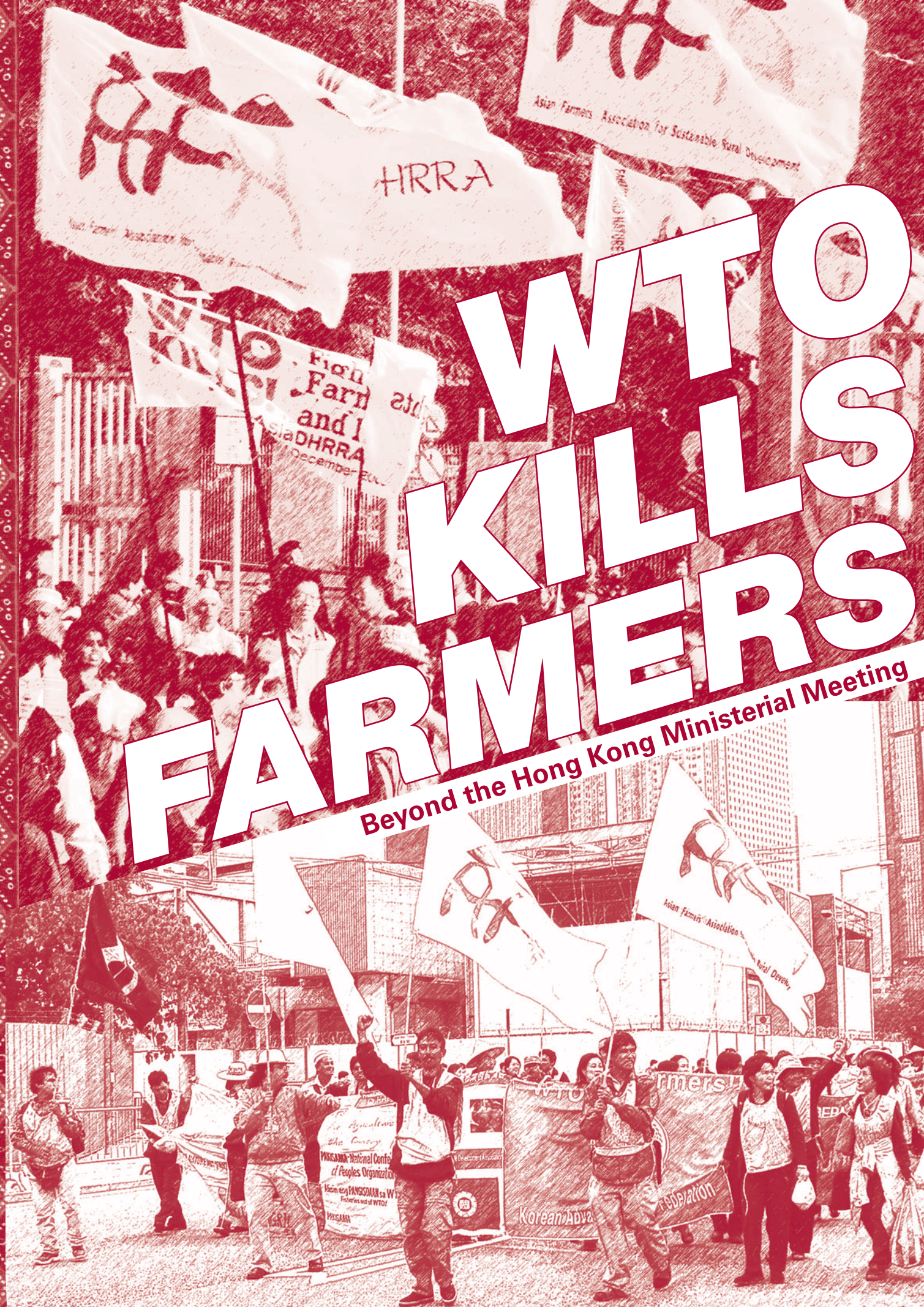


AFA and ASIADHRRRA ISSUE PAPER Analyze. Advocate. Act!

WTO KILLS FARMERS

Beyond the Hong Kong Ministerial Meeting





The World Trade Organization (WTO) hailed the recent Hong Kong Sixth Ministerial Meeting last December 2005 as a positive movement towards the conclusion of the Doha Development Round. The round was supposedly geared towards ensuring that trade contributes to the development objectives of least developed and developing countries. However, for most civil society groups around the world, the Hong Kong meeting was nothing but a step towards further liberalization, a prescription for countries to further open up their markets, despite its negative impact on small producers, especially small farmers, in developing economies.

The Doha Development Round

It may be recalled that the Doha Development Round was launched during the 4th Ministerial Meeting of the WTO in Doha, Qatar in 2001. It was aimed at generating new agreements to replace current agreements on agriculture, services, non-agriculture market access, among others, which were set to expire by the year 2005.

