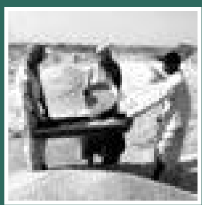
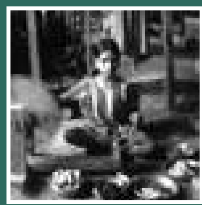
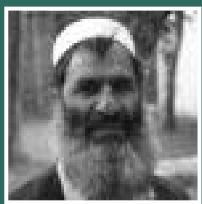
Agriculture in Regional Trade Agreements

A Comparative Analysis of United States and European Union Agreements

April 2008





CIDSE
Coopération Internationale pour le Développement et la Solidarité

This document was produced by the CIDSE Trade and Food Security Working Group. The aim of this paper is to provide a useful analysis of the current trend within international trade to move away from multilateral agreements towards bilateral and regional agreements. The paper looks at both the negotiation and the content of bilateral and regional trade agreements negotiated by the United States and the European Union, and sheds light on the impact of such agreements in developing countries.

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CIDSE – Working together for global justice
CIDSE is an international Catholic network for development policy and development cooperation. Founded in 1967, it promotes cooperation among its members in their efforts to eradicate poverty and establish global justice. CIDSE members share a common vision for advocacy and development programmes based on the values articulated in Catholic Social Teaching. The work of CIDSE is facilitated by a secretariat based in Brussels.

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INTRODUCTION

The various difficulties being encountered in negotiations taking place within the World Trade Organisation (WTO), including the opposition of developing countries to current offers on agriculture, combined with the continued competition and unwillingness to show flexibility between the United States (US) and the European Union (EU), have resulted in an increase in negotiations to establish regional trade agreements (RTAs). The EU and the US in particular have stepped up bilateral North-South talks with the aim of establishing free trade agreements with their neighbours and with other regional groupings. The EU is negotiating Economic Partnership Agreements (EPAs) with African, Caribbean and Pacific (ACP) countries, and Association Agreements with Central American States, all of which focus primarily on trade, while the US is conducting a series of negotiations with South and Central American countries. Today the US and the EU have concluded, or are negotiating agreements with countries on all continents.

These negotiations are, in general, far more unbalanced than those taking place within the WTO. This is because, although a number of large countries with emerging economies such as Brazil, South Africa and India may be involved in some cases, it remains that one of the negotiators is a great economic power (the US or the EU) and the other party is either an individual, or a group of developing countries. This has a significant impact on the pacing and content of negotiations in comparison with WTO processes. The big powers take this opportunity to place issues strongly contested, and eventually discarded, in the context of the WTO back onto the negotiating table. This includes, in particular, advanced liberalisation arrangements on agriculture and services, leading many critics to refer to such agreements as 'WTO plus'. With regard to the EU, it is worth noting that, whilst the pursuit of EPAs originates from the Cotonou Agreement (2000), and thus predates the Global Europe Agenda of the European Commission (2006), this does not exempt EPAs from the Global Europe policy which spells out an aggressive agenda for trade negotiations with the South, as well as restructuring within Europe. Other serious concerns raised with regard to certain forms of RTAs, such as the EU EPAs, are that they threaten to weaken regional integration processes amongst countries of a similar level of development.

The concerns raised by the reorientation of international trade towards regional agreements have prompted CIDSE to assess the impact of this development on agriculture and food security in developing countries. As a Catholic network, we are deeply concerned about these trends, especially given the lack of fundamental instruments to evaluate the effects of trade agreements on poverty reduction.

This report analyses regional trade agreements already signed, as well as those currently being negotiated, by the US and the EU. The analysis describes the implementation arrangements for these agreements and their impact on agriculture, food security and poverty. It examines the potential effects of agreements currently being negotiated, looking in particular at the clauses which have a negative impact on agriculture and food security, as well as those that are supposed to protect them, and how the latter are used in practice[1]. The analysis is based on existing impact studies and information provided by CIDSE partners, based on specific questions posed by the consultant, which varied according to the country and the agreement in question[2]. The paper does not describe or analyse in detail the responses and experiences of CIDSE partners with regard to the agreements discussed. The preparation of such a paper would, however, provide a complementary study to this more quantitative analysis, and should be considered as a possibility for future research for those working in this area.

On the basis of the information provided by CIDSE partners, the following agreements have been analysed: the North America Free Trade Agreement (NAFTA) and the Central Americas Free Trade Agreement (CAFTA) for the US; and the agreements with the Euromediteranean group and with South Africa for the EU. Major agreements currently being negotiated by the EU (EU-MERCOSUR, EU-Andean Community, Central America and EU-ASEAN) and by the US (the US-Malaysia and the US-SACU) are also discussed. The study ends with an analysis of the impact of such trade agreements within different price contexts, and, finally, sets out a number of the instruments available for protecting agricultural markets and food security.

[1] See Glossary for an explanation of trade terms.
[2] See Annex II.

I. AGREEMENTS WITH THE US

"Free markets and open trade are the best weapons against poverty," President Bush, 2002, during the negotiation of the CAFTA-DR agreement.

In 1994 the US launched a free trade zone with Canada and Mexico, followed by intense trade negotiations with the entire American continent. The Free Trade Area of the Americas (FTAA) called for the creation of a free trade zone for goods and services, and included provisions on government procurement, investment and intellectual property rights. The project was staunchly opposed by Latin American civil society, which had learned lessons from the negative impact of NAFTA on Mexican agriculture, and the proposed agreement was eventually defeated. With the failure of the FTAA, however, the US proceeded to negotiate and sign an agreement with the countries of Central America in 2003. Subsequently, as a result of the deadlock in multilateral negotiations, the US has initiated talks with African and Asian countries, which have already led, in the case of Morocco, to a free trade agreement being signed in 2004.

1. Agreements Already Signed

1.1. NAFTA

This agreement, which incorporates the US, Canada and Mexico, came into force in 1994. Its goal is to substantially eliminate all obstacles to trade and investment between the signatory States. Under NAFTA all non-tariff barriers that hinder trade in agricultural products between the US and Mexico were to be eliminated. In addition, many customs duties were to be immediately repealed, whilst others were to be gradually phased out in such a way that all the provisions relating to agriculture would be fully applied by 2008. Until this year, Mexico has been able to restrict imports of corn, pinto beans, powdered milk and cane sugar by applying tariff quotas.

Whilst safeguard clauses remain as a last instrument available to protect Mexican agriculture from US and Canadian imports, these can be used only for a few products. Mexico negotiated safeguard clauses for live pigs, processed pork, potatoes and apples. The US can invoke special safeguard measures for onions, tomatