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HARD FACTS

- For every $100[1] generated by world exports, $97 goes to the high- and middle-income countries, and only $3 goes to low-income countries.
- For every dollar given to poor countries in aid, $1.20 is lost because of unfair trade.
- Unfair trade is costing the poor world $100 billion a year.
- If Africa, East Asia, South Asia and Latin America increased their share of world exports by just 1 per cent, it could lift 128 million people out of poverty.
- The $90bn that Africa would generate through a 1% increase in its share of world exports is three times the amount provided to the region through aid & debt relief
- Just under 40 per cent of the world's population live in low-income countries – yet they currently account for just three per cent of world trade.
- The rich world taxes imports from poor countries at an average of four times the rate that it taxes imports from industrialised countries.
- Rich countries spend $800 million a day on farm support – the vast bulk of which go to the biggest and richest agri-businesses. Farm surpluses are exported on world markets. This suppresses prices, drives down the income of farmers in poor countries, and puts them out of business.
- In 2004, Bangladesh exported $2 billion to the United States compared to France's $31 billion, yet the US Treasury collected the same amount in tariff revenue from both countries – i.e. Bangladeshi goods faced an average 14% tariff compared to 1% for French goods. France's income is sixty times higher than Bangladesh's.
- The EU's restrictive rules of origin prevent Lesotho, one of the poorest countries in the world, from exporting garments to its market. In 2004, Lesotho exported ten times more to Canada than to the EU, and four hundred times more to the US.
- 17% of exports from Least Developed Countries to the EU market pay tariffs – despite the EU's promise at Doha to allow "duty free, quota free" access for goods from the world's poorest countries. 40% of exports from non-African LDCs to the EU pay tariffs
- Remittances to developing countries are two or three times the volume of overseas development aid
- In 2003, remittances earned three times more for Colombia than all of its coffee exports
- Alan Winters of Sussex University estimates benefits of $150 billion if industrialised countries allow increased temporary migration equivalent to just 3% of their labour forces – far greater than the prospective gains from further trade liberalisation.

[1] All dollars are US currency unless otherwise stated

OXFAM ON WORLD TRADE

- World trade could be a powerful motor for reducing poverty, as well as driving economic growth, but that potential is being lost
- The rules of world trade are rigged in favour of rich countries and big companies
- Millions of the world's poorest people are being left behind; world trade is causing intolerable and unsustainable extremes between rich and poor

If Africa, East Asia, South Asia, and Latin America were each to increase their share of world exports by just 1%, 128 million people could be lifted out of poverty

- Rich countries are closing the escape route from poverty by locking poor countries out of their markets
- They are also undermining developing country farmers in their own markets by dumping cheap, subsidised produce on them

Developing countries that export to rich-country markets face $100 billion a year in tariff barriers – <u>four times</u> higher than those encountered by rich country exporters

- The WTO is biased in favour of rich countries and big corporations, raising fundamental questions about its legitimacy
- Poor countries are pressured to open their markets, often with damaging consequences
- The international community is not seriously addressing the problem of low and unstable commodity prices

Change is possible. The international trading system is not a force of nature. It is managed by rules and institutions that reflect political choice. We need to:

- *Improve market access for poor countries to rich country markets without demanding too much in return*
- *End subsidised agricultural over-production and export dumping by rich countries*
- *Stop forcing poor countries to open their markets*
- *Establish new intellectual property rules to ensure that poor countries are able to afford new technologies and basic medicines, and that farmers are able to save, exchange, and sell seeds*
- *Enhance private-sector investment and employment standards*
- *Democratise the WTO to give poor countries a stronger voice*
- *Change national policies on health, education and governance so that poor people can develop their capabilities, realise their potential, and participate in markets on more equitable terms*

OXFAM ON THE CRISIS IN GLOBAL AGRICULTURE

Agriculture is in crisis across most of the world. Rich countries are making the crisis worse by rigging international trade rules for their own corporate gain and national privilege. Agriculture feeds us all – six billion people – while 2.5 billion people depend on it for their livelihoods. Two out of three people working on the land today are women. Seven out of every ten people in the world's poorest countries are employed in agriculture.

Human health and well-being demands a functioning and fair system of agriculture. But today, global agriculture is in crisis and showing little sign of improvement.Nearly 900 million people suffer today from lack of food and two billion people exist on diets that are deficient in proteins and vitamins. Around 1.2 billion people – most of them farm workers and rural poor – live on $1 or less a day and struggle to send their children to school, or to buy medicines and enough food. Farmers are failing in huge numbers and leaving their land for uncertain futures. Poor and undernourished, entire rural populations are more prone to diseases including AIDS. Women bear a disproportionate share of this suffering.

Agricultural trade is worth $783 billion a year but this potential to drive global growth, equity and development is being lost. Developing countries – which have 98% of the world's farming population – capture only a third of this trade. Africa earns less than 4%.

This is not a natural crisis. It is man-made. It has been aggravated by deliberate and reversible decisions. It is not sustainable. For the health of the world's economy – and a future free of suffering for most people – the inequities in the farm trade must be rolled back.

Oxfam believes in the potential of world trade to reduce global poverty. Agriculture is a vital area to get right. However, the World Trade Organisation's 1995 Agreement on Agriculture has only helped to worsen the farming crisis of the poor. Under the agreement, rich countries such as the United States and the European Union have continued to subsidise their biggest farmers, encouraging massive overproduction. This has led to dumping of cheap surplus onto world markets at as little as one third of the real cost of production, causing a world-wide depression of prices.

