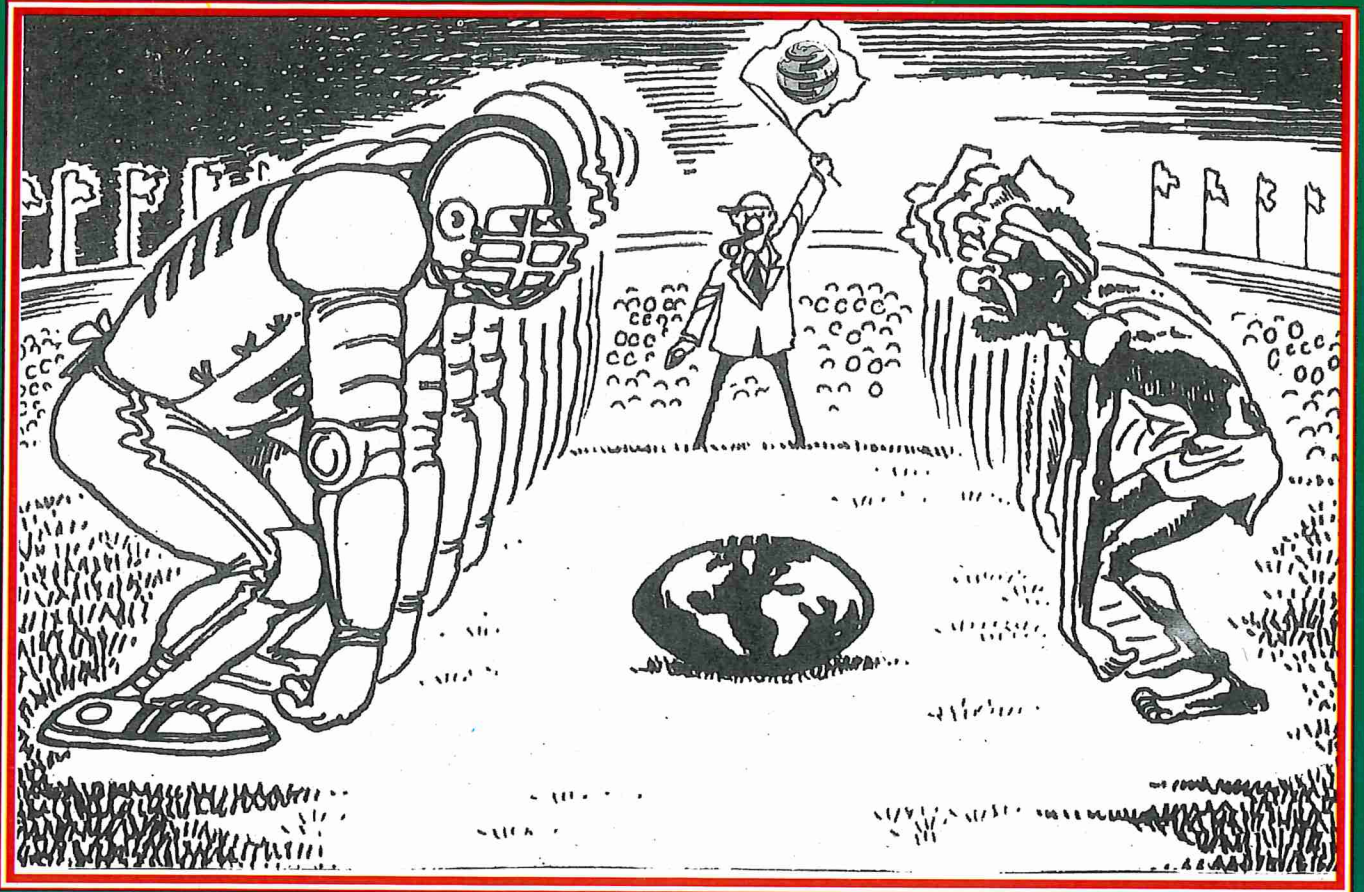


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AFRICA AND THE WTO

Equal Rules for Unequal Players



The US and the WTO Agreement on Agriculture

What is the US agriculture agenda at the WTO and what consequences do they hold for other countries and small-scale farmers everywhere? The answer says SOPHIA MURPHY can be found in the structure of US agriculture and some of the important recent changes in US domestic agricultural policy.

It is perhaps not surprising that the US has had to do relatively little to comply with its commitments under the WTO Agreement on Agriculture, given the dominant role it plays in Geneva. But it does point to the need for a broader consideration of liberalisation than can be gleaned from just the WTO compliance record.

For that reason, examining the US and its experience with the implementation of the agreement, should also involve looking at the domestic farm context in the US and recent legislation called the Federal Agriculture Implementation and Reform Act (or FAIR), which passed into law in 1996. FAIR is an essential piece to consider in anticipation of US agricultural strategy in the upcoming talks at the WTO.

There are two of most important changes it introduced.

Firstly, the elimination of deficiency payments to farmers. This shift could be summed up in WTO slang, as moving US payments to their farmers from the blue box to the green box.

Deficiency payments was the tool used historically to subsidize domestic agricultural production in the US. These payments were from government to farmers. It was to make up the gap between the price farmers received for their crops, by and large, world market prices, and their actual costs of production, which were higher. These payments were clearly trade distorting but were allowed under the so-called "blue box" of the WTO Agreement on Agriculture.

The blue box is encapsulated in the Blair House Agreement between the US and the European Union (EU) of 1992, and is found in Article 6, paragraph 5 of the Agreement on Agriculture. The blue-box measures were acknowledged at the time of the Uruguay Round to distort trade, but attempts to limit these measures failed.

Under the new agriculture legislation, FAIR, the US government replaced deficiency payments with Production Flexibility Contracts. These contracts make fixed payments to farmers, based ini-

tially on their past production levels but the payments are not linked to either current or projected production. These payments are to be reduced to zero over a period of 7 years, starting in 1996.

These "decoupled" payments are allowed under annex 2 of the Agreement on Agriculture (also known as the "green box"), which are measures said not to distort trade. The point is that going into the review of the WTO agreement, the US no longer needs the protection of the blue box.

The second important impact of FAIR has been to reduce the number of strategies open to producers in the US while seeming to help producers in other countries by removing production-enhancing subsidies for US farmers. The result has been an increase in the US government's reliance on export-intensive agriculture to keep producers in business..

In the past, the government was paying farmers most of the difference between what their costs of production and what US agribusiness was willing to pay for their grain.

Now the government has stepped out of this role, and farmers' only available strategy is to increase production in an effort to realise efficiencies of scale.

Hidden Subsidies

A handful of US agribusinesses overwhelmingly dominate the purchase of commodities from US farmers. They are also the agents that sell US commodities in the world market. These companies are the primary beneficiaries of the subsidies, some of them hidden, in US agriculture.

There is an argument that these subsidies include exemptions from minimum wage labour laws and the price sup-

port structures that use taxes to pay the difference between the farm-gate price and the actual costs of production. They also include export subsidies, which reduce the risks and costs for exporters in their international operations. This last group is the only one actually on the WTO agenda.

The 1999 Review

Coming back to the WTO, what are the Clinton administration's objectives in the review of the Agreement on Agriculture?

At a recent presentation to the US House of Representatives Committee on Agriculture, US Secretary for Agriculture Dan Glickman said the following issues were key for the 1999 global agricultural trade talks at the WTO:



Tough deal for farmers in Africa

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North and options

averted a new Round, the situation is similar to what some among them thought in 1986 when the Punta del Este Declaration had kept Services effectively outside GATT and the intellectual property rights (IPR) issue was limited to 'trade-related issues'. "I hope that developing countries now do not repeat that delusion," Das said. "They should know that a comprehensive negotiations now on."

