DRAFT PAPER

Agricultural Subsidies and Trade Issues: The Key Alternatives *

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and Center for the Study of Change
in the Mexican Countryside

Carnegie Council
ON ETHICS AND
INTERNATIONAL AFFAIRS

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1 Overview: Trade versus Development?

> Behind the extremely technical debate within the WTO, what is at stake above all are models of agricultural development.
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> -- *Dr. Bruno Losch, French Agricultural Research Centre for International Development (CIRAD), France, 2004*[1]

We hear a lot in the media about "trade wars" between the U.S. and Europe, about steel quotas and cotton subsidies, and about how dissatisfied poor countries are with global trade rules. In fact, recent world history has been marked by a global controversy over trade agreements and so-called "free trade." Within this larger controversy, issues of agricultural trade and farm subsidies have played a central role. For most people, it isn't really clear what this is all about. But in reality, what's at stake is not just relatively narrow measures like trade volumes, economic growth rates and farm productivity, but rather the very future of our global food system. What is being negotiated – in a world where nearly half the population goes hungry – is the ability of every woman, man and child on this planet to feed themselves The future of each country's unique agriculture and farming systems, and of the livelihoods of rural people worldwide, is quite literally in play.

The global debate over farm trade and subsidies is critical yet confusing, full of common misconceptions and doublespeak. The goal of this paper is to sort out this confusion, and take a look at some possible alternative policies that might offer a way out of the conundrum.

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We first take a quick look at trade negotiations and trade liberalization, placing them in historical context, and looking at some of the recent events most heavily covered in the international media, like the spectacular collapse of World Trade Organization (WTO) meetings in Seattle in 1999 and Cancún in 2003. We look at the key issues behind the controversy: What are the points of difference? Who is for what? What are they against? Who gains?; and Who loses?
We also present some short articles that highlight some specific issues:

- The recent debate over cotton subsidies is an opening to discuss some common misconceptions over issues like subsidies and dumping. (Appendix 2)
- We use Mexico as a laboratory in which to study the impact of trade agreements on agriculture after the implementation of the North American Free Trade Area. (Appendix 3)
- We analyze the likely effects in Africa, given where the next generation of trade agreements seems to be headed. (Appendix 4)

To aid the understanding of global food fights, we include some helpful appendices: a timeline of recent trade negotiations in which agriculture played a key (and usually divisive) role; a brief analysis of who really benefits from farm subsidies; a primer on the key players in agricultural trade negotiations; and direct comments from participants in the ongoing debate.

Finally we take a look at a series of alternative policy options for food and agriculture. For the purposes of proposing those alternatives, and for critiquing prevalent policy prescriptions, we must share common goals that can be used as criteria. For this purpose, we postulate that most people, in most countries, would agree that we want a food and agriculture system that:

- Provides every one of us with adequate, affordable, healthy, tasty and culturally appropriate food.
- Offers rural peoples in each of our countries the opportunity for a life with dignity, in which they earn a living wage for their labor and have the opportunity to remain in rural areas if they prefer not to migrate to cities.
- Contributes to broad-based, inclusive economic development at the local, regional and national level.
- Conserves rural environments and landscapes, and rural-based cultural and culinary traditions, based on the sustainable long-term management of productive natural resources (soils, water, genetic resources and other biodiversity) by rural peoples themselves.

While these goals constitute a yardstick shared by major global public constituencies, like family farm and consumer groups, environmentalists, and food and agriculture unions, they find less resonance among some government officials and the food and agriculture industries. Despite their widely publicized disagreements, which we examine here, most governments still embrace one form or another of market fundamentalist positions on food and agriculture, while public opinion worldwide decries what is happening to our

food system and our rural areas as market principles are more widely applied. The solution for many is take food and agriculture out of the narrow confines of "trade issues," making them rather into issues of "development," and even "sovereignty," particularly what farmer organizations refer to as "food sovereignty." As such, this paper presents a number of concrete, feasible policy proposals concerning dumping, supply management, anti-trust, subsidies, and venues for negotiations critical for developing a more holistic and coherent alternative framework for agriculture and human development.

2 Trade Negotiations and Trade Liberalization

World trade negotiations geared toward agreements and treaties for trade liberalization have been taking place continually since 1986, with the inauguration of the Uruguay Round of negotiations in the framework of the General Agreement on Tariffs and Trade (GATT), which became the World Trade Organization (WTO) in 1995. Since the founding of the WTO the negotiations have been highlighted by a series of ministerial meetings where major decisions are to be made by the highest level of government officials. Some of these meetings have been failures—on their own terms— almost as often as they have been successful. Differences over the regulation of agricultural trade and farm subsidies played central roles in the most publicized of the failures, in Seattle in 1999 and in Cancún, Mexico, in 2003. On the other hand, in 2004 a partial agreement on some agricultural issues paved the way for what has been called the "July breakthrough," allowing stalled WTO negotiations to re-start—though closer examination shows most of the real issues underlying the stalemate remain relatively unchanged.

Trade liberalization is the process of removing barriers to trade. The idea is to liberate trade and thus, market forces, from taxes and regulations that hinder them—and from government subsidies that distort them—creating incentives for businesses everywhere to produce more to take advantage of more easily accessible foreign markets. This is expected to generate more economic activity, jobs and growth. According to the theory of comparative advantage—that some countries are good at producing one thing (like cars), while other are good at producing another (like coffee)—every country is supposed to benefit from liberalized trade. This is less than clear in practice however, and a global controversy has emerged as to whether we are on the right track.

Barriers to trade are any policy measures that alter—or distort—the uninhibited flow of trade. Typical barriers protect domestic production from the competition of cheap imports, and thus are called "protectionism." Barriers can take the form of tariffs (taxes on imports), but there are many other forms; as a group they are called non-tariff barriers (NTBs). Non-tariff barriers can be import quotas, local content requirements, production subsidies and price supports (because they make local products more competitive than unsubsidized imports), export subsidies (because they confer an artificial advantage to foreign products in importing countries), and a myriad of others. Many NTBs are difficult to identify at first. Even health and quality standards and labeling requirements

can act as barriers, as can rules orienting governments to purchase locally or to support local or minority owned businesses.

When governments remove barriers to trade (like import tariffs and quotas), they are opening their markets to foreign competitors. The risk they take is that domestic producers may be driven out of business if the imports are too cheap. If that is because the same good can be produced more cheaply elsewhere because of pure comparative advantage—climatic conditions, for example—then theory postulates it would be better in any event to be producing something else where the home country has a true comparative advantage. The problem is that in the real world, as we shall see, cheaper products are rarely cheaper because of pure comparative advantage, but rather because of distortions like subsidies, according to popular misconception, or more usually, because of the effects of market concentration. And comparative advantage at home, for a typical Third World country, may be nothing more than a lower paid, more exploited workforce.

2.1 Historical context

When examining issues behind this global controversy, it is important to understand the historical context of trade liberalization. World economic history has long been characterized by cycles—or pendulum swings—between freer trade and protectionism. Swings toward trade liberalization are sometimes referred to as "economic integration"—as in integrating the economies of Canada, the US and Mexico via NAFTA—and the most recent swing has been dubbed "economic globalization."

It would be erroneous to presume that integration and globalization have never happened before. The most clear historical example is that of European colonialism, in which the economies of the colonies were integrated into the increasingly global economies of Europe. That "swing" ended during the last century in the period marked by the two world wars, when a combination of war, national independence of former colonies and economic nationalism reversed a century of trade liberalization. This ushered in an era of relative protectionism, which was to be reversed again beginning in the 1970s and 80s.

In the 1970s, businesses in the United States and Europe began to confront crises brought on by rising wages at home and excess productive capacity. In other words, they now found themselves with the ability to produce more than their home markets could absorb. They need access to Third World markets to move their excess production. This brought the issue of protectionism by Third World governments to the fore, precisely at the same time as these same developing country governments became enmeshed in the debt crisis. This set the stage for the renegotiation of the debt in venues like the World Bank and the International Monetary Fund (IMF), where both Southern and Northern countries were represented.

2.1.1 Structural Adjustment: Precursor to Trade Agreements

The "South" needed debt restructuring, and the "North" wanted greater access to Southern markets. The solution was debt restructuring conditioned upon the adoption of

Structural Adjustment Packages (SAPs) by Southern governments. A central feature of these SAPs was trade liberalization including the slashing of imports tariffs and quotas, steep cuts in domestic subsidies, and the start of across the board privatization of state services and enterprises. The heyday of SAPs began in the late 1970s and continued through the early 1990s. When we examine the impacts to date of trade liberalization on Third World economies, we cannot really separate the effects of liberalization through SAPs from the effects of liberalization through the WTO, NAFTA, or other trade agreements, as we shall see in the Mexico and Africa (see Appendices 3 and 4). A central complaint of Southern governments in contemporary trade negotiations is that of "asymmetry"—that they already opened their markets unilaterally to a significant extent under SAPs. And now they are being pushed to engage in another round of tariff cuts. But if these tariff cuts are to be at the same level for Northern and Southern countries, or even if they give a slight advantage to the South, they will not erase already existing imbalances created by SAPs.

2.1.2 From the GATT to the Uruguay Round and the WTO

Over the later part of that period the central fulcrum for further trade liberalization shifted from debt negotiations to trade agreements and treaties. This began by given more substance to the General Agreement on Tariffs and Trade (GATT). The GATT was originally negotiated in 1947 to shape the Post-WWII economy by regulating tariffs and other trade regulations. However, it had little power of enforcement, only addressed trade in goods (as opposed to services, intellectual property rights like patents and copyrights, government purchasing policies, etc.), and a significant part of the world's nations were not GATT signatories. Also notable was the exclusion of agriculture from the GATT because of food security concerns.[2]

This was to change with the Uruguay Round, a series of trade talks which lasted from 1986 to 1994, and that expanded the rules of international trade to cover services and intellectual property. A trade round is the name given to series of negotiations where countries try to reach agreements on trade issue such as tariff reduction. The World Trade Organization (WTO) was created as one of the agreements of the Uruguay Round.

The WTO began life in 1995 as a new global commerce agency, transforming the GATT into a more enforceable global trade code based on a system of sanctions for non-compliance. The stated objectives of the WTO include "raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, and expanding the production of and trade in goods and services," in other words, economic development based on the market. This means that WTO agreements are meant to introduce free market principles into international trade, via two basic mechanisms: 1) reducing trade barriers, and 2) applying nondiscriminatory rules. One other important principle, at least in theory, is consideration for developing countries. The WTO recognizes "that there is need for positive efforts designed to ensure that developing countries, and especially the least developed among them, secure a share in the growth of international trade commensurate with the needs of their economic development."[3]

Every two years, give or take, the WTO holds its highest level ministerial meeting, with the trade and/or finance ministers of each member country. At these meetings key decisions are made regarding the future path of the WTO. Between the ministerial meetings, the negotiations continue.. The on-going negotiations on trade in agricultural and food products are carried out under the rubric of the evolving Agreement on Agriculture (AoA), though there are also many non-AoA issues—like intellectual property, competition, investment and government procurement policies—that also impinge on agriculture.

3 Current Status of the WTO Negotiations

After the failure of the Cancún ministerial meeting, negotiations on agricultural trade and subsidies moved in two separate directions. On the one hand, both the U.S. and the EU rushed to negotiate and in some cases sign regional and bilateral free trade agreements. These included the signings and negotiations between the U.S. and Central America (CAFTA), the Andean region, the Middle East, Australia, Africa and others, including the stalled negotiations for the Western Hemisphere (FTAA), [4] and between the EU and Latin America, EU expansion, and bilateral negotiations.[5] This is a potentially dangerous trend, as typically in these bilateral and regional contexts the trade superpowers enjoy a greater advantage of political and economic power over their partners than they do in the WTO, and thus are often able to extract greater concessions including larger opening for dumping cheap agricultural products.

On the other hand, the US and the EU have intensified their efforts to agree on a new framework for WTO negotiations post-Cancún. This took the form of negotiations on the so-called "July framework" that concluded in Geneva on August 1, 2004. Observers noted heavy pressure tactics by the U.S. and EU.[6] The July framework is a roadmap for the remaining WTO negotiations in the so-called "Doha round," and as such, sets the limits—if not the details—on the best and worst that countries can expect on a series of issues, including agriculture.

The short version is that the trade superpowers made some concessions, but largely got what they wanted. While the U.S. and the EU agreed to eliminate export subsidies and to put disciplines on the use of export credits, which—as can be seen in the case of Mexico described separately— can contribute to dumping, no road map or fixed end date for their elimination was set. Experience with the negotiations to date suggests that without those two items, an issue may well be lost. The U.S. and the EU also agreed to a 20 percent cut in their so-called Amber box (trade-distorting) subsidies, but that is likely to be more than balanced out by the expansion of so-called Blue box to include new programs, and continued use of programs, such as decoupled payments, that are eligible for unlimited spending in the Green box (which is theoretically limited to non-trade distorting programs). Robert Zoellick, the U.S. negotiator, was quick to assure U.S. farm interests that the new framework "protects U.S. farm subsidies."[7]

Appendix 1 (p36) lays out the format of the negotiations, and their organization into so-called "boxes." It also explains how the U.S. and the EU are perceived by others to move subsidies from one box to another in the course of the negotiations, in what might be called a "hide-the-subsidy shell game" that infuriates Third World negotiators.

Most importantly for the U.S. and the EU, an agreement was reached on greater cuts for tariffs that are currently high, and smaller cuts for lower tariffs.[8] While this seems reasonable at face value, it actually discriminates heavily against poorer countries. While wealthier countries can support farmers in numerous ways that require significant levels of spending, poorer countries cannot afford the outlays. Virtually the only way they can support their farmers is through tariffs or other restrictions on imports that limit dumping in their home markets and help keep domestic crop prices up. An Aug. 1, 2004, article in the New York Times makes this clear:

> "The United States was pleased that negotiators agreed that the highest tariffs should be cut the most, a move that would mean a greater opening for American agricultural products in the developing world. 'We feel this is a win-win for the United States, the WTO, exporters, consumers, developed and developing countries alike,' said a American trade official who asked for anonymity.'"[9]

Industry was not shy with its praise. "The potential benefits for the U.S. economy are significant. U.S. goods and services will enjoy greatly improved access to foreign markets," said the U.S. Chamber of Commerce. The Corn Refiners Association (including large conglomerates like ADM, Cargill and Corn Products International) added "this framework lays the groundwork for U.S. negotiators to open new markets for the corn wet milling industry."[10] Perhaps we can say that on the balance, the new framework for negotiations represented no net change from business as usual.

The recent WTO ministerials have drawn global attention for the conflicts and protests they engender. Box 1 (p 24) summarizes these and other key recent events of the world trade controversy. But what's all the fuss about? Why has it been impossible for governments to come to agreements about trade in agricultural products, farm subsidies and related issues? Why are farmer organizations so up in arms?