Meanwhile the rich world is forcing poor countries to open up their markets too quickly and with little thought while, in turn, keeping their own heavily protected by high tariff and non-tariff barriers. Rich countries and international companies have stood by as the price of raw commodities like coffee has collapsed, throwing more poor farmers into misery.

To add insult to injury, rich donor countries have halved their agricultural aid to poor countries over the past 20 years.

Developing country governments bear a heavy responsibility to help their farmers gain better access to land, water, credit, roads and transport, and schools and hospitals. These governments must determine their own pace of market opening, promote good labour rights and environmental protections, and crack down on corruption.

Oxfam believes that poor countries and farmers are not being bypassed by globalisation – they're being blocked from competing fairly in it. The responsibility to solve this crisis lies with world leaders. They must fix their mistakes. 2005 is a make-or-break year.

Rewriting the agricultural trade rules would be a giant step toward making poverty history, and encouraging economic growth and food security for all. It could help lift hundreds of millions of people out of poverty.

Failure – more hand-wringing, more broken promises, double standards and missed opportunities – will mean for those poor people more suffering, hunger and a deepening sense of injustice and powerlessness. It will mean the rich continuing to get richer at their expense.

New Zealand's role in the talks is significant, despite our small size. NZ Ambassador Crawford Falconer is the chair of the Agriculture Committee and New Zealand's negotiators have influence out of all proportion to our share of the world economy. Currently, this influence is being used both for the development-friendly goal of putting pressure on the "subsidy superpowers" to decrease subsidies and open up rich country markets, and for the goal of forcing open the markets of poor countries prematurely. This second objective, shared with Australia and a few other agricultural exporters, has the potential to devastate farming communities in the developing world. While NZ pays lip-service to the need to ensure that poor farmers are not flooded with dumped produce, in practice this consideration is given very low priority in the rush to achieve market opportunities for NZ exporters.

OXFAM ON HONG KONG MINISTERIAL

- *Big opportunity for rich countries to deliver on their promises to make trade fair*
- *Time is running out to conclude a trade deal that helps the world's poor*
- *Political leadership and vision essential now to push through the radical changes needed*

Four years ago, the "Doha Round" was launched and rich countries promised to reform trade rules so that they boosted development. They have not kept their promises. The round is seriously off track and the chances of achieving a pro-development outcome at Hong Kong in December appear increasingly slim. Rich countries have been protecting their short-term self-interest at the expense of development. Unless things change dramatically poor countries will lose out once again. This would be a tragic missed opportunity and would mean continued suffering for millions of poor people.

Obviously we don't want WTO members to rush headlong into bad deal but nor do we want to give rich countries a way out. Putting off agreement in Hong Kong could just be a way of saving face for rich countries whose intransigence has got us to this impasse.

At the centre of the negotiations is agriculture. Seven out of every ten people in the world's poorest countries are employed in agriculture. This is where they have most to gain – and lose. But progress has been glacial. For every concession, rich countries are demanding their pound of flesh in return from developing countries. This is dangerous and unreasonable. It goes against the original spirit of these talks. Poor countries are being pressured to open their markets to competition too fast. Rich country assurances that they will get 'special treatment' to protect vital foods and crops are evaporating.

The US and the EU promised to cut their huge trade-distorting subsidy programs that promote over-production and dumping, which in turn depresses world prices. However, powerful vested interests are defending the US Farm Bill and the Common Agricultural Policy. The EU and US have engaged in a tit-for-tat blame game, both content to do little but criticise the other. They look likely to retain most of their subsidies and shuffle them around the WTO's contentious "box" system. If this is allowed to happen it will be rich countries, rather than poor countries that get a 'round for free'.

Rich country leaders won headlines this year talking about "development" – now is the time for them to deliver on fair trade rules. A successful conclusion to the WTO round of talks, in line with the original declaration, would bring benefits to all countries. It is everyone's interest to make the rules-based system work.

NZ has become an enthusiastic supporter of the demands made of poor countries by the EU and US on services and industrial goods. This is in direct contradiction of NZ's stated policy of allowing poor countries to use trade to enhance development. It is also unfair and ill-considered: by rewarding the EU and US with what they want in other areas, NZ is taking the pressure off the need for reform of their massively unfair agricultural regimes.

Oxfam is calling for:

- Better Market Access and No Dumping: Rich countries must open up their agricultural markets and eliminate subsidies that cause overproduction and dumping.
- No Strong-Arming: Rich countries must stop forcing poor ones to make trade-offs between different sectors in the negotiations. They shouldn't have to choose between improved agricultural opportunities, industrialisation or keeping vital services safe, sacrificing one in order to win concessions in another.
- The Power to Decide: Rich countries must stop trying to deprive poor countries of the power to decide their own trade policies, and stop forcing them into opening up their markets too deeply or rapidly.
- Transparency: Negotiations must be conducted using transparent and democratic processes.
- A Fair Deal on Cotton: The US must reform its illegal, trade-distorting cotton subsidies.
- No Damaging Trade-Offs: Developing countries must not be forced to make concessions in areas of non-agricultural-market-access (NAMA) or services in exchange for action on agriculture.

