Publication | 01.08.2003

AgriCulture and WTO: Free Trade Problems ? Fair Trade Solutions

Position paper on the WTO Conference in Cancun

Part I: Free trade problems

1. **The WTO has a problem with agriculture**
   because food production includes rights and values which are clearly standing against free trade: the right of people to feed themselves and to have access to a healthy diet; the right of nations to achieve and to defend food security and sovereignty. AgriCulture carries values linked to a great diversity of living resources, landscapes, farming practices and food consumption.

   The great majority of farmers and the poor in developing countries struggle for access to land and the means to feed themselves. In Europe, alliances of farmers, consumers, environmentalists and animal welfare groups pressure for a radical change in farm and food policies which integrate their various interests into one sustainable agriculture and food policy.

   Negotiations within the WTO on the "Agreement on Agriculture" (AoA) are stuck for good reasons. The developing countries criticise the developed countries for enforcing free trade in farm products. They say the North simply conquers new markets in the South without offering access to their markets in the North. But the the real problem lies in existing farm and trade policies worldwide. The objectives need to be changed, away from a global stimulation of export-oriented surplus production which is dumped onto the world market mainly by the North, towards sustainable farm practices and equal access to food which would end hunger and preserve the natural resources needed to feed a growing world population. The WTO has a problem with agriCulture, **because it refuses to acknowledge the specific social and ecological conditions agriculture and food are bound to**.

2. **The EU has a problem with agriculture and the WTO**
   because the objectives of the Common Agriculture Policy (CAP) as defined in the treaties have not been changed since its early days of the 1960s. Price policy and market intervention have stimulated surpluses in almost all regulated sectors, in spite of the fact that the EU is the most important importer of food in the world. The EU is obliged to take off the surplus production through market intervention and it continues to use taxpayers' money to dump farm products onto the world market. This destroys local and regional food markets in the EU and in many developing countries and adds to a destructive international competition also fueled by the United States and many farm product exporting nations. The recent decisions on CAP reform with an optional decoupling of direct payments from production may modify the position of the EU in WTO negotiations.

However, the key question remains whether the EU and the member states will now create a strong rural and market development policy framework which supports farmers to reorientate their production towards quality and high value and realistic price markets which would allow them to cover their costs of production without increasing their output. Farm gate prices have declined continuously due to subsidized overproduction and output-related public support to farms; an increasingly concentrated multinational agro-industry profits from this policy and the artificially low price level on the world market; an increasing number of farmers give up production and migrate to urban agglomerations, while those remaining are forced to further intensify production and to increase output to survive. This is how consumers and society as a whole have lost quality in food they consume. Environmental degradation and repeated food scandals in Europe have clearly reflected this destructive dynamic.

The EU has a problem with agriCulture and the WTO, **because it is modifying but not sufficiently reforming its Common Agriculture Policy. Decoupling public aid from production is not the solution, as overproduction and dumping continue. The main reform to sufficiently promote sustainable farming practice and protect local and regional quality markets against duming in Europe and the world, still remains to be done.**

3. **The EU and the US have a common problem with a deal they made on agriculture years ago...**
When the EU Common Agriculture Policy (CAP) came into life in the 1960s it was built upon a deal between the US and the EU which is still creating problems across the Atlantic. The EU was bound to focus on cereal production and the US should concentrate on protein crops. Since, the EU is importing growing amounts of soya beans without any tariff limitations, and most European animal production is based on these imports. In return, the EU was allowed to protect its cereal production against cheaper imports, but quickly reached its limits in selling the growing production on the internal market. The imported protein crops were cheaper.

This former deal was confirmed in the so called "Blair House Agreement" in 1992 between the EU and the US. The EU accepted to keep its own protein production at a very low level, fixing its deficit at almost 80%. The cheap protein imports still stimulate meat and milk surplus production in intensive European breeding industries, provoking new subsidized exports. There was no advantage for farmers of both sides in this deal. It has just created strings of dependence through trade with very negative impacts on European and US farming. The current conflict in the WTO on whether the EU should accept GM soya and corn imports from the US shows how the solution of farm policy disputs are severly limited by strong dependencies created by trade agreements.

The EU and the US have a common problem with their Blair House deal, **because it creates strong imbalances of crop and animal production in favour of transnational trade companies which they fail to control and at the expense of their own farmers.**

4. **The developing countries have a problem with the EU, the US, the WTO, and market access**
Through the WTO negotiation process developing countries are pressed to open their markets for agricultural products from EU- and US subsidized surplus production. In return they are promised to get access to the markets of the North for their farm exports. But since another bad trade deal, the so-called "Marakesh agreement" came into force in 1995 the access to the promised markets of the North has not come true for developing countries. This explains their strong resistance against concessions in WTO for further access to their own food markets.

