



Slow Trade – Sound Farming

A Multilateral Framework for Sustainable Markets in Agriculture



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Summary of the EcoFair Trade Dialogue report

The abridged version is based on the report *Slow Trade – Sound Farming*
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ECOFAIR TRADE DIALOGUE

New Directions for Agricultural Trade Rules

Preface

In April 2007, the report *Slow Trade – Sound Farming* was published by the Heinrich Böll Foundation and MISEREOR. This report, which was the result of a process of several years of worldwide dialogue – the EcoFair Trade Dialogue –, calls for a fundamental reform of the world agricultural trade system. In view of the current global food crisis, this demand appears more relevant and in urgent need of implementation, but also more possible today than ever before. Rising prices of agricultural products have at last brought about a public debate on the future of agriculture. In this context, the report *Slow Trade – Sound Farming* provides valuable food for thought and concrete reform proposals.

Economic framework conditions for the agricultural sector have fundamentally changed since the publication of the report in April 2007. As agricultural prices have been soaring, the nutritional situation of millions of people has worsened dramatically. Private investors and speculators have discovered the agriculture sector for their own ends. Farmers are feeling the effects of climate change. The era of cheap oil definitely seems to have come to an end, as a result of which the production of biofuels is increasingly competing with food production.

So global agriculture is facing huge challenges today. These challenges require appropriate answers not only in the field of agricultural policy, but also at the level of international agricultural trade policies. However, to date these concerns have received hardly any consideration at the international agriculture negotiations of the WTO.

The issues which continue to be at the centre of the WTO negotiations are improved access of developing countries to the agricultural markets of the industrialised nations, and binding commitments to substantial reduction of market-distorting national

subsidies for farmers in the North. These are mainly the issues over which the Doha Development Round has come to a halt. However, actual experience gained to date with market liberalisation within the framework of the WTO or regional trade agreements and structural adjustment programmes has demonstrated for some time that in many countries both rural poverty and environmental degradation have been exacerbated as a result of agricultural liberalisation. Small farmers both in the North and the South are suffering from the consequences of economic globalisation. The reasons include loss of access to essential resources such as land, water and seeds as well as to markets. Environmental degradation and losses in biodiversity as well as cultural diversity are matters of grave concern in many regions.

Against this background, the question what form the international agricultural trade regime must take in order to contribute towards greater social justice and sustainable development is becoming ever more acute.

This question was tackled by the Heinrich Böll Foundation and MISEREOR in the worldwide EcoFair Trade Dialogue – working in cooperation with the Wuppertal Institute for Climate, Environment and Energy and a panel of experts from all continents. The dialogue was conducted in regional consultations in Africa, Asia, Latin and North America and Europe. Participants included not only representatives of farmers' organisations and NGOs but also of ministries, parliaments, the scientific community and international organisations.

One year after the publication of *Slow Trade – Sound Farming* and quite a few exciting debates around the globe, this summary of the report is designed to give readers with limited time access to the essential results of the dialogue.



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Introduction

Agriculture is much more than just a sector of the economy, and it produces much more than food and fibres. Agriculture uses, cultivates, and maintains ecosystems, supports both the economy and culture in rural areas, and is a treasury of knowledge on a wide range of agricultural practices. When formulating international trade policies, however, barely any thought is given to the multi-functional significance of agriculture. Instead, agriculture is largely viewed from an economic perspective. In order to maximise production value, international trade policy exposes agricultural production to increasing international competition, thereby endangering its multi-functional character.

The Heinrich Böll Foundation and Misereor in collaboration with the Wuppertal Institute for Climate, Environment, and Energy reacted to this state of affairs by launching the project *EcoFair Trade Dialogue. New Directions for Agricultural Trade Rules*. The objective of the project is to initiate an international process

of dialogue involving representatives of civil society, science, and politics with a view to developing perspectives and policies for a sustainable trade regime that takes account of social and environmental concerns. The *EcoFair Trade Dialogue* is based on the conviction that particular attention should be paid to small farmers because of their outstanding importance for rural social and environmental systems.

The report *Slow Trade – Sound Farming. A Multilateral Framework for Sustainable Markets in Agriculture* is the main outcome of the *EcoFair Trade Dialogue* thus far. The report analyses the most important problems facing agricultural multi-functionality, human rights, and the biosphere as a result of an increasing liberalisation of agricultural trade. It defines the fundamental principles on which to build a sustainable trade regime. Finally, it describes the political tools and institutions needed to guarantee a fair and environmentally sound agricultural trade regime.

The Ecofair Trade Dialogue

The EcoFair Trade Dialogue was established in reaction to the failure of the WTO Ministerial Meeting in Cancun, Mexico, in September 2003. The first phase of the project got underway in 2005 with an expert group dialogue. The thirteen specialists in the group which included trade experts, promoters of sustainable agriculture, scientists, and policy advisors to parliaments and governments – were drawn from all four corners of the globe. They met five times in Mexico, Germany, and Senegal to discuss recent trade negotiations and the state and development of agriculture around the world. At the end of the two-years discussion process, initial reform proposals were drafted and published in the form of nine discussion papers (www.ecofair-trade.org).

In 2006, these reform proposals were discussed at regional consultations against the backdrop of a different global situation. Seven such regional consultations took place between February and November 2006. In all, approximately 200 selected specialists – members of farmers' organisations and grass roots organisations, governmental decision-makers, and representatives of civil society and international organisations – were involved in the dialogue process. The regional consultation for West Africa took place in Senegal; in Thailand for South-

East Asia; in the USA, Mexico, and Brazil for North, Central, and South America respectively; and in Belgium and Germany for Europe. Delegates at the regional consultations critically discussed the reform proposals made by the expert group and developed them in the light of the most varied political, cultural, and agricultural experiences and circumstances.

In their position as the moderators of the EcoFair Trade Dialogue, Wolfgang Sachs and Tilman Santarius of the Wuppertal Institute then collated the results of all the discussion papers, the conclusions of the discussion rounds, as well as the recommendations made by an international consultative board comprising experts and political decision-makers, and summed them up in a coherent reform proposal. Entitled *Slow Trade – Sound Farming. A Multilateral Framework for Sustainable Markets in Agriculture*, the report was published in April 2007. It has so far been translated into French, German, Italian, and Spanish. This report constitutes the starting point for and the basis of the second phase of the *EcoFair Trade Dialogue*, which is due to last until 2010. During this phase, the report will be used to initiate debates about the structure of the future trade regime, and it will be further developed through another set of policy papers on certain topics.

Shortcomings of the current trade regime

Current negotiations at the World Trade Organization (WTO) much focus on the reform of agricultural trade rules. However, the envisaged reforms largely ignore the challenges posed to farming communities and rural economies. The rules developed by the WTO aim first and foremost to develop the trade in agricultural goods and do not give adequate consideration to the environmental and social aspects of agriculture.

The main shortcoming of this approach is the fact that it is based on the purely economic assumption that trade liberalisation will maximise overall welfare as long as all individuals are given the opportunity to maximise their private benefits (as consumers) or their private profits (as producers). This assumption leads to a fundamental misconception because it ignores the increasing externalisation of social and environmental costs that comes with increasing competitive pressure on the agricultural market. Public goods, such as the protection of the environment or the preservation of social cohesion, are not available to an adequate degree or are being negatively affected. This is why the main objective of politics must be put to protect these public goods and create a framework for the global agricultural market that puts the common good before the accumulation of private capital.

Small farmers in the South and family farmers in the North have the potential to contribute to a development that focuses on the promotion of the common good. Sustainable agricultural methods make farms more productive and more efficient and create more jobs per hectare than large-scale, industrial farming operations because of the lower capital expenditure involved. Because they are integrated into local and regional economic structures, the demand for goods and services created by small farms generates income for other rural households, thereby contributing to a more robust rural economy. In the countries of the South in particular, where large parts of the population are employed in the agricultural sector, small farms make a major contribution to food security and poverty alleviation. Finally, small-scale production structures are generally characterised by greater biological variety, can store traditional, local knowledge better, and are much more capable of shifting their input base from fossil fuels to renewable sources. Despite all these benefits, instead of protecting or promoting small farming systems, the rules of the WTO and other free trade agreements exert increasing pressure on them.

In disregard of livelihoods

At present, the majority of small farmers around the world are operating on the poverty line. The rising poverty and rural exodus that characterize rural areas in many countries of the South are the consequence of a development strategy that attaches little value to farming. The liberalisation of trade has also contributed to the status quo. Since the 1980s, numerous countries in the South have opened

“Of course, agriculture is much more than a business. Still, we need to emphasize the business aspect, since farmers today leave their land because they can no longer earn a living from agriculture. If these people abandon their farm work, they as well abandon the multiple functions, which agriculture provides to human communities and the natural world.”

Bruce Ross, Ross Gordon Consultants, Belgium,
at the European Regional Consultation, November 2006

up their agricultural markets, which has led to an increase in cheaper imports, some of which were produced with the help of subsidies paid to farmers in developed countries. This influx of cheap imports has long driven prices down and forced many farmers out of business. Women in particular, who produce at least 65 percent of all food consumed around the world, are often unable to compete. This is why poverty in rural regions is greatest among families headed by women.

Moreover, the liberalisation of trade creates incentives for an increased export orientation in the agricultural sector. The production of commodities for export competes with the production of food for the domestic market and for subsistence use, thereby making it harder for farmers to gain access to the production factors they need. The combination of rising prices for inputs and low producer prices also forces small farmers out of business. Small farmers lose any opportunities they have for generating income, become impoverished, and migrate to the cities. The impoverishment of the rural population increases all the faster when other rural economic sectors are not readily available to absorb these redundant workers.

Forgetful of nature

In the coming decades, the agricultural sector will face a series of very specific challenges. Despite the fact that climate change, soil degradation, loss of biodiversity, and water shortages will have a drastic effect on crop yields, the agricultural sector is expected to

reach to the increasing demand for both food and energy crops by increasing their yields. In tropical regions, the industrialisation of agriculture is often combined with increased deforestation. Emissions from intensive livestock rearing are fuelling climate change and the loss of biodiversity; excessive water consumption and the water pollution caused by agrichemicals are exacerbating the water crisis; and monocultures or cultivation on marginal land are degrading the soil. All of this is compounded by the high energy consumption associated with the processing, transportation, and sale of products in a globalized food industry.

restricting market opportunities for small farmers. Moreover, processors and retailer chains are increasingly attaching conditions to the purchase of agricultural products, requiring them to meet product and process standards. Small farmers are not as a rule involved in the definition of these quality standards. This means that it is often very difficult for them to conform to these standards and, consequently, to use them to gain a foothold on heavily integrated markets. Contract farming is also characterised by an imbalance of power in the value chain. Producers have very little leeway when it comes to negotiating with buyers on the oligopolistic market. This means that neither price nor product risks are distributed equally among the contract partners and that farmers are restricted in their decision-making capacity.