OXFAM ON DUMPING

- *World trade will continue to fail the poor while rich countries remain free to dump cheap produce*
- *$800m-a-day farm support showered on rich farmers and agri-businesses hurt developing world*
- *An end to export subsidies and meaningful cuts to trade-distorting subsidies must be delivered now*

WTO trade rules allow rich countries – particularly the United States and the European Union – to subsidise their biggest farmers. These subsidies encourages massive overproduction of food and crops which are then dumped onto world markets, at prices as little as one third of the real cost of production, depressing prices for other exporters. Dumping destroys poor farmers' livelihoods in developing countries because they cannot compete.

The US and the EU account for half of all the world's wheat exports, even though they have comparatively high costs of production. The export price for EU wheat is 46% below the cost of its production, the US 34% below. The wheat barons remain profitable because they are so heavily subsidised.

The same is true in maize, sugar, cotton and many other commodities. In the US, 25,000 cotton farmers receive up to $4bn a year in government handouts. This enables them to export around 70% of their crop at prices substantially below the true cost of production. Also last year, European milk producers were again the world's biggest exporters, though it costs them twice as much to produce the milk as to sell it. European sugar exporters, the world's second biggest bloc, export at prices 75% below what they get themselves.

This vicious and unfair competition is ruining poor farmers who simply cannot compete against the world's biggest treasuries. Although calculations vary, most analysts including the UN and the World Bank say that subsidies in OECD countries amount to around $280 billion a year, of which $112 billion goes directly to producers.

These subsidies exceed the combined income of 1.2 billion of the world's poorest people. World leaders promised to cut the worst trade-distorting agricultural subsidies but in the past ten years have not done so. Some subsidies are actually increasing.

While millions of poor farmers struggle to survive on total income of less than $400 a year, American farmers get on average $21,000 a year in subsidies alone, and European farmers on average $16,000 a year in subsidies. Rich countries don't pay these in order to keep small struggling family farms in business. Instead, they're skewed to the largest farmers.

In the US, the top 8% of producers receive 78% of all government support. The remaining majority of 1.6 million mainly small US farmers share the balance. Half of all US farmers get no support at all. In the EU the picture is similar, with the largest 25% of farms receiving 70% of all support, while the smallest 2 million EU farmers share the remaining 10%.

In a bid to get the WTO's Hong Kong ministerial meeting back on track, the EU and US both announced claims of huge cuts in their subsidy regimes – 70% and 60% respectively. But Oxfam says that both claims are seriously overstated, particularly that of the EU.

The reality is that the EU and the US made offers to cut only their payment ceilings, not their actual level of spending. In addition, they can shift their current subsidy payments around the WTO's "box" system that ranks subsidies in order of how distorting they are. The net effect is that the EU will actually be able to increase its worst trade-distorting subsidies by $13 billion. Meanwhile, in the best-case scenario, the US proposal would only lead to cuts of $4bn – 19% of its total trade distorting subsidies, not the 60% advertised.

Recommendations for Hong Kong:

- End all forms of export dumping
- Tighter disciplines on allowable subsidies to promote environmental stewardship, rural jobs and discourage 'box-shifting'
- Immediate priority given to the cotton and sugar crops
- Special treatment to be given to developing countries

Further Reading: *A Round For Free* http://www.maketradefair.com/en/assets/english/aroundforfree.pdf

OXFAM ON MARKET ACCESS ...

Poor countries cannot trade their way out of poverty unless they have fair access to rich country markets, but a vast array of tariffs and non-tariff barriers block poor country products out and protect rich producers from competition.

Poor countries face import barriers four times as high as those faced by producers in rich countries. Trade restrictions in rich countries cost developing countries around $100bn a year – $20 billion more than they receive in aid.

Sub-Saharan Africa, the world's poorest region, loses some $2bn a year; India and China more than $3bn as a result of trade barriers.

Trade barriers in rich countries are especially damaging to the poor because they specifically target the goods that they produce, such as labor-intensive agricultural and manufactured products.

Because women account for a large share of employment in labor-intensive export industries, they bear a disproportionate share of the burden associated with the lower wages and restricted employment opportunities imposed by protectionism.

Among the priority reforms needed are:

- Duty-free and quota-free access for the poorest countries to all rich country markets.
- A reduction in tariff peaks, and non-tariff barriers
- Simplification of restrictive 'rules of origin'

... AND 'POWER TO DECIDE'

The flipside of the market access coin is the "power to decide". This means that while rich countries must open their markets, they must not force poor countries to do so. The WTO is meant to negotiate on the principle of 'less than full reciprocity'. This means that developing countries must be asked to do less than rich countries in the talks. This is not happening. On the contrary, rich countries trying to force poor ones to open their markets too quickly and too deeply. This threatens to undermine food security and destroy fledgling farm sectors.

Poor countries must be given the space and flexibility to decide their own trade policies – if, when, and how fast they open their markets. They have asked for recognition of certain 'special products' on which they won't have to cut the tariffs by as much as the others. The WTO has agreed to this in theory but rich countries are trying now to water it down.

Sectors like milk, sugar, soya and corn, among others, are affected. Rice is a particularly egregious example. Millions of smallholders in developing countries are dependant on rice to make their living. Moves at the WTO and in regional and bilateral trade deals like CAFTA threaten to expose them to floods of cheap, often dumped, rice imports.

