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## **Background document: AgriCulture / Food Security / Fair Trade**

### **What kind of agriculture policy do the Greens promote? - A strategy paper**

**Priority for non-trade concerns and domestic policies.**

**Promotion of sustainable farming practice and rural development.**

**Protection against social and ecological dumping**

A strategy paper of the GREENS/EFA group in the European Parliament on agriculture, rural development and international trade negotiations

#### **Challenging the dimension of international trade in agriculture**

The dimension of international trade in farm products is often over-estimated. Only 10% of the world's agricultural production is sold on the world market. And only a few countries, like the USA and the CAIRNS group, are net exporters of agricultural products.

However, the great majority of industrialised countries has given priority to international competition on farm products through trade liberalisation. The assumption is that free trade will balance comparative advantages of agricultural production around the world and consequently will contribute to a better distribution of wealth and growth.

The problem is that price differences in crops which are supposed to stimulate growth and economic welfare, have been manipulated in many ways. Subsidies, whether paid as export refunds to trade companies, or as deficiency payments to farmers, have brought world market prices often below the level of domestic production costs. Developing countries are rightly criticising the fact that their domestic production and income from export is put under pressure using such dumping practices while the markets of the industrialised countries continue to be protected.

Trade negotiation parties at WTO have put market access into the centre of trade liberalisation talks. Domestic farm policies however are mainly dealt with as barriers for trade liberalisation. Issues such as public health, natural resource management, environmental and social policy which would qualify trade relations beyond price competition or would set certain conditions on public support for agriculture and rural economies, are earmarked as non-trade-concerns. These concerns or domestic policy options are at risk to be externalised and dealt with in other specialised fora, after an agreement on trade liberalisation has been reached. An international trade agreement would then become the rule and domestic policies, especially food security and rural development policies the exception.

The GREENS/EFA in the European Parliament reject such an approach. We call for an integrated international negotiation process inside and outside WTO (UNEP, FAO,WHO) on agricultural issues, rural development and trade. The most important challenge to farming and food security world wide is to stop soil degradation and to enhance a sustainable management of natural resources.

This is why the negotiation process should deal with food security related to agri-cultural diversity, and food quality policies, rural employment and sustainable transport. Rural economies, much more than industry and services, depend strongly on climatic and natural conditions and they face strong depopulation and loss of capital They need investment in capacity building and innovation and a good balance between production and protection.

Therefore, as currently the Agreement on Agriculture (AoA) is part of the WTO agenda, the GREENS/EFA urge the EU Commission to modify its negotiation position accordingly, bringing the social, environmental, and food security concerns (Art 20) into the centre of public attention and to the WTO negotiation agenda.

### **Priority for non trade concerns: an integrated regional approach to agriculture and rural policies**

Not surprisingly, the strongest pressure for trade liberalisation is coming from countries which net exporters of crops. Conflicts concerning domestic farm policies between the USA and the CAIRNS group on one side, and the EU and Japan on the other reflect differences in farm size, the grade of concentration of agricultural commerce and the number of people employed in rural economies. The US is a net exporter, the EU is a net importer of farm produce, even though the EU,- through export subsidies -, plays a significant role as exporter of processed farm products, based on imported plant proteins and grain from the US and the developing countries.

Consequently, between the EU and the US trade promoters, there is a parallel interest in market outlets for surplus production. They are currently expanding their "internal" markets: the EU towards Central and Eastern Europe and North Africa, the US towards Latin America and Asia. But even if the chief trade negotiators like "two strong elephants" (quote Lamy/ Zoellick) claim to have found a good common basis to move towards more trade liberalisation and economic growth - the current differences in policy concepts and sensitivities of the general public will create more fields of trade conflicts than common strategies.

This potential for conflict might offer a chance for a revision of the WTO agenda which the EU should use to move out of dumping practices and instead argue for conditionality in public support. On both sides of the Atlantic there is good reason for this. In the US, the farm crisis reveals the dependence of US farming on export subsidies and its costs for society. There is currently an interesting debate going on about the unequal distribution of subsidies to farmers and false premises and promises in export strategies. In the EU, public pressure for a new reform of the CAP is based on demands for better food quality, protection of the environment and employment.

Disputes over GMOs, hormone meat or other growth promoters will no longer be solved through compensation payments for trade distortions. They must be tackled by moving out of the limited framework of trade liberalisation and by including the political dimensions like EU enlargement (employment in rural regions), social, environmental and employment issues.

### **Promotion of sustainable farming practice and rural development: qualifying for multifunctionality**

The Agenda 2000 process continues to reduce market intervention and has increased direct payments to farmers. Direct payments are compensations for reductions in price guarantees. They are based on

historical yields, cultivated surface and heads of animals. The instrument of price compensation is accelerating the process of concentration in farming and increases disparities of income between farmers.

