KICKING DOWN THE DOOR

How forthcoming World Trade Organisation talks threaten poor-country farmers

"Life is getting unbearable... because we don't have a market for our product. We cannot afford to pay for our children's school fees."
Sala Azeko, farmer in Nyariga village, Ghana.

Atale Ayamga, farmer in Ghana

Sala Azeko, farmer in Ghana

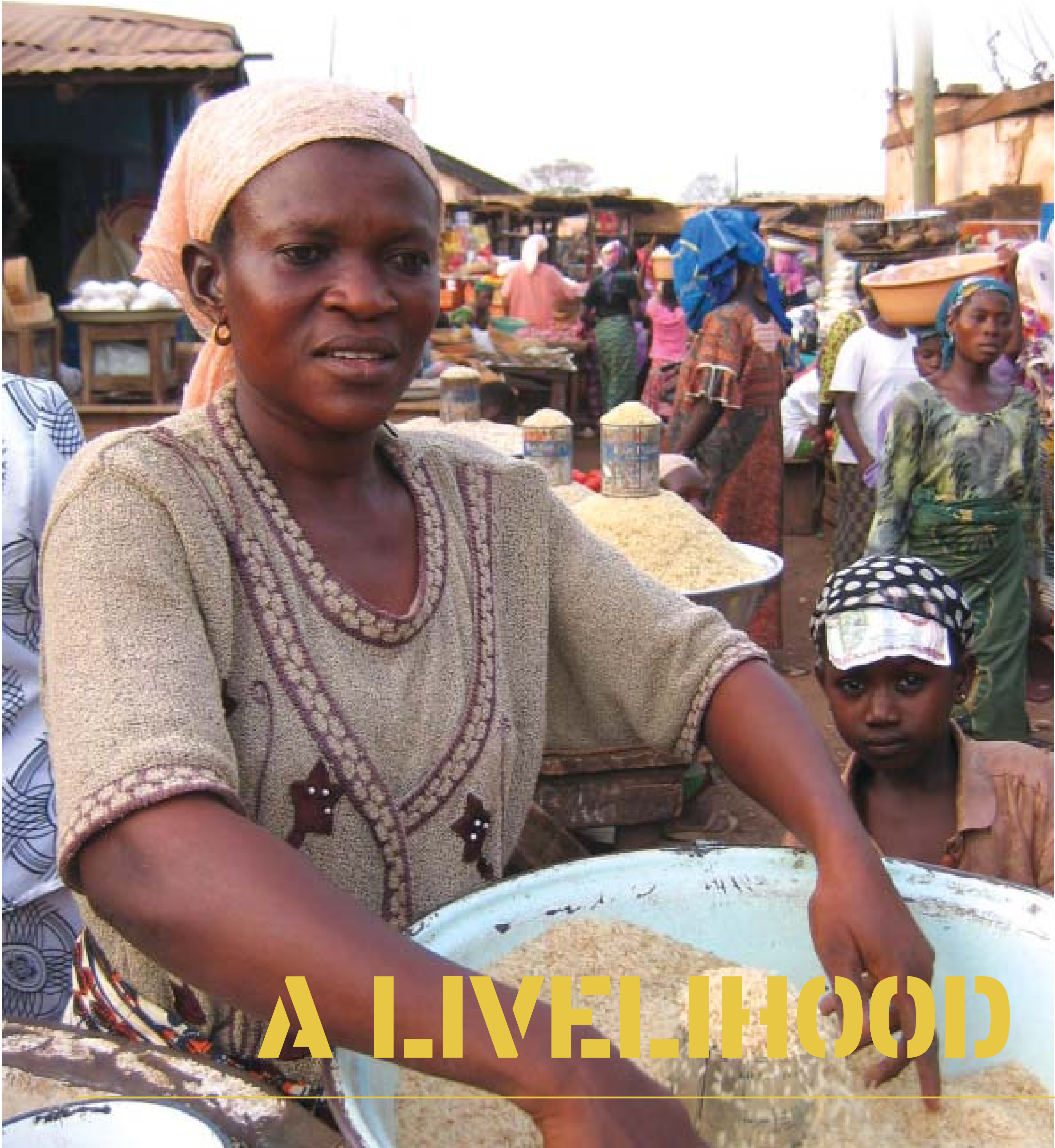
Oxfam International

MAKE TRADE FAIR

Millions of poor farmers around the world are being prevented from earning a living. They can't sell what they grow because rich countries are forcing developing countries to accept imports of cheap, often dumped, food.

Oxfam fears that rich countries will use the World Trade Organisation to make this crippling practice even worse. Oxfam is calling for new trade regulations that support poverty reduction and rights to secure livelihoods.

Marketplace, Ghana



2005 is a critical year in the effort to make poverty history

RICE IS LIFE

A LIVELIHOOD

2005 is a critical year in the effort to make poverty history.

More than 80 per cent of the world's poor people live in rural areas, so if world leaders are serious about tackling poverty they have to make sure that agriculture works for poor people. That means putting the promises of the Doha Development Round into action when they meet at the World Trade Organisation's (WTO) Ministerial Meeting in Hong Kong in December.

Doha Development Round – trade negotiations that are meant to be about giving more support to developing countries to use trade to promote development. Announced with much fanfare at a WTO Ministerial in Doha, Qatar, it has delivered relatively little to date.

Despite committing themselves to putting development at the centre of global trade talks, rich countries are still rigging agricultural trade rules against poor people. The USA and EU, in particular, have repackaged their agricultural subsidies so that they appear to be legitimate under WTO rules, allowing them to continue dumping products such as rice, corn, milk, sugar and cotton at prices far below their true production costs. At the same time, they are aggressively pushing developing countries to open their markets further by cutting import tariffs.

If this rich-country agenda succeeds, the result will be a bonanza for corporate agribusiness, but it will threaten the livelihoods of poor-country producers, who make up 96 per cent of the world's farmers. Rice provides a graphic illustration of the threats they face.

'The United States must consider its farm policy in an international setting, helping [our] farmers stay competitive while pressing for unfettered access to global markets.'
United States Department of Agriculture

Rice is life – and a livelihood
For three billion people – half of the world's population – rice is the staple food. In many countries, the word "rice" is the same word that people use for "food", or "meal". Rice also means an income for two billion people across the world, many of them smallholders in poor countries who grow or process rice for a living. In the United States, rice is produced on large farms that employ few people; in Sri Lanka – a country 140 times smaller – there are almost 50 times as many rice farmers.

In many countries, supporting agriculture – and especially poor farmers – is key to combating poverty and promoting development. Governments in countries such as Viet Nam and Indonesia have successfully used agriculture and trade policies, such as import tariffs, to help secure poor farmers' livelihoods and boost rural economies. However, many poor-country governments' hands are tied and they don't have the flexibility to use trade and agriculture policies to support development and combat poverty. Poor countries have come under enormous pressure from rich countries, through regional and bilateral trade agreements and through the International Monetary Fund (IMF) and World Bank, to liberalise their economies – to reduce support for poor farmers and cut import tariffs on key crops such as rice.

When this happens low-cost imports may flood in. Whether these come from competitive rice exporters such as Viet Nam and Thailand, or from heavily subsidised sources such as the United States, the impact threatens to destroy the livelihoods of millions of farming families and the prospects for rural development.

Cheaper food is, of course, valuable to poor consumers. But increased imports do not always translate into lower retail prices. When a few large importers control the market – as in Honduras – the gains may not be passed on, leaving both farmers and consumers worse off. Furthermore, since rural consumers typically earn their cash as farmers and farm labourers, or in off-farm enterprises that depend on a buoyant agricultural economy, they could end up worse off if imports cause the prices of local crops to fall.

If, when and how to liberalise agricultural trade is a complex challenge in any developing country. Governments must consider the potential impacts on consumers, but also on national food security and tax revenue, on women and men, on the environment, and on South-South trade.

Developing countries have long been under pressure

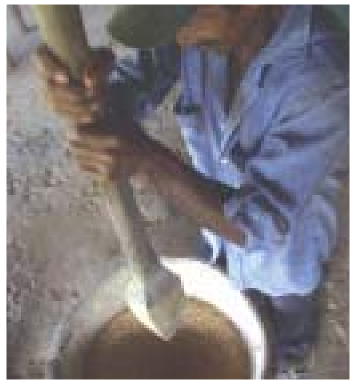
PRESSURE

Developing-country governments, rather than the WTO, World Bank, or IMF, are best placed to resolve these policy dilemmas, and must therefore have sufficient flexibility to adopt the right policies for their own domestic conditions. At the same time, there needs to be increased accountability of governments to the public, to guarantee that poor people genuinely benefit from such policies. More investment in agriculture is also needed. Yet, agriculture has fallen out of favour with donors. Current levels of international aid for agricultural development are at one third of their 1984 value.

