

WTO: TRADING AWAY AFRICA



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WTO AGREEMENT ON AGRICULTURE: DUMPING ON THE POOR IN AFRICA

“The international trading system is characterized by significant imbalances and inequities against developing countries. Vivid illustrations can be found in the persistent deterioration of the terms of trade for primary commodities (and) ... in the agriculture subsidies and farm support of developed countries which are destroying the livelihoods of our farmers”

Ambassador Vijay S. Makhan, Interim Commissioner, African Union, speaking at the First Meeting of the African Union Ministers of Trade, Mauritius, June 2003

Agriculture provides the main source of livelihood for 77% of the Kenyan population and is the mainstay of the economy. Yet, falling prices for key agricultural commodities combined with the dumping of agricultural products by developed countries is destroying local food production, undermining food security and rural livelihoods across Africa.

WTO rules encourage dumping on poor farmers

The outcome of the WTO negotiations on agriculture is of major importance for Kenya and other African countries. As it stands the WTO Agreement on Agriculture (AoA) legalises dumping and other market-distorting practices on the part of developed countries, while developing countries are forced to open up their markets for further liberalisation.

While African countries forced to open their markets ...

Kenya has already liberalised its agriculture substantially. In the 1990s, following World Bank and International Monetary Fund (IMF) structural adjustment policies, Kenya cut tariff rates by one half or more; and decreased its spending on agriculture by 50%.

... rich countries allowed to subsidise their farmers

Meanwhile, rich country governments continue to apply tariff barriers that keep out African products, while continuing to subsidise their own farmers to the tune of \$1 billion a day. This leads to overproduction on the part of Northern country farmers, who then dump their surpluses onto world markets and the local markets upon which Africa's farmers depend.

“Maize farmers have in the past few years suffered enormous losses due to importation of cheap maize. The Government should check this practice if it is serious about boosting agriculture.” Samuel Gitonga, Chairman of Nakuru branch of Kenya Federation of Agricultural Producers, July 2003.

“When it comes to trade, we are totally forgotten. They talk about eliminating poverty, but why then must they subsidise their farmers?”
Soloba Mady Keita, Cotton Farmer, Mali, 2003

Across West Africa the **cotton** price slump has crushed livelihoods of nearly two million families. In Soloba's village in Mali, the effect is deepening poverty, hunger – and incomprehension. Meanwhile, 25,000 US cotton farmers receive US\$3.6bn a year in subsidies – more than the total of US aid to Africa. Subsidies help make the US the world's largest exporter and push down world prices, which have fallen by half since the mid-1990s. Africa as a whole loses US\$300 million a year as a direct consequence of US policies.

Maize is a major staple food crop in Kenya. Most small farmers produce some maize for home consumption, while selling the surplus into local markets to meet the cash needs of their households. Yet structural adjustment policies, which reduced state support for agriculture and opened up to cheap foreign imports, left the maize sector in disarray. Withdrawal of state support has driven down yields, while cheap imports have driven down domestic prices, in turn reducing incentives to invest in the sector. As a consequence livelihoods and food security have been undermined.

Agreement on Agriculture – legitimising double standards

The **Uruguay Round** Agreement on Agriculture (AoA) was based on commitments - on the part of all WTO member countries – designed to ‘establish a fair and market-oriented trading system ... to correct and prevent restrictions and distortions in world agricultural markets’. The so-called **Doha Development Agenda**, launched in 2001, reaffirmed commitments to ‘comprehensive negotiations aimed at: substantial improvements in **market access**; reductions of, with a view to phasing out, all forms of **exports subsidies**; and substantial reductions in trade-distorting **domestic support**’ At the same time, governments reaffirmed their commitment to Special and Differential Treatment for developing countries.

However, the AoA is inherently flawed. For a start, it categorises subsidies – the main protectionist tool of the rich countries - into so called trade-distorting domestic subsidies (the amber box), which have to be reduced, and so-called non-trade distorting subsidies (blue and green boxes), which escape disciplines and thus can be increased. This has allowed the rich countries to maintain or raise their very high subsidies by switching from one kind of subsidy to another. Martin Khor (Third World Network) describes this as ‘like a magician's trick, to have the subsidies disappear from one box, to re-appear again in some other box.’

Meanwhile, developing countries – many of which cannot afford to use subsidies to support their farmers - are being denied the right to counterbalance with tariffs. This leaves developing countries wide open to the dumping illustrated above.

The present negotiations provide a crucial chance to change this picture

Yet the mis-named Doha ‘Development’ Agenda has failed to make progress on agriculture (or on other areas of interest to developing countries). And progress on defining meaningful Special and Differential Treatment also has been severely lacking. Developing countries have called on the rich countries to really reduce their subsidies, including the ‘green box’ subsidies. But the latest chairman’s draft – the Harbinson draft – proposing the targets and timelines (‘modalities’) for liberalisation commitments, gives freedom to the rich countries to continue with green box subsidies without restraint.

Moreover, the Harbinson text also overly restricts the flexibility of developing countries to effectively protect their vulnerable agricultural sectors against the subsidy superpowers. This is damaging to rural livelihoods and food security, and grossly unfair. However, even if dumping were reduced, there is still a need for developing countries to retain the ability to limit international competition in the farm sector, on development grounds.

Market access - in the context of the AoA - refers to reductions in tariffs and non-tariff barriers.

Domestic support refers to government spending in support of farmers. The AoA mandates reductions in state support, particularly support considered to be ‘trade-distorting’. However, domestic support measures considered to have, at most, a minimal impact on trade (“green box” policies) are excluded from reduction commitments.

Export subsidies are payments to farmers and traders to encourage them to export surpluses onto world markets, often at prices below the actual cost of production. The AoA commits countries to reduce spending on export subsidies and the quantity of agricultural products exported with subsidies.

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