In 1995, the IMF forced Haiti to cut its rice tariff from 35% to just 3%. As a result, rice imports to Haiti increased by 150% in nine years. Today three out of every four plates of rice eaten in Haiti originate from the US, where the government spends annually $1.3bn in subsidies to support a rice crop that is valued at just $1.8bn. Local Haitian rice farmers' livelihoods have been devastated and rice-growing areas now have among the highest levels of malnutrition and poverty among local people.

Oxfam asks for:

- Rich countries to stop pressuring poor ones to open up their markets too fast.
- Rich countries must recognise the right of developing countries to protect their agricultural systems for food-security purposes.
- Aid for trade and other measure to address supply side constraints
- The World Bank and IMF must stop making their loans conditional on countries having to reduce tariffs; they must allow countries to develop their own trade policies including the use of special products.
- The EU and the US must not use regional and bilateral trade agreements to impose 'WTO-Plus' conditions that could affect a country's food security or rural development.

Further Reading: *Kicking Down the Door* http://www.maketradefair.com/en/assets/english/kickingreport.pdf

OXFAM ON THE COMMON AGRICULTURAL POLICY

Europe's €45bn Common Agricultural Policy (CAP) hurts farmers in the developing world by reducing their chances to trade their way out of poverty. Many of the subsidies encourage overproduction and export dumping, which depresses world prices and undercuts competition. Meanwhile, high tariffs on agricultural imports block developing countries' goods out of the EU, further limiting their chances to benefit from world trade.

The CAP entrenches inequality within Europe: by rewarding the biggest, richest farmers and landowners, it leaves many small farmers to go to the wall. Between 2002 and 2003, over 17,000 farmers and farm workers left the agricultural industry in England. In Spain, between 1999 and 2003, 37,000 small-farms disappeared each year.

In Spain, the top 3% of the biggest farm producers swallow nearly 40% of the country's CAP subsidies. In the UK, the biggest 2% rake in a whopping 20% of available subsidies. In France, the top 15% of French farming businesses consume a massive 60% of its direct payments.

Oxfam believes that some support for agriculture is justified, such as subsidies that promote environmentally-friendly farming and rural development. However, the current system is grossly unfair and does not provide sufficient incentives for good stewardship of the land.

The CAP does not deliver what most people want: safe high-quality food, sustainable farming and environmentally responsible stewardship of the land.

The EU counters its critics by saying that it has already reformed the CAP in 2003, by decoupling subsidy payments from production. However, the OECD predicted that decoupling would not reduce European farm production by much. Oxfam believes the reform did not go far enough to guarantee a better deal for the developing world and did not redress the imbalances and negative side effects at home.

Progress in CAP reform is closely linked to agriculture negotiations at the World Trade Organisation (WTO). The EU must demonstrate that it is serious about changing its damaging agricultural trade policies in order to secure a successful pro-development outcome at the WTO.

Oxfam is not calling for abolition of the CAP, rather its fundamental reform to make it fairer and less harmful. Agricultural subsidies must be targeted more toward small-scale farmers, to farmers who protect the environment, and should be completely separate from production.

Some CAP Facts

- Cost of CAP: €45bn
- Percentage of EU Budget: >40%
- Percentage of EU population that are farmers: 5%
- Percentage of the world's farmers that live in developing countries: 98%
- CAP payments per EU cow per day: $2.62 (a pay rise since 1999 when they got $2.20 each)
- Percentage of world's people who live on less than $2 a day: 50%
- Cost to European consumers: €100bn a year when inflated food prices are added to direct costs of CAP
- Cost of CAP to average family in Europe: €24 a week in taxes and higher food prices
- French farmers receive three times more per head from the CAP than Polish farmers.
- UK farmers receive five times more per head from the CAP than Spanish farmers.
- France's biggest 12 recipients each get more than €500,000 Euros a year each in subsidies alone. The biggest two get 1.7 million Euros a year between them.
- Every year, 7 of Britain's richest men get more than £2m between them

Further Reading: Joint agency briefing paper Nov 2005 *Green but not Clean*
http://www.maketradefair.com/en/assets/english/greenbox.pdf

OXFAM ON THE US FARM BILL

The US farm program, originally created during the Great Depression as a safety net for farmers, has evolved into a system that benefits those already with an advantage, encourages overproduction and export dumping, depressing prices and undercutting producers overseas. At the same time, small farmers and rural communities in the US are also hurt by these policies.

The US Farm Bill disproportionately rewards the biggest and richest farmers and landowners, while leaving many small farmers without any kind of assistance. More than 79% of all US subsidies go to the top 10% of recipients. And nearly two-thirds of all farmers receive no subsidies at all. Only farmers who produce commodity crops – cotton, rice, wheat, corn, soybeans – are even eligible for government subsidies.

Oxfam believes that some support for agriculture is justified, such as subsidies that promote sustainable farming and rural development. While some programs supported by the Farm Bill reward environmental stewardship, provide domestic food aid and promote rural development, these programs are often under funded at the expense of trade-distorting commodity subsidy programs.

The US Farm Bill is negotiated once every five years to cover several aspects of US agriculture policy including commodity programs, conservation programs, domestic food aid and others. The 2002 Farm Bill was a step backwards from its predecessor in 1996, which began moving US farm policy in the direction of more trade and development friendly policy.