Central to the conclusion of the round was the fulfillment of the so-called Doha Development Agenda (DDA). The DDA claims that least developed and developing countries are the ones that should benefit most from trade. Indeed, for most developing country members of the WTO, the most crucial component of the DDA is the correction of the imbalances of the current agreements, especially the Agreement on Agriculture (AoA). The AoA in particular, has been proven to be highly skewed in favor of developed countries as it allows them to maintain high levels of trade distorting subsidies, resulting to an uneven playing field in the international market.

However, many critics argue that the DDA will only contribute to underdevelopment among poor economies as it is premised in the continued opening up of markets. They assert that liberalization is one of the main reasons for the marginalization of producers in developing countries, and that for as long as the DDA is founded on a policy prescription of further opening up of markets, it will only intensify underdevelopment in poor countries.

The WTO had earlier tried to conclude the Doha Development Round in Cancun Mexico during its 5th ministerial meeting. However, this failed miserably as developed and developing countries were not able to reach consensus on many issues, primary of which, is the removal of trade-distorting domestic and export subsidies.

The Hong Kong Declaration

The Hong Kong Ministerial declaration basically provided the general blueprint through which the WTO hopes to achieve its objectives of trade liberalization and removal of trade distorting subsidies. We will look into the outcome of Hong Kong Ministerial meeting as reflected in its ministerial declaration. We will assess the declaration, particularly on agriculture, and its potential impact on small farmers in developing countries.

Tariff reduction still the norm

What is crystal clear in the Hong Kong declaration is the continued commitment of the WTO to aggressively push for its agenda of aggressive trade liberalization. It is apparent that tariff reduction is still the norm, despite developing countries' assertion on the negative impact of



trade liberalization on their economies, particularly their agricultural sectors.

In agriculture, the declaration prescribed the tiered approach in reducing tariffs. Each band corresponds to a particular tariff range and a prescribed tariff cut. In general, products with lower tariff rates will have lower tariff cuts while those with higher tariffs are expected to have higher or bigger tariff cuts. This is in line with the so called harmonization principle of the WTO, where the objective is to “harmonize” or bring tariff rates closer to each other.

The declaration basically provided four bands each for developed and developing countries. Prior to the Hong Kong meeting, there is a wide divergence of position on the tariff ranges as well as the corresponding tariff cuts for each band, for both developed and developing WTO members.

The US, for instance is proposing very aggressive tariff cuts, ranging from 50% to 90%, with very little differentiation between developed and developing countries. The EU on the other hand, is more conservative when it comes to tariff reduction. In fact, the EU is pushing for the development of modalities for sensitive products through which it hopes to protect some of its crucial sectors from liberalization. On the other hand, the G20, a group of developing countries also tabled a proposal on market access, which prescribe tariff cuts ranging from 25% to 40%.

The ministerial declaration did not prescribe the tariff ranges as well as the degree of tariff cuts for each band, leaving these to subsequent negotiations

in Geneva in 2006. The failure to provide detailed modalities on tariff reduction is indicative of the remaining wide divergence of positions between the different negotiating blocks within the WTO.

SPs and SSMs

One of the so called gains of developing countries in the Hong Kong Ministerial Declaration pertains to provisions relating to special products (SPs) and special safeguards mechanisms (SSM). SPs are commodities that will be given market access flexibilities or protection from liberalization. This protection may be in the form of exemption from tariff reduction or lower tariff cuts compared to the normal tariff cuts prescribed by the WTO. SSM, on the other hand, allows developing countries to apply additional tariffs or duties on imports in cases of import surges or price depression.

The Hong Kong declaration, in particular, affirmed the right of developing countries to self-designate products which will be given SP status, for as long these meet the general criteria of food security, livelihood security and rural development. It also established the use of price and volume triggers for the application of SSM.

Some developing countries, like the Philippines, view the declaration’s provision on the self-designation of SPs as a gain in view of the fact that prior to Hong Kong, developed countries have been pushing for the establishment of objective criteria in identifying the list of special products. This would have limited developing countries’ flexibility in determining which commodities which will be given market access concessions.



In the same vein, developing countries welcome the declaration's affirmation of the use of volume and price triggers for SSM since developed countries have questioned the use of price triggers for SSM prior to the Hong Kong meeting.

Despite these gains, however, one cannot help but notice that the Hong Kong declaration is vague about the treatment of special products. The Group of 33, the coalition of developing countries pushing for SP and SSM, called for the exemption of special products from tariff reduction. This position, which was firmed up in the coalition's meeting in Jakarta Indonesia in July 2005, was eventually scaled down to consider the application of 5% and 10% cut on some of the commodities that will be declared as SPs.

