Rigged rules and double standards in global agricultural trade

A presentation made at the launch of Oxfam International's campaign "Rigged Rules and Double Standards: trade, globalisation, and the fight against poverty"

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Of all globally traded commodities, agriculture is most subject to rigged rules and double standards. In the early 1990s there was some optimism that agricultural trade would become fairer: for the first time agriculture was included in the Uruguay Round of the Global Agreement on Trade and Tariffs (GATT). Through GATT it was hoped that the disarray that characterised global trade in agriculture would be reformed to make way for a "fair and market oriented agricultural trading system…through substantial and progressive reductions in agricultural support and protection". For developing country producers the hope was for greater access to northern hemisphere markets and higher and more stable world commodity prices.

The impact of the Uruguay Round has been extremely disappointing. While developing countries have liberalised their agricultural markets and support systems to farmers, often as part of a structural adjustment programme, the subsidies and supports to farmers in the United States and the European Union have in fact increased since the late 1980s. The United States and the EU now subsidise farmers by between $9 and $10 billion more than they did a decade ago. To put these figures in perspective, total subsidies to agriculture are five times higher than transfers for development aid.

Instead of supporting the agricultural sector during tough times, they have become a normal and expected part of farmers' income. OECD country subsidies in 2000 were so high that they exceeded the value of world trade in agricultural products. The impact of these subsidies on prices has been enormous for international competition and on developing country producers. Agricultural commodities exported from the EU and the United States are priced on average between 34% and 46% of actual production costs. Subsidies for commodities like maize and sugar are so high that they can be sold at between 20% and 25% of what it costs to produce them. According to the conservative World Bank the costs of these subsidies represent a welfare loss of $20 billion a year to developing country producers.

It is important to note that subsidies have not only increased, they have also changed their character and their focus. In other words, in the decade of the 1990s the *nature* of the rigged rules and double standards have changed in significant ways. Prior to the Uruguay Round subsidies in the United States and the European Union were often indirect or in the form of

market prices supports. Since then the subsidies have become direct to support measures for limiting production and improving the environment. In the European Union direct payments have also been made on the basis of preserving rural culture. Despite changes in the focus of the subsidies their impact on world trade remains the same.

Tariff protection has also changed since the early 1990s. Non-tariff barriers and quotas have given way to quantitative tariffs, which increase the costs of imports. These quantitative tariffs have not, however, changed significantly and many remain very high for processed products and key developing country exports including coffee, cocoa, vegetables and fruits. Developed countries are also using a range of sanitary and phyto-sanitary regulations to restrict imports. The use of these barriers has in turn re-shaped the nature of trade wars in agriculture, which are increasingly fought over genetically modified organisms, hormone injected beef and 'mad cow' disease.

South Africa has first-hand experience of this 'new' trading environment where northern hemisphere producers remain highly subsidies and protected by a new set of rigged rules. The European Union is currently considering imposing a phytosanitary ban on South African citrus exports. Citrus produced in South African can be infected by a disease called 'black spot', which damages the fruit and makes it unsuitable for consumption, but has no impact on the tree itself. The chances of exports infecting an importing country's orchards are extremely slim. In fact the Western Cape is considered to be 'black spot free' despite the fact that the fruit produced in the rest of the country is vulnerable to infection.

The world's largest citrus exporter, Spain, is now pushing for South African fruit exports to be banned from the EU because of 'black spot'. But the problem is not associated with Spain's concern about importing a potentially damaging fruit disease. It is about international competition. South African citrus exported to the European Union is considered to be counter-seasonal, which means that we do not compete with EU producers who produce citrus in a different time of the year. The tariffs for citrus exports are as a result lower during our production season but very high during the northern hemisphere season. In recent years there have been significant 'overlaps' in the season due to overproduction and the planting of early and late season varieties of citrus.

These overlaps have proved damaging to the returns of citrus producers in Spain and South Africa. Rather than attempting to compete on what is already a highly unfair advantage, Spanish producers are attempting to restrict South African fruit altogether. Since we export 70% of our citrus to the European Union the impact of a phytosanitary ban on the South African citrus industry would be devastating.

We also experienced aspects of this trading environment in the bilateral trade and development agreement between the European Union and ourselves. What sticks in the mind about the agreement were the huge debates about the names we use for wines and spirits. In the end we were forced to give up names like port, sherry, ouzo and grappa on export and local markets in return for some money to help us develop new names and for a quota of duty free wine.

It is not immediately clear why the EU was so insistent on us dropping these names: South African produces about 39 million port and sherry a year, but only 3% of it is exported. Our production of grappa and ouzo is even less significant. While South Africa's larges grappa producer bottles 30,000 a year, Italy's largest producer bottles 20,000 a day.

The EU negotiators claim that these names are 'geographical indications', which is a form of intellectual property protected to varying degrees by EU laws and under the WTO's intellectual property rights agreement. To have a name protected as a geographical indication, producers must demonstrate that the quality or reputation of the product derives from its place of origin. So France has been able to establish that champagne and cognac as geographical indications, which means that no other similar product produced outside of Champagne and Cognac, is able to use these names. In our negotiations, the European Union argued that port and sherry should be given similar protection – the name port should be reserved for fortified wine produced in Porto and the name sherry for Jerez in Spain.

Why was the EU so insistent on protecting these names when our production levels are so small? The reason has to do with its failure to increase protection for geographical indications through the WTO's intellectual property rights agreement called Trips. This agreement does protect geographical indications but it provides for certain exceptions. Names that are considered to be customary or common language like for example cheddar cheese and feta cannot be protected. It is also not possible to protect names that have been in general use more than 10 years before the GATT agreement. These restrictions have hamstrung the EU's attempts to increase protection of names like sherry and port, both of which would meet these exception clauses.

Unable to protect geographical indications like port and sherry through the WTO, the EU has instead resorted to bilateral trade deals where thanks to its bargaining strength it can force developing country producers to give up names that have been used for decades. We aren't the first wine producing that has become a victim of this process. In 1994 Australia signed a wine and spirits agreement with the EU and they were not only forced to give up port and sherry, but also claret, beaujolais and chianti. Even when the WTO rules are against the major economic powers, they are able to use other methods of forcing less powerful countries in complying with protectionist policies.

There are two ways forward to remedy the rigged rules and double standards that are characteristic of agricultural trade in the new millennium. An immediate priority involves increasing the capacity of developing countries in dealing with the rigged rules and unfair standards detailed in the Oxfam report. In South Africa's case our experience with the EU has been important in exposing us to the uncompromising nature of agricultural trade. A longer-term strategy involves reforming the WTO so that it represents different trading interests more equitably. There is a fine line here: if the WTO became more representative of developing country interests it would almost certainly become ineffectual or even cease to exist.

In the South African context there is a third issue. Conditions for most farm workers remain extremely poor and they are the lowest paid workers by some margin. Gains that are made in

agricultural trade must be passed down the chain so that those at the end of the chain also benefit from better and fairer access to global markets.