The 2002 Farm Bill, set to expire at the end of 2007, will be negotiated in Congress in the next two years. While the US Administration has stated a commitment to reforming trade distorting subsidies, recent Congressional actions have indicated that the US Congress is not similarly poised. Furthermore, strong opponents to reform in the US Congress are even pushing to extend the life of the current Farm Bill for years to come, effectively undermining the US's ability to negotiate a pro-development deal in Hong Kong and reform harmful policies that hurt farmers in the US and abroad.

Oxfam is calling for meaningful reform of US farm policies by reforming trade distorting domestic support and encourage assistance that promotes rural development and environmental stewardship.

Farm Bill Facts:

- Cost of total US Subsidies (including food aid, conservation and other non-trade distorting programs): $70bn
- Cost of US trade-distorting subsidies: $20bn
- Percentage of farmers that receive trade-distorting subsidies: 33%
- Distribution of farm subsidies: 79% of the subsidies go to just the top 10% of recipients
- Number of US cotton farmers: 25,000
- Distribution of cotton subsidies: 78% of cotton subsidies go to the top 8% of recipients
- Number of people in Africa who depend on cotton for their livelihoods: 25 million
- West African export revenues lost from 2001-2003 as a result of US cotton dumping: $400 mn
- Estimated 2005 US Cotton Subsidies: $4bn (for a crop worth about the same)
- Level of aid the US provided to all of Sub-Saharan Africa in 2003: $3.5bn
- Percentage of US population that are farmers: 2%
- Percentage of US GDP from agriculture: less than 2%
- Percentage of the world's farmers that live in developing countries: 98%

Further reading: Joint agency briefing paper Nov 2005 *Green but not Clean*
http://www.maketradefair.com/en/assets/english/greenbox.pdf

OXFAM ON NON-AGRICULTURAL MARKET ACCESS (NAMA)

While attention has been focused on reforming agricultural trade rules during this Doha Round, talks between WTO countries to open up their markets to industrial products (e.g. manufactured goods, raw materials, forestry products, fish, etc) have moved slowly ahead and are now speeding up. NAMA could become a significant issue in Hong Kong if rich countries want “something in return” for a deal on agriculture, as the EU have already indicated recently. Quite apart from this being contrary to the spirit of the development round, the consequences for poorer countries could be disastrous. NZ is playing a part in this, because its negotiators are enthusiastically backing the EU and US in their ambitions on NAMA.

The EU and US have already got fairly low industrial tariffs, having reduced them over the last 50 years of trade negotiations. Now they are pushing very aggressively for developing countries to do the same – asking them to do in one fell swoop what rich countries took decades to do. The prize they cherish is access to the bigger developing country markets, particularly Brazil, South Africa, India and China.

The NAMA negotiation mandate, however, says that developing countries have special needs and shouldn’t have to make the same cuts as rich countries, and should also be allowed special provisions (SDT). Till recently, developing countries, particularly the poorest, tended to think that NAMA wasn’t as relevant to them because they didn’t have much industry to protect. However, the current proposals would make it extremely difficult, even impossible, for them to build up their infant industries and technological capabilities for future development.

“If I drive my five-year-old son into the labour market he may become a very savvy shoeshine boy, but there is virtually no chance that his will become a nuclear physicist which would require another dozen years of parental guidance and investment in education,” says Cambridge University economist Ha-Joon Chang, in comparing developing countries being faced with having to commit to unfettered free trade before developing their industrial and technological capabilities.

Historically, all countries have used tariffs to protect their fledgling industries from competition that would have otherwise wiped them out. Europe and the United States have rich histories in protecting their infant industries until they were strong enough to compete, as do all other successfully industrialised countries, even the “Asian Tiger” economies. Even now, despite their low average tariffs, rich countries maintain very high tariffs on certain products, plus use a variety of non-tariff like product standards, anti-dumping actions.

Rich countries invariably argue about wanting to have a “level playing field”, that is, a global market unfettered by protections so that trade becomes equal for all. The analogy is ludicrous. There is nothing equal about rich countries – with industries having grown strong by massive early protections – and developing countries.

Developing countries are now looking very warily at the US and EU NAMA proposals. They are nervous about repeating the same disastrous liberalisation experience that some of them faced under the World Bank and IMF’s structural adjustment programs. They are also angry that the US and EU are pushing them to do things that they would never have agreed to under previous trade rounds. Furthermore, there is a fundamental lack of balance – with developing countries being asked to do far more overall than rich countries.

Currently, talks have reached an impasse. Members can’t agree on the three priority items up for discussion before Hong Kong: the levels at which countries can bind tariffs, how much they will have to cut them, and flexibilities for developing countries. Developing countries are under pressure to concede ground in NAMA in exchange for concessions in agriculture. This is unacceptable. They should not have to choose between agricultural development now and industrial development in the future.