All throughout the negotiations in Hong Kong, the G33 actively pushed for the inclusion of the phrase "exemption from tariff reduction"; as a form of market access flexibility in the text of the draft declaration. Evidently, this was not accommodated in the resulting ministerial declaration, indicating that there is still a wide divergence of position on the matter. This means that the G33 will face very difficult negotiations to "win" its desired SP treatment in the coming months in Geneva.

It is a battle that governments of developing countries must, at the very minimum, "win" if they are to heed some of the advocacies of stakeholders. In the Philippines, for instance, farmers and agricultural producers' groups are clamoring not only for a reprieve from liberalization but also for increased tariff protection and even the reimposition of

quantitative restrictions on importation. The Hong Kong declaration is also vague about the number of products that will be declared as SPs. The G33 is pushing that SPs should cover at least twenty (20%) of a developing country's agricultural tariff lines.

On Food Aid

Many developed countries are concerned that food aid, as a trade facility, is often used by developed economies to dump excess produce into the market, resulting to the displacement of local agricultural producers in recipient countries. This has undermined the livelihood and survival of many small farmers in developing countries. Hence, most advocacies with respect to food aid focus on the creation of disciplines to eliminate commercial displacement. However, it is understood that this advocacy has to be balanced with the actual and real need for food assistance for food insecure countries, especially during emergency situations.

In view of these considerations, the Hong Kong Ministerial declaration provides for the creation of a so-called "safe box" for bona fide food aid. This safe box will "contain" food aid for emergency situations and those that will not result to the displacement of local producers. The declaration also calls for effective disciplines for other food aid modalities such as in-kind food aid, monetization and re-exports. The disciplines are geared toward ensuring that food aid is not used as a mechanism to subsidize exports. However, as with most components of the agreement, the detail of the disciplines, including that of the "safe box" are scheduled for completion by April 2006.



In the text	Our analysis
<p>Subsidy reduction: End date for the elimination of export subsidy reduction to 2013.</p>	<ul style="list-style-type: none"> - end date is way too long, especially this should have been abolished ten years ago - insufficient disciplines on types of domestic support under the new blue box - did not provide fine points of the modalities for the reduction of trade distorting support measures
<p>Tariff reduction: Tariffs will be grouped into bands; each band corresponds to a particular tariff range and a prescribed tariff cut.</p>	<ul style="list-style-type: none"> - lacks detailed modalities on tariff reduction : no tariff ranges and degree of tariff cuts for each band - Tariff reduction still the norm, inspite of the negative impact of trade liberalization to developing countries
<p>Special products (SPs) Right of developing countries to self designate products to be given SP status; using the criteria of food and livelihood security and rural development</p>	<ul style="list-style-type: none"> - a small gain in the advocacy for Special Product. However, the text is vague on the number of products to be treated as SPs and how SPs shall be treated (not clear if SPs will be exempted from tariff reduction)
<p>Special Safeguard Measures (SSM) Affirmation of the use of volume and price triggers for SSM</p>	<ul style="list-style-type: none"> - A gain in the advocacy of the use of SSMs.
<p>Food Aid:</p> <ul style="list-style-type: none"> - creation of a "safe box" that will contain food aid for emergency situations that does not displace local producers - calls for effective disciplines for other food aid modalities so that it will not be used as a way to subsidize exports. 	<ul style="list-style-type: none"> - no details of the disciplines, including that of the safe box

Subsidy reduction

One of the main criticisms against the resulting text of the Hong Kong meeting is the absence of clear disciplines on the issue of domestic subsidy reduction. In particular, the ministerial declaration did not place sufficient disciplines on the types of domestic support that would qualify under the new blue box, as defined by the July framework. This will enable countries like the US to shift some of their domestic support from the amber box to the blue box in order to evade the expected reduction in the former.

It will be recalled that the July framework broadened the definition of the types of support that would qualify under the

blue box. The blue box was previously limited to production limiting programs or domestic support measures that have the effect of limiting production such as the EU's land set aside programs. Developing countries are pushing for tighter disciplines on the blue box in order to help block the box -shifting tactics of countries like the US.

The Hong Kong text also failed to provide the fine points of the modalities for the reduction of trade distorting support measures, leaving these details for discussion in the coming Geneva negotiations.

It did however set an end date for the elimination of export subsidy reduction.



However, critics argue that the end date of 2013 is way too long, given that export subsidies are acknowledged as absolutely trade distorting and should have been eliminated ten years ago.

It is very clear that in its bid to avoid another failure like Cancun, the WTO postponed much of the contentious issues for discussion to the coming months in Geneva, where international attention and political pressure is expectedly considerably lighter compared to a full blown ministerial meeting as in Hong Kong.

