



An Analysis of the outcomes of the Agreements in Agriculture in the Hong Kong Ministerial Trade Conference

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1.0 Introduction

Although the Hong Kong World Trade Organisation (WTO) Ministerial Conference raised many expectations, the outcome, especially on agriculture fall short of redressing the agricultural developmental challenges of developing countries, particularly in Africa. Many countries and/or groupings went to Hong Kong with expectations for an outcome that addresses the material needs of their constituencies. In this respect, the expectations for developing nations, in particular African economies centred on pro-poor agricultural trade regime at the multilateral level (WTO) that would culminate in agricultural trade-driven poverty alleviation. In essence therefore, the countries and/or groupings competed for space to define the development of the agricultural sector and participation of respective constituencies at the global market. The Hong Kong process illustrated the manipulative prowess of few but powerful trading countries and/or groupings at the expense of the vulnerable but majority member-states of the WTO. On the one hand, industrialised nations who are suffering from the profitability crises remained resolute in ensuring that their farmers and consumers continue to be protected by the multilateral trade regime as defined by the boxes. To them, the outcome had to ensure that their farmers, agri-businesses, and any agricultural-linked entrepreneurs continue to be protected while their consumers are assured of availability of agricultural-related products. On the other hand, the developing countries, most of whom are poverty stricken, failed to rescue their constituencies from global marginalisation in terms of evening the agricultural global competition and development. These economies are not only agricultural based, but also characterised by economic structural deficiencies and internal class contradictions all of which have for years generated massive hunger, poverty and the begging syndrome.

Given the above, the paper attempts to analyse the outcomes of the agreements on agriculture in Hong Kong in so far as they relate to developing countries. In this regard, Section 2 of the paper discusses the background and contextual issues relating agriculture; Section 3 revisited countries/grouping positions prior to Hong Kong; Section 4 focuses on Hong Kong issues for developing countries; Section 5 discusses the implication of the outcome to poverty and food security; and Section 6 conclude the paper by suggesting the way forward.

2.0 Background and Contextual Issues

Agriculture is central to the food security, rural development and livelihood needs in developing countries in general and Africa in particular. In the economies of many developing countries, the sector accounts for a large share of the Gross Domestic Product (GDP); represents significant share of foreign exchange; and is the primary source of employment, livelihoods and basic food to more than 70 per cent of the population; and has strong forward and backward linkages with other sectors of the economy.

Agricultural development is therefore central to the socio-economic development of developing countries, especially regarding poverty alleviation. The above suggest that the sector is any measure the largest component of the economies of developing nations. While this is so, in the world's two biggest agricultural exporting economic powers, the European Union (EU) and the United States (US), the sector is a relatively small part of the economy - employing a tiny percentage of the population and making a small contribution to the economy.

In the international market arena, agriculture trade remains by far the most distorted, mainly to the advantage of the developed economies, particularly the two big economic powerhouses - the EU and the US. In both the on-going multilateral (WTO) and bilateral (Economic Partnership Agreements (EPAs) negotiations Africa and other developing countries face the danger of being forced to open their markets to agricultural exports from developed economies while the latter continue to fortify protection of their sector. Developing countries therefore becomes vulnerable while industrialised economies with their high per capita income adequately subsidize their sector through a complex mechanism of policy measures including direct support to farmers which encourages higher production leading to higher exports and dumping in the world market; and exclusive support to agriculture exporters in addition to high tariffs that protect their markets from competitors agriculture imports. The above suggest that the developing countries continues to be exposed to the unfair subsidies of the industrialised nations whose cheap products end up being dumped at their markets thereby displacing their farmers and disrupting people's livelihoods.

Much agricultural parameters prior to Hong Kong were contained in the July 2004 Framework, which not only failed to tightened the abuse of box shifting, but also preserves the basic structure of boxes of the Agreement on Agriculture. This gives room for developed nations to continue play bad politics, instead of responding to calls for real progress for the elimination of the export subsidies and deeper cuts in domestic agriculture support. Thus, most policies or measures which distort the agriculture at the global market are contained in the boxes. Equally so, most of the controversies in the negotiations on agriculture also emanate from the same boxes. These boxes are summarised below:

- The **"amber box"** contains all domestic support measures (prices or subsidies) that are taken to be trade-distorting and have direct effect on production. Examples include input subsidies and price support to farmers.
- The **"green box"** contains subsidies that are not related to current production or prices, hence must not distort trade or at most cause minimal distortion. There is no limit to the support levels, and include government-funded programmes such as research, marketing assistance, financial support for income insurance and income safety-net programmes.
- The **"blue box"** contains all subsidies that are related to production including payments directly linked to acreage or animal numbers, and schemes which also limit production by imposing production quotas or requiring farmers to set aside part of their land.