“In Indonesia we have experienced severe problems with palm oil plantations. Thousands of hectares are owned by foreign companies, forests are cut down and forest dwellers are expelled from their land. And while the plantations are supposed to produce a regenerative resource, they in fact exploit the resource base and cause environmental pollution and devastation.”

Delima Hasri Azahari, Consultant, Indonesia, at the Asian Regional Consultation, May 2006

The liberalisation of agricultural trade will further aggravate the environmental crisis. Firstly, international trade flows mean more food miles, which in turn increase the emission of greenhouse gases. Secondly, intense competition fosters the further industrialisation of agriculture and the introduction of high-input, environmentally pernicious production methods. Thirdly, trade liberalization will shift production from developed countries to developing countries, which places an additional strain on the land available for agriculture and further accelerates the specialisation and concentration of agriculture.

Enduring asymmetries

Eliminating trade barriers across countries regardless of their economic strength puts less competitive countries at a disadvantage as long as the countries' differing economic capacities are not taken into account. The same applies to players on the agricultural markets: strong, competitive sectors and companies benefit from the free market while small farmers are marginalised by it. A small farmer in Indonesia is hardly in a position to compete with large farmers from Canada or industrialised plantations in his/her own country. Uniform liberalisation of agricultural trade will not, therefore, lead to fair conditions. Quite apart from this, international agricultural trade rules have not led to a uniform dismantling of trade barriers in all countries. The WTO's current Agreement on Agriculture (AoA), for example, allows developed countries to maintain a much higher level of tariffs and national support schemes than developing countries.

Leeway for corporations

The liberalisation of the markets is based on the assumption that free trade is restricted more by state intervention than anything else. However, experience on the international agricultural markets shows that it is impeded to the same degree by concentration processes on the market and the abuse of market power by a small number of players. In a number of market segments in which agricultural products are processed and traded – e.g., in the wholesale sector and increasingly in the supermarket sector, too – a significant amount of market activity is sustained by a small number of transnational companies.

This high market concentration means that an ever-decreasing number of companies is influencing the prices of both the means of production (input) and agricultural products. By so doing, they are

In the light of this glaring inequality, the value of pursuing a development strategy that strives to increase agricultural exports is questionable. Numerous experiences in the countries of the South have shown that export orientation alone cannot make an adequate contribution to poverty alleviation and human development. Even in those countries where the export business is booming, an export-oriented agricultural sector often goes hand in hand with negative distribution effects: income is concentrated in the export economy while other sectors become increasingly impoverished. Even though prices are currently high as a result of crop failures, increased demand for food, and the boom in bio-fuels, world market prices remain highly volatile and, therefore, do not provide for stable and secure return on investments. This means that countries that are pursuing a policy of export orien-

tation in their agricultural sectors and are simultaneously importing processed industrial goods continuously endanger their terms of trade. Furthermore, looking more closely at the market actors, smaller and poorer producers – and in particular women – usually benefit less from the export trade. As a

result of the ensuing competition over productive resources, an expansion of export production can accelerate concentration in the agricultural sector, thereby putting small farmers out of business. In many countries, the consequences have been increasing poverty and a threat to food security.

The fundamental principles of an eco-fair agricultural trade regime

The World Trade Organisation (WTO) and its countless agreements are based on two main principles: the most favoured nation principle and the principle of non-discrimination. Although both are important, they are certainly inadequate when it comes to adapting a trade regime to the requirements of sustainability. Moreover, the WTO principle of national treatment must be revised because it is hindering the introduction of sustainability standards in world trade. The report *Slow Trade – Sound Farming* defines seven principles on which a socially just and environmentally sustainable trade in agricultural products must build.

The principle of multi-functionality seeks to take all agricultural aspects into account. From a cultural and social point of view, agriculture is a pillar of the rural community and the foundation on which rural culture is built. This is particularly true of the conservation and preservation of (small) farming methods. Agriculture is also closely linked to ecosystems, both through the use of natural resources and through its ability to provide ecological common goods.

The principle of human rights ensures that trade rules conform to the UN Declaration on Human Rights. International trade rules must not be allowed to pose a threat to the livelihood and the basic economic security of a population. The right to food in particular must be secured.

Ecosystems and natural resources are the basis of any agricultural livelihood. Inappropriate use of these systems and resources can, however, threaten this livelihood and exacerbate global environmental problems. The principle of environmental integrity seeks to ensure that agricultural production processes neither impact negatively on the ability of an ecosystem to function nor undermine the regenerative capacity of natural resources.