4 Key Issues, Misconceptions, Points of Disagreement, and Alternative Paradigms

In order to sort out the confusion of often contradictory positions and misleading rhetoric from governments, it is useful to single out the key issues, highlighting where there are common misconceptions and the central points of disagreement between governments, and between governments and key sectors in the global public sphere. The following list and short explanations serve as a useful guide to the larger debate. This section concludes with two alternative paradigms that have been contrasted with the dominant trade liberalization model.

4.1 The key issues in current trade negotiations

- **Market Access** This is an issue for both Northern and Southern governments. As we saw in the historical review above, access to Southern country markets for U.S. and European Union (EU) exports was a key motivation first for SAPs and later for trade negotiations. On the other hand, the asymmetry by which Northern countries currently rely on a range of non-trade barriers (NTBs) to offer greater protection to their home markets than Southern countries are permitted for theirs, has turned market access to Northern markets, for Southern exports, into a central rallying cry of the current round of negotiations. This was one of the key points of consensus that united the so-called "G-20" which included a number of large Southern agroexport powers—like Brazil, China, South Africa and India—in their blocking of new agreements in Cancun. The endorsement of market access at a rhetorical level by the U.S.. and EU, combined with their unwillingness to offer hard concessions, was seen by G-20 negotiators, and the international media, as hypocritical, helping torpedo the meetings. On the other hand, it is important to understand that the G-20 and U.S./EU positions on market access are not so far off in reality. Many of the agro-exporting G-20 nations accept the trade liberalization paradigm, but feel it has be applied unfairly to date, as they have been forced to liberalize far more than Northern countries. As agroexport powers in their own right, they want the same opportunity to benefit from this pro-free trade model as the U.S. and EU. Family farm and peasant groups, on the other hand, have a different position. Grouped together in a global alliance called the Via Campesina that pools both Northern and Southern farm groups, they place greater importance on farmer access to their own domestic markets, where the vast majority of the world's farm production goes, than on export markets, and see a tradeoff between the two. Market opening helps agoexporters they agree, but point out that these are but a tiny minority of the world's farmers. On the other hand, market opening hurts the vast of majority of farmers who produce for domestic markets, as they are now subject to competition from cheap imports.

- **Domestic Subsidies** Domestic subsidies are government payments and services to farmers and agribusinesses, and are sometimes confused with domestic supports, with is a broader category that also includes mechanisms to boost crop and livestock prices, like import tariffs and quotas, and price supports. In the dominant WTO paradigm, subsidies are divided into those that potentially distort trade by paying for producing products destined for export that might not otherwise be produced—like payments to farmers on a per bushel or head of livestock basis without any limit on quantity—, and subsidies that do not distort trade. An example of the latter would be payments for soil conservation, or payments to take land out of production. The conventional wisdom on subsidies—especially the former category—is that they are the principal source of unfairness in the global system of agricultural trade. Richer countries can afford, and in fact have, vastly greater levels of subsidies than poorer countries. Thus their production is higher than it would be without these payments, and their products can be sold in world markets at lower prices, because the payments can

compensate farmers for low profit or negative profit margins. While the U.S. and EU officially endorse slashing subsidies, in practice they have been very reluctant to do so, and have often resorted to what critics and Southern governments perceive as disguising trade-distorting subsidies as non-trade distorting ones. Thus the subsidy issue has played a key role in many failed trade summits. Farmer organizations, on the other hand, and many trade economists, see the subsidy issue very differently. They point to studies showing that even if all Northern trade distorting subsidies were removed tomorrow, excessively low crop and livestock prices would still pervade global commodity markets. Just as importantly, farm groups make a critical, yet often overlooked, distinction between what might be termed "inappropriate and wasteful subsidies," and other components of public sector services and budgets that need to be maintained or boosted for legitimate environmental, economic and rural development purposes, and to maintain the fundamental viability of farming as an economic, social and cultural activity. Unfortunately, say farmers, the current tendency is to "throw the baby out with the bathwater," as legitimate government services are typically lumped wasteful practices under the rubric of subsidies to be slashed or eliminated.

- **Export Subsidies** This is another major bone of contention, but one in which apparent U.S. and EU concessions recently help re-start stalled WTO negotiations. According to WTO logic, these nations, especially the EU, have massive subsidies for exporters (largely agribusinesses and not farmers), which are heavily trade distorting. The US has long used export credits—not included in the WTO's technical definition of export subsidies—to evade the export subsidy issue and point the finger at the EU. In the 2004 July framework, however, the U.S. in principle accepted the possibility of eliminating the "trade-distorting element" of export credits–, and both the U.S. and EU agreed for the first time to place the possible elimination of all export subsidies on the negotiating table .

- **Dumping** Although there are technical disagreements and confusion over its definition, in general dumping refers to export products to third countries at prices below the cost of production, though sometimes it has been defined at prices below those in the home market. The point is that when foreign products enter a local market at prices below the cost of production, local farmers cannot compete and are driven off the land and into deepening poverty. It is thus classified as a prohibited, anti-competitive practice by the WTO. However, loopholes in the technical definitions, and costly and bureaucratic procedures for enforcement, have meant that typical anti-dumping cases are brought by the U.S. or the EU, and rarely by poorer countries, despite the widespread perception and underlying reality that the latter are the more frequent victims of dumping, especially when it comes to food and agriculture. While Southern country governments see dumping as a very important issue, they give it lower priority than market access and subsidies in the actual negotiations. This highlights a critical distinction within the broader category of farmers and an underlying difference in access to the levers of political power. Every country in the Third World is characterized

by a large number of farmers—typically but not just peasants—who produce for their domestic markets and whose livelihood is severely impaired by dumping, and a far smaller number of wealthier farmers who produce for export and who stand to gain from greater market access and cuts in subsidies in the North Thus the Via Campesina accuses many Southern governments of pandering to tiny but wealthy and politically powerful agroexport elites when they give up on anti-dumping controls in exchange for Northern concessions on market access and subsidies. A critical issue concerning dumping has to do with the specific mechanisms that cause it. While subsidies may have driven dumping in the past, more recent academic studies suggest that market concentration is far more important today in keeping crop and livestock prices down. Over the past twenty years a few companies have come to buy the bulk of what farmers produce in each of many key commodities, and they use their market power to keep the price they pay as low as possible, enabling them to turn around and dump the same products in foreign markets at prices below the cost of production.

- **Market Concentration** If we are serious about addressing the problems associated with dumping then this issue—not currently on the negotiation table—will need to be addressed. Farmer organizations are clear on this point, but to date governments have not seriously addressed it in the context of agricultural trade.

- **Special and Differential Treatment/Special Safeguards** Most governments in the South argue that the WTO has not lived up to the commitment in its charter to make "positive efforts" to ensure that developing countries, and especially the poorest countries, known collectively as the Least Developed Countries (LDCs), receive some benefit from the global trading system. They demand that poor countries receive "special" and "differential" treatment to compensate for their disadvantages. The G-33 countries call for what used to be a "Development Box," which is the ability for poorer countries to designate "Special Products" (SPs) whose protection from cheap imports is critical for economic and rural development, food security and anti-poverty objectives. They would not be required to cut tariffs on such agricultural products. They also call for a "Special Safeguard Mechanism" (SSM), which would allow them invoke special tariffs if there were major import surges in any product, "special" or not, that threatened their domestic economy. The G-90 countries, a coalition of African, Caribbean, Pacific and LDC countries, support the G-33 position on SP/SSM, and also the G-20 position on market access and Northern subsidies. The US and EU, along with a number of others, already have access to a special safeguard – while most developing countries do not currently have this right. The US would not fight to continue this provision, but won't give it up unless it can use it as a bargaining chip to gain advantage elsewhere. Farmer organizations criticize the Development Box or SP/SSM position for being too weak, and for essentially accepting the trade liberalization paradigm, albeit with some fine tuning.

- **Other Issues that Impact Food and Agriculture** Though they are not dealt with in depth in this paper, there are a number of other polemical issues on the bargaining table in trade talks that also affect agriculture and rural areas. One such area is food quality and safety. The U.S. position, backed by WTO rules, is that while countries can discriminate against dangerous products based on "sound science," such discrimination can only apply to the final product itself and not the process used to produce it. Both the "science" issue and the "process" issue have caused friction. The U.S. claims that the "precautionary principle" backed by other countries to discriminate against products whose health and environmental safety are still largely unstudied—like genetically-engineered (GE) foods, or beef produced with growth hormones, is not "science based" because "scientific evidence" is still lacking. We imagine a hypothetical case where "scientific evidence" were to appear that showed that GE foods were not a consumer risk, but *were* an ecological risk where the engineered crops or livestock were grown. In such a case, the U.S. might well fight against discrimination on that basis because it would be based on the production process and not on the final product itself. Another wedge issue, this time between the U.S. and EU on the one hand, and the Third World on the other, is that of Intellectual Property Rights (IPRs), which are addressed in the Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement in the WTO,. Negotiations related to the TRIPs Agreement are conducted separately from the agriculture negotiations. TRIPS imposes US-style patent protection on the rest of the world, which in agriculture means "plant variety protection," and forces farmers everywhere to pay royalties for using crop varieties patented by foreign corporations. While Third World governments have largely accepted TRIPS at the rhetorical level, they are engaged in a massive passive resistance comprised of foot dragging on the national legislation required to make the agreement operational. In general, family farm, peasant, environmentalist, consumer, indigenous, and labor organizations worldwide back the precautionary principle and oppose TRIPS.

4.2 Dumping and Subsidies: Unraveling the Confusion

Dumping is what is driving millions of farmers off the land throughout the Third World and into urban slums and international migratory streams. It causes the low crop prices that make earning a livelihood off the land increasingly impossible.[11] It is also illegal under well-established international rules. Yet because of the way these rules are written, they are virtually unenforceable when the complainant is a poor country. First, countries must have domestic legislation that makes dumping illegal. Many developing countries do not have such legislation. Second, the businesses (or farmers) affected must follow that domestic law, which usually implies showing harm to the sector as a whole— a daunting challenge when the sector is comprised of a million or more smallholders. Third, the government must then establish whether harm has in fact been done, often a difficult task when reliable and timely statistics are not maintained. When the affected population is spread out over a national territory and not effectively represented, it is even harder. The evidence must ultimately be able to satisfy an WTO panel

investigation, in case the exporting country complains when anti-dumping duties are imposed. Fourth, political realities work against even filing cases. As IATP argues:

> Underlying these technical problems is the political reality of the multilateral trading system. When the ultimate threat is the imposition of sanctions – the suspension of trade – then the tool is a lot easier to apply when the U.S. challenges Bangladesh than vice versa. Just under half of Bangladesh's exports are destined for the USA; this isn't a trade relationship Bangladesh can afford to jeopardize. This dependence is of course not reciprocal, leaving the U.S. with considerable leverage over what trade policy course Bangladesh follows.[12]

By far the best estimates available of the degree of dumping in global markets come from the work of IATP.[13] According to their most recent data, in 2002 US exports continued to be sold at average prices well below the cost of production.[14] For example:

- Wheat was exported at an average price of 43% below cost of production;
- Soybeans were exported at an average price of 25% below cost of production;
- Maize was exported at an average price of 13% below cost of production;
- Cotton was exported at an average price of 61% below cost of production;
- Rice was exported at an average price of 35% below cost of production.

While dumping is in fact the number one problem of the current international trade regime in farm products, the media continues to focus on US and EU subsidies. The confusion over subsidies and dumping has intentionally or unintentionally extended to the Cairn's group nations, by the G-20 negotiating bloc, and by entities and people as diverse as the World Bank,[15] Oxfam, Jacques Diouf of FAO, Kofi Annan (head of the UN), the Wall Street Journal, and leading mainstream economists.[16] A lot of confusion and media hype has been associated with a widely circulated estimate of $300 billion per year in wealthy country subsidies, a figure popularized by the New York Times in the famous 2003 'Harvesting Poverty' series.[17] However this figure is a major overestimate, as it conflates direct government payments with categories of what are more correctly called "supports," like the dollar value to farmers of policies that raise consumer prices, but which involve little or no government payments and actually raise rather than lower prices. [Note that farm policy in most countries is a mixture of wildly contradictory policies]. The correct figure for actual subsidies is no more than 30% of the $300 figure.[18]

While dumping is what it makes it impossible for Third World farmers to compete in their own home markets—it is *not* today largely caused by subsidies. This may not be immediately obvious, as statements about, for example, 'subsidized American maize flooding into Mexico undercut peasant production' make such logical sense. Yet blaming subsidies for low commodity prices is actually to reverse cause and effect. Especially after the 1996 and 2002 US Farm Bills, and the 2003 reform of the Common Agricultural Policy (CAP) in the EU, subsidies are largely *triggered* by low prices, in the form of emergency payments, counter-cyclical payments, non-recourse loans, etc.

Emergency payments are given to farmers when price fall so low that an economic emergency is declared in rural areas. Counter-cyclical payments are designed to counter the normal "hill and valley" cycles of rising and falling crop prices by filling in the valleys, kicking in when prices drop below average levels. Non-recourse loans essentially set a floor price—and if prices fall below that level, the government is forced to buy the crop, making up the difference with cash outlays. In all three cases government outlays go up in response to falling prices.

In other words, when farm prices rise, subsidies drop, and when prices drop, subsidies rise. The cause is the price, and the effect is the subsidy. Widely circulated economic simulation models run by Daryll Ray, Daniel De La Torre and Kelly Tiller at the University of Tennessee, [19]as well as models run by others,[20] clearly show that even the complete removal of subsidies would not have any significant effect of raising chronically low farm prices, which are typically below the cost of production for most farmers, for most products, in most countries, and in most years. So while the current US and EU subsidy systems are clearly misguided and unfair, and absolutely must be reformed, (see Box 2, p 27), they are *not* the root of the problem.

What then is the true cause of farm prices so chronically low that farmers cannot survive anywhere, North or South, without compensatory subsidies? Over the past twenty years concentration in the control over agricultural markets has reached levels that most mainstream economists in both developing and developed countries would consider excessive by almost any measures. Many of the world's best analysts of commodity prices believe that these high levels of concentration affect prices.[21] Clearly integrated agri-food conglomerates have a vested interest in paying as little as possible for their raw materials (crops and livestock), which charging as much as they can to consumers.

Some examples from the US give an idea of the degree of concentration that exists today:[22]

- Four companies (Cargill, Cenex Harvest States, Archer Daniels Midland, or ADM, and General Mills) own 60% of terminal grain handling facilities.
- Three companies (Cargill, ADM, and Zen Noh) carry out 82% of corn exporting.
- Four companies (Tyson, ConAgra, Cargill, and Farmland Nation) concentrate 81% of the beef-packing industry.
- Four companies (ADM, ConAgra, Cargill, and General Mills) own 61% of flour milling capacity.

These companies seem to be significant beneficiaries of the current system of market access and subsidies. They and others like them are able to buy cheap in the US and the EU, and thus undercut local producers at dumping prices in markets around the world. While it this degree of market concentration that is behind keeping crop and livestock prices low, subsidies do play an indirect role in that they allow the system to persist. They make it possible for the suppliers (large farmers in the US and EU) of these companies to keep supplying them, despite receiving prices below their costs of production.[23] Large growers are compensated with direct payments for producing at such

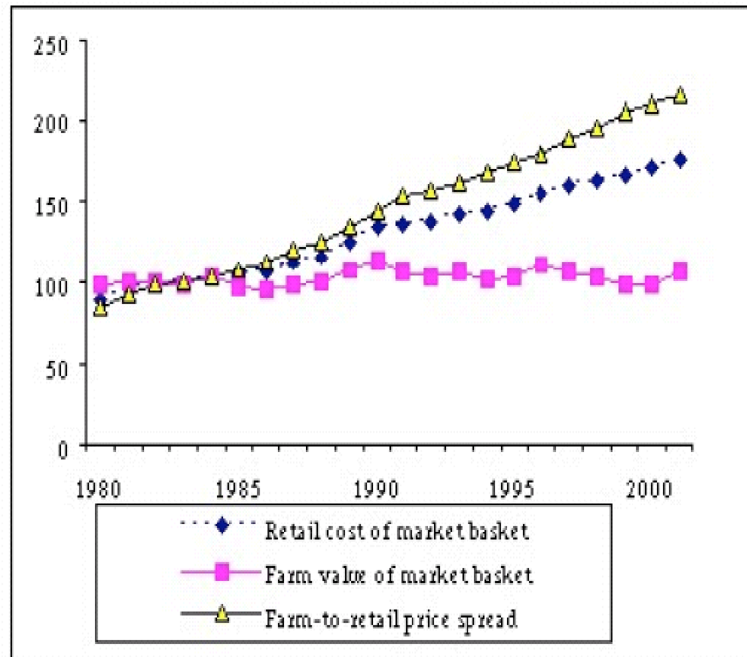
low prices, while family farmers, the vast majority, get virtually nothing (see Box 2, p27), and many are driven out of business. Sadly, not only does this system make it hard for Third World farmers who produce these commodities to compete in their own local and national markets, but low prices and subsidies skewed toward the largest farmers combine to hurt most American farmers as well. One might say that these prices reflect 'internal dumping' for America's family farmers, as prices have fallen on the internal US market by an average of 40% since 1996.[24]

In just five years, from 1997 to 2002, the U.S. lost more than 90,000 farms of less than 2,000 acres, while farms above 2,000 acres increased by more 3,600, according to the U.S. Department of Agriculture, as cited by IATP. [25]

As the IATP analysts put it:

> While the U.S. government has put in place support programs to make up some of the income farmers lose from low prices, it is seldom enough. Larger, corporate farms receive the bulk of subsidy payments. In the US, the steady erosion of independent family farms, the near-necessity of off-farm income to ensure a farm family can continue to farm, and the decline in net farm income, all point to the cost of policies that facilitate the sale of commodities at less than cost of production prices.[26]

Figure 1. Index of farm-to-retail price spread for a market basket of food items in the United States. Source: USDA-ERS, http://www.ers.usda.gov/Data/FoodMarketIndicators/default.asp?'



Consumers do not benefit from these low farm prices either, as is shown by the U.S. farm-to-market price spread in Figure 1. The price spread depicts the ratio of retail to farm prices, and a rising index means that consumers pay more while farmers earn less, demonstrating the "buy cheap and sell dear" capability of the food industry.

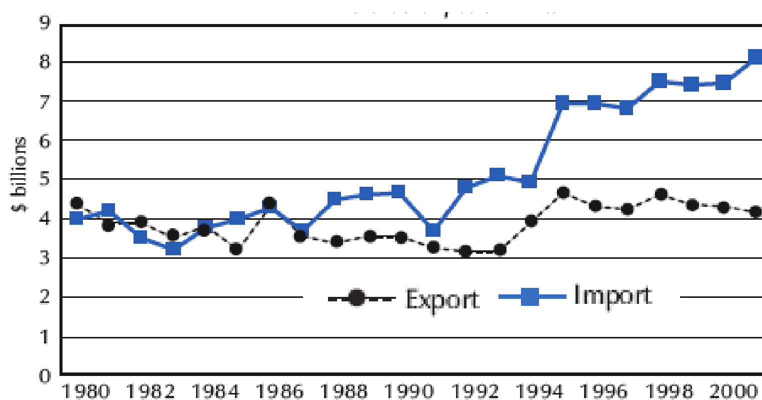
5 The Impacts of Liberalized Agricultural Trade

Liberalized agricultural trade, like liberalized trade in general, is meant to boost economic growth. Yet at the level of national economies, the idea that trade liberalization and openness actually lead to economic growth in practice has come under increasing attack in recent years.[27] At the broadest scale, studies conducted at the Center for Economic Policy Research in Washington reveal that rates of economic growth in the South have been much lower during the decades of liberalization (from the mid-1970s on) than in prior decades (the earlier part of the post-war period). They also project the likely gains and losses to the South from further liberalization, and find that the South would gain much less from market access in the North than it would lose from giving up more access to its own markets.[28]

A recent empirical study published in the prestigious Journal of Development Economics shows that, on the average, greater market opening in the South has been associated with less economic growth. More specifically, the studies show that tariffs and non-tariff trade barriers can actually help promote growth in poorer countries, while removing them can impede growth, as domestic enterprises markets are undercut by cheap imports.[29] .

On the specific subject of trade in food and agricultural products, data from the United Nations Conference on Trade and Development (UNCTAD) shows that trade liberalization, and the dumping of farm products that inevitably follows, has generated a growing food deficit in LDCs, as shown in Figure 2. The excess of exports over imports is a good proxy for the impact on the livelihoods of local farmers, who are typically squeezed out of their own national markets for food, markets they once dominated in the past, thus deepening the social and economic dimensions of the rural .

Figure 2. Food exports and imports of Least Developed Countries (LDCs), 1980–2001. After UNCTAD, 2004.



The Food and Agriculture Organization (FAO) of the UN documented the experiences of 16 developing countries with the implementation of the WTO's AoA and other Uruguay Round (UR) agreements affecting agriculture.[30] When markets were opened, in most cases food imports flooded in. Country after country experienced import surges that were damaging to competing domestic farming sectors. Also typical was that while countries experienced expanded imports, they were largely unable to compensate by increasing their own export earnings, thus leaving them in a weakened and more dependent position. What has often happened is that exports have gone up in volume, but prices have dropped so much that developing countries are selling more to

stand still – they are not generating any more foreign currency with the sales. So they cannot finance the rising import bill.

5.1 Alternative Paradigms

Two significant alternatives to the agricultural liberalization paradigm have been put forward, both with significant impacts. These are:

- **Multifunctionality** According to this concept,[31] agriculture is not just about producing tradable commodities, but rather has multiple functions in society. It is also about preserving landscapes and protecting farm livelihoods and rural traditions, and it is about food security, and thus deserves special consideration in trade agreements, according to the proponents of this concept.[32] Multifunctionality was originally championed by the EU, in part as a way to justify maintaining subsidies for European farmers. The EU sought an alliance with the Third World nations on this concept, but the U.S. and Cairn's Group (a bloc of major agroexporting countries) successfully argued that the EU was guilty of defending its own farmers while subsidizing exports that undercut farmers elsewhere, thus blocking support for this concept from Southern nations. Of course cheap agroexports from the U.S. and Cairn's also damaged the ability of other farmers to make a living, but nevertheless the EU eventually stopped talking about multifunctionality. But the concept is still defended by another group of allies, the G-10 countries, who are mainly relatively developed countries like Taiwan, South Korea, Norway and Switzerland, who are not significant agroexporters but who have major small farmer-based rural economies. They defend, among other things, the economic and cultural integrity of their rural regions, and value their countryside and food quality highly. They are also concerned with price fluctuations. For Japan, Korea and Norway, whose food is largely imported, food security is regarded as a public good. To them it would be unacceptable to make their food supply totally dependent on the vagaries of the international market, or on political or economic pressures. The irrigated rice countries, like Japan and Korea, additionally stress the relationship between agriculture and the environment through the paddy landscape. According to the G-10, these considerations justify an active role for government in the regulation of externalities and in the production of public goods, and these concerns have made the G-10 into a minor yet significant player that played role in the Cancun collapse.

- **Food Sovereignty** At the 1996 World Food Summit in Rome, family farm and peasant organizations from around the world, most of them members of Via Campesina, proposed the concept of "food sovereignty" as an alternative paradigm in which to frame issues about food and agriculture. Since that time the concept has gained tremendous popularity and echo in civil society sectors of nations both North and South, and has been developed into a holistic and internally coherent alternative framework.[33] Like the concept of

multifunctionality, it is based on the special nature of agriculture (as compared to industry, for example). Food Sovereignty proponents argue that food and farming are about more than trade, and that production for local and national markets is more important than production for export from the perspectives of: broad-based and inclusive local and national economic development, and for addressing poverty and hunger, preserving rural life, economies and environments, and managing natural resources in a sustainable fashion. They argue that every country and people must have the right and the ability to define their own food, farming, and agricultural policies, that they need to have the right to protect domestic markets, and to have public sector budgets for agriculture that may include subsidies which do not lead to greater production, exports, dumping and damage to other countries. They believe low prices are the worst force that farmers face everywhere in the world, and therefore that we need to effectively ban dumping, to apply anti-monopoly rules nationally and globally, to effectively regulate over-production in the large agroexport countries, and to eliminate the kinds of direct and indirect, open and hidden subsidies that enforce low prices and overproduction. In other words, that we need to move from mechanisms that enforce low prices to those that would promote fair prices for farmers and consumers alike. This alternative model also includes agrarian reform, equitable local control over resources like seeds, land, water and forests, and is opposed to patenting seeds. The food sovereignty approach is being taken increasingly seriously by researchers and other experts,[34] and forms the basis for collaboration between the Food and Agriculture Organization (FAO) of the UN and farmer groups and other civil society actors, announced by FAO Secretary General Jacques Diouf at the 2002 World Food Summit.[35]

6 Policy Alternatives for a Different Agriculture

If we read the trend lines correctly, trade liberalization in general appears to be part of a larger process that is taking us farther away from the kind of food and agriculture system most people might wish, one which:

- Provides every one of us with adequate, affordable, healthy, tasty and culturally appropriate food.
- Offers rural peoples in each of our countries the opportunity for a life with dignity, in which they earn a living wage for their labor and have the opportunity to remain in rural areas if they prefer not to migrate to cities.
- Contributes to broad-based, inclusive economic development at the local, regional and national level.
- Conserves rural environments and landscapes, and rural-based cultural and culinary traditions, based on the sustainable long-term management of productive natural resources (soils, water, genetic resources and other biodiversity) by rural peoples themselves.

Rural peoples are more and more being forced by economic necessity to abandon the land and seek their fortune in peri-urban slums and shanty towns, or join the global migrant stream. Rural economies are in a state of economic collapse, from Iowa to Africa, and agriculture contributes ever less to local, regional and national economic development. Rural environments are being rapidly degraded, soils compacted, eroded and poisoned with pesticides, and stripped of biodiversity.

To counter these challenges, concrete policy options are needed that put into practice the ideals expressed in the alternative paradigms of multifunctionality and food sovereignty. Toward that end, a good number of mostly complementary proposals have been made. They are mostly complementary in the broad sense, because they overlie serious differences of opinion over whether the proper forum to achieve them is in the WTO and other trade agreements, or in some other set of already existing and/or to-be-created venues.[36] A remarkably broad global coalition of groups is coalescing around some or all of these options. They include organizations of family farmers, peasants, indigenous people, trade unions, consumers, policy institutes, academics and others. What follows are brief summaries of the most salient proposals.

6.1.1 Market Access and Protection: Stop Dumping

When poorer countries are obliged to give more foreign access to their domestic markets than richer countries provide for them, most observers consider the system unbalanced and unjust. Once they open their markets they become susceptible to dumping. Most actors seem to agree, at least rhetorically, that ending dumping should be a goal of international negotiations in agriculture. Several steps can be taken to make this a reality.[37]

First, we need to eliminate visible and hidden export subsidies as quickly as possible, though that is not as easy as it sounds. In theory this is agreed upon even by governments in the WTO, while in practice there are myriad ways these subsidies are disguised and hidden (see Appendix 1). A possibly simpler approach would be to ban international trade in farm products at prices below the cost of production (costs plus a return to farm families that is sufficient for a living wage). This will require the creation of clear guidelines for full-cost accounting of commodity production. Some international agency will have to develop a methodology and publish the results, establishing a baseline for costs of production in each exporting country to be used to determine whether dumping is taking place. Such a methodology should take into account all input and general subsidies, as well as indirect subsidies such as the subsidized cost of feed grains for meat and dairy products.

Second, because full compliance is unlikely, all countries must be permitted a broad range of options to protect themselves from dumping. For example, all countries should be allowed to impose countervailing duties or take other protective measures if agricultural exports from other countries are being dumped at less than cost of production prices. Furthermore, to protect food security and family farmer/peasant livelihoods,

countries should be able to protect any key food crops without having to prove dumping is taking place.

Third, experience tells us, nevertheless, that it is hard for politically weaker countries to impose countervailing duties to protect themselves from the dumping practices of powerful countries. The world trading system is based on profound asymmetries of political and economic power. To effectively end dumping will require complementary policies inside the United States, the European Union, and other major agroexporters. These must be policies that ensure that export prices capture the full cost of production, including the cost of marketing and a reasonable profit. In the United States, where domestic and world prices are pretty much the same, this could be done by reestablishing a floor price for crops. This would function much as a minimum or living wage law would, forcing corporations that want to buy commodities from farmers to at least match the floor price offered by government. If this price is set at least at the cost of production plus a fair profit, it would ensure that commodities are not placed on the market at dumping prices. A significant side benefit for the US farmers would be to guarantee them fair prices for what they produce.

6.1.2 Supply Management: Regulate Overproduction

Perpetual global over-production is a mutually reinforcing, downward spiral for the world's farmers, as they struggle to produce more and more to compensate for lower and lower prices, matched against the ever higher production costs of the industrial farming model. A relatively small number of agroexport powers, led by the U.S. and EU, are responsible for most of the over-production. It is notable that the major coalitions exclusively for family farms in both the U.S. (the National Family Farm Coalition) and in Europe (European Farmers Coordination)—both are members of Via Campesina—call for return to supply management policies, not just on a national level, but internationally as well (see Box 4, p30).

Clearly, regulating production runs counter to market fundamentalism. Yet we are a far cry from the Adam Smith vision of free markets when we have such high levels of market concentration, which economists agree severely distort market signals. Farm organizations want to get out of the downward spiral they find themselves in, and are crying out for sensible regulation.

To do this requires two steps.[38] The first is to reinstate improved production-limiting policies for key crops in the US and the EU. The only proven ways to reduce production in the North are production quotas and taking land out of production, while reinstituting public management of surpluses—for the public good—and prices . There must be some sort of mechanism which keeps agribusiness from seizing effective, even if indirect, control of the surpluses, and which involves both government and family farm representatives in planning and decision-making. Farmer-owned reserves will most likely need to be a central part of the system. Good models to learn from—not copy—exist, one of them being the Canadian Wheat Board. Added benefits include encouraging

soil conservation, the ability to re-direct domestic supports away from corporate farms and toward family farmers, improving incomes for family farmers, and even reducing subsidies, since many are the result of low prices. This is an area in need of further study.

Ray et al. ran simulations for an alternative U.S. policy scenario based on a combination of (1) acreage diversion through short-term acreage set-asides and longer-term acreage reserves, both of which take land out of production; (2) a farmer-owned food security reserve; and (3) price supports.[39] They found that such a program would lead to a net reduction of $10-12 billion per year in US farm subsidies, though it would only boost the crop prices farmers receive by a moderate). The overall finding from this study is that subsidies are not having much impact on prices (although cotton is something of an exception). But the critical conclusion from their analysis is by taking a step away from "free" markets we can greatly reduce the cost to tax payers of subsidies and provide a sold basis for greater family farmer competitiveness.

The second required step is to correct structural oversupply at the global level with international supply management agreements. Farmer organizations (see Box 5) and others call for close study of the old commodity agreements under the United Nations Conference on Trade and Development (UNCTAD), which were the pre-Uruguay Round mainstay of international trade regulation. While the International Coffee Agreement, for example, was riddled with problems, coffee farmers were incomparably better off before its collapse than they are now. Nevertheless, the collapse of many of these agreements was due not so much to their internal weaknesses, but to the withdrawal of the political support of developed countries.[40] The study of these agreements and how to improve them must be taken up urgently.[41]

6.1.3 Market concentration: A return to anti-trust enforcement?

Reducing the market concentration of agribusiness conglomerates may well need to be the first step. Note that the Ray et al. study found that a lot of taxpayer money could be saved with supply management, but that farmer prices would nevertheless remain low. That is because they left the concentrated structure of agriculture markets intact in their alternative scenario.

Not only is the ability of large conglomerates to fix prices a key driving force behind low farm prices *and* high consumer prices, but their size gives them the political leverage to 'bend' government trade negotiators to their will. Without weakening their grip on markets and political power, few of the changes proposed here would be possible.[42]

Unfortunately the WTO negotiations on "competition policy" are focused on breaking the power of state enterprises to intervene in prices, rather than on the power of TNCs to collude to fix prices. These are the very state enterprises that once provided a floor price to peasant producers in the Third World, and that have been cut back or outright privatized by structural adjustment and trade agreements. Farmers need such bodies—albeit less corrupt ones than their defunct predecessors—so the WTO approach is completely wrong-headed. What is needed is a global competition policy directed at the

main purveyors of damaging anti-competitive practices: agribusiness oligopolies. This is not to say that that the WTO would be the correct venue for such a policy, rather it is say that we urgently need one.

The place to begin is with active enforcement and application of existing anti-trust and anti-monopoly legislation in the US, EU, and in the many other countries that have similar laws on their books. Once again, this is not as easy at it sounds. While the US is widely seen as model country for anti-trust legislation, enforcement has been progressively weakening in recent decades. Statistics reported by Sophia Murphy of IATP show that from October 1994 to September 1996, the USDA Grain Inspection and Packers and Stockyards Administration (GIPSA) received over 2,000 complaints of violations of GIPSA rules. GIPSA estimated that 800 of the complaints pointed to a clear violation of the law, yet due to chronic funding, staffing and training shortages, only 84 cases were investigated. Of these, only three were put forward for enforcement actions.[43]

Such laws are only enforced as the result of mass movements. The great trust-busting of the late 1800s and early 1900s was driven by a mass movement of American farmers, and many of the big trusts of the time (railroads, meat-packing, petroleum, sugar, tobacco) were busted.[44] Once again, in today's world, we see farmer organizations taking the lead in calling for the regulation of the conglomerates they feel are strangling them. This time we also need the international review of multinational mergers and acquisitions as part of our multilateral machinery, so as to ensure that developing countries' food needs are not sacrificed to multinationals' interest in profits. Perhaps a global anti-monopoly agency is in order.

6.1.4 Public Sector Budgets: Subsidy is Not a Bad Word

We need to remember the distinction made by Via Campesina and other farm groups among inappropriate and wasteful subsidies and necessary, legitimate public services and funding rural and economic development strategies. Unfortunately they have all been tarred with the brush: "subsidies are bad."

Farmer organizations worldwide insist that farmers need many things from public sector budgets, including credit, marketing assistance, supply management, price supports, research, extension, education, roads, infrastructure, access to productive resources, environmental protection, pesticide regulation, anti-trust enforcement, etc. The list goes on. It is safe to say that no country currently considered "developed" got that way without government supports for agriculture, and no family or peasant farmer anywhere in the world who is "well off" does not benefit in some way from such supports. It is urgent that we stop labeling "subsidies" as a bad word. The issue is what kind of subsidies, for what, and given to whom. This must be the subject of national dialog and society-wide priority setting in each country, as each country is different. The key at the international level is to effectively ban all direct and indirect, open and hidden, subsidies in the major agroexporting nations that support or boost production increases and/or exports, but to clearly and unambiguously permit other, positive kinds of subsidies and public sector budgets.[45]

6.1.5 IPRs and Other WTO Issues that Impinge on Agriculture

While this paper has focused on the agricultural trade and subsidy issues contained in the AoA framework, that should in no way suggest that there are not many other aspects of the WTO and other trade agreements that impinge upon food, agriculture, and the livelihoods of rural peoples. Trade agreement clauses on competition, investment, government procurement and many other areas of life all also have critical impacts. But perhaps the most notable aspect that is beyond the general purview of this report, is that of Intellectual Property Rights (IPRs) and patents on life, which in WTO parlance is contained in the TRIPS (Trade-Related Aspects of Intellectual Property Rights) agreement. This is where the controversies over biopiracy (i.e. when TNCs patent traditional crop varieties) and genetically engineered (GE) crops and livestock come in. Most of the civil society actors active on trade issues have strong positions against patents on life and in favor of the right of nations to use the precautionary principle when it comes to GE organisms and foods.[46]

6.1.6 Venues and Forums: WTO Out of Food and Agriculture?

As alluded to above, there is considerable discussion as to whether any of these alternatives can be obtained in the context of WTO or other trade agreement negotiations. Noted globalization theorist Walden Bello has argued convincingly that the WTO is not the venue in which to regulate corporate activity, or to achieve anything other than trade liberalization of an asymmetric, pro-US/EU variety.[47] The Via Campesina has made "WTO out of food and agriculture" its rallying cry, backed by family farm and peasant organizations worldwide. The WTO (and other trade agreements) is by nature designed

from the ground up to favor the removal of barriers to trade, rather than its regulation in the public interest, and its non-transparent, anti-democratic, superpower-dominated mechanisms are unlikely to make anything else possible.[48] Bello and others suggest a strategy of reducing the purview of the WTO, while simultaneously trying to revive certain instruments of the more democratic United Nations system, like UNCTAD, the International Labor Organization (ILO) and in this case, the FAO.[49] Via Campesina and allied organizations and movements call for a new dialog on the future of food and agriculture centered on the FAO, UNCTAD and the ILO (see Box 5).

At the national level, key venues include the Farm Bill process in the US, the CAP reform process in the EU, and national farm policy setting mechanisms in all countries. In the US the National Family Farm Coalition has proposed an alternative Farm Bill that would meet the objectives outlined about,[50] and in the EU the European Farmers Coordination has proposed such an alternative CAP reform.[51]

6.2 Potential Stumbling Blocks

As Tim Wise has said,[52] these measures face many obstacles, most notably the concerted opposition of the powerful corporations—and their government allies—that currently benefit most from the global trading system in agriculture. Yet these proposals offer a number of advantages,that make them at least as plausible as the notion that we could really eliminate Northern farm subsidies.

First of all, these alternative proposals make natural allies of farmer and peasant groups around the world, North and South, East and West, as has been amply demonstrated by Via Campesina. They also lay the initial groundwork for broader coalitions and alliances within national and global civil society. They could provide a common ground for many Third World and G-10 governments, were it possible to wean them from agribusiness and agroexport influences. They infringe less on national sovereignty, allowing countries to choose the measures they prefer for the food and farming systems they want, as long as such policies do not lead to export dumping, and they could be a lot cheaper in terms of tax payer dollars spent on farm subsidies, with much better outcomes for most of society.

BOXES

Box 1. Agriculture is Gumming Up the Works: Key Recent Events[53]

A lot of media attention, public debate, and protest has been focused on trade negotiations in recent years, especially surrounding the series of key events summarized here. It is notable among all the controversy and failed summits, how central a role in gumming up the works has been played by differences over agricultural trade issues. Food and agriculture have proven to be the most significant stumbling blocks along the way to re-structuring the global trading system.

1994—NAFTA enters into effect

January 1, 1994, marked the entry into effect of the North American Free Trade Area (NAFTA), a treaty that integrates the economies of Canada, the US and Mexico. In many ways NAFTA is the model trade agreement, including, as do other agreements, directly trade-related issues like import tariffs and quotas, but also many less directly trade related issues like investment, and competition between domestic and foreign firms. NAFTA is the model of what the US and the EU are seeking—but have not yet achieved—in the World Trade Organization (WTO), of what the US wants from the proposed Free Trade Area of the Americas (FTAA), and of what the US has achieved in more recent bilateral and regional agreements with Chile, Central America (CAFTA), and others. NAFTA is often considered to be the 'laboratory' in which to study the anticipated effects of agreements that are still being negotiated (WTO, FTAA) or have just been signed (CAFTA). While NAFTA did open Mexico to a wave of foreign investment, it has been its negative impacts on rural peoples that have most thrown trade liberalization into question. Most spectacularly, January 1st, 1994 was also marked by the rebellion of the Zapatistas in Chiapas, Mexico, who called NAFTA "a death sentence to the indigenous people of México" because of its anticipatedconsequences for poor farmers.

1999—The WTO Seattle Ministerial

The 3rd Ministerial of the WTO was held in Seattle in 1999, and saw massive demonstrations with tens of thousands of people taking to the streets against the policies of the WTO. This was the key event that put the issue of the impacts on globalization in the public eye. The Ministerial was to supposed to launch negotiations to renew the Agreement on Agriculture and intellectual property rights (essentially extending US-style patents and copyrights around the world), among other topics, but the talks collapsed as the combined result of differences between the US and EU on agriculture, between the North and the South on issues of the transparency of the process itself as well as differences on agriculture and intellectual property (in fact 77 countries walked out on the last day), and the street demonstrations.

2001—The WTO Doha Ministerial

The 4th WTO Ministerial was held in 2001 in the Persian Gulf State of Qatar—a country that does not allow significant public protest or demonstrations. Once again the negotiators reached no specific agreements, though the start of the "Doha round" of negotiations was declared. In this new "Development Round" the South agreed to consider adding "new issues" to the WTO agenda—expanding its mandate to less directly trade related topics—in exchange for the North agreeing that the WTO should give more attention to the concerns of the South that trade liberalization as practiced so far was already damaging their national economies (i.e. there should be more options for "special and differential" treatment for poor countries).

2002—FTAA Negotiations in Quito

Between Doha and the 5th Ministerial, held in Cancún, Mexico in September 2003, no significant progress was made in negotiating any outstanding issues, not in the WTO nor in the other major forum of trade negotiations, the proposed Free Trade Area of the Americas (FTAA). In 2002 in Quito, Ecuador, agricultural trade issues, accompanied by massive street protests by organizations of farmers and indigenous people, blocked significant advances in negotiations toward the FTAA. After failing to reach agreement with Latin American trade ministers in Quito, U.S. Trade Representative Robert Zoellick said that if the USA could not get what it needed from the FTAA negotiations, it would get it in the WTO.[54]

2003—The WTO Cancún Ministerial

Yet the Cancún WTO Ministerial collapsed just like Seattle, again stumbling over agriculture and again marked by massive street protests and the self-immolation at the barricades of Korean farm leader Mr. Lee Kyung-Hae.[55] Cancún also marked the emergence of new Southern country negotiating blocs, most famously the G-20 group of countries with large agroexport potential, and the G-33 and G-90 blocs of less powerful Third World nations.

2003—Scaling back the FTAA in Miami

Following a scant two months after Cancún, widespread intransigence by Latin American governments, mostly around agriculture, essentially brought the FTAA as previously conceived to a halt. In a face-saving move, the US was forced to go along with heavily scaled-back plans for what the international media quickly called "FTAA-lite."[56]

2003-2004: A wave of smaller trade agreements

At the end of the Cancun meeting, Mr. Zoellick presaged the next stage of trade negotiations, when he said that "the key division at Cancun was between the can-do and the won't-do [countries]. For over two years, the U.S. has pushed to open markets globally, in our hemisphere, and with sub-regions or individual countries. As WTO

members ponder the future, the U.S. will not wait: we will move towards free trade with can-do countries."[57] Thus in the immediate aftermath of Cancún, both the US and the EU signed a number of bilateral and regional agreements with more "pliable" governments (i.e. the CAFTA with Central America) in lieu of progress in the WTO or the FTAA.

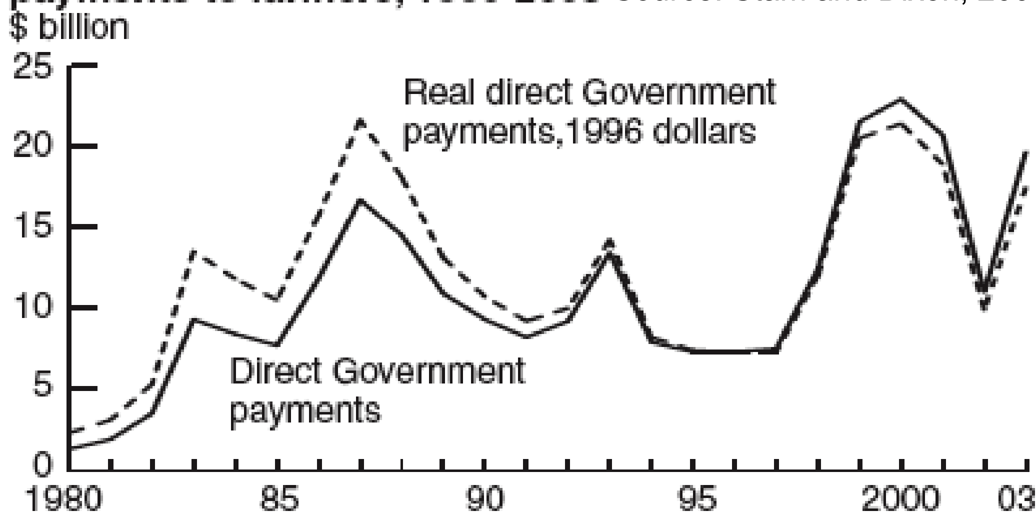
2004—A July breakthrough for the WTO?