Trade liberalisation: Changing trade policies and practices so that the market can operate more 'freely'. It may involve reductions in, or the removal of, tariffs, quotas, subsidies, and other regulations.


Ghana


Marketplace, Ghana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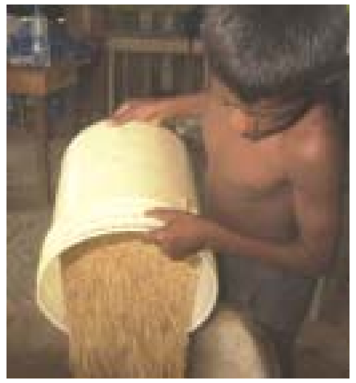
Nicaragua

Oxfam's concern is that the direction of WTO negotiations, coupled with other pressures for rapid and indiscriminate trade liberalisation, is increasingly constraining the power of developing countries to decide their own trade and agricultural policies, with potentially devastating consequences for poor communities.

Pushing on the door: pressures from all sides

Developing countries have long been under pressure to open up their markets for rice and other basic foods, from the international financial institutions (IFIs) and from major agro-exporters such as the US. Since the early 1980s, the IMF and World Bank have forced developing countries to deregulate and liberalise their agricultural markets as a condition for receiving loans. In 1995, the IMF forced Haiti to cut its rice tariff from 35 per cent to 3 per cent, with the result that imports increased by more than 150 per cent between 1994 and 2003. Today, three out of every four plates of rice eaten in Haiti come from the USA. This is good news for Riceland Foods of Arkansas, the biggest rice mill in the world. Riceland's profits jumped by $123m between 2002 to 2003, thanks, in large part, to a 50 per cent increase in exports, primarily to Haiti and Cuba. But it has devastated farmers in Haiti, where rice growing areas now have some of the highest levels of malnutrition and poverty.

In Ghana, deregulation under World Bank and IMF pressure also led to a surge in rice imports. This prompted the parliament, in 2003, to approve a tariff increase. But the IMF, driven by its '*interest in pursuing an open trade policy for Ghana*', pressured the government into making a U-turn on that commitment.

Meanwhile, free trade agreements with major agro-exporters, such as Australia, Canada, and the USA, lock poor countries into commitments to open their markets to low-cost imports. The 2004 DR-CAFTA* treaty, between five Central America republics, the Dominican Republic, and the USA, will secure regional markets for dumped US exports. As tariffs fall, Nicaragua's 17,000 rice farmers

HOW RICH COUNTRIES ARE KEEPING FARMERS IN POVERTY

One: Dump it

Rich countries subsidise and dump cheap rice

In 2003 the US government spent $1.3bn subsidising its rice farmers – a crop that cost $1.8bn to grow. Because of these massive subsidies, the US rice industry can export rice at 34 per cent LESS than it costs them to produce. Poor farmers simply can't compete.

Two: Force them open

Rich countries bully poor countries to open their markets and lower their tariffs

International Monetary Fund (IMF) and World Bank

Under pressure from the IMF, Haiti cut its rice tariff from 35 per cent to just 3 per cent. This led to a surge of cheap, subsidised rice dumped by the US. Within five years, rice farmers' earnings had slumped by 25 per cent.

Bilateral and Regional Trade Agreements

Nicaragua's 17,000 rice-growers face ruin thanks to CAFTA, a regional trade agreement that Central American governments signed with the US. CAFTA will open up Nicaragua's markets to a deluge of cheap subsidised rice from the US.


Farmer in Nicaragua

Three: Slash aid

Rich countries are cutting agricultural aid

Between 1984 and 2002 total aid to agriculture fell by more than two-thirds.

Agricultural aid is now just 8 per cent of total aid given to poor countries – down by more than 50 per cent on its share in the early 1980s.

Four: Lock them in

Rich countries now want to use the WTO to lock developing countries into keeping their tariffs low

World Trade Organisation (WTO)

If rich countries get their way at the WTO, over 180 million rice farmers could be affected in 13 developing countries, including India, China, Nicaragua and Egypt.