The principle of democratic sovereignty seeks to ensure that a country's trade policies reflect the collective preferences of its citizens. Changes in trade policy often have a drastic effect on food security, prosperity in rural regions, the state of the

environment, and the future development potential of rural economies. The citizens of a country must reserve the right to shape markets in accordance with their needs.

In a globalized world, measures taken by both governments and producers in one country can impact on other countries. Consequently, the principle of extra-territorial responsibility seeks to prevent certain parties benefiting at the expense of others. When implementing their political strategies and programmes, countries must always exclude negative consequences for other countries.

“What takes place in a free trade regime is not just the globalization of markets but the globalization of market failure. Agriculture is rife with market failures and environmental externalities, related in part to high-input industrial agriculture. It is well documented that trade liberalization spreads the model of industrial agriculture around the world. This in turn has generated severe environmental problems.”

Timothy Wise, Tufts University, USA,
at the North American Regional Consultation, September 2006

The principle of economic subsidiarity solves the potential conflict between the principles of democratic sovereignty and extra-territorial responsibility: trade policy should be structured in such a way that economic exchange at local and national level should, where possible, take precedence over exchange at continental or global level. By systematically giving preference to short value chains over long value chains, the democratic control of these chains is maximised. Such a policy also cuts food miles, which are detrimental to the environment, and strengthens local production networks.

The principle of trade justice seeks to shape international trade rules in such a way as to redress the economic balance in the world. Because the application of the same rules to all generally plays into the hands of the strong, trade rules must systematically favour the weak over the strong.

Policies and measures for a sustainable world agricultural trade regime

Based on these seven fundamental principles, the report *Slow Trade – Sound Farming* develops a series of policy tools and innovative institutions for the implementation of a sustainable agricultural trade regime. The objective of these measures is not to deregulate trade, but to regulate both trade and agricultural production in general in accordance with the precepts of social and environmental sustainability.

Enlarging national policy space

Trade policy is only one of many pillars in a country's economic policy, and economic policy is only one of many policy areas that are regulated by national governments. Trade policies *per se* cannot claim to take precedence over other policy areas and should not restrict governments' freedom of decision to influence markets and economic activities according to their public interest. For many years now, national governments have been disempowered by international trade agreements. National governments must once again be given the right to shape trade flows according to their collective preferences. This means that they must be allowed to introduce minimum prices, investment rules, and environmental, social, and health standards.

“Policy space is not about isolating ourselves from the rest of the world. It is about shaping our policies according to the specific conditions of a certain country and region, considering and prioritizing the right of people to consume culturally adapted, healthy, and sustainably farmed products.”

Eva Carazo, Movimiento de Agricultura Orgánica Costarricense, Costa Rica, at the Central American Regional Consultation, October 2006

Above all, they must regain the authority to govern the import of goods, services, and investments. Because agriculture is the main source of income for the majority of people in the countries of the South, import liberalization must take a back seat when domestic livelihoods and food security are at stake. This is why international trade rules should afford governments more freedom to protect their domestic markets from import surges or high world market price volatilities by allowing them to impose tariffs, quotas, and price- and volume-triggered safeguard measures. Governments also need more political freedom to influence the influx of foreign investment, to control the activities of transnational

corporations, to link domestic production to food safety or environmental standards, and to set up support schemes that seek to foster a healthy rural economy.

Investing in multi-functionality

A multi-functional agricultural sector requires public support, not only because it produces more than just commercial goods such as food, fodder, and feedstock, but also because it is responsible for environmental and social common goods such as water quality, landscape beauty, rural culture, and social cohesion. Because all of this cannot be guaranteed by market mechanisms alone, a combination of public services, support mechanisms, and regulatory and fiscal measures are needed to ensure that multi-functionality is promoted. International guidelines for promoting domestic agriculture should be structured in such a way as to allow for the national promotion of sustainable farming. In keeping the rural area alive, small farmers in particular provide the required social and environmental services that benefit society as a whole. Nevertheless, they are frequently disadvantaged when it comes to both direct and indirect support. In this regard, support policies must be completely reworked in order to take account of these services. Direct payments – insofar as they are at all necessary within a sustainable agricultural policy – must be subject to strict conditions. They should not act as an incentive to increase productivity and should be closely linked to environmental and social criteria. The application of sustainable production methods should become the prerequisite for direct payments, and the size of payments should be linked to the number of people employed, which would above all strengthen small and family farm systems.

Publicly-funded agricultural research must focus on the needs of rural areas, namely on inexpensive technical improvements that have been adapted for local use and the promotion of productivity and environmental compatibility in an extensive agricultural sector that is based on traditional knowledge. The following measures could be used to switch the framework for agricultural production to sustainable methods of cultivation with a view to radically changing conditions in the agricultural sector: the imposition of taxes, tariffs, and levies on environmentally disturbing inputs and farming practices, loans for investing in resource-conserving technologies, state-supported environmental programmes,

and support for local and civil processes for the development of process and product standards for sustainable agriculture.

At any rate, the principle of extra-territorial responsibility must be upheld and national support measures must not be allowed to impact negatively on producers in other countries. In order to ensure that this is so, a 'Dumping Alert Mechanism' could be set up. This mechanism would inform governments were import prices to fall below the cost of sustainable production, thereby posing a threat to the local agricultural sector. For such a mechanism to work, exporting countries would have to register with a multilateral institution and provide information about state support and the prices of all its export products. The multilateral institution would then calculate the difference between export prices and production costs and could, on this basis, make recommendations to countries to increase their tariffs accordingly for those countries engaging in dumping practices.