3.0 Countries / Grouping positions prior to Hong Kong

Several countries and/or groupings had developed their positions prior to the sixth WTO Ministerial Conference in Hong Kong. However, only those positions relating to the two big economies (EU and US) and developing countries are summarised in the table below. This is not an exhaustive list of positions. The table also attempts to provide the driving issues for such positions. From the both the EU and US, the main thrust was the desire to deal effectively with their profitability crises at home, that is, the desire to find markets in other regions, particularly Africa for their agricultural products. This entails sustainable production frontiers, guaranteed employment, stable incomes, and above all, protection of their consumers through

affordability, availability and accessibility of agricultural food products. In this regard, they protect both their farmers and consumers, hence the resistance to major movement in correcting distortions in the AoA.

Country/grouping	Prior Hong Kong positions	Issues
EU	<p>Eager to maintain its domestic support to farmers (the concepts of blue and green boxes);</p> <p>Want real market access of its agricultural products, especially in Africa (link with the EPAs negotiations);</p> <p>Want minimal movement in correcting distortions in the agricultural agreement;</p> <p>Ready to negotiate the amber box;</p> <p>Want to shift its domestic support to the green box;</p>	<p>Profitability crises at home;</p> <p>Protection of constituencies (farmers & consumers);</p>
US	<p>Want to maintain the status quo of the green box though agreed to review its criteria, especially non-trade distorting development policies;</p> <p>Set the limit of US\$19.1 billion to cover marketing loan benefits, milk and sugar; counter-cyclical payments; and crop insurance;</p> <p>Want minimal movement in correcting distortions in the agricultural agreement;</p> <p>Want a cap of 2.5% of the total value of agriculture product instead of the July Framework ceiling of 5%;</p>	<p>Profitability crises at home;</p> <p>Protection of constituencies (farmers & consumers);</p>
Developing countries:- G20; G33; G90; Africa Group; LDC Group)	<p>Want agriculture to be in line with the Doha Mandate;</p> <p>Want firm commitments on "special and differential treatment" in order to preserve their food and livelihood security while addressing rural needs of their societies;</p> <p>Want a real cut in all trade-distorting domestic support as well as effective new disciplines;</p> <p>Want to review existing domestic support in order to ensure "no" or at most minimal trade-distorting trade regime on production;</p>	<p>Food insecurity;</p> <p>Limited resources to develop and subsidise their farmers;</p> <p>Socio-economic structural deficiencies and internal class contradictions leading to de-agriculturalisation & de-industrialisation;</p> <p>Vulnerability and dependence syndrome;</p>

4.0 Hong Kong Issues for Developing Countries

4.1 Food Security

Developing countries, particularly the LDCs and the Africa Group expressed concern on food security, a development that led to the adoption of the "safe box" (*the term used in the Hong Kong Declaration to ensure that food for emergencies is not disrupted*). This only happens in an emergency identified by the United Nation (UN) agency following a declaration by the government concerned in collaboration with a relevant international organization and an independent assessment of need. In order to avoid the abuse of this box, other non-emergency food aid would be disciplined unless they are demand-driven; in full grant form (not on credit); be untied; take account of local market conditions; address development objectives; not be tied to the donor's market objectives; only exceptionally be "monetized" (sold to raise cash) and only related to the delivery of food aid or to procure agricultural inputs; and would not be

re-exported. However, the above outcome though attempt to meet the food provisions of developing countries in time of need, do not address the agricultural development needs of developing countries in the short- to long-term. This seems to suggest that developing countries provide ready markets for developed economies agricultural products.