The importance of rice for poor farmers

- 2 billion people depend on growing and processing rice for a livelihood.
- 90 per cent of the world's rice is grown by smallholder farmers in developing countries – typically, on plots of less than one hectare.
- 3 billion people depend on rice as their major staple food – this figure is expected to rise to 4 billion by 2025.


Workers in Nicaragua

will face a flood of heavily subsidised US rice coming onto their market.

** DR-CAFTA: Dominican Republic & Central American Free Trade Agreement*

Rich-country dumping

Rich countries provide heavy subsidies to agriculture: in 2002,

Abene Asakture in Ghana

Japan, the USA and the EU provided support worth $16bn to their rice producers alone. Among them, the USA, particularly, is riding high on hypocrisy when it comes to the rice trade. It is the world's third largest rice exporter – even though US rice costs more than twice as much to grow as it does in export-leading Thailand and Viet Nam. This is only possible because of lavish state funding: in 2003, the US government ploughed $1.3bn into rice sector subsidies, supporting farmers to produce a crop that cost them $1.8bn to grow – effectively footing the bill for 72 per cent of the cost of production.

Between 2000 and 2003, it cost on average $415 to grow and mill one

> *"If the US is subsidising its rice farmers then that means I am suffering for nothing because my rice is not being bought. I have no choice but to be in this farming; it's my food, my drink, my livelihood,"*
> **Abene Asakture, rice farmer (opposite).**

tonne of white rice in the US. But that rice was dumped on export markets for $274 per tonne, 34 per cent below its true cost. The real winner from this combination of subsidy bonanza in the US and rapid trade liberalisation in developing countries is US agribusiness. No wonder the country's rice millers and exporters invest so much in lobbying alongside the US government, to open up new export markets for their dumped surpluses.

Coming soon at the WTO: rich countries kicking the door down

Current negotiations at the WTO will determine the extent to which developing countries must lower their tariff ceilings – the highest tariff which a country is allowed to place on an import. Oxfam has calculated, on the basis of one proposed tariff-reduction formula known as the Harbinson formula, the implications for poor countries. Thirteen developing countries – including India, China, Nicaragua, and Egypt – would be forced to cut their current rice tariffs. These 13 countries produce over half of the world's rice and are home to a total of 1.5bn people who depend on agriculture for their livelihoods. In the face of rising imports, they would not be permitted to increase their rice tariffs in order to protect farmers and the rural economy. Many other countries would, likewise, have little room for manoeuvre on their tariff policies. Similar concerns surround the prospects in developing countries for other basic foods, including poultry, sugar, powdered milk, maize, soybeans, groundnuts, and wheat. If developing countries lose control of their tariffs in this way,

The US spends $1.8 billion on rice sector-subsidies

Sacks of imported goods at the Iron Market, Haiti

Developing countries must be allowed to regulate trade flows

DUMPING

Nicaragua

Farmer in Nicaragua

they will risk facing surges of food imports. In response to the damage this can do to rural development, developing countries have put forward two proposals for special and differential treatment:

• A 'special products' category, which would allow developing countries to designate certain crops – vital to livelihoods, food security, and rural development – as exempt from tariff cuts;

• A 'special safeguard mechanism', which would allow poor countries to increase tariffs temporarily in the face of fluctuating import prices or volumes. In negotiations to date, rich countries, and some developing country agro-exporters, have aimed to limit the number of products and flexibility granted under these proposals. In contrast, a group of import-vulnerable countries (the G33) has argued for the right of governments to decide for themselves how many products need to be classified as 'special products' and when to invoke the special safeguard mechanism. Oxfam supports the G33 case.

Oxfam recommends

Developing countries must be allowed to regulate trade flows to support agriculture in order to ensure food security, rural development, and long-term growth. This requires action at the following levels:

WTO negotiations. A new Agreement on Agriculture should include the following:

• A sentence in the preamble to clarify that: *'Nothing in this agreement shall prevent developing countries from promoting development goals, poverty reduction, food security, and livelihood concerns'.*

• A tariff-reduction formula that allows developing countries to cut tariffs in a way that does not undermine their development strategies.

• The full exemption from tariff reductions of food security crops – food that people depend on for their lives – and a special safeguard mechanism for developing countries.