Then, in July of 2004, the WTO member nations took up negotiations again on a "framework" for talks leading up to the expected 6th Ministerial to be held in 2005. The "July framework," which was actually announced in August, was widely hailed as a breakthrough, as the South agreed to re-start negotiations on agriculture and other issues in exchange for promise by the US and the EU to cut some of their subsidies. However, many observers question the extent to which any real progress toward changing the most damaging features of the current system was made, despite the hype (see main text for more details).

Box 2. Farm Subsidies: Who Gets Them?

In both the United and the European Union, farm subsidies mostly go only to the largest and wealthiest farmers, who in many cases are not farmers at all, but rather companies. In both cases they function to compensate farmers for low crop prices, so that instead of decreasing the area planted to a given crop when the price drops, larger farm operations maintain or even increase the area planted. The result is to short circuit the normal tendency toward reduced area which would otherwise lead prices to rise again. Instead, there is nothing to keep prices from falling and falling, which is exactly what they have done.

Figure 1. Direct Federal Government farm program payments to farmers, 1980-2003 Source: Stam and Dixon, 2004



In the United States, farm subsidies totaled US $114 billion between 1995 and 2002, an average of US $ 14.25 billion per year (see Figure 1). Of that total, about 80% went to support the incomes of mostly crop, and some livestock farmers. Another 12.5% was in the form of so-called "conservation programs" (which vary in the extent to which they really achieve conservation objectives), and some 7% was paid out in disaster programs due to bad weather.[58] While the wealthiest 10% of growers received some 61% of the subsidies (see Table 1), 60% of farmers received nothing at all, finding themselves mired in debt as a result of low prices and high production costs (see Figure 2).

In 2002 the U.S. approved a new farm bill, the so-called Farm Security and Rural Investment Act, which extended the basic U.S. subsidy system for another ten years, at an estimated cost to tax payers of US $190 billion. Coming as it did while the world was enmeshed in negotiations over farm trade, this was widely seen as a slap in the face of Third World governments.[59]

Table 1. Increasing concentration of U.S. farm Subsidies.

Year	**Percent of total payments to the top 10% of operations**
1995	55%
1996	59%
1997	56%
1998	59%
1999	61%
2000	65%
2001	67%
2002	65%
1995-2002 average	**61%**

Source: Environmental Working Group[60]

Figure 2. Total farm sector debt compared with net cash farm income, 1960-2003

Source: Stam and Dixon, 2004

In the European Union, the distribution of subsidies is not much better than in the USA. An estimated two-thirds of total subsidies go to the biggest and richest 20% of European farms,[61] allowing an estimated 120,000 mostly family-sized farmers per year (more than 2,000 per week) to lose their farms due in large part to low prices.[62]

Box 3. Who Negotiates Agricultural Trade?

It is interesting to ask who negotiates all agriculture trade agreements and policies on behalf of the U.S. government, in venues like the WTO, NAFTA and FTAA.[63] Ambassador Allen Johnson is the Chief Agricultural Negotiator at the USTR, the Office of the U.S. Trade Representative. As such, he is charged with developing and putting forth the official positions of the U.S. government on agricultural issues in all trade negotiations. Yet his background prior to joining the USTR raises the question of whether he in fact is another case of the "revolving door" between industry and government.

Prior to joining the USTR, Ambassador Johnson served as the President, and before that, as the Executive Vice President, of the National Oilseed Processors Association, NOPA. According to NOPA's web site, [64] it is an organization "…representing the U.S. soybean, sunflower, canola, flaxseed and safflower seed crushing industries… and is pro-actively engaged in issues such as international trade policy.. [and] domestic farm programs..."

NOPA has only 13 "regular members." Among them are Archer Daniels Midland (ADM), Bunge North America, Perdue, and Cargill. Among the 20 "associate members," are ConAgra, Procter & Gamble, Purina, Tyson Foods and Unilever. Virtually every major grain trading transnational is represented, as are some of the biggest and most important food processing and factory farming corporations in the world. This certainly gives the appearance that it is these industries who are in the driver's seat on American trade policy for agriculture, and via American negotiators, on these issues worldwide.

Box 4. European and American Family Farmer Positions

WTO Agricultural Negotiations in Geneva

A joint statement by the European Farmers Coordination (CPE) and the National Family Farm Coalition, USA (NFFC).[65]

Brussels & Washington, July 22, 2004. The current drive to reach agreement on agricultural issues at the World Trade Organization (WTO) should be brought to a halt. The WTO General Council is meeting in Geneva, starting July 27th, to discuss a framework on agriculture that is completely unacceptable. We propose a new EU agriculture policy, a new US Farm Bill, and new international trade rules, all based on food sovereignty and sustainable family farming.

The European Union and the United States must put an end to the swindle they have been imposing on other WTO members since the Uruguay Round of the GATT in 1994. Who can believe the sincerity of the European Union and the United States when their stated intentions to end export subsidies only results in letting internal prices drop to extremely low "world levels," thus dumping US and EU commodities on the export market to the detriment of farmers all over the world?

Propping up the US and EU agricultural systems with massive amounts of direct payments re-categorized as green box or blue box payments fails miserably in concealing the duplicity of the EU, US and the multinational agribusiness corporations that benefit from buying low-priced commodities. The claims by these corporations that cheap commodities benefit consumers is belied by their ever increasing profit margins, the destruction of local food systems, and growing populations of undernourished citizens. Likewise claims of benefits to US and EU farmers are belied by the loss of family farms, the growth of industrialized livestock production and the de-population of the countryside in the United States and the EU.

Export subsidies, public support, taxpayer's money:

Both the EU and the US are attempting to maintain their current subsidy systems by simply re-categorizing payments, which carries the illusion that they are decreasing export subsidies with the expectation that a greater agricultural balance will arise between developing and developed countries. This is not the case. The apparent rationale of the EU and the US to diminish trade distorting domestic support unfortunately parallels the misguided efforts of the Cairn's group and the G-20 to discredit the importance of government involvement in achieving social and environmental justice in the world's many agricultural systems.

Public support in agriculture is legitimate, in the South as in the North, provided that it does not serve to promote production or exports at prices below production costs. But it is precisely one of the objectives of the EU/US direct payments—to allow all production (for domestic use and for export) to be priced at extremely low "world prices."

Market access

We believe that the benefits of "market access" are illusory goals for the benefit of the family farmers of developing countries. As the common statement of Via Campesina and ROPPA (Africa) indicated in May 2001, "In less developed countries, the first priority of farmers is to produce for their families, then to seek access to their domestic market, before seeking to export." The international pricing of commodities, the advantage of destructive industrial techniques in developed countries, and the exclusivity of market arrangements with multinational trading corporations will eliminate most family farmers in developing countries from any benefits whatsoever. This is not a picture of broad based development or democratic participation.

Who actually benefits from the export oriented market access solution?

The first beneficiaries are a handful of business elites and the landed oligarchy in developing countries that have the technology and political connections to profit from market access. They are supported by structural adjustment programs of the World Bank that require developing countries to repay their burdensome debts to multinational banks. This export oriented agriculture benefits the privileged few and leads to further underdevelopment rather than development with a view to the future.

The second group of beneficiaries includes multinational agribusiness corporations that benefit from expanded access to cheap inputs and new markets to be served by their reliance on industrial processing and retailing techniques. Local markets and customary activities are destroyed. These corporations have also started to move their agricultural production from the North to less developed countries (from US to Mexico, from EU to South America, Africa, etc.) to benefit from cheap labor and land.

Continuing down this path will lead to the loss of sustainable family farm based agriculture around the world, including in the EU and US. Cheap feed grains and protein meal already have led to the destruction of diversified family farms with replacement by inhumane and polluting livestock factories often owned or controlled by multinational corporations.

More and more farmers and governments in developing countries, together with the CPE and NFFC, are saying, "No!" to further "trade liberalization" under WTO which will be so destructive to their society, culture, and environment. We demand that our governments stop the intense political and economic pressure being exerted on them to comply with EU and US WTO policies that result in the curse of low commodity prices intensifying the rural crisis, urban congestion, and unemployment.

Thus, CPE and NFFC demand that the European Union and the United States abandon their current agricultural and trade policies. The rules of international agricultural trade must be based on the right to food sovereignty, which excludes any form of dumping but allows countries to develop their own domestic food and agricultural policy. Current

WTO rules and the latest EU and US demands will result in cultural, environmental, and social costs that cannot be measured by "domestic support formulas." While only 10% of the world's agricultural production enters international trade, the imposition of the WTO on agricultural policies threatens to preclude a democratic peaceful world for current and future generations

In May 2004, CPE and NFFC, along with Via Campesina, ROPPA, and other organizations launched an international campaign to change the EU Common Agricultural Policy (CAP) so that it is in line with people's food sovereignty. The US Farm Bill must also embrace food sovereignty, and, likewise, reflect the importance of sustainable family farming at home and abroad.

We, CPE and NFFC, declare that the EU needs a new Common Agricultural Policy and the US needs a new Farm Bill based on food sovereignty and sustainable family farming, as follows:

- Remunerative farm prices related to production costs rather than a reliance on income from government payments,
- Supply management on an international, national, and regional level. This will include the necessity of excluding cheap imports that threaten price support and supply management mechanisms,
- Suppression of any form of subsidies for export or those intended to encourage production for export,
- A public support system, which ensures the maintenance of agricultural production in less favored areas, develops socially and environmentally sustainable, sound production methods, and local processing and retailing of products,
- Structural measures that halt and reverse the concentration of production in large factory farms, including industrial livestock factories that are devastating the countryside,
- Give priority to the entry of young farmers into agriculture.

Box 5. The Position of the World's Family Farmer and Peasant Organizations

It is Urgent to Re-Orient the Debate on Agriculture and Initiate a Policy of Food Sovereignty

by Via Campesina[66]

We call on all those responsible in governments to step out of the 'neo-liberal model' and to have the courage to seek an alternative path of cooperation with social justice and mutual assistance.

The failure of the WTO [in Cancún] was the failure of actors who are totally locked in a 'neo-liberal mindset'. Those responsible for trade orientate themselves principally to the interests of the elite and transnational industries. They appear to be incapable of seeing the real problems, much less seeking solutions for them. They think only of increased trade, grabbing bigger market shares, more privatization, more accumulation and more profit. Their only concern in the agricultural sector is to deal with export interests. This is shameful given the fact that the existence of millions and millions of peasants, more than half the world's population, depends on local and domestic production and marketing.

Vía Campesina believes that we need to engage in this debate. We must define more clearly the existing problems and articulate much needed solutions. We must also include those who are more responsible in governments and international institutions and who, we hope, are more sensitive to the real challenges of our world.

The true conflict is not between governments, it is between models of production.

Because of the scandalous behavior of certain Northern governments in defending the interests of transnational industries, the conflict in Cancun was portrayed as a 'North - South' conflict. We applaud the resistance of many governments, above all, of the South, against the dominance and the imposition of the United States (US), the European Union (EU) and some other industrialized countries. Nevertheless, we reiterate that in the agricultural sector, the real conflict behind this confrontation among governments is a conflict between a sustainable model of peasant production based on food sovereignty, demanded by the peasants in the North and South and an industrial model, oriented to export, pushed for by transnationals, the US, the EU, other industrialized countries, but also by certain elite and important forces within governments 'of the South'.

We hope to be able to begin a dialogue with governments of the South and the North. We propose to take concrete steps to limit the damaging effects of the industrial-exporting model and to strengthen sustainable peasant production.

The first important step: we must center the debate on food sovereignty and production rather than trade.

To engage in agricultural production that ensures food needs, respects the environment and provides peasants with a life of dignity, an active intervention by the government is indispensable. This intervention must ensure:

- peasants' and small-scale farmers' access to the means of production (land, seed, water, credit),
- control of imports in order to stabilize the internal price to a level that covers the costs of production,
- control of production (i.e. supply management) in order to avoid surpluses,
- international commodity agreements to control supply and guarantee fair prices to peasant producers for export products such as coffee, cotton, etc,
- public assistance to help the development of peasant production and marketing,
- organization of the domestic market to give local peasant women and men full access to this market.

To take concrete steps in this direction we must urgently explore alternatives at the national and international levels. We call on the agencies of the UN such as the FAO, the UNCTAD and the ILO to take initiatives to develop an alternative framework to the WTO. This alternative framework must seek to redefine international agricultural policies that address the poverty and marginalization that characterize the majority living in rural areas.

Cheap imports have disastrous effects. To obtain food sovereignty it is essential to stop dumping.

Worldwide, agricultural imports at low prices are destroying local agricultural economies. Prior to Cancun and at the behest of the United States and the European Union, the WTO ratified a new dumping practice. In the European Union, internal prices above world market level combined with export subsidies are being replaced by low internal agricultural prices and direct (de-coupled) payments. These payments continue to the largest producers. In the US similar mechanisms are put in place. These policies continue and exacerbate dumping. It gives an enormous advantage to agribusiness. It also discredits agricultural subsidies in general which, in turn, negatively affects the possibility of maintaining much needed public financial support to peasant agriculture.

The answer to the dumping of surpluses is not 'to liberalize further.'

Eliminating direct and indirect export subsidies is an important step but even more important is a policy to control supply. Supply management effectively eliminates surpluses. Effective supply management also allows prices covering the cost of production and public financial support to peasant agriculture without generating surpluses that are dumped on other markets. The response to certain industrialized countries that practice dumping, cannot be to demand more liberalization and even more access to markets. These proposals do not defend the interest of farmers! Instead, these proposals only benefit export agriculture and transnationals (in the North and in the South); these proposals lead to the destruction of peasant production.

We must demand that surplus producing countries limit their production and manage their supply in order to avoid excess production and subsequent dumping. These countries should orient their public assistance to the development of sustainable peasant production geared for the internal market. Importing countries should have the right to stop imports to protect domestic production and invest in this sector.

"Free" trade with "fair" competition is an illusion. Agricultural markets need strong state intervention.
The neo-liberal logic claims that an unsubsidized agricultural market with no border regulation and with no state intervention will make optimal use of the comparative advantages, create more benefits for everyone and thus regulate itself in a fair way. However by their very nature, agricultural markets cannot function in a socially just way without intervention by the State. Ending state intervention by eliminating agriculture policy instruments one by one would perpetuate the destructive restructuring of agriculture. This will displace millions and millions of men and women peasants, leaving them with no way to make a living. Regions and entire countries would be left with no capacity to produce food. Finally, only those who have money to purchase food will be able to eat. This scenario is catastrophic and includes an immense loss in terms of local varieties and food products, peasant knowledge, agricultural biodiversity, etc.

Peasants, rural women and small farmers make up more than half the world's population. We have the right to a life of dignity. We have the right to produce our own food in our own territory. We have a right to make a living on our land.
A food sovereignty policy would make this possible. Sustainable peasant production can guarantee a better standard of living in rural areas, help limit damage to the environment, and it can create the necessary economic dynamics to contribute to development of countries..