Lessons from Hong Kong

In preparing for the Geneva negotiations, it is worthwhile to consider some of the lessons learned by civil society and stakeholders groups that have engaged WTO, indirectly through advocacies addressed to national governments, or through direct actions and mobilizations. These lessons are:

National advocacy is essential in engaging the WTO

It is important to remember that WTO is composed of states, and as such, it only considers the official views of states. Therefore, an essential component of any WTO related campaign is national advocacy work targeting the state. In particular, civil society groups must exert pressure to influence governments to adopt policies that truly reflect the interest and concerns of their constituency and stakeholders. The more states that refuse unfair trade rules, the more chances that farmers' rights and livelihoods will be protected.

Farmers' organizations must be at the forefront in the advocacy for the protection of farmers' rights and livelihoods. We must hone our policy research, analysis and proposal-making skills, as well as our articulation skills. We can coalesce with other national organizations, who are multi-sectoral in nature (meaning, they work with other sectors such as women, migrant workers, industrial workers). This way, we broaden our perspective on the issues; get the support of other sectors to our causes and in the end have a bigger political force that pushes pro-farmer policies on agricultural trade.

National advocacy work can be targeted to two branches of government : executive (particularly the department/ministries of agriculture, fisheries, environment, trade, industry and commerce), as well as the legislative (Congress or parliament).

An inside-outside strategy is important and more effective

It is important to adopt a multi-pronged approach in engaging the WTO. While it is important to dialogue with government on the details of the negotiations, it is also essential that government is made aware of the growing constituency against rampant trade liberalization. Farmers and civil society groups must work towards building a critical mass that will make it hard for government to ignore the growing clamor against the indiscriminate opening up of markets.



International cooperation among civil society groups is essential

The gains, on SP and SSM, though limited were made possible by the advocacy of the G33. Indeed, after Cancun, developing country formations such as the G33 and the G20 took a more active role in terms of trying to influence the outcome of the negotiations. Civil society groups must take advantage of this development. Regional and international PO and NGO networks, in particular, are in a position to undertake international and regional campaigns (or simultaneous national campaigns) targeted at influencing these developing country formations to echo their trade advocacies.

It is important to monitor bilateral and regional trade agreements

The WTO is relatively more visible and transparent compared to bilateral and regional trade agreements. Moreover, the latter are essentially more aggressive in terms of trade liberalization commitments. Hence it is possible that gains in the WTO such as on SPs and SSM will be eroded

through bilateral and regional trade agreements. It is important therefore to engage governments on all these type of trade arrangements and to promote policy coherence in a way that promotes the economic viability of small farmers and agricultural producers.

Conclusion

For agriculture, the WTO set April 2006 as the deadline for the development of full modalities. This means that farmers groups and networks must work double time to engage their governments on the details of the negotiations. This is important whether farmers groups are operating within a “reform the WTO” or “out of the WTO” framework. Ultimately, the issues that will be discussed in the WTO are the same policy issues that developing countries will have to resolve at the national level. It is important that farmers groups engage and push governments to implement agricultural trade policies that are consistent with the development objectives of their agricultural sectors.

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AFA's SIGNATURE CAMPAIGN on WTO

We, leaders and members of farmers' groups all over the country, are concerned about the on-going negotiations in the World Trade Organization (WTO), leading up to its 6th Ministerial Conference in Hongkong in December.

We are fully aware that rapid agricultural trade liberalization, as a result of fulfilling our commitments to GATT-WTO-AoA, have led to massive dumping of cheap agricultural imports from developed countries and their transnational corporations. This has destroyed the livelihoods of hundreds of thousands of farmers and agricultural workers. With no alternative sources of income, our people have become poorer. Furthermore, increasing reliance on imports are threatening our country's ability to produce our people's staple food.

As the government re-commits itself to the achievement of the Millennium Development Goals (MDGs) particularly that of ending extreme poverty (Goal 1) and promoting just and fair trade (Goal 8), we call on our President and our WTO negotiators to :

1. Formulate policies that will protect the small farmers and minimize debilitating effects of WTO agricultural policies
2. Work for the elimination for trade distorting domestic support measures and export subsidies of developed countries
3. Calibrate market access and tariff reforms in consideration of the people's agricultural conditions
4. Ensure that our country has meaningful access to special products (SPs) we have selected on grounds of food and livelihood security and rural development The principle of SPs should be an integral part of a new, and subsequent rounds of negotiations.
5. Ensure that our country has access to a special safeguard mechanism which is: easy to implement, automatically triggered (both in terms of price and volumes), open to all agricultural products and under which both duties and quantitative restrictions could apply
6. Refuse liberalization of basic services such as water, electricity under the GATS.
7. Refuse liberalization of fisheries sector under the Non-Agriculture Market Access (NAMA).
8. Protect farmers' rights to control seeds
9. Ensure participation of civil society leaders in task forces and committees engaged by governments in trade policy formulation and reviews

**MAKE GLOBAL AGRICULTURAL TRADE FAIR AND JUST!
PROTECT FARMERS' RIGHTS ! ENSURE FARMERS' WELFARE!**