Stabilising prices

In recent decades, both volatile agricultural prices and low farm gate prices have been one of the biggest problems faced by both family farmers in the North and small farmers in the South. Although over-supply has long been the cause of falling world market prices, but might not pose a problem any longer in the future, the market power of agribusinesses has increasingly become the main problem. For powerful corporations are in a position to keep farm gate prices low even when world market prices rise. Price volatility, as well as depressed producer prices can, however, be controlled by national supply management systems. Generally speaking, the objective of supply management is to balance production with market demand. These systems can as well ensure a fair distribution of rents and benefits along the production chain.

Supply management has been practiced by many countries in the past, and some still practice it today. Some of the systems were – and still are – characterised by inefficiency and poor management resulting from the fact that they lack a flexible adjustment mechanism. However, a best-practice example is the Canadian quota system for milk, which has been hailed as a great success not only by the Canadian government, but also by retailers and farmers. The central element of this scheme is a quota production system, in which farmers purchase a license that allows them to produce a specified volume of a commodity and a negotiated price. Quota licenses may be transferred to other farmers. The supply management system board maintains legal ownership of the quota and has the right to adjust

permissible output. Key to its proper functioning is a flexible adjustment mechanism that quickly and effectively balances market needs with production capacities, i.e. that promptly determines the size of the quotas and the right and fair price per product in the market.

“Public support for agriculture as such is not the problem, as long as it does not lead to dumping. Some support measures do not cause dumping, such as public investment in research, investment in infrastructure, support for alternatives such as agro-ecology or reforestation programs.”

Tania Vanegas, Centro Humboldt, Nicaragua,
at the Central American Regional Consultation, October 2006

Free trade agreements put pressure on governments to dismantle their national supply management systems. The report *Slow Trade – Sound Farming* suggests that instead of dismantling such systems, national supply management systems should be supported and coordinated by a 'Multilateral Cooperative Framework for Balancing World Market Supply'. This would allow countries that exert a considerable influence on world market prices to reach agreements that stipulate maximum limits for production and/or export in order to raise world market prices above a certain minimum level and to stabilise them. In the case of wheat or corn, for example, only six producers – Argentina, Australia, Brazil, Canada, the EU, and the USA – account for 47 per cent and 58 per cent of world production and 52 per cent and 64 per cent of global exports respectively. A multilateral cooperative price stabilisation framework involving these producers as the main contracting parties would make a promising contribution to poverty reduction and the economic renewal of rural economies worldwide.

Setting standards for quality trade

At present, the economic costs of agricultural production do not reflect all of the costs involved. Quite apart from the decline of farming communities and rural economies, damage to both the environment and human health caused by production do not appear on any balance sheets or in any economic calculations. Overall, the costs of social and environmental damage remain hidden. In order to reverse this trend, sustainability standards must be defined that internalise the social and environmental costs of agricultural production, thereby preventing them from arising in the first place. The development of process and product standards for sustainable agricultural practices and the introduction of suitable control and monitoring programmes

should be supported by national governments. Such a system could be modelled on the successful implementation of fair trade and organic farming standards. Finally, such sustainability standards would have to become successively binding. In order to ensure that farmers who engage in sustainable production are not the only ones burdened with the increased costs of production and monitoring, a levy could be imposed on non-sustainably produced agricultural commodities in order to cross-finance sustainable production, for example, as is already practiced in the energy sector of many countries, where feed-in laws ensure that non-sustainable energy production cross-finances green power generation.

“Access to international markets is not a solution for the ‘campesinos’, whose problem, before anything else, is the lack of access to their own local markets which are flooded with imported products at low prices. Export orientation has led to the abandonment of the countryside and rural marginalization.”

Ramiro Téllez, La Vía Campesina, Honduras,
at the Central American Regional Consultation, October 2006

In order to ensure that the international trade regime is built on sustainability and in order to create a global incentive to introduce sustainable production methods, countries should be given the opportunity to link access to their markets to the fulfilment of national sustainability standards. In such a system of ‘Qualified Market Access’, sustainably produced products would be given trading advantage over non-sustainably produced products. The income from tariffs imposed on non-sustainably produced products could be channelled into an ‘International Fund for Sustainable Rural Development’, which would promote the transition to fair and sustainable agricultural practices and the implementation of programmes of qualified market access to the rural regions of the South.

“The experience in our region has revealed that only participatory certification processes can be sustainable. We must empower farmer and producer unions to set up their own quality control systems.”

Fabiola Zerbin, FACES do Brasil, Brazil,
at the South American Regional Consultation, August 2006

In order to combat the risk of countries abusing the system of qualified market access for trade discrimination purposes, uniform global ‘Meta-Standards’ would have to be defined. Yet, the purpose of these meta-standards would not be to

harmonise production standards globally – the environmental, economic, and social conditions are simply too different for that. Instead, meta-standards would stipulate criteria for an open, participatory, and inclusive process for the introduction of sustainability standards in agriculture. Such process standards could be modelled on comparative initiatives launched by IFOAM or ISO. A ‘Centre for Dispute Mediation in Conflicts Over Standards’ could be established in order to mediate between countries in disputes regarding the mutual recognition of their respective sustainability standards.