<u>Further Reading:</u> Joint Agency Briefing (Oxfam, Action Aid, ICFTU, Solidar, TWN), *NAMA Talks Threaten Development: 6 reasons why a different approach is needed*, November 2005
http://www.maketradefair.com/en/assets/english/namamyths.pdf
Ha-Joon Chang, *Why developing countries need tariffs*, November 2005
http://www.southcentre.org/publications/SouthPerspectiveSeries/WhyDevCountriesNeedTariffs.pdf

OXFAM ON ACCESS TO MEDICINES

One out of every three people in the world today cannot afford the medicine they need to treat deadly diseases like AIDs, tuberculosis and malaria. This is because WTO patent rules -Trade Related Intellectual Property Rights (TRIPs) - give pharmaceutical companies a 20-year monopoly control over new drugs, allowing them to charge what they like. Sick people in poor drug-importing countries can't afford the same medicines as those in rich countries.

In 2001, at the launch of the Doha Round, WTO members promised to review TRIPs rules and their potential impact on public health. They signed the "Doha Declaration on TRIPS and Public Health" which said that public health should take priority over patent rights. In it, they confirmed that all countries could use the flexibilities and safeguards in TRIPS (e.g. compulsory licensing, where governments can forcibly override patents) to protect public health without fear of pressure from other WTO members.

But a huge problem remained. The world's poorest countries, which can't afford expensive patented drugs, couldn't use the option to issue compulsory licenses because they didn't have their own industries that could make the generic versions. In addition, India and other bigger developing had to implement TRIPs rules after January 2005, therefore they could no longer freely export their own generic drugs. Under TRIPs, generic drugs - even if made under compulsory license - cannot be exported.

This problem was flagged up in a single paragraph of the Doha Declaration - Paragraph 6 - and WTO members agreed to solve it by December 2002.

Talks dragged on and deadlines were missed. But by December 2002, every WTO member had agreed to a potential solution bar the US, which stood alone in resisting it because its pharmaceutical industry thought it was too lenient. The US insisted that only the poorest countries should benefit and only for epidemic diseases; this would have excluded countries such as Peru and the Philippines, and diseases such as pneumonia and diabetes.

In August 2003 WTO members did reach a deal: a waiver to TRIPS rules that allows the export of generics made under compulsory license. However, the waiver is too administratively burdensome and complicated. In addition, as countries have implemented the agreement in their national legislation, they have tended to restrict the agreed solution, making it even more difficult to use. Two years on, availability of affordable drugs in poor countries has not improved.

The waiver will remain in place until a permanent amendment is agreed. Oxfam believes the mechanism needs to be shown to work, before it is turned into a permanent feature of the TRIPS agreement. Already, there are reports that attempts to use it in Canada have not succeeded after over a year of trying. If the mechanism proves ineffective in achieving its stated goal – enhanced access to affordable medicines for countries with insufficient or no domestic manufacturing capacity – then WTO members should return to the drawing board and agree to a mechanism that is more effective.

The Africa Group has proposed a permanent amendment but rich countries have not supported it and instead are tabling their own, restrictive proposals for transforming the waiver into a permanent amendment.

A new TRIPs agreement must allow poor countries to get access to the medicines they need at prices they can afford. It must be simple to use. This was supposed to be a priority for this Doha round but instead rich countries have let the problem languish at the bottom of the pile while they've pursued their own interests.

Further Reading:
Africa and the Doha Round, November 2005: http://www.maketradefair.com/en/assets/english/bp80.pdf

OXFAM ON COTTON

The US government hands out as much as $4 billion of subsidies to big cotton producers and corporations every year for a crop that is worth just as much. Payments are very concentrated – 79% of US cotton subsidies go to the top 10% of the biggest producers – increasing the wealth of the biggest and wealthiest cotton businesses. Subsidies encourage overproduction of cotton. The surplus is dumped on international markets at prices well below the cost of production. Millions of local farmers cannot compete against this unfair trade.

Cotton has become a symbol of misguided US agricultural policies and of the harmful impacts of subsidies on developing-country farmers. It is one of the most widely produced agricultural crops in the developing world, and a vital source of foreign exchange, investment and economic growth for some of the world's poorest countries. Cotton occupies a pivotal role in the livelihoods of tens of millions of poor people. The state of the world's cotton economy has a critical bearing on their nutrition, and on whether they have sufficient income to send their children to school and to cover health costs.

In West Africa alone, 10 million people depend on cotton for their livelihoods. Oxfam estimates that US dumping deprived poor cotton-producing African countries of $400 million between 2001 and 2003. In 2005, US cotton farmers will get the same amount in subsidies as they will get for their entire crop. The US government pays more in subsidies than it gives in aid to all of sub-Saharan Africa. Aid that is given is undermined by the effects of unfair trade – for example, Burkina Faso received $10 million in US aid in 2002 compared with a $13.7 million loss in export earnings because of US subsidies.

This year, the World Trade Organization (WTO) declared that America's cotton subsidies and export credits violated WTO rules. The US was given until July 1 of this year to remove export subsidies and September 22 to reduce trade-distorting cotton subsidies. The US Administration has made some moves to comply but it is ultimately up to the US Congress to enact the necessary legislation. Congress has made moves to eliminate the Step 2 program, which pays exporters and domestic mills to buy higher priced US cotton, but much more is needed to fully comply with the WTO's ruling. Losses for poor African cotton-producers in Benin, Burkina Faso, Chad and Mali could top $1 billion over the next eight years if the US delays make full reform.

Reforming cotton subsidies is also crucial for the success of the current WTO negotiations on a new global trade agreement. If the issue of cotton is not properly addressed, it could contribute to the collapse of world trade talks at the Ministerial in Hong Kong, just as it did in Cancun in 2003.

