



Trade and Agriculture

This is one of a series of position papers on trade. Birdlife International is focusing on key environmental and agricultural issues that are significant to the 5th Ministerial Session of the WTO in Cancun, Mexico, September 2003. We believe that sustainable farming practices and the protection of rural communities are essential to a meaningful reform of the WTO's agricultural trade rules. Without positive outcomes for both the environment and developing countries, the so-called 'Doha Development Round' of the WTO will fail to meet both its own sustainable development mandate and the needs of present and future generations.

BirdLife International advocates the development of more sustainable agriculture which will provide food that is produced within ecological limits and sustains rural communities. This concept of sustainable agriculture encompasses the three 'pillars' of sustainability – environmental, social and economic.

To help achieve this, BirdLife International believes that:

- Trade policies should be constructed in such a way that they do not infringe upon the rights of countries to choose sustainable local production for domestic food security over and above the production of commodities for world markets.
- Export subsidies, which are by-and-large environmentally damaging and socially iniquitous should be eliminated. This principle should be relaxed only to safeguard the interests of some net-importing developing countries which have become dependent upon their import of subsidised foodstuffs.
- In addressing food security concerns in developing countries, it must be possible to protect domestic production through import tariffs.
- Current payments which support domestic production, used mainly by the OECD countries, should be more clearly targeted at environmental and rural development goals. Subsidies that merely promote increased production should be abolished.
- Mechanisms should be developed by which countries can and are permitted to discriminate between imports on the basis of sustainability of their production. BirdLife International has looked at several approaches to such discrimination, based either on product-specific criteria, or country-of-origin criteria. Clearly, any such mechanism would have to provide due concessions for developing countries where the most sustainable production of foodstuffs generates immediate additional economic costs.

Introduction

World Trade Organisation (WTO) members are currently negotiating a reform of the WTO Agreement on Agriculture (AoA) that will be crucial for farmers in both rich and poor countries. Formal negotiations on the AoA started in 2001 and are due to be completed by the time of the WTO Ministerial in 2005. A meeting in Cancun from 10 to 14 September 2003 will take stock of negotiations and set out the 'modalities' for re-negotiation of the AoA.

Re-negotiation of the AoA clearly cannot take place without a broader consideration of the impacts of agricultural trade policy on people and the environment. Indeed, BirdLife International argues that agricultural trade policy cannot be seen in abstract economic terms if it is to help promote more sustainable agriculture. Key to a more thoughtful approach to reforming the AoA is an understanding of the diversity

of problems facing agriculture and how these interact with trade policy. Long-term food security concerns and environmental protection can only be addressed through a recognition of the need for more sustainable agricultural practices. At the same time, it is well recognised that reform of trade policy alone cannot provide solutions to these problems – a range of other policy measures are required to achieve sustainability and food security. Nevertheless, this paper contends that trade policy does influence both the emergence and perpetuation of these problems, and the scope for addressing them. The AoA has to be reformed to reflect this reality. The concrete suggestions for reform of the AoA which follow are elaborated under the ‘three pillars’ of the AoA; export support, domestic support and market access. Although these policy areas are treated separately, the linkages between them are recognised and the proposals are intended to be complementary.

Export support

BirdLife International Proposal 1: Prohibit export subsidies under the AoA within three years and restrict other forms of export support measures.

Prohibiting export subsidies should be a primary concern, on the grounds of food security, the preservation of rural livelihoods, and environmental protection (including minimisation of the external costs of international transport of produce). Export subsidies can have severely detrimental effects upon domestic markets in importing countries, and BirdLife International would like to see their abolition within three years of the adoption of the AoA reform.

Besides exports subsidies, a number of export support instruments besides export subsidies are not restricted under the current AoA, even though they are trade-distorting. In particular, these include subsidised export credits, inappropriate uses of food aid, state-trading enterprises and some market support systems. These should be examined on a case-specific basis, and their impacts (on sustainability and domestic production in developing countries) should be assessed. A detailed assessment of these instruments, however, demonstrates that there are generally more efficient and less trade-distorting ways of dealing with the needs these mechanisms are supposed to address.

BirdLife International Proposal 2: Accompany prohibition of export subsidies with measures to address food supply concerns in developing countries that are dependent upon cheap imports.

With the abolition of export subsidies, the concerns of countries which do not have the resources to address food requirements through domestic production, or which have come to depend upon cheap food shipments for their domestic food security should be addressed. Removal of export subsidies should therefore be accompanied by other measures to safeguard the food supply to these Least Developing Countries (LDCs). In particular, unconditional direct financial aid should replace food aid. Such assistance should be provided without exacerbating the indebtedness of recipient countries, and should increase with world food prices. Where such aid is required, this should be accompanied by technical assistance to promote, where appropriate, domestic production of staple foodstuffs employing sustainable techniques. The potential difficulties that the AoA may have generated for developing countries were to have been addressed through the Marrakesh Decision. As yet, this has not been properly implemented.

Domestic Support

BirdLife International Proposal 3: Reduce and eventually eliminate ‘Amber Box’ subsidies.

Reform of Amber Box payments, which includes price support, is vital. Price support involves government intervention buying in the agricultural sector in order to raise domestic prices. Often this requires the use of quotas to limit increased production encouraged by higher prices. Price support also requires export subsidies in order to refund the difference between higher domestic prices and world prices. It is important to bear in mind, therefore, that the intimate linkage between price support and export subsidies means that

the abolition of one requires the abolition of both. Production quotas may also become less of a necessity if these production-related instruments are eradicated.

BirdLife International Proposal 4: Replace Blue and Green Boxes with a single General Subsidies Box, incorporating measures that address genuine food security or environmental concerns. Other measures should be excluded. Payments under the General Subsidies Box should be exempt from challenge, and not be subject to ceilings. Provisions should ensure adequate flexibility to address market failures effectively.

The Blue Box covers a range of payments made under so-called 'production limiting programmes'. These are payments made on the basis of fixed areas, fixed yields or fixed numbers of livestock. These payments are rarely useful in correcting market failures and encouraging more sustainable agriculture. The Blue Box should therefore be reduced and then abolished, although some blue box style payments may still be of use and should be incorporated within a single General Subsidies Box. Hence, there should be explicit recognition that 'production limiting payments' (e.g. headage based payments) that are conditional on meeting defined environmental or rural development standards are legitimate measures. Evidently, inclusion of any such mechanisms in the General Subsidies' Box would require careful and clear definition.

Current Green Box measures should also be reviewed, and those measures defined as legitimate shifted to the General Subsidies' Box. Flexibility should be incorporated to address failures of the market effectively. However, bearing in mind concerns regarding the link between subsidies and increased production, such flexibility should be subject to transparent assessments of environmental and food security needs, and of the efficacy of direct payments made to address these needs. Also, under the General Subsidies' Box, flexibility could be provided for developing countries to use temporary production-linked support payments where these are required to address food security concerns. More specifically, provisions should be made to ensure that farmers are rewarded for the public goods provided by farming.

Provisions under the General Subsidies' Box would be exempt from challenge. The ongoing flexibility to address market failures through domestic support payments should be a central tenet of a reformed AoA rather than being contingent on the periodic extension of concessions under Article 13 (due restraint, or the peace clause). In addition, there should be no constraint on levels of spending under the General Subsidies' Box. Agricultural support should be about correcting market failures in the most effective way. Arbitrary restrictions on domestic support spending would undermine the flexibility of countries to improve real efficiency. Such measures should therefore be complemented with effective regulation of domestic agriculture, and provisions for preferential import of products that have been produced more sustainably.

Market Access

BirdLife International Proposal 5: Developing countries should not be required to bind tariff rates at current levels of application. Moreover, measures should be negotiated to permit developing countries to protect domestic markets through market access restrictions, where such protection is deemed necessary to maintain or increase the domestic production capacity of foods consumed domestically (to address food security concerns), or to protect the livelihood of small-scale farmers. These measures should replace the current Special Safeguard (SSG) provisions, which few developing countries can exploit.

Trade policy should permit flexibility for developing countries to adopt market access restrictions to stabilise domestic markets, while exercising caution where these affect on the price of staple foodstuffs. A prerequisite for such flexibility is that developing countries should resist agreeing to bind tariff rates at current levels of application.

It is clear that the SSG fails to provide an effective means for developing countries to protect domestic production and food security through market access restrictions. Provisions should be elaborated to afford developing countries the freedom to introduce measures which extend beyond 'ordinary tariffs' (variable levies on staple foodstuffs, for example) in order to protect domestic production. Such measures would

replace the SSGs under Article 5 of the AoA, and would bear superficial similarity to these. However, they would differ in several important ways:

- There would be no constraints on the extent of these levies, subject to some trigger. Linking levies to export bans ensures transparency; levies can only be implemented to protect production for domestic consumption and not production for export.
- They would be applicable on products even for which market access measures had not been converted into an ordinary customs duty.
- Their implementation should be concurrent with capacity building in both technical expertise to make use of such measures, and in sustainable production of foodstuffs for domestic consumption.

BirdLife International Proposal 6: Negotiate measures to encourage countries to pursue sustainable agriculture policies, without infringement by less sustainable production systems elsewhere.

There is a fundamental contradiction in prioritising food security through unsustainable products over sustainability. It is clear that our prosperity must be based upon sustainable production. However, mechanisms to correct market failures and encourage more sustainable production must also be fair and take into account the development dimension.

Additional tariffs could be used to protect domestic production where this is undermined by competition from foodstuffs produced through inefficient agricultural practices at prices that fail to reflect their true costs of production. Clearly, such additional tariffs should not threaten the livelihood of farmers in developing countries who do not yet have the resources and capacity to adopt more sustainable forms of agriculture. Criteria for sustainable production should include a consideration of rural livelihood issues, such that preferential market access for this produce will specifically benefit small-scale farmers and production in countries where agriculture remains labour intensive.

There are several possible approaches to discriminating between produce or exporters, based on sustainability criteria:

- Through market access restrictions implementable by the producing country, in order to ameliorate the effects of competition from imported produce grown less sustainably.
- Through calculation of tariffs on a bilateral basis, reflecting the ratio of sustainability indexes between importing and exporting countries.
- Through preferential market access for sustainably produced crops.

BirdLife International Proposal 7: For exports from LDCs, link tariff-free access to developed country markets to support for impact assessment and direct financial aid to promote sustainable production of export crops. Ultimately however, both food security and environmental concerns are generally best addressed through production for domestic markets. This could entail restriction of access to markets both in developed and developing countries and national measures to promote more sustainable agriculture domestically.

Access to developed country markets is a complex issue. In the long-term, environmental, rural livelihood, and food security concerns are usually best addressed through food production for the domestic market. In the short-term, failure to internalise the environmental costs of international transport of agricultural produce, export support measures implemented by developed countries, and market access provisions under the Agreement, make domestic production policies difficult to maintain. Greater market access opportunities for developing countries should therefore be provided under the current trading regime, while trade-distorting support measures which do not transparently address environmental issues should be reduced. The case for this approach is particularly compelling with respect to LDCs.

Following the internalisation of international transport costs (e.g. through taxation) and the strengthening of domestic production of staple foodstuffs in developing countries (through reform of export supports in

developed countries and the transparent application of market access restrictions in developing countries), multilaterally agreed conditions could be placed upon such access. These could be used as a means of promoting more sustainable agricultural practices. Self-targeting measures are probably preferable to S&D provisions. The current criteria for assigning countries status as Net Food-Importing Developing Countries (NFIDCs) or LDCs should ensure that all countries with genuine food availability concerns are eligible to benefit from corresponding provisions.

BirdLife International Proposal 8: Tariff escalation should be discontinued and tariff peaks eliminated.

While value addition through crop processing represents one approach that developing countries might adopt in boosting export earnings, the use of tariff escalation regimes (i.e. increasing tariffs according to the level of processing) has blocked market access for processed products. Such tariffs are particularly prevalent in developed countries, stifling both diversification and greater export revenue in developing countries. The BirdLife International believes there is no reasonable justification for the maintenance of tariff escalation on processed products from developing countries.

Also tariff peaks (i.e. a high tariff on a particular product within a given tariff line) have contributed to limiting export possibilities of developing countries, in particular LDCs. Tariff peaks tend to be heavily concentrated in agriculture and the food products and in labour intensive sectors. Their elimination in the current round of negotiations could have a large effect for developing countries, while their impact on developed countries would be negligible.

For further information, please contact:

In Cancún: +52 9981044927 (mobile)

Alexandra González-Calatayud (Trade Policy Officer) - Email: Alexandra.Gonzalez@rspb.org.uk

& Hannah Bartram (Senior Agricultural Policy Officer) - Email: Hannah.Bartram@rspb.org.uk

The RSPB, The Lodge, Sandy, Bedfordshire, SG19 2DL, UK; or visit: www.rspb.org.uk

Muhtari Aminu Kano – Email: aminukano@infoweb.abs.net

Alberto Yanosky – Email: ayanosky@guyra.org.py

BirdLife International, Wellbrook Court, Girton Road, Cambridge, CB3 0NA, UK; or visit: www.birdlife.net

All position papers have been written and produced by the RSPB in consultation with BirdLife International's Secretariat (Cambridge).

BirdLife International is a global Partnership of conservation organisations, working in more than 100 countries worldwide. The BirdLife Partnership strives to conserve birds, habitats and global biodiversity, joining local communities around the world to achieve awareness of our natural resources and how to use them sustainably.

The Royal Society for the Protection of Birds is Europe's largest wildlife conservation organisation with over a million members and the UK partner of BirdLife International. Through research, advocacy and land management, we strive to link national and international policies for sustainability with local concerns in both the South and the North.

We have extensive programmes of work in many policy areas including agriculture, trade, climate change, energy, transport, the marine environment, fisheries, education and capacity building.

The RSPB and BirdLife International are working to ensure that international trade and international trade rules provide a positive contribution towards achieving sustainable development and thus do not adversely affect the environment.

Registered charity no 207076

July 2003