Our Korean friend, Mr. Lee died in Cancun while defending food sovereignty. We hope that his death will not be in vain.

The WTO kills men and women peasants!
Let us take the path of food sovereignty!
WTO out of agriculture!

International Coordinating Committee, Via Campesina

Tegucigalpa, 11th of November, 2003

Appendix 1. The Organization of the WTO Negotiations on Agriculture

The Three Pillars of the AoA

The first version of the Agreement on Agriculture (AoA) of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) took effect with the creation of the WTO on January 1, 1995. Under this agreement, countries were to reduce export subsidies and domestic supports, while lowering import barriers (increasing market access). In the World Trade Organization (WTO), the negotiations on agricultural trade are said to rest on these three 'pillars:'

- **Market Access** Under the initial AoA, all member countries were required to eliminate quantitative restrictions (import quotas) and non-tariff barriers, and replace these with tariffs. Members also had to reduce their tariff levels: by 36% over six years (1995-2000) for developed countries, and by 24% over ten years (1995-2004) for developing countries. The poorest countries (called Least Developed Countries, or LDCs) did not have to reduce their tariffs, but nevertheless committed to not raise them either. Under a more recent framework agreed to in 2004, a commitment was made to cut higher tariffs more than lower tariffs. While this seems reasonable at face value, it actually discriminates heavily against poorer countries. While wealthier countries can support farmers in numerous ways that require significant levels of spending, poorer countries cannot afford the outlays. Virtually the only way they can support their farmers is through tariffs or other restrictions on imports that limit dumping in their home markets and help keep domestic crop prices up. An August 1, 2004, article in the New York Times makes this clear: "The United States was pleased that negotiators agreed that the highest tariffs should be cut the most, a move that would mean a greater opening for American agricultural products in the developing world. 'We feel this is a win-win for the United States, the WTO, exporters, consumers, developed and developing countries alike,' said a American trade official who asked for anonymity.'"

  Market access is at once the 'Holy Grail,' or bait held out to Southern countries—that is, access to US and EU markets—and the real goal of the trade super-powers in on-going negotiations, which is access to poor country markets for US and EU exports. The former is typically held closely as a bargaining chip by the US and EU, to be doled out in small portions in each round of negotiations in exchange for larger opening of Southern markets. When one considers that agricultural exports are typically equivalent to less than 10 per cent of agricultural value-added in LDCs, the bargain with the devil that is on offer becomes clear. 'Give us more market access for dumping into your 90% (the domestic food market and for which the vast majority of small farmers produce), and we'll give you more of a chance for your 10% in our markets (the tiny elite of large agroexporters).' Unfortunately for family and peasant farmers the world over (responsible for producing the 90%), agroexport industries exert great force on official

government negotiating positions in this area. Thus have most Third World governments bitten hard on the market access bait.

- **Export subsidies** This is the 'Red box' that should eventually be prohibited. Direct export subsidies were subject to reductions by 36% in value and 21% in volume from 1986-88 average amounts for developed countries, and by 24% in value and 14% in volume for developing countries over ten years.

- **Domestic support** The stated rationale for lowering domestic supports was to reduce subsidies that might end up paying, one way or another, for production destined for export. However, separating the multiple effects of complex support schemes is a difficult task, as many kinds of payments can directly or indirectly boost production, and excess production may spill over as cut-rate products placed in export markets—dumping—, or may crowd out imports from competing in the home market, reducing market access for others. To deal with this complexity, domestic support measures have been divided into three categories, called 'boxes.' The Amber Box refers to measures that are trade-distorting and can lead to increased production, such as input subsidies and price support. The Blue Box refers to programs that do the opposite, i.e. direct payments to farmers for programs to limit production. And the Green Box includes measures that are assumed to have no effect on production, such as public sector financing of research, assistance for marketing crops, etc. Different color boxes are subject to different degrees of what is called 'discipline' (reduction), or lack thereof. This is all explained in more detail below. However, the contents of the boxes are not always what they seem, and, there are a number of other kinds of domestic supports that fall outside the boxes, leading at least one analyst to propose additional boxes, as discussed below.

It should be clear that countries in the South have been subjected to virtually the same requirement to liberalize their agricultural sectors as the Northern countries—despite pre-existing asymmetries—the principal concession being somewhat lower rates of reduction over slightly longer time periods. The poorest countries do not have to reduce their tariffs or subsidies, but they cannot raise them either, something they might very need to do if they were ever to switch development tracks. Obviously the two biggest spenders on domestic support are the US and the EU. The boxes, which permit virtually unlimited spending on certain categories of domestic support, mean little or nothing to most developing countries, who lack the financial wherewithal to provide significant domestic support programs. However, the boxes are playing a critical role on the on-going negotiations and conflicts, as they are widely perceived to be the mechanisms by which the North "hides" their subsidies, leading to a global backlash—most evident in Seattle and Cancún, against what is widely perceived as US and EU hypocrisy and doublespeak.

The 'Hide the Subsidy' Shell Game

The three "boxes" to which domestic supports are assigned, constitute in many ways an enormous shell game in which the EU and the US repeatedly claim to the rest of the

world to have made reductions in subsidies, when in fact they have been (not so) surreptitiously taken from a prohibited or limited box and 'hidden' in an unlimited box.

Amber box: "Trade Distorting" Subsidies, must be reduced, but not eliminated
Subsidies under the Amber Box are calculated under the Aggregate Measure of Support (AMS) and are subject to reduction. These are programs and policies that are recognized as "distorting" to patterns of trade, and is comprised of payments to farmers and other domestic supports that are "coupled" to production (the more you produce, the more you get). These include "product-specific" subsidies such as guaranteed prices (i.e. the "loan deficiency payment" in the US or the "intervention price" in the EU), and "non product-specific subsidies" on inputs or investments. The original requirement was for developed countries to cut Amber Box supports by 20% over five years, and for the developing countries to cut them by 13.3% over nine years (from a 1986-88 baseline, when payments were unusually high in the U.S. and EU.) Developed countries are allowed to keep general support programs whose total cost does not exceed 5% of total agricultural production, as well as crop specific programs whose total cost does not exceed 5% of the total value of that crop. Developing countries are given 10% for each. LDCs are exempted from these reduction commitments; however they have also committed not to raise their total level of support beyond the "de minimis level" (equal to 10% of the total value of production of a "specific product," or 10% of total agricultural production for "non-specific" supports, for developing countries, and 5% for developed countries).

Blue box: Unlimited payments to limit production
Countries with production-limiting programs can fund them with unlimited levels of support. The U.S. abandoned such programs in 1996, though they still exist to some extent in other developed countries. The problem comes when countries disguise other kinds of subsidies and supports as Blue box measures, as in July 2004 when the US tried to modify the Blue box, and thus include "direct payments unrelated to current production," and of course unrelated to limiting production, a proposal that was soundly rejected at the time by the G10 countries, but eventually made its way into the official negotiating framework. However, a serious effort by the major agroexporting countries to truly limit their production, starting with the US and the EU, would be roundly welcomed by the rest of the world.

Green box: The best shell for hiding subsidies?
This is where one finds some 70% of total US and 25% (and rising) of EU domestic supports. These "de-coupled" supports and payments in theory do not have major effects on patterns and flows of trade, and thus unlimited amounts are permitted. Under the Green Box governments can provide supports for, among other purposes, environmentally-sound practices, pest and crop disease management, infrastructure, food storage against famine, income insurance, emergency programs, and so-called 'decoupled payments,' which are direct payments that are not linked to production levels. These decoupled payments are still direct payments to farmers that support their incomes, as are Blue Box land set-aside payments. The effect of these payments is still to shield their recipients (mostly large producers in developed countries) from downswings in crop prices, and means that they need not receive crop prices above the cost of production in

order to stay in business. The United States has long "hidden" a big part of its subsidies here, and the June 2003 reform of the EU's Common Agricultural Policy (CAP) was designed to ostensibly eliminate the export subsidies that were causing major friction with the US, the Cairn's group, and everybody else, and replace them with an equal amount 'de-coupled' payments, thus not affecting the overall size of the EU subsidies at all. By doing the so the EU came into line with the US Farm Bill, claiming just like the US does, that the bulk of its payments are non-trade distorting and thus permissible.

When the EU switched over the to the American system of de-coupled payments, they eliminated the need to pay for price supports or subsidize exports. Essentially, the EU now allows internal prices to fall down to world price levels, and compensates farmers for lost income with de-coupled payments. Export subsidies are then no longer need to make European exports competitive, because they are essentially being produced now at 'dumping' prices on the EU domestic market. Thus does dumping go on without significant 'discipline' from the WTO.

The Missing Boxes

As if the combination of Amber, Blue and Green boxes did not offer multinational companies enough ways to get a foot up on poor countries in the global market for agricultural goods, there are all kinds of other 'support' to agribusiness enterprises in the these countries that are unavailable or impossible in poor countries. If it were possible—and it is difficult—to accurately add up all the support in the first three boxes, we would then have to estimate and add on the even harder to calculate additional supports that French analysts Jacques Betholet calls, with tongue in cheek, the Gold, Brown, Purple and White boxes. These, plus concrete production costs, would then give us an implicit real total production cost with which to compare the prices at which US and EU products reach world markets, thus giving the ability to estimate the true amount of dumping going on. From the Betholet perspective, there is Amber, Blue and Green box dumping, and then there is also Gold, Brown, Purple and White box dumping.

The Gold box: "Living in the First World"

By the simple virtue of being based in a wealthy country, agribusinesses benefit from all kinds of hidden subsidies, especially in the broad sense of the non-specific and non-agricultural subsidies which underlie the higher competitiveness of their products relative to poor countries. In reality, there is a continuum from non-specific agricultural subsidies to non-agricultural general subsidies which apply to all sectors, and it would be arbitrary to separate specific support for agricultural research, education, extension, and infrastructure from general support for all research, education, social security, infrastructure, etc. , and everything else that lowers transactions costs of all kinds under higher levels of economic development (like enforcement of contracts, for instance, and well developed, publicly paid for transportation and energy infrastructure.).

Brown box: Social dumping

All of the major agroexport countries practice what might be called 'social dumping,' whether they are 'developed' country exporters like the US, EU, Canada and Australia, or 'developing' country export powers like Brazil, China, South Africa and Chile. Social

dumping refers to the externalization of the social costs of low cost mass production, costs to all of society that arise from paying farm workers below living wages, forcing their children to join them in the fields, not paying social security, concentrating land ownership , etc.

Purple box: Environmental dumping
American agribusinesses pay 3 to 4 times less for their petroleum than most of the rest of the world, at the cost of petroleum exploration by large oil companies that despoil big chunks of the world's environment. The industrialized farming systems of the big agroexporters, both North and South, generate massive externalities not calculated in their production costs, including soil erosion, compaction and salinization, groundwater contamination with chemical pesticides and fertilizers, loss of biodiversity, pesticide poisonings, etc.

White box: Monetary dumping
A country whose currency is the universal standard (the US today, perhaps the EU in the near future) has the unique privilege of being able to borrow and reimburse its foreign debts in its own currency, without being penalized by devaluation, thus reinforcing the competitiveness of its products. At the same time it can go on importing products without being penalized by dollar (or in the future, Euro) depreciation, since most commodities and many industrial products are routinely traded in dollars. On the other hand, poorer countries suffer from what might be called a "reverse White box effect," in the sense that their domestic currency is not very convertible, so they have to maintain very high real interest rates in order to attract capital flows and limit capital outflows, making investment in agricultural production by their farmers more expensive.

Appendix 2. The Confusing Case of King Cotton

Cotton arguably is one of the world's commodities with prices most distorted by subsidies. It may well be a case where the common perception that subsidies cause dumping is correct.[67] Yet the way the much publicized case has played out may actually make the kinds of alternatives envisioned by farmer organizations harder to achieve. [68]

According to the Overseas Development Institute, more than one-fifth of the value of world cotton production comes from government subsidies, principally in the U.S., China and the EU.[69] In the U.S., for example, 2001-2002 subsidies totaled some US$2.3 billion, while the EU provided US$700 million and China US$1.2 billion. These subsidies encourage excess cotton production, which is then dumped on the world market at prices below the cost of production. This has driven down world cotton prices, severely hurting a number of poor countries which rely on exports of cotton as a substantial portion of their foreign exchange earnings. Chad, Burkina Faso, Mali and Benin brought this issue to the fore at Cancun. In these countries cotton accounts for 5-10% percent of GDP, more than one-third of total export earnings, and more than two-thirds of the value of their agricultural exports. In Cancun they proposed that subsidies be gradually phased out, with transitional measures to ease the burden of lost revenues on Least-developed Countries (LDCs). While their proposal received a lot of media attention, it was eventually lost in the shuffle at the actual negotiations.

In 2003 a much less poor country, Brazil, formally challenged U.S. cotton subsidies at the WTO, and in April of 2004 the WTO issued a preliminary ruling in Brazil's favor, accepting the general form of the argument that domestic subsidies and supports distort trade.[70] Brazil accused the U.S. of violating a WTO cap of US$1.6 billion/year in cotton subsidies, and of providing an additional US$1.7 billion in credits to U.S. manufacturers and agribusinesses to buy American cotton. According to Brazil, without these illegal subsidies U.S. cotton production—which currently holds a 40% global market share—would have fallen by 29%, and U.S. cotton exports by 41%, leading a rise of 12.6% in the world price of cotton, benefiting Brazilian producers. The U.S. contended that cotton subsidies are not directly linked to production, and thus are not illegal under the WTO, calling them domestic supports that do not harm international markets.

The WTO decision on this matter has been widely hailed as the first nail in the coffin of farm subsidies, with challenges to domestic supports for other commodities to follow soon. As such, a broad spectrum of opinion, ranging from Third World governments to the New York Times, has seen the decision in a positive light.

On the other hand, family farm organizations, like those in Via Campesina, have tended to see the decision in a more negative light. They say it was overly broad in identifying a broad variety of subsidies and domestic supports as potentially illegal, and could open the door to challenges not just to wasteful and inappropriate subsidies, but to essential services and supports as well.

Paul Nicholson, a leading European family farmer spokesman and a member of the International Coordinating Committee of Via Campesina,[71] says that while this decision appears at first glance to be positive, coming as it did against the U.S., farmer organizations view it as a grave precedent. Farmers everywhere, North and South, need public sector budgets for agriculture and for rural development—subsidies, in other words—and the decision was so potentially broad as to permit attacks on all kinds of subsidies, not just 'bad' ones. The farmer position is that subsidies *per se* are not the enemy. Their merit depends on how much the subsidies cost, who gets them (see Box 2, p27), and what they pay for. In the family farmer view, subsidies paid only to large corporate producers in the North, leading to dumping and the destruction of rural livelihoods in the Third World, are bad. But subsidies paid to family farmers to keep them on the land and to support vibrant rural economies, and subsidies that assist with soil conservation, the transition to sustainable farming practices, and direct marketing to local consumers, are good. The real enemy of farmers is low prices. And farm gate prices—what farmers receive—continue to drop even while consumer prices rise, which is consistent with the hypothesis that market concentration is what keeps prices low by and large, as corporations wield their market power to buy cheap from farmers and sell dear to consumers. [72]

A leading U.S. non-governmental organization, the Institute for Agriculture and Trade Policy (IATP), takes the position that while the ruling may be questionable, it may still be useful in bringing the issue of dumping to the fore:

> "This case will not solve the problem of agricultural dumping, but it should jumpstart a discussion on how to lift prices paid to farmers, which would cut subsidies and stop dumping. Dumping is caused by over-supply. Farmers will overproduce when prices go down, and they'll over-produce whether they receive subsidies or not. This ruling begs for a comprehensive agricultural inventory management program to bring supply into balance with demand, and ensure farmers are paid a fair price."[73]

In other words, the cotton ruling may not be the correct decision, but it most definitely highlights the need to go back to the drawing board on issues of farm policy and agricultural trade.

Appendix 3. Mexico After NAFTA

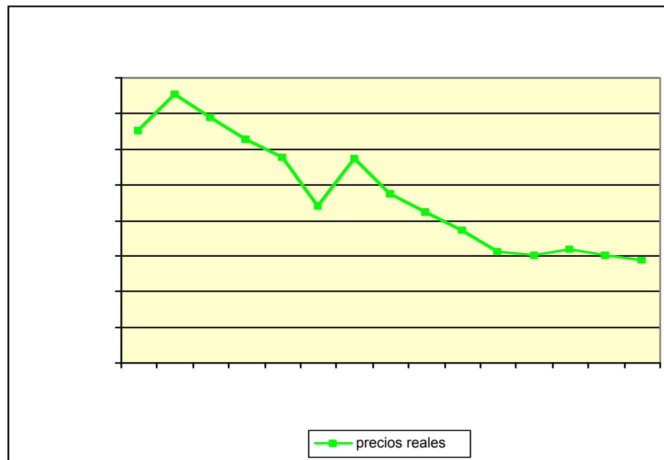
Mexico, thanks to its ten years of NAFTA, which came on the heels of a previous decade of liberalization under SAPs, is widely considered to be the quintessential example of the impacts of trade liberalization, the "laboratory" if you will. Mexico: Maize and Small Farmers

For Mexico, the signing of NAFTA meant "locking in" trade liberalization in agricultural products (tariff lowering, quota eliminating, etc.) that had begun during the previous decade as conditionality for debt relief under SAPs, and had continued as unilateral liberalization by the Mexican government in preparation for NAFTA.

On the surface it might seem that liberalization has been a resounding success for Mexico. Direct foreign investment rose from US $42 billion to 62 billion in 1994 (under SAPs), and jumped once again to 167 billion by 2000 (under NAFTA). Exports earnings increased similarly, from US $2.9 billion in 1980, to 11 billion in 1994 and 21.8 billion in 2001, though they fell off after that.[74] On the other hand, these rather spectacular figures failed to make a dent in poverty, which actually grew over the same time periods.[75]

With regard to agriculture, the process was broad in its reach over policies important to farmers, including reductions in import tariffs and quotas, steep cuts in agricultural subsidies and price supports, the privatization of government sponsored marketing mechanisms, and the disappearance of affordable and accessible credit for peasant and family farmers.[76]

Figure 3. Mexico's real domestic maize prices. After de Ita, 2003.

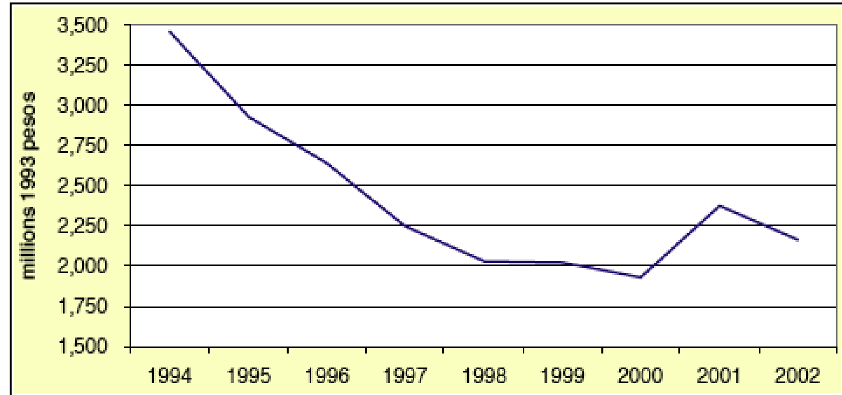


While market opening by the U.S. and Canada allowed Mexico to boost its farm exports, the opening of her own markets led to a surge of imports. After NAFTA came into effect in 1994, Mexico's modest farm trade surplus rapidly became a trade deficit. By 2003, Mexico's food trade deficit had reached 2.7 billion US dollars.[77]

Part of the influx of imports was made up of cheap maize from the US. For most of Mexico's family farmers, indigenous people and peasants, maize is the crop of choice and excellence. This is logical as it has formed the basis of the Mexican diet for millennia, and indeed Mexico is where indigenous people domesticated maize from its wild ancestors some 9,000 years ago. But the influx of US maize made maize cultivation less and less profitable for them.

Figure 3 shows how the average price Mexican maize farmers receive on the domestic market has dropped by more than 50% since 1990, except for a brief rise due to the massive devaluation of the peso in 94-95.

Figure 4. Real maize subsidies in Mexico. After Wise, 2004b.



Before NAFTA, maize represented just 2.9% of Mexican farm imports, while in recent years it has fluctuated between 20 and 25% of such imports.[78] Figure 4 shows that there was a concomitant drop in Mexican government subsidies to maize farmers, which of course is markedly different from the picture of American maize subsidies over the same time period, when subsidy levels reached as high as 47% of farm income[79] (the figure for Mexico is about 13%, of a much lower average income[80]), and American maize was dumped abroad at prices ranging from 20 to 33% below the cost of production.[81] How were Mexican farmers to compete?

The simplest way to conceptualize what this means is that Mexican peasant farmers found themselves with prices that were too low to turn a profit growing maize, and few buyers at any price (as state marketing agencies were privatized and the new private companies preferred buy in bulk from US exporters, who were often their close commercial associates), and little or no credit to plant for the market anyway.

Surprisingly, given this panorama, fully half of Mexico's farmland is still planted to maize, reflecting more a lack of other options than anything positive in economic terms about growing maize.[82] Almost three million mostly poor peasant and indigenous farmers still grow maize.[83]

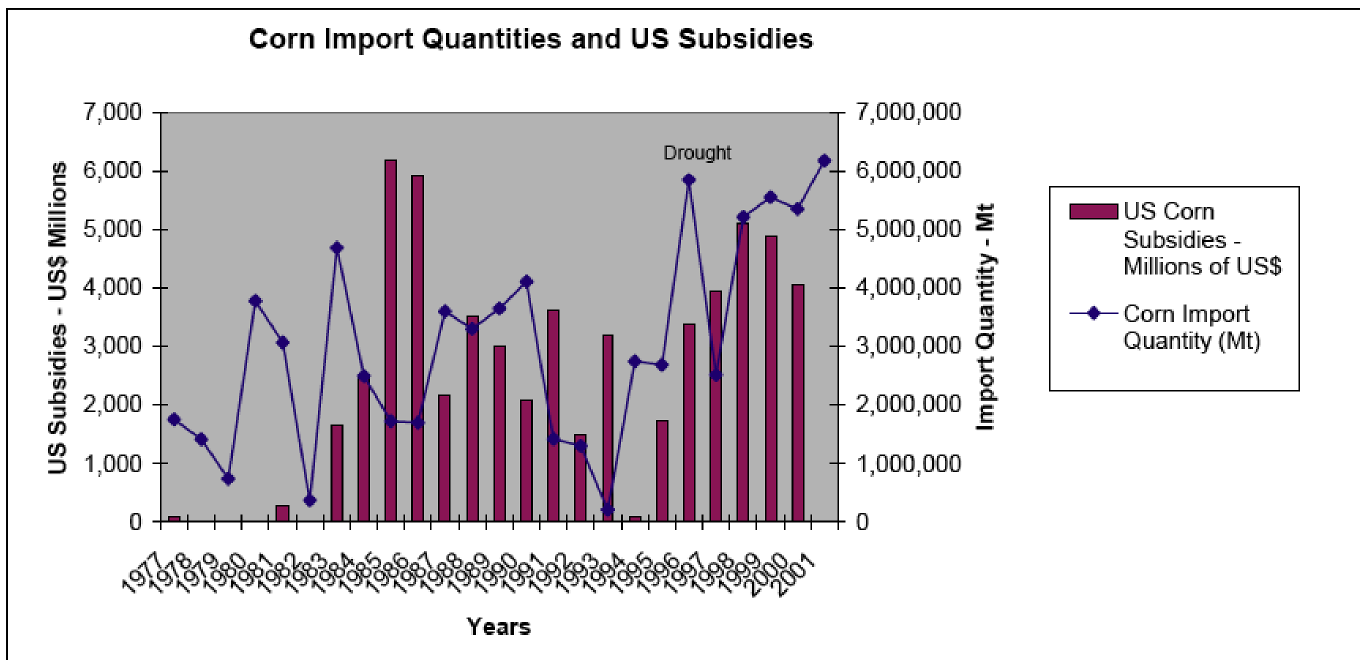
How is that possible? Laura Carlsen, an analyst at the Americas Policy Program of the Interhemispheric Resource Center who specializes in rural Mexico, tells us that Mexican peasant farmers themselves are subsidizing national maize production. By subsidies, she means the wages brought or sent home from unpaid family labor, from small-scale commercial activities, and from the more than $9 billion in annual remittances sent home by Mexicans working in the United States:

> The remittances have a dual role. First, the money sustains agricultural activities that have been deemed nonviable by the international market but that serve multiple purposes: family consumption, cultural survival, ecological conservation, supplemental income, etc. Second, by sending money home, migrants in the U.S. seek not only to assure a decent standard of living for their Mexican families but also to maintain the

> *campesino* identity and community belonging that continue to define them in economic exile. Their money, whether individual or organized, subsidizes rural infrastructure, farm equipment, inputs, and labor and conserves cultural identity. The combination of these personal subsidies and subsistence tenacity account for the otherwise unaccountable growth in corn production in Mexico—despite the overwhelming "comparative disadvantages" of a distorted international market. They reflect a deep cultural resistance to the dislocation and denial inherent in the free trade model.[84]

In Figure 5, we see an apparently close relationship between Mexico's, maize imports and subsidies to maize farmers in the United States. Before the late 1980's market opening in Mexico, there was little apparent relationship. The two import spikes ('83 and 95-96) were the product of Commodity Credit Corporation (CCC) concessional loans to Mexico, in which Mexico agreed to use this credit to import American corn, in the first case at least linked to U.S. government efforts to alleviate a farm crisis at home.[85] In 95-96 Mexican importers took on an estimated USD $1.5 billion CCC credits, with devastating impacts on Mexican maize farmers.[86] Between 1997 and 2002 the CCC provided Mexican importers with another USD $1.4 billion in credits, offered on terms much more favorable than financing available in Mexico to purchase grains from Mexican farmers.[87] Export credits from the CCC are a bone of contention in the international trade debate, as they are currently excluded from WTO and NAFTA discipline, though commitments have been made, as mentioned above, to eliminate them.[88]

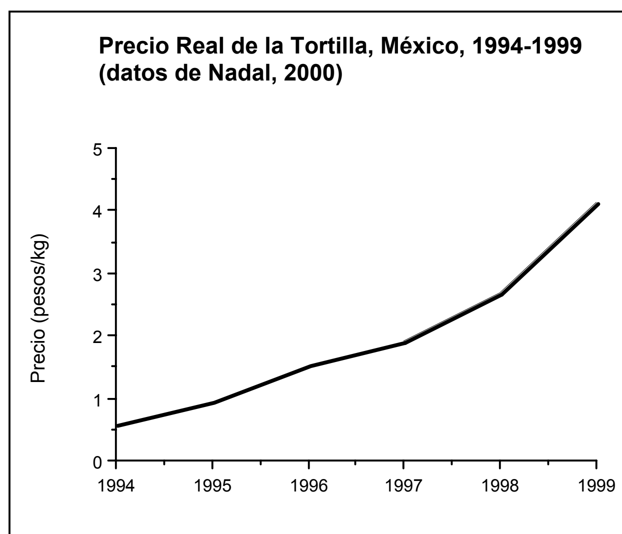
Figure 7. Mexican maize imports and U.S. maizes subsidies. After Henriques and Patel, 2003.



But we should do well to take such an apparently close relationship between subsidies and dumping at face value, as subsidy payments are made in response to low prices, and low prices lead to dumping. It appears that even in the case of maize in Mexico, the simple cancellation of US subsidies might not make dent in the cheap price of imports. According to studies summarized by Tim Wise at Tufts, the removal of US subsidies would be unlikely to lead to more than a 4% increase in maize prices, hardly enough to make a dent in the situation Mexican maize producers.

On the other, there is a high degree of concentration in the Mexican maize market.[89] Just nine maize importing companies in Mexico accounted for half of all imports in 2001. These "Mexican" companies included some of the biggest international players, like Archer-Daniels-Midland (ADM) and it's Mexican partner (Maseca), Cargill, Arancia (Corn Products International), Pilgrims Pride, and Minsa, which is jointly owned by an American investment bank.[90] At the same time, Cargill, ADM and Zen Noh control 81% of maize exports from the U.S. With the recent privatization of grain marketing in Mexico, Cargill, Arancia, Maseca and Minsa have also become the principle buyers of maize from Mexican farmers, and Minsa and Maseca dominate the processing, distribution and retailing of tortillas — the principle staple of the Mexican diet, which are made from maize. Perhaps because the entire maize commodity chain is so concentrated in the hands of so few companies, Mexican consumers have failed to benefit from cheap imports, as shown in Figure 6, as the price paid by Mexican consumers soared by more than 300% in the first five years of NAFTA.[91]

Figure 6. Real consumer prices for tortillas in Mexico. After Nadal, 2000.



The tripling of maize imports since NAFTA, with as much as one third of all maize being imported, has also brought with it the widespread contamination of native varieties—the genetic and cultural heritage of 9,000 years of indigenous and peasant communities in Mexico. Transgenes have moved to native varieties by cross-pollination from illicit plantings of genetically engineered (GE) maize from the US, with still unknown but very worrisome potential impacts.[92]

Overall, the impact of NAFTA on the rural poor in Mexico has not been postive. In ten years 1,175,000 people have displaced from Mexican agriculture, with notable increases in malnutrition and ballooning numbers of school drop-outs.[93] The six billion *pesos* in agroexport earnings under NAFTA claimed by the Fox Administration went to just 7% of Mexico's farmers. By 2003 Mexican peasants could take it no more, coming together in the *El Campo No Aguanta Más* coalition (literally, "the countryside can't take any more of this"). January 31 saw the biggest single farmer protest in Mexico City since the

1930s,[94] and in September peasant organizations manned the barricades in the street protests at the WTO ministerial.