Democratizing the food chain

The immense market power wielded by a few companies and increasing concentration on the agricultural markets requires a comprehensive strategy for enhancing the democratic control of transnational commodity chains. A strategy such as this requires both the establishment of supervisory bodies at multilateral level and the reform of agricultural and economic policies at national level. First of all, an effective competition policy would have to be introduced at the multilateral level. The prerequisite for such a policy is the disclosure of information about the size and scope of cross-border agribusinesses, mergers, acquisitions, and joint ventures in the food sector. This could take the form of a database that is accessible to the public. Building on this, an independent multilateral ‘Anti-Trust Body’ should be set up. This body would be tasked with checking mergers and acquisitions and preventing the abuse of market power by companies. However, an effective competition policy at the multilateral level presupposes effective competition laws at the national or regional level.

As illustrated on a small scale by the Fair Trade movement, ‘Development Contracts’ could ensure that international companies integrate their suppliers and contract partners into their business activities in a fair and sustainable manner. Development contracts would ensure the just distribution of profits along transnational commodity chains. Moreover, trade companies, processing companies, or supermarkets that act at transnational level would be obliged to pay producers fair prices that cover the costs of sustainable production and allow small farmers to sustain themselves. Observation of the terms of the contracts, which would be hammered out in transparent, participatory negotiations between business partners, would be monitored by ‘Development Contract Boards’ set up at the international level.

In accordance with the principle of economic subsidiarity, a variety of tools and measures at the national level would ensure that local and regional

production networks are given precedence over transnational networks. In order to achieve such a re-regionalisation of the food economy, governments should first of all review the role of state-trading enterprises because these could have an important role to play in combating the market power of large private companies. Secondly, political measures should be taken to increase the creation of value at the place of production and to focus on improving the inter-linkage of various sectors in the local economy. Regulations obliging corporations to use locally produced raw materials or obliging transnational companies to involve local processors in their business activities could, for example, be introduced. In addition, a 'site-here-to-sell-here policy' would be beneficial. Such a policy would only allow foreign companies to sell on a given market if they agreed to produce there as well. Thirdly, another cornerstone of re-regionalization would be the introduction of policies that make long-distance transportation more expensive; after all, the boom in transnational production networks is directly linked to low transport costs. The aim should be the internalisation of external effects that are linked to transportation over long distances. This could, for example, take the form of the levying of user fees for common goods, e.g. an aircraft emission fee or a marine transport fee.

Redressing asymmetries

In a fair trade regime, redressing the economic balance between the different countries and regions of the world would be a top priority. At the multilateral level, redressing the economic balance requires comprehensive special treatment for poorer or weaker countries. This would go far beyond the existing rules of special and differential treatment that often contain no more than complementary measures to lessen the social impact of trade or extended transition periods for the implementation of the same rules for all countries. Instead, the report *Slow Trade – Sound Farming* proposes to graduate the concept of special and differential treatment to becoming a 'Systematic Differential Treatment' that would systematically give weaker countries targeted trade advantages in all transactions. In order to determine who would benefit from such systematic differential treatment, objective, relevant, and consistent criteria such as per-capita income, the extent of poverty, or food insecurity would be used to differentiate between countries. Qualified market access would have to be a major characteristic of such a system in order to ensure that the trade policy is compatible with both livelihood security and environmental protection.

Above and beyond such a system of systemic differential treatment, it is vital that efforts be made to bring about a paradigm shift in international trade

agreements. It is not essential for international economic exchange networks to embrace both North and South, just as it is not a natural law that their evolution has to be driven solely by the push for profit. Instead, developing countries could join forces in order to address more effectively shared concerns for human well-being and sustainable development. Cross-border trade does not necessarily have to be driven primarily by the pursuit of economic gain. Interaction could also focus on the implementation of socially important projects in areas like health,

“How and why should we produce for others if we can’t even support ourselves? More important than gaining access to foreign markets is the need to develop internal markets. Therefore it is key that countries are able to protect themselves from agricultural imports.”

Eloi Nombéré, Confédération Paysanne du Burkina Faso,
at the West African Regional Consultation, February 2006

infrastructure, housing, or sustainable production. However, for such projects, trade agreements should be concluded for the purpose of cooperation, and not for the purpose of competition.

However, multilateral trade rules are not enough to ensure justice in agricultural trade; national governments must review their agricultural export strategies and give precedence to coherent national development strategies. A sustainable export policy will always place national food security before exports and, therefore, place subsistence production and production for the domestic market before production for foreign markets. Moreover, efforts must be made to discourage the export sector from occupying land and natural resources if such occupation impacts negatively on the domestic or household food security, and to ensure a fair distribution of profit along the value chain. In particular, a sustainable export policy must work towards the involvement of small producers, farmers' cooperatives, and rural workers, as well as the empowerment of women in the export business to ensure gender equity in reaping export benefits. It should counteract the industrialization of agriculture by fostering the spread of sustainable knowledge- and labour-intensive agricultural production practices. Finally it should seek to create an effective link between agriculture and other local economic sectors as part of a coherent development strategy.