The text of the declaration was 'negotiated' at an informal heads of delegation to the General Council process chaired by the WTO head, Renato Ruggiero over the last several weeks, with the final draft in the last week before the Ministerial.

Contingency arrangements

The WTO secretariat had at one stage thought that the declaration may still have some unresolved issues, needing Ministerial negotiations. To provide for that contingency, an afternoon ministerial session had been provided for on May 20, with the final concluding session had been originally planned for the late evening.

But the trade negotiators at Geneva, ambassadors and some senior officials from the capital, decided that it might be too 'dangerous' to leave things to ministers, and ne-

gotiated a compromise the net effect of which was to leave everything to a preparatory process at the General Council that was to start in September.

At a TWN organised seminar for developing countries in April, the United Nations Conference on Trade and Development (UNCTAD) Secretary-General had suggested that ministers are often more subject to pressures than officials. A similar view had been expressed by many trade negotiators in 1982, after that year's GATT Ministerial meeting (when officials had to struggle hard to claw back concessions made by their ministers), that GATT is too serious a business to be left to ministers. After this year's meeting, some Third World trade observers have begun to say that the WTO may now be too serious a business to be left to trade ministry officials from the capitals.

At meetings at the WTO, several of Third World officials could be heard explaining that the Geneva meeting is a 'transition' meeting. But it was not clear what they had in mind, or what they thought the WTO was 'transiting' from and to what.

There has also been much talk over the last few months about developing countries

needing a 'pro-active' agenda rather than a 'reactive one.' And the UNCTAD Secretary-General has been stressing this, and trying to help developing nations to think carefully and formulate such an agenda. But even this process, and its outcome, does not appear to have 'trickled-down' to all the developing countries.

Left to the majors, and the secretariat, whatever the problems individual countries may face, the official line would be these are 'commitments' that have to be implemented and, at best, some country-by-country and agreement-by-agreement waivers for time could be sought.

Only developing countries can articulate and bring about changes, and this they can do only by saying 'no' to other propositions. And unlike the situation at the time of the inception of the WTO at Marrekesh, their own public have become aware and are not willing to accept the explanations of decisions taken by others and forced on them.

CHAKRAVARTHI RAGHAVAN *edits the daily North - South Bulletin and is the Geneva representative of Third World Network*

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- ◆ Further reductions in tariffs
- ◆ A substantial increase or effective elimination of tariff-rate quotas by reducing the tariff rate on products traded above quota levels
- ◆ A further cut or elimination of export subsidies
- ◆ Tighter disciplines on the use of technical measures, such as unnecessarily rigid labeling requirements
- ◆ More clearly defined and tightened rules on sanitary and phytosanitary (SPS) measures.

Secretary Glickman has also made repeated statements about the importance for the US of abolishing State Trading Enterprises through the WTO.

Tariffs

The US has rarely resorted to high tariffs, except in a few key sectors, and so it is on fairly strong ground here. Although there are some products the US continues to pro-

tect, tariffs are much less of a problem for exporters to the US than they are in the European Union.

By the same token, reducing or eliminating tariff-rate quotas would not be difficult for the US since so few commodities were tariffed under the WTO Agreement on Agriculture.

Export Subsidies

It is more difficult for the US to take a strong line on export subsidies, despite the Secretary's hard-line stance. The US has increased the budget allocation for certain agricultural export subsidies since the conclusion of the Uruguay Round Agreements, although within the limits allowed.

There are further dimensions to this discussion that the current debate on subsidies at the WTO does not capture, but which are clearly linked by the impact they have on the US share of the world market. Consider the following statement from Dan Glickman on why the US Congress should

support the current request from the IMF for further financial backing:

The main reason we haven't lost more exports to Asia is because the USDA extended US\$2.1 billion in export credit guarantees. These guarantees, which depend on credit-worthiness, would not have been possible if the IMF had not stepped forward to help stabilize these economies and pushed countries towards serious financial reforms, greater market transparency, freer markets, and an end to cronyism. Without these IMF actions, another \$2 billion in agricultural exports would have been at great risk in the short-term and far larger amounts in the long-term."¹

The US has shown little leadership in the area of liberalizing export markets, as the above statement confirms.