4.2 Agricultural support

Hong Kong maintains the Green Box which is likened to a Food Security Box for developed countries such as the US and the EU. This box allows governments to provide without limit such support as infrastructural, research and marketing services; and direct payments or decoupled payments or payments which are not related to production. Given limited financial and human resources in developing countries, this form of outright financial support, however, is not feasible in the short- to long-term. Therefore, the outcome is unlikely to address the developmental needs of the agricultural sector in developing economies. This further suggests that developing countries require other non-financial means to protect and support their farmers.

4.3 Special and Differential Treatment clause

The AoA allows developing countries to provide investment subsidies (credits at favourable interest rates) and input subsidies generally available to low income and resource poor producers. These supports are not subject to reduction, but they are limited to 1992 levels. However, for developing countries this outcome is again limited in usage, especially as countries may lack the administrative capacity to put the targeting into practice.

4.4 De Minimis Support

Developed and developing countries are allowed to maintain a certain level of de minimis support of 5% for developed countries and 10% for developing countries. While this looks impressive and important, it again suggests that developing countries support agriculture through financial means.

4.5 Elimination of export subsidies by 2013

Hong Kong Ministerial Conference agreed to eliminate agricultural export subsidies by 2013. However, for most developing countries, particularly in Africa there main gain was mainly a date for the final phase-out of export subsidies in agriculture though that nevertheless left the structure of subsidization of agricultural subsidization in the EU and the US largely intact (Yoke Ling, 2006). Even with the phase out of formally defined export subsidies, other forms of export support will allow the EU, for instance, to continue to subsidize exports to the tune of 55 billion euros after 2013. Furthermore, this outcome has not helped to lessen the prevailing poverty in developing countries, particularly in Africa caused by the high protection of developed countries' markets; and the massive subsidies that have led to years of dumping of artificially cheap agricultural products which have affected the products and livelihoods of farmers in the developing world.

4.6 Market access

The LDCs, not only were given unending rhetoric, but also were left with far less than was promised. For instance, there request for bound duty and quota free market access to industrialised economies' markets for all their products were not fulfilled. There is also an escape clause that countries having difficulties providing such market access shall provide access for 97% of products, a development that allow developed countries to continue protecting "sensitive products" that are of export advantage to LDCs, such as textiles and clothing, rice, sugar, leather products and fishery products. The above seem to suggest that the LDCs are only given rights in areas where they cannot realise these rights. This has also been the case with the "everything else but arms" initiative under the Cotonou Agreement, which due to serious supply side constraints - roads, railways, communications and other utilities - and other production challenges, commodities from this region failed to penetrate the global market.

5.0 Implications to Poverty and Food Security

Given the above analysis, it is quite clear that the Hong Kong WTO outcomes in agriculture have no immediate and long-term developmental trusts for developing countries. It seems that gains focused more on ensuring the availability of emergency food, but left out the major concern of developing nations, that is, the desire to develop their agriculture which an important sector in the economy. This therefore means that food insecurity to continue while those sectors which have developed forward and backward linkages are destined to shrink. Unemployment and other related socio-economic challenges will persist, at least in the near to medium future. The economies therefore continue to suffer from serious structural deficiencies, especially in those areas that the sector is the main mover of the economy. In addition, failure to transform the sector may result in further marginalisation of developing products at the international market as well as existence of internal class contradictions, a development that breeds conflicts leading to worsening of socio-economic conditions of the people.

6.0 Conclusion and the Way forward

Given the above, all those constituencies involved in trade negotiations should examine their Hong Kong activities with the view to identify weakness that require improvement. This is a learning curve that even entails rebuilding of constituencies that are pro-agricultural development and trade, which much be brought to the table. It is imperative to continuously build capacity, particularly among civic bodies as well as sharpen strategies of dealing with both the global actors and own governments. It is also important to remain consistent in engaging on pro-poor agricultural trade regime at both the bilateral and multilateral levels. Wherever possible, various actors in the continent need to revamp their strategic alliance and synergies as well as forming or building alliances for robust involvement in both bilateral and multilateral trade negotiations in general and agriculture focus in particular. In this regards, civil society organisations should thrive by all means to inform their constituencies the essence of trade negotiation and expected outcome thereof. Lastly, this forum should continue and should also focus on other negotiating fronts in the region such as the on-going EPAs and AGOA.

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