Conclusions: towards a post-WTO architecture of agricultural trade

An analysis of the report *Slow Trade – Sound Farming* leaves no doubt that a multilateral framework for world trade in agricultural products is indispensable. However the WTO in its present institutional form fails to meet the requirements of such a framework. Consequently, the WTO must either reinvent itself or leave the institutionalization of trade rules to other institutions within the framework of the United Nations. The WTO currently performs three functions: it is the central forum for intergovernmental negotiations, it promulgates legally-binding rules, and it settles trade disputes. Any new institutional structure would have to fulfil these functions, as well as other new ones. According to the report *Slow Trade – Sound Farming*, at least three additional functions would have to be developed. These include the control of international market prices through a cooperative mechanism based on supply management, the quality control of trade flows based on multilateral meta-standards, and the supervision of competition through anti-trust measures. Besides these new functions, a fair and sustainable trade organization would also need a new overall objective. While the current objective of the WTO is to remove tariffs and non-tariff barriers to trade for the sake of creating a unified global marketplace, a sustainable institution would give priority to coordinating different national interests. Its primary objective would be to manage – not deregulate – international trade.

“There is not just one type of market, with one singular trading system. There are many different types of markets, with different production, trade and distribution systems. We need to re-regionalize trade, as the one-size-fits-all approach to create one uniform global market does not work to the public interest.”

Josefa Francisco, IGTN Asia, Philippines,
at the Asian Regional Consultation, May 2006

How would such a multilateral institution have to be structured in order to complete these tasks effectively? It would have to comprise at least five branches. The primary task of the Coordination Branch would be to balance national preferences and international interests. Above all, it would ensure that more space is afforded to national governments in the trade arena. It would also monitor and, where necessary, limit any harmful effects of domestic policies for international and foreign markets.

The objective of the Quality Branch would be to ensure the quality of trade flows on global markets.

In this regard, it would above all support the introduction of sustainability standards at national level and negotiations about ‘Meta-Standards’ at the multilateral level.

The task of the Price Management Branch would be to control the supply of agricultural products in order to prevent extreme price fluctuations on the world market. More specifically, this branch would support negotiations on the ‘Multilateral Cooperative Framework for Balancing the World Market Supply’ in order to control production capacities in the North and among those in the South who export agricultural goods in order to avoid volatile prices.

The Anti-Trust Branch would be responsible for supporting negotiations about competition policies at global level. In particular, it would publish information on the size and activities of international companies, including mergers and acquisitions, and would take action in the event of market concentration in the input production, trading, and wholesale and retail sectors.

Finally, the Dispute Settlement Branch would be responsible for settling disputes among member states, and between member states and third parties, such as corporations and NGOs. Overall, this branch would continue to establish panels on trade disputes, as is currently the case within the WTO. Yet, if one of the panels were unable to secure an agreement that was acceptable to all parties, the matter would have to be put to an independent body outside the institution. Ensuring the impartiality of the dispute settlement mechanism is essential since it would be responsible for adjudicating conflicts between social, environmental, and commercial values.

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Expert Panel



Souleymane Bassoum

Senegal, Director of AGRECOL-Afrique and a recognized expert on sustainable agriculture policies in the West African region. His main areas of work are **ecological agriculture** and **fair trade**. He is a practitioner of organic farming and has a degree in agriculture.



Gonzalo Fanjul Suárez

Spain, research coordinator at Intermón Oxfam. Having closely followed the agriculture negotiations at the WTO for the last several years as well as issues concerning the developmental impacts of the **common agricultural policy** of the EU, he has a profound expertise on **agricultural trade issues**. He has a degree in economics.



Arze Glipo

Philippines, director of the Integrated Rural Development Foundation of the Philippines (IRDF), convenor of the Asia Pacific Network on Food Sovereignty (APNFS). She has developed a profound knowledge on **trade related gender and poverty issues**. She has a Master's in **development economics**.



Aileen Kwa

Singapore, currently stationed in Geneva, is a policy consultant on trade issues. She has been monitoring trade negotiations since the Singapore Ministerial in 1996 and has also worked with developing country delegations in Geneva, especially on **agricultural issues**. She is co-author of the book "Behind the Scenes at the WTO: The Real World of Trade Negotiations".



Hannes Lorenzen

Germany, is advisor to the Committee on Agriculture and Rural Development of the European Parliament for the Greens/EFA Group and as such a specialist on **European agriculture policies**. He has a Master's in Sociology and Agriculture and a post-graduate degree in **international rural development**.



Sophia Murphy

British and Canadian, currently living in Australia, Senior Advisor to the US-based Institute for Agriculture and Trade Policy (IATP) and an internationally recognized expert in **food and trade issues**. She has authored a number of papers on food security, multilateral trade rules and the structure of global agricultural markets. She has a Master's Degree in social policy, planning and participation in developing countries.



Oduor Ong'wen

Kenya, country director of SEATINI (Southern and Eastern Africa Trade Information and Negotiations Institute). Former executive director of EcoNews Africa. He has a Master's degree in economic policy of developing countries and an undergraduate degree in mathematics and chemistry. Expert in **world trade issues** and **sustainability**.