As long as the EU is not imposing criteria for compensation payments which would significantly qualify them for environmental, food quality or social purposes the concepts of multifunctionality or the European model of agriculture currently used, the EU negotiation position will not stand in international fora like the WTO. The same is true for a concept like good farming practice. They are weak, because there is no political reality behind or efforts to put these into practice.

Agenda 2000 has failed to make modulation of direct payments obligatory (ceilings, maximum intensity, cross compliance with environmental legislation etc.). Member states are very reluctant to implement modulation criteria for fear of opposition from large and intensive farms and agroindustry. But in order to defend the interests of the farming community and to respond to societies' interest in food and environmental quality, EU farm policy must clearly define and implement non trade concerns such as ecological and social conditions.

There is little chance for the EU to defend its current farm policy instruments in the WTO negotiations, if support paid to the agricultural sector does not prove to be qualified by non trade concerns. Strategically this means farm policy instruments should contribute to a stabilisation of rural infrastructure, improvement of health aspects, etc, in order to merge and strengthen criteria of the currently used blue and the green box. Compensation payments as applied today are rightly criticised as hidden export subsidies, as they reduce the internal farm gate price level to increase the competitiveness of agroindustries and to gain market access abroad.

The so called second pillar of the CAP, introduced as the new structural innovation policy for rural regions needs to become the main instrument of the EU in response to the change of expectations of the European society towards agriculture. Rural infrastructure policy is also the most convincing concept of preparing for the economical, social and political integration of the Central and Eastern European Countries. At its mid-term review of Agenda 2000, the Commission should therefore provide reorientation of the CAP budget and increase allocations for the rural development scheme (which currently only provides 10% of the CAP budget) as well as to introduce criteria for conditioning the direct payments.

### **Protection against social & ecological dumping: negotiating conditionality for market access**

Developing countries rightly criticise the EU and other WTO members for their double-bound strategy of trying to open markets abroad and simultaneously protecting their own domestic market against imports. Social or ecological conditionality is perceived from the South as a new form of protectionism. From this perspective, the WTO's top priority of market access is just a one way market extension strategy of the North which ignores the need of developing countries: to reach food security at home and to acquire income from crop export in order to be able to step out of the dept trap.

On the other hand, the great majority of farmers in Europe, Japan and other industrialised countries will not survive further price reductions and further removal of external protection as current world market prices hardly cover domestic production costs. Modulated direct payments in industrialised countries would be under threat, if the Agreement on Agriculture would not allow a qualified external protection which safeguards sustainable agricultural practice and a diversified rural infrastructure. The same basic criteria for good management of solid and natural resources must qualify external protection measures of developing countries.

Conditionality for market access must be introduced as a new principle for trade negotiations which seeks to balance good social and environmental domestic policies against social and ecological dumping. If agreed upon in the Agreement on Agriculture it would establish a bottleneck for all sorts of unsustainable

farm practices at the source and all dumping practice at the level of subsidies. In order to launch and establish this principle, the EU should unilaterally abandon all direct and indirect export subsidies and propose a negotiation round on conditionalities for mutual market access.

Criteria for conditionalities on market access should be negotiated based on existing legally binding conventions established on labour, natural resource management, and food security (CBD, UNDP, FAO). The principle of conditionality on market access is in line with the EU development policy. Special incentive arrangements the EU has established since 1995 in the framework of the Generalised Preference Systems (GPS) can be used as a model for rewarding compliance with international environmental and social standards. Through quota or preference systems, developing countries would not be forced into price competition and dumping exports which undercut production costs and sustainable practice in the North and the South, but would instead be supported to enhance a process of sustainable rural development in their countries.

The EU should also continue to use the non-reciprocal preferential trade arrangement for developing countries and to enlarge the implementation of existing regional economic partnership agreements (Repas) which would favour regional market development in developing countries and enhance regional food security. Negotiation on Conditionality for market access should introduce the EU's principles of solidarity and community preference (for a Common regional and agriculture policy). In developing countries this should specifically reflect the problem of access to land, water, natural resources and their sustainable management as strategy to fight poverty.

GREENS/EFA insist that the diversity of Agri Cultures, Food Security and Fair Trade have to be negotiated including full transparency of the process and democratic decision-making. We insist that the EP and the Parliaments of all participating partners should have a right to amend and vote on the final agreement. WTO trade agreements should not undermine national legislation concerning food safety, environmental standards or social policies, but promote a global consensus on sustainable farming and management of natural resources.

*Working group document, September 2001*

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