Its current strategy seems to be to even increase spending on export subsidies, although perhaps simply to have something more to give away as the next negotiations get started. There is an assessment that the US would be willing to end its export sub-

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ACP-EU

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European Parliament Development Committee Simon Stocker, Director of Eurostep, a network of European NGOs.

Stocker noted that IMF predictions for African economies are bleak. The IMF estimates say that exports from Africa, after a year of stagnation in 1997, will fall 2.7 percent this year. The IMF also predicts a fall in Foreign Direct Investment over the same period from 10.3 billion dollars to 9.7 billion dollars.

European NGOs say that the timetable proposed by the EU could do "serious damage" to the economies of ACP states. Under the finalised FTAs, ACP countries would lose their present preferential access to EU markets and would be forced to open up to EU exports.

"The move of ACP countries towards regional integration can benefit from EU support, but it cannot be driven from outside" said the European Centre of Development Policy Management, an independent foundation based in Maastricht in the Netherlands, in a recent comment.

The Commission aims to finalise the first regional FTAs by 2015, starting with those groups of countries which have already begun a process of regional integration. Car-

ibbean countries may form an FTA based on the existing CARICOM and CARIFORUM agreements and Southern African countries may build upon their SACU-SADEC customs union agreements.

More time would be needed to form FTAs in West Africa, building upon the UEMOA monetary union, in East Africa, between neighbouring Kenya, Tanzania and Uganda, and in the Pacific.

The Commission suggests that a transitional period of 10 years or more could start in 2005 during which time it could implement the regional economic partnership agreements.

These would also need WTO approval, and even then WTO would only give it if the FTAs were purely temporary and that trade access to the FTA member nations would be free for all by the end of the ten years. -IPS

US and Agreement on Agriculture

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sidy programs, so long as the EU, in particular, agreed to do the same. In the meantime, the US is taking every opportunity it gets to use and extend this form of support, despite the clear if not technical agreement at the WTO not to extend subsidy use.



SOPHIA MURPHY works with the Institute for Agriculture and Trade Policy (IATP), a non-profit research and advocacy organization, founded over 10 years ago, as the Uruguay Round discussions under the General Agreement on Tariffs and Trade (GATT) were getting underway.

At that time, some US agricultural policy-makers and farmers were angered by the failure of their government to meet the needs of producers.

This failure stood in sharp contrast to the government's continued strong support for US agribusiness.

This discrepancy was further exacerbated by the trade talks of the early 1980s on liberalizing agriculture under the GATT. IATP's founders created the institute to address these concerns.

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writing about the moon and love.

Even love, when you write a good novel about love, it is a political novel. Why else do we write? We write because we want a different world, we need justice, love, freedom... We write because we are living here, and want to have a better life, for us and for our children, for everybody. So when you write a story about love, real love, it is political usually exposing the class patriarchal system.

There is nothing called non-political novels, or non-political literature. Wherever there are two people together there is politics, whether they are friends, or husband and wife, or anything. Sex is political. Who will be above and who

will be below is political, who will have the power?

I'm a doctor. Medicine is political. Because when I went to the villages to treat people and I discovered that people are sick

“Sex is political. Who will be above and who will be below is political, who will have the power?”

because they are poor and I started to ask why, I went straight to politics.

"Dr. NAWAL EL SAADAWI is one of Africa's and the Arab World's most renowned writers, feminists and activists. Her 36 books have had a profound influence on generations of students, readers and activists in her native Egypt and many other parts of the world over the last 4 decades.

She served as a medical doctor before becoming her country's Minister of Health in Cairo between 1955 and 1965.

Since then, she has been jailed for her writing, worked with and founded a number of national and international organisations.

**- The Talk delivered on March 12, 1998.*