Anna Luiza Ferreira Pijnappel

Brazil, consultant for the Department of International Affairs at the Brazilian Ministry of Rural Development (MDA). In this context she follows closely the **agricultural trade negotiations** at the WTO and MERCOSUR. She has a special focus on the effects of **trade agreements** on family farming in Brazil. She has a Master's in international affairs.



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Daniel De La Torre Ugarte

Peru, since 15 years in the USA, associate director of the University of Tennessee's Agricultural Policy Analysis Center. His primary research area is **agricultural supply management**. Daniel De La Torre's broad list of publications includes the report "Rethinking **US Agricultural Policy**: Changing Course to Secure Farmer Livelihoods Worldwide" (2003). He has a PhD in agricultural economics.



Wolfgang Sachs (Moderator)

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Germany, Senior research fellow at the Wuppertal Institute for Climate, Environment and Energy. His main areas of work are economic instruments in **climate policy**, global governance and issues regarding **trade and the environment**. With Wolfgang Sachs he co-authored the book "Fair Future. Limited Resources, Security, and Global Justice" (2007). He has a Master's in Sociology, anthropology and economics.

The Organizations

The Heinrich Böll Foundation is part of the Green political movement that has developed worldwide as a response to the traditional politics of socialism, liberalism, and conservatism. Our main tenets are ecology and sustainability, democracy and human rights, self-determination and justice. We place particular emphasis on gender democracy, meaning social emancipation and equal rights for women and men. We are also committed to equal rights for cultural and ethnic minorities and to the societal and political participation of immigrants. Finally, we promote non-violence and proactive peace policies.

To achieve our goals, we seek strategic partnerships with others who share our values. We are an independent organisation, that is, we determine our own priorities and policies. We are based in the Federal Republic of Germany, yet we are an international actor in both ideal and practical terms.

Our namesake, the writer and Nobel Prize laureate Heinrich Böll, personifies the values we stand for: defence of freedom, civic courage, tolerance, open debate, and the valuation of art and culture as independent spheres of thought and action.

MISEREOR was founded in 1958 as an agency “against hunger and disease in the world”. In its capacity as the overseas development agency of the Catholic Church in Germany, it offers to cooperate in a spirit of partnership with all people of goodwill to promote development, fight worldwide poverty, liberate people from injustice, exercise solidarity with the poor and the persecuted, and help create “One World”.

MISEREOR is mandated by the Catholic Church in Germany:

- ▶ to fight the causes of hardship and misery as manifested chiefly in countries of Asia, Africa and Latin America in the forms of hunger, disease, poverty and other forms of human suffering,
- ▶ thus enabling the people affected to lead a life of human dignity,
- ▶ and to promote justice, freedom, reconciliation and peace in the world.

The assistance we provide in the South is designed to stimulate and support self-help and pave the way for sustainable improvement in the living conditions of the poor. MISEREOR is also engaged in education, advocacy and campaigning work in the North.

The Wuppertal Institute explores and develops models, strategies and instruments to support sustainable development at local, national and international level. Sustainability research at the Wuppertal Institute focuses on ecology and its relation to economy and society. Special emphasis is put on analysing and supporting technological and social innovations that decouple prosperity and economic growth from the use of natural resources.«

This is how the Wuppertal Institute’s mission statement describes the Institute’s activities. Based on the classic scientific disciplines, the research conducted towards this end combines their approaches to generate practical and actor-oriented solutions. Problems, solutions and networks are equally focused on global, national and regional/local levels.

The Institute was founded in 1991 under the direction of Professor Ernst Ulrich von Weizsäcker. Professor Peter Henicke heads the Institute as its President and Chief Research Executive. The Business Manager is Brigitte Mutert-Breidbach. The Institute’s seat is in Wuppertal, and it has been represented in Germany’s capital by its Berlin Office since 2004. In 2005, the Wuppertal Institute and the United Nations Environment Programme jointly founded the UNEP/Wuppertal Institute Collaborating Centre on Sustainable Consumption and Production (CSCP) in Wuppertal.

HEINRICH BÖLL STIFTUNG

The Green Political
Foundation

MISEREOR

IHR HILFSWERK

The German
Catholic Bishops’
Organization for
Development
Cooperation



Wuppertal Institute
for Climate, Environment
and Energy

The Institute for Applied
Sustainability Research

The reform of agricultural trade rules is at the center of negotiations at the World Trade Organization (WTO) regarding a multilateral framework for the global economy. However, the reforms envisaged do not bode well for the future of agriculture across the globe. They will deepen the desperation of farmers across the world and undermine local and global ecosystems. In contrast, this report explores new directions for trade rules beyond the free trade paradigm. Placing the challenges posed to agriculture and rural communities at the center of attention, it proposes political perspectives and policy instruments for a trading system that offers genuine opportunities for the poor, preserves the environment, and helps agriculture leap into the post-fossil age.

This report is the result of the EcoFair Trade Dialogue, a two-years extensive consultation and exchange process that took place across all continents. The proposals have been discussed and improved upon by a great number of representatives from farmer organizations and grass-roots initiatives, politics, the academic world, and civil society organizations. As it is high time to achieve a paradigm shift and start trade negotiations towards a General Agreement on Sustainable Trade, this report understands itself as a contribution to this aim.

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