Twenty million Africans depend on cotton for their livelihoods. For them, achieving progress on cotton offers the biggest opportunity of the Doha Round. But since the issue of cotton emerged within the negotiations in 2002, there has been virtually no progress.

Where can you see the story?

In West Africa – Senegal, Mail, Ghana, Burkina Faso and Chad – thousands of the world's poorest farmers are suffering the adverse effects of US cotton dumping.

In India, cotton farmers are committing suicide as a result of collapsing prices and illness from pesticides.

Contacts: Laura Rusu, Oxfam America, lrusu@oxfamamerica.org; Dominique Jenkins, Oxfam America in Senegal, denkins@oxfamamerica.org; Madhusree Banerjee, Oxfam in India, madhusree.banerjee@oxfamint.org.in

Further Reading: Oxfam International Briefing Paper No. 69, *Finding the Moral Fibre*, October 2004
http://www.maketradefair.com/en/assets/english/bp69_cotton_181004.pdf

OXFAM ON SUGAR

The EU sugar regime is a notoriously complicated system, but it produces a very simple problem: too much sugar. Each year, Europe – a high-cost producer – generates an export surplus of approximately 5 million tonnes. This surplus is dumped overseas through a system of direct and indirect export subsidies. In the process, it destroys markets for more efficient sugar growers in developing countries.

The regime is ridiculously costly. For every €1 worth of quota sugar that is exported, the EU spends more than €3 in export subsidies. The EU pays out €1.3 billion a year in export subsidies on sugar. Six European sugar processing companies are between them receiving €819 million a year in export subsidies from the EU to dump excess sugar on world markets.

When Brazil, Australia and Thailand took a formal dispute against Europe's sugar regime at the WTO this year, the EU claimed that it was a "non-subsidising" sugar exporter. The defense was untenable. The EU lost its appeal in April. As a consequence, in June, the European Commission proposed to reform its sugar regime and wants its member states to agree on the proposal before the WTO Ministerial.

However, the plan falls a long way short of addressing overproduction and export dumping and the complainants have hinted that they consider it unsatisfactory to meet the panels' recommendations.

Is proposing a huge cut in the price sugar by 39% over one or two years. No industry can survive such an attack. Oxfam says that foreign investors will shun the world's poorest sugar-producing countries, harming their chances of trying to build sustainable long-term sugar sectors. To make matters worse, Europe will not open its borders fully to sugar from the world's least-developed countries until 2009. In the meantime the EU is offering no assistance to help non-ACP poor countries to ensure that they are able to benefit from improved access to Europe after 2009 and adjust to the EU sugar reforms.

Many ACP (African, Caribbean and Pacific) countries – some have been sugar producers for decades like Fiji, Mauritius and Jamaica – will face major economic and social costs as a result of EU sugar reform. The costs of adjustment have been estimated at 500 million euros a year and tens of thousands of jobs. However, the EU has proposed compensation for 18 countries of only 40 million euros for 2006 in total. By comparison, the EU plans to compensate its own farmers by 1,500 million euros, plus a 4,000 million budget for an EU-wide restructuring scheme. This is a ratio of 1:125.

In short, the European Commission is missing an opportunity to send a signal to the WTO negotiations that the EU is serious about eliminating export subsidies and serious about making trade working for poor countries. What is being proposed today favours Europe's biggest agri-businesses.

The European Commission keeps saying that there are no other alternatives to current reforms plans. Oxfam says that is simply not true. There are other ways of complying with the WTO ruling including, for example, having a smaller price cut coupled with a direct cut on EU production quotas.

Where can you see the story?

In Fiji, sugar has been one of the main drivers of the economy for many decades. The industry was set up by the colonial British administration over a century ago and the EU sugar regime has encouraged its continuation. Over 20% of Fiji's export earnings come from sugar and around 200,000 people are directly or indirectly dependent on it for their livelihoods. With EU reform looming, the industry is in crisis and is in urgent need of transitional assistance from the EU.

Further Reading:
Dumping on the World, April 2004: http://www.maketradefair.com/en/assets/english/bp61_sugar_dumping.pdf
The Fijian Sugar Industry, September 2005: http://www.oxfam.org.nz/imgs/fijian%20sugar%20industry.pdf

OXFAM ON RICE

Rice is perhaps the most important food grain in the world. Around 3.3 billion people in Asia depend on it for between 30-80% of their calorie intake and it is a significant part of the diet for another billion people in sub-Saharan Africa, Latin America and the Caribbean. 250 million farmers in Asia depend on rice for their livelihoods. Instability in the world market price has severe effects on hunger and income for poor people across the world. The world price has fallen by more than 60% since 1980. The European Union and Japan are protecting their rice markets from developing country competition by imposing high import tariff barriers. The US meanwhile – which produces less than 2% of the world's rice but is the third largest exporter – is dumping 45% of its crop into 75 countries. 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% of the cost of production. Tens of thousands of local rice farmers lost their livelihoods in one year when Haiti reduced its tariffs from 35% to 3%, leading to an unsustainable influx of subsidised US rice.

Where can you see the story?

In Ghana, rice farmers are being forced out of business as a result of US subsidies and dumping. The country has been forced to keep its tariffs low and denied the opportunity to protect vulnerable farmers. As a result, thousands on men, women and children are suffering. Oxfam works a single mothers' cooperative to help them grow and process organic rice.