The great myth the WTO produces about market access as the one and only tool for global development of agriculture in the developing countries is that the poor farmers of the South would profit from it. But reality proves the opposite. International trade is fully dominated by

transnationals like Cargill and Archer Daniels, controlling almost 40% of world trade in the main crops. Any possible profits from export of soya beans,coffee, corn or other bulk products is absorbed by them. In fact, more market access for these companies anywhere in the world translates into market displacement of small farmers worldwide, as they depend on income from local and regional markets, which are flooded with dumped imports. The Mexican example clearly illustrates this. Since the opening of the North American Free Trade area, Mexico has trippled imports of subsidized low quality corn from the US and lost 1,7 million jobs in the countryside.At this new WTO negotiation on agriculture taking place in Cancun, Mexico, it would be the best lesson for ministers and the media to have a close look into the experience made in the region

The developing countries have a problem with the EU, the US, another bad trade deal, and the WTO **because they are exposed to an increasing market and bargaining power of multinational trade companies which controll market access and filter out possible profits of trade before it can reach farmers or the poor.**

Part II: Fair Trade Solutions

5. **The developing countries must defend their right to food security and food sovereignty looking for partners to estabish fair trade with high value food products**
   Any fair multilateral or bilateral trade agreement must build on the principle that every country must be allowed and supported to establish a strong food security system which may not be undermined by any dumping policies of any trading partners. To end hunger, the poor must be given access to land and natural resources including training for good farming practice and local marketing must be carried out. Agrarian reforms in the developing countries must balance the enormous asymetries of production, income and living standard of farmers within the developing countries and between the North and the South.

   The EU should contribute to this process through adequate food- and development aid, based on the experience of successful former land reforms in Europe, and democratic bottom-up rural development programmes of the Union. The EU should end all export subsidies and should offer new non-reciprocal preferential trade agreements as made with the ACP countries to increase the export of specific high value added products from the developing countries to the EU. The EU should further elaborate its special incentive arrangements with the developing countries to reach compliance with social and environmental standards through its development programmes. Combined limited quantity access to a high price market while respecting EU quality standards would allow farmers on both sides to shift towards more sustainable farm practices and saveguard food security in the partner countries at the same time. The development countries should not abandon their resistance against unfair market access agreements, but focus their attention on non-reciprocal preferential agreements of a limited quantity of high value products. The EU market can fully absorbe these producs. This is the practical alternative to worldwide dumping and free access of transnational corporations to the markets they chose.

6. **The EU should now offer fair trade solutions to end the current deadlock in international trade relations**
   The EU should unilaterally end current dumping practices (export subsidies and unconditioned direct payments), create a new Common Agriculture and Rural Development Policy focussed on sustainable agriculture and establish new qualified external protection measures to saveguard the manoeuvring space for this reform process. The "qualified external protection" should use anti-dumping criteria including food quality, environmental, social, animal welfare and biodiversity aspects and establish process controls throughout the agricultural and food processing chains. Non-compliance with these criteria which would apply also to direct payments to EU farmers would initiate tariffs or levies to be implemented at the EU borders. This "income from qualified

protection" should directly be retransferred into those developing countries which need support to reach the agreed standards. Thus the EU would not profit from the funds created by the qualified external protection, but should create development aid for rural development and quality production in developing countries. With these new funds the EU should support partnership projects between governmental, non-governmental and private actors in these countries and stimulate training for sustainable farming practices and high value-added export production.

7. **The EU and all WTO members who wish - should become fore-runners of an international food security and rural development policy**
   once dropped the destructive instrument of export dumping measures, and having established a qualified external protection against dumping from third countries, the EU and other partners for fair trade - should phase out production-linked subsidies. The bulk of these direct payments almost entirely ends up in the pockets of processing-industry and transnational trade companies as they include this public money paid to the farmers for specific crops into their price calculations.

   Instead of paying farmers to produce more or to stop production, the EU should promote fair competition for quality food and good environmental stewardship through a new rural development policy including structural and agricultural funds. Payments to farmers and rural enterprises should be reserved to those respecting environmental laws, food quality and animal welfare legislation. Production-linked payments should be limited to specific modes of production linked to disadvantaged regions, landscapes and conservation sites. The EU's agriculture and rural development policy should support the necessary infrastructure in rural regions for renewal of local and regional markets through more elaborated geografical indications, certification and labelling of the diversity of European food culture. The EU should create a strong framework of research and conservation of the diversity of seeds and farm animal races and defend public access to this common heritage.

8. **The WTO should accept full democratic control and put agriCultural issues into the hands of a new UN World Food Assembly**
   The WTO should leave agriCulture out of the current negotiation agenda, if it is not able to address the rights and values linked to the sector. The organisation has no legitimacy to intervene into such important fields like food security and food sovereignty of its members, without being subject to democratic control. The EU and its potential partners forfair trade in agriCulture should take the initiative to assemble the international government bodies dealing with agriculture and food security like FAO, UNDP and the UNWorld Food Programme together with the NGO and Civil Society community active in this field to further elaborate on the so-called non-trade aspects. There is an enormous knowledge available about traditional and modern food security systems and fair trade practice, both in North and South. Weaknesses need to be analysed and success stories need to be spread and mainstreamed. The FAO has already done a lot to improve the dialogue with the NGO community. It is time that the UN as a whole and WTO members who are frustrated with the ongoing negotiation process on agriculture take an initiative to challenge the limited and restricted way the WTO is treating food and agriCulture. The Convention on the Future of Europe and the European AgriCultural Convention could be a good example of how to include the actors of society in a consensus building process. The WTO could learn from it or should give up on dealing with agriCulture.

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August 2003

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