Maintaining adequate flexibility is particularly important for developing countries, since export dumping is very likely to continue for some years to come, preventing fair competition in agricultural markets.

Regional trade agreements. Developed countries should stop negotiating regional trade agreements (RTAs) with developing countries. In their current form, RTAs threaten the capacity of poor countries to pursue pro-development agricultural policies, because they force them to open their borders indiscriminately to highly subsidised farm products.

Developing countries must be allowed to regulate trade flows to support agriculture – to ensure food security, rural development, and long- term development

Policy coherence with international financial institutions. The IMF and World Bank should adopt a new policy that they will no longer use trade conditions or prevent governments from increasing applied tariffs as part of their rural development and food security strategies.

Domestic policies. Governments of developing countries with large numbers of resource-poor farmers should ensure that domestic farm policies promote food security and rural livelihoods, and increase gender equity. The use of protective measures should be selective, and should evolve over time, as countries reach higher levels of economic development.

UNFAIR RULES – FOR ALL TO SEE

Reaping the harvest: Riceland Foods

Farmers in developing countries are being forced out of business, and into poverty, because of rice dumped in their countries from the USA. In 2004, US-based Riceland Foods exported more than a million tonnes – nearly three-times the entire production of all five countries in Central America. Riceland, which owns the world's biggest rice mill, accounts for one-eighth of the USA's total rice exports.

With the help of generous US government subsidies (worth $490m between 1995 and 2003), Riceland exports rice to 75 countries, and uses its muscle to secure new export markets and opportunities. Riceland is persistent in its hard lobbying of long-established contacts at Capitol Hill to support its business interests. It was involved in recent negotiations on the Central American Free Trade Agreement and was at the forefront of negotiations when tenders for US rice shipments to Iraq were first discussed in late 2004.

Against such influence and unfair competition, the future is bleak for already impoverished rice farmers across Africa, Asia, and Central America.

At the local market

"If I had my own way, I'd stop US rice coming into the country – and, I tell you, if it didn't come in, we would have prospered and we'd be out of poverty,"

says rice farmer Al-Hassan Abukari Gyebila.

Al-Hassan owns less than one hectare of land, in Zugu village, northern Ghana. He earns $215 from his annual harvest of 27 bags (100kg each) – 60 per cent of his family's income. "It's our most important crop, he explains. "We sell it to pay for all the things we need for the household." Nine bags pay for his sons, Yakubu (18) and Adamu (10), to go to school. And a bag paid for transport, hospital fees, and medicine, when Adamu became sick recently.

In the mid-1970s, Ghana's rice industry supplied all the rice needed to meet national demand. It could *still* provide the bulk of it today. But harsh conditions imposed by the IMF and World Bank – in return for loans – allow an ever-increasing torrent of unnecessary imports. Ghana's parliament tried raise the tariff, but was forced to back down by the IMF.

Al-Hassan Abukari Gyebila

Now, at Ghana's markets, customers often ignore the huge bowlfuls of nutritious locally grown brown rice on display. Instead, they buy from nearby shops that are stacked to the ceiling with sacks of cheap white rice from the USA, heavily subsidised by the US government.

US farmers receive around $232 per hectare in government subsidies – more than Al-Hassan's annual income. It's no wonder that farmers like him are unable to compete.

Making trade work for poor people

In the 1970s, the Indonesian government channelled some of its oil revenues into building the country's rice sector. It wanted to reduce dependence on food imports and to promote rural growth – and it succeeded. The state-run commodity agency provided floor and ceiling prices for rough rice, and carefully controlled imports. This kept supplies stable and affordable for consumers, and protected producers from low and uncertain international prices. The government also invested heavily in irrigation infrastructure, high-yielding and pest-resistant seeds, fertiliser, and affordable credit to small-scale farmers. By the mid 1980s, production had reached near self-sufficiency. The success of Indonesia's rice policies increased the country's food supply, and boosted incomes in millions of rural households. Nationwide, the number of people living in poverty halved between 1976 and 1993.

Despite problems, Indonesia's experience shows that effective state investment in agriculture, coupled with policies to regulate trade, can drive national growth and development.

Information sources: all attributed in Oxfam's full briefing paper Kicking Down The Door
– see www.maketradefair.com

Photography Kate Raworth & Helen Palmer (Ghana)
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