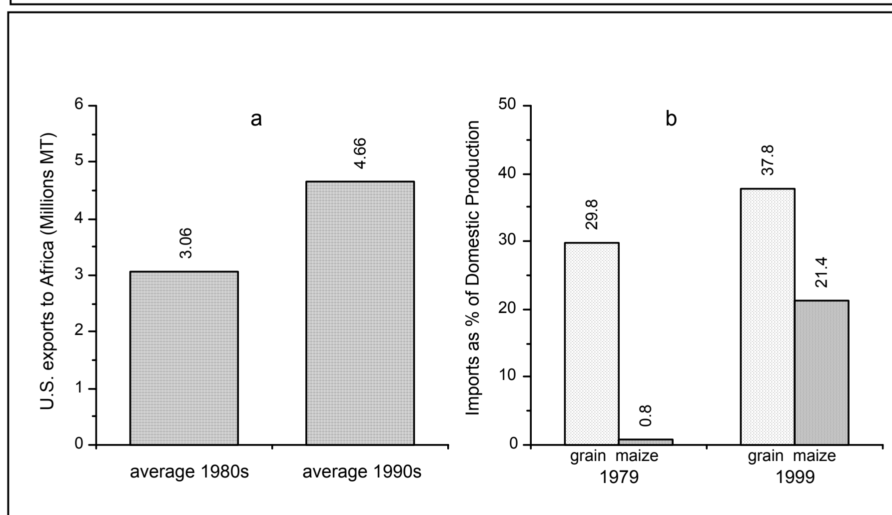
There seems to have been a role of WTO-exempt exports credits, though there is strong evidence to suggest that even the full elimination of other domestic supports in the U.S. would have little or no effect on the critical problem of dumping, which seems to result far more from the concentrated nature of commodity markets in which an ever smaller number of companies controls and ever larger market share. It is perhaps likely trade liberalization has created the favorable conditions for those companies to further concentrate the market.

Appendix 4. Africa: Liberalization and Import Dependency

Africa has experienced liberalization driven by structural adjustment policies (SAPs), but as a continent is still relatively new to trade agreements, and is sometimes thought as the next frontier for that stage of liberalization. Nevertheless one can examine the effects of the liberalization that has already taken place in Africa.

Liberalization in most African countries, generally mandated by SAPs, has typically included market opening, reduced credit for small farmers, and cutbacks or privatization of state grain marketing enterprises which, while riddled with problems, previously offered small farmers some guarantee of access to national markets. Market opening has often led to surges in imports, and the consequent hemorrhaging of scare foreign exchange and severe balance of payments problems. In a number of cases this has pushed governments into policy reversals.[95]

Figure 7. Average annual U.S. grain exports to Africa in the 1980s and 1990s (a), and African total grain and maize imports (quantity) as a percentage of African domestic grain and maize production in 1979 versus 1999 (b). Source: FAOSTAT



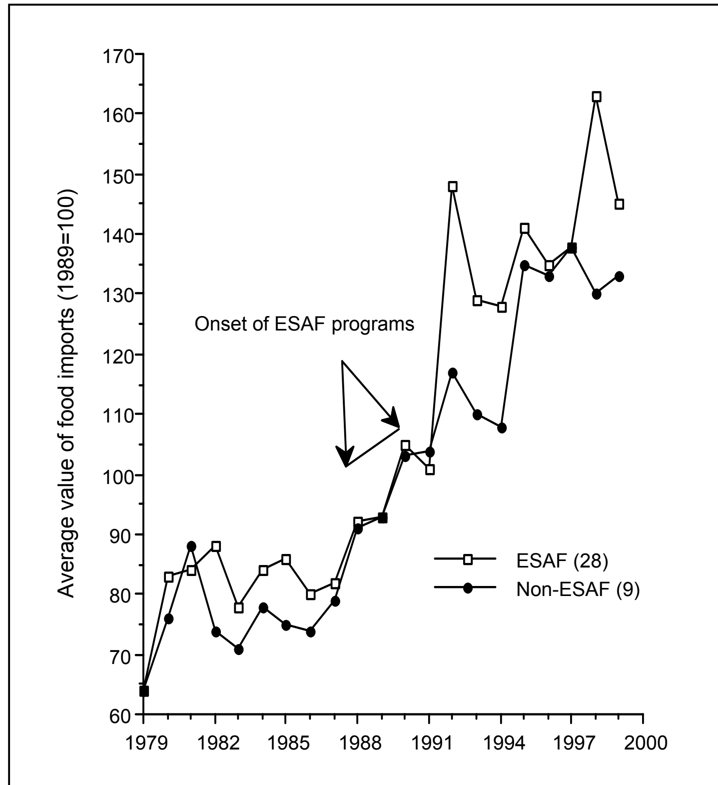
U.S. grain exports to Africa have grown during the decades of SAPs, privatization and to the extent it has already happened, WTO-led market opening. As American grain exports to Africa have grown, so has the proportion of grain imported by African countries compared to their own domestic production, particularly in the case of maize. Figure 7a shows the growth in U.S. grain exports to Africa from the 1980s to the 1990s. Figure 7b shows how imported grain as a percentage of domestic production has grown from some 30% to about 38% in twenty years, while imported maize that is grew from less than 1% of domestic production to more than 21%, evidencing a tendency toward growing dependency on imports.

Beginning in 1987, the International Monetary Fund (IMF) placed a number of countries in Sub-Saharan Africa under "Enhanced Structural Adjustment" (ESAF) programs.[96] This involved debt relief under concessional terms in exchange for intensifying SAP provisions. In Figure 8 we observe that increased imports, as a consequence of the greater market opening forced on them, was a feature of these countries. As we saw in the Mexican case, greater food imports have a tendency to make it difficult for national

and especially smaller and poorer farmers to compete, as they tend to depress crop prices.[97]

In sum, liberalization has opened markets to a flood of imports, and eliminated public sector institutions that fulfilled vital functions for small farmers, though they also suffered from internal and external political and economic weaknesses. These weaknesses should have been corrected instead of just closing up shop. The combined result has been a net loss of markets for smaller, poorer farmers in more remote areas. Just as in Mexico, rising costs and increasing uncertainty of daily life have led farmers to diversify their economic activity away from their own farms, to the detriment of their own productivity, production and family life. Export crop production was touted as a means of raising farmer incomes, but has been thwarted by geographical and social inequities that have combined with glutted world markets. Market opening in the context of SAPs and the WTO has weakened the relative competitive ability of African countries, while forcing their farmers into an impossible competition with a flood of cheap food imports from abroad.[98]

Figure 8. Average per country value of food imports (index year, 1989=100) in Sub-Saharan Africa for 28 countries with Enhanced Structural Adjustment (ESAF) programs and 9 without, 1979-1999. Sources: IMF, 1999b (list of countries); FAOSTAT (value of imports).



In sum, agricultural liberalization in Africa to date, while still relatively incipient, has shown similar trends to those observed in Mexico, as imports capture an increasingly large share of domestic markets, to the detriment of local producers.

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[3] http://www.wto.org
[4] See the USTR web site at http://www.ustr.gov/new/fta/ for the latest, and see GRAIN, 1994, for a discussion of the implications.
[5] See the European Commission web site at http://europa.eu.int/comm/trade/issues/bilateral/index_en.htm for the latest.
[6] Kwa, 2004a,b; Khor, 2004; Nadal, 2004
[7] Bloomberg, 2004
[8] Khor, 2004
[9] Becker, 2004b
[10] From USTR, 2004
[11] Wise, 2004a,b
[12] Ritchie et al., 2004
[13] Ritchie at al., 2003, 2004
[14] Ritchie et al., 2004
[15] World Bank, 2003
[16] see Wise, 2004b and Berthelot, 2004, for more details on this campaign.
[17] http://www.nytimes.com/ref/opinion/harvesting-poverty.html?pagewanted=all
[18] see Wise, 2004b; Berthelot, 2004; Wright, 2003; Weisbrot, 2004
[19] Ray et al., 2003
[20] Summarized by Wise, 2004b
[21] Ray et al., 2003; Wise, 2004b; Hayenga and Wisner, 2000; Heffernan and Hendrickson, 2002; Hendrickson and Heffernan, 2002; Hendrickson et al., 2001; Patel and Memarsadeghi, 2003; Murphy, 1999; Vorley, 2003; ETC Group, 2003c.

[22] Compiled by Memarsadeghi and Patel, 2003
[23] As the same companies consolidate and concentrate markets everywhere, they can increasingly dictate low prices to growers everywhere, whether in the US, EU, Brazil Argentina or Thailand. One hypothesis is that these companies exercise 'undue' influence on the negotiating positions of the US and the EU. What that might mean is that as these companies come to depend less and less on US/EU subsidies—since if farmers there go out of business, they can always buy the same soy beans in Brazil, for example—we may see the government negotiators who are beholden to them increasingly make concessions in terms of cutting subsidies in exchange for further market opening, which is these companies need most. In this context, it should come as no surprise that 'market access' is the buzz word of government negotiators from nations North and South. The US and the EU push for greater market opening giving more access to the markets of the South, and the governments of the South call for greater market opening in the North. All of which eases the way for even more dumping. What this is all leading to, metaphorically, is a world in which nobody eats what is produced in their own country, where consumers in the US and EU dine on the products of the South, while consumers in the South eat only farm products exported from the North! A world where the world price—the dumping price—is the price everywhere, so that only the largest farmers can survive using volume to compensate for low per unit prices, yet where consumers fail to benefit because the 'free market' has allowed a few companies to gain control over everything and buy low and sell high. Farfetched? Maybe not. Certainly the US and EU negotiators are still longing for ways to play 'hide the subsidy,' though they did agree to a putative 20% cut in late July of 2004.
[24] Ray et al., 2003
[25] Ritchie et al., 2004
[26] Ritchie et al., 2004
[27] See, for example, Rodrick, 1999; and Stiglitz, 2000
[28] Weisbrot and Baker, 2002; Weisbrot et al., 2002
[29] Yanikkaya, 2002
[30] FAO, 2002
[31] Losch, 2004; Rosset, 1999.
[32] Losch, 2004; Rosset, 1999.
[33] Via Campesina et al., undated; Via Campesina, 2003; Rosset, 2003; McMichael, 2004. Desmarais, 2002.
[34] For example, see McMichael, 2004, and Desmarais, 2002.
[35] FAO, 2002
[36] Almost all of the key civil society players are members of the Our World is Not for Sale Network (http://www.ourworldisnotforsale.org/), yet there is a general split among them, where many of the policy think tank and environmentalist type of non-governmental organizations (NGOs) active on these issues, and the majority of the worlds organizations of family farmers, peasants and indigenous peoples', grouped together in the Via Campesina global alliance. Major NGO players who believe to some extent in the 'inside' strategy of fighting for better trade agreements include: IATP, Friends of the Earth International, Third World Network, ActionAid, Public Citizen and Oxfam, among others. Those who are allied with the Via Campesina call to get trade

agreements completely out of the business of regulating food and agriculture are group into the Agriculture Trade Network (http://www.peoplesfoodsovereignty.org/) and include GRAIN, ETC Group, the Institute for Food and Development Policy (Food First), and Focus on the Global South, among others.
[37] Wise, 2004; Ritchie et al., 2003; Via Campesina, 2003; CPE and NFFC, 2003
[38] Wise, 2004; Ritchie et al., 2003; Ray et al., 2003; Via Campesina, 2003; Via Campesina et al., 2004
[39] Ray et al., 2003
[40] Goh, 2004b
[41] Lines, 2004
[42] See the wealth of resources on-line at http://www.agribusinessaccountability.org/
[43] Murphy, 1999; Wise, 2004; Heffernan and Hendrickson, 2002; Hendrickson and Heffernan, 2002; Hendrickson et al., 2001; Patel and Memarsadeghi, 2003.
[44] BBC, 2002
[45] CPE and NFFC, 2004; Via Campesina, 2003; Via Campesina et al. 2004; Via Campesina et al., undated.
[46] GRAIN, 2004; Wallach and Woodall, 2004; see the web sites of ETC Group http://www.etcgroup.org and GRAIN http://www.grain.org on these issues.
[47] See his famous essay, "Why reform of the WTO is the Wrong Agenda," in Bello, 2001.
[48] See Wallach and Woodall, 2004, for a description of how the WTO works.
[49] Bello, 2002
[50] See http://www.nffc.net/issues/fnf/fnf_13.html to learn about the proposed Food from Family Farms Act.
[51] CPE, 2003
[52] Wise, 2004
[53] Most of this history is summarized from Wallach and Woodall, 2004; McMichael, 2004; http://www.wto.org; and http://www.citizen.org/trade.
[54] Gerson, 2002
[55] http://www.citizen.org/trade
[56] Chase, 2003, for example
[57] Zoellick, 2003
[58] Data from the Environmental Working Group at http://www.ewg.org/farm
[59] Allen, 2002.
[60] http://www.ewg.org/farm/findings.php
[61] BBC, 2003
[62] Eurostat, 2003 (data from 1995-2000)
[63] Rosset, 2002b
[64] http://www.nopa.org/
[65] CPE and NFFC, 2004
[66] Via Campesina, 2003
[67] Wise, 2004a,b
[68] For example, see the New York Times editorial titled "The Long Reach of King Cotton" (New York Times, August 5, 2003.
[69] Gillson et al., 2004
[70] Becker, 2004

[71] http://www.viacampesina.org
[72] Rosset, 2003
[73] Lilliston, 2004
[74] Data from the World Bank's World Development Indicators at http://www.worldbank.org
[75] Damian and Boltvinik, 2003
[76] de Ita, 2003
[77] de Ita, 2003
[78] de Ita, 2003
[79] Wise, 2004b
[80] Carlsen, 2003a
[81] Ritchie et al, 2003
[82] de Ita, 2003; Henriques and Patel, 2003; GRAIN, 2004
[83] Carlsen, 2003a
[84] Carlsen, 2003a
[85] Henriques and Patel, 2003
[86] Carlsen, 2003a
[87] de Ita, 2003
[88] FIND REFERENCE
[89] de Ita, 2003
[90] MINSA is a Mexican company created in 1993 from the privatization of Conasupo, the parastatal grain marketing enterprise, and is 46% owned by an American investment bank (MINSA, 2003).
[91] Nadal, 2000. The rise in tortilla prices can be attributed to two factors: the removal of consumer subsidies as part of neoliberal economic reforms, and the concentration of the national tortilla commodity chain in the hands of just two companies.
[92] ETC Group 2002, 2003a, 2003b
[93] Carlsen, 2003a
[94] Carslen, 2003a
[95] Oyejide, 2004
[96] IMF, 1999a; 1999b.
[97] Lappé et al, 1998; Rosset, 1999
[98] de Grassi and Rosset, forthcoming