the academic world, and civil society organizations. As it is high time to achieve a paradigm shift and start trade negotiations towards a General Agreement on Sustainable Trade, this report understands itself as a contribution to this aim.

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