Contacts: Harriet Binet, Oxfam GB, hbinet@oxfam.org.uk; Sam Danse, Oxfam in Ghana, sdanse@oxfam,.org.uk

Further Reading: *Kicking Down the Door*, April 2005 http://www.maketradefair.com/en/assets/english/kickingreport.pdf

OXFAM ON COFFEE

More coffee is being produced than consumed and the livelihoods of 25 million coffee producers around the world are under severe threat. Between 2000 and 2003 the price of coffee halved to a 30-year low, forcing poor producers to sell at a loss. The price has since rallied but remains below the cost of production for many coffee farmers. In five years, the value of developing country coffee exports dropped by $4 billion. Oxfam reported children being pulled from schools and families cutting back on food and medicines, while national economies suffered and banks collapsed. Meanwhile, the big four coffee roasters Kraft, Nestle, Procter & Gamble and Sara Lee – which control around 40% or more of world trade – continued in greater profits, in large part because their global reach allowed them more options to buy and mix the cheapest blends. Without adequate access to credit, good information, roads, transport and technical know-how, poor coffee farmers are at the mercy of the most powerful global corporations who can offer "take it or leave it" negotiations. The coffee crisis is in part the result of a policy failure by the World Bank and the IMF, which advised countries to liberalise into areas where competitive advantage was too slim. Fair Trade and the development of other niche markets are very important solutions – but only for some farmers. Big companies should pay farmers a decent price above their cost of production.

Where can you see the story?

In Honduras, a cooperative of women have overcome the challenges posed by the collapse in world coffee prices. They are growing and marketing their own organic coffee, produced on self-run *fincas*. They also make soap and fruit wine and have their own radio station. Their coffee is sold in Europe.

Contacts: Helen da Silva, Oxfam America, hdasilva@oxfamamerica.org;
Erica Guity, Oxfam in Honduras, eguity@oxfam.org.hn

Further Reading:
Oxfam Report, *Mugged, Poverty in Your Coffee Cup*, Sept 2002: http://www.maketradefair.com/assets/english/mugged.pdf

OXFAM ON DAIRY

European citizens are paying €16 billion each year – the equivalent each day of more than $2.50 per cow – in subsidies to support a dairy industry that dumps its surplus production on world markets. This is resulting in devastation for poor farmers in the developing world. The regime directly costs EU taxpayers around €2.5 billion each year, at least half of which is spent on export subsidies. Further subsidies that promote the domestic consumption of milk products account for the rest. In addition, as a result of the system of price support, EU consumers pay a higher price for dairy produce than they would without it. The winners are the big European milk product processing and trading companies, while many small European dairy farmers continue to struggle to make ends meet. These big transnational companies receive more than one billion euros each year in export subsidies alone. Millions of euros of European taxpayers' money has been spent helping to develop the Indian dairy industry over the past 30 years – but at the same time, European taxpayers are paying to support a dairy regime that is threatening the livelihoods of Indian milk producers by creating unfair competition in local and third markets. The livelihoods of thousands of poor small-scale farmers in Jamaica, the Dominican Republic, and Kenya are also being destroyed by imports of cheap subsidized EU dairy products.

Where can you see the story?

In Kenya the dairy industry is struggling to avoid dumping-induced collapse. Cheap imports of EU cheese, powdered milk and ice cream are threatening local industry. Farmers in the Rift valley have been pouring milk away because they can't sell it. The situation has temporarily improved because government is buying up local milk under pressure from farmers' organizations. But how long can they keep it up?

Contacts: Amy Barry, Oxfam International, abarry@oxfam.org.uk; Elizabeth Mueni, Oxfam in Kenya, + 254-20-2820206

Further Reading:
Milking the CAP, December 2002http://www.maketradefair.com/en/assets/english/DairyPaper.pdf

OXFAM ON MAIZE

Mexico is a current stark example of the global crisis in maize. Mexico has grown corn for 10,000 years – it is a crop important to the very spirit and cultural identity of Mexico, as much as it is economically vital – but today the industry is failing many of the 15 million people who depend on it for their livelihoods. Corn farming income is in steep decline, nutrition is deteriorating, and millions of people are desperately trying to migrate. In Chiapas, where the corn crisis has interacted with the collapse in coffee prices, 70% of the rural population now live in extreme poverty. Successive Mexican governments have failed the rural poor by pursuing policies geared more toward commercial enterprises. The crisis however has been exacerbated by vast over-production in the United States, which has been promoted by the US paying its farm businesses huge subsidies ($34.6 billion from 1995-2002). The winners are US corporations such as Cargill and Archer Daniels Midland Co. The US corn surplus is then dumped into countries like Mexico, whose market has been opened up without conditions under the North American Free Trade Agreement. In the past ten years US corn exports have trebled into Mexico and, since 1994, prices for corn have fallen more than 70%. The Mexican corn farmer simply cannot compete against the might of the US Treasury.

Contacts
Laura Rusu, Oxfam America, lrusu@oxfamamerica.org; Jimena Parra, Oxfam in Mexico, jparra@oxfam.org.mx

Further Reading:
Dumping Without Borders, August 2003 http://www.oxfamamerica.org/pdfs/corn_brief_082703.pdf