

Protecting whose Europe?

As the Doha Round of trade talks tips towards failure, **Ib Christensen** considers the implications for the world's poor



Since their breakdown in Hong Kong in December 2005, negotiations within the WTO about liberalising world trade have been at a stalemate. The cause of the problem has been, above all else, the European Union's dogged insistence on its agrarian protectionism.

Many years of broken promises from the rich countries – particularly the EU and the US – over the liberalisation of trade in agricultural goods, had brought the developing countries (both the less and more substantially developed countries) to a turning point. Enough was enough: led by China, India and Brazil, they demanded reform. The confrontation only led to more broken promises.

On the other side of the Atlantic the US did offer a total liberalisation of trade in agricultural goods. But the offer was rejected by the EU. And, as usual in the WTO negotiations, members had put the EU and the US to the task of agreeing a common initiative for restarting the negotiations. So the EU rejection set the agenda.

Before the stalemate, the EU had offered to lower its import duties on agricultural goods on average by 39%. In the current negotiations this has now increased to an average of 54%. In return, the US has agreed to introduce a ceiling on its agricultural subsidies, which are currently some £9b. For comparison, Europe's agricultural subsidies total over £41b.

The Indian Minister of Trade, Kamal Nath, is a sort of negotiation leader for the developing countries. He has rejected the US offer and demanded that it caps its agricultural subsidies at £6b. If the Americans were to do that they would

demand the EU lowers its import duties by an average of 64%. The EU would refuse that.

So things are not looking bright and, as usual, it is the EU which is blocking progress.

Added to these problems is the fact that the EU has declared 7% of its agricultural goods to be what are termed 'sensitive'. As such they are excepted from the duty cuts. And of course it is exactly those goods which are 'sensitive' on which the developing countries demand concurrence. It drastically lowers the benefit of the duty cuts if important agricultural products are labelled as 'sensitive'. The developing countries also have an interest in how much the industrial countries subsidise individual crops – and not just the global ceiling on public subsidies. On this matter too, then, there are opportunities for manipulation of the negotiations by the rich countries.

The World Bank realises that it is the countries which most actively participate in globalisation that also are the countries that have the highest economic growth. So it is obvious that it is the developing countries, more than others, which have vital interests in the WTO negotiations coming out of stagnation and delivering positive results.

More than other industrial countries the EU has insisted that there must also be progress with trade in industrial goods and services, which is a legitimate interest. But one is left with the impression that the demand is chiefly used as an excuse for extending the Union's policy of agricultural protectionism. The EU has not held back from using anti-dumping regulations as a tool to limit the import of textiles, shoes, steel and other products and commodities.

The blocking of the WTO negotiations is now being used to establish bilateral trade agreements – something that the WTO has accepted may continue until the end of the year.

The EU is negotiating economic partnership agreements within Africa and a number of developing countries in the Pacific and the Caribbean (the ACP countries). It is demanding 'reciprocity' in these agreements. That is to say the EU will allow duty-free import from these countries only if they, in return, also allow imports from the EU. The requirement is quite ruthlessly applied by the Commission: the more liberal countries of Europe, such as the United Kingdom and Denmark, are powerless to waive it.

In contrast to the EU, the US has taken a number of initiatives which in a number of areas allow the African countries easy and duty-free access for their goods into the United States. And Communist China has unilaterally increased the number of goods that can be imported from Africa to China with no duty falling due, from 190 to 440 products.

Europe was previously the dominant export target for most African countries. Today only 32% of the continent's exports go to the EU, while 29% goes to the US and 27% to Asia. Of Africa's total exports 13% go to China and India alone. In recent years Africa's exports to Asia have grown 20% year on year.

For the African countries, the positive aspect of this development is of course less dependency on the rich countries, particularly the EU. The negative aspect for Europe is that the Union's burden of protectionism impedes the possibilities for maintaining and developing employment and for optimising the economy.

However, for Africa there is hope. Since the mid-1990's more than twenty African countries have posted yearly economic growth rates of at least 4.5%. Fifteen of those countries are non-oil exporters. Together they encompass more than a third of the continent's population.

As far as Latin America is concerned it is clearly a good thing that its dependency on the US is diminishing as a result of its increased trade with the rest of the world. In the first few years of the millennium, trade between Latin America and China alone increased by 600%.

But for many years the grit in the global trade negotiation machine has been the EU's agricultural subsidies.

The basis of European agricultural subsidy used to be the unit of production – a hectare of wheat, or a beef cow. The approach resulted in extreme surplus production. Two ways were employed to deal with the problem: partly it was exported – export dumping; and partly it produced the so-called wine lakes and butter mountains which were destined for destruction.

Both of these responses came to be politically unacceptable. So the system was reformed by stages. An early idea was to subsidise farmers who did not produce goods. This approach brought into being what was called 'set-aside' – agricultural

land left unproductive for a period.

The money that the farmers were given in growing wheat was often in order that they could make money for not growing wheat. Obviously, this was no good.

Then came about the not production, or non-production. The consequence has been clear. The subsidy of the price of land. In reality subsidising landowners, working non-landowners completely: his public straight on to his landlord.

Denmark has all but a taxation on farm land. Land can be even bigger than. For decades farmers' objections against the 'tax on production' that there is no connection and the yield. Amusingly, objections (quite the corn subsidies that are given without taking into consi-

Dumping on the developing countries

Export dumping is defined by *Wikipedia* as "the act of a manufacturer which is either below the price it charges in its home market or is below 'failures' in the free market. Some commentators, often those from the problem. Countries finding themselves exposed to dumping, the on the problem.

The truth of the matter is the reverse. The over-production which creates a free market – is created by the very protectionism advocated as the case in point. Being subsidised encourages farmers to produce goods – the practice's deleterious consequences are visited not only on the and wide, if often unnoticed. Protectionism is immoral. It can only even relationships – and will always harm the weakest.

Oxfam leads the case for reform. "European Union agricultural practice charity says. "By encouraging over-production and export dumping, such as sugar, dairy and cereals. Reforming a system in which European smallholder farmers in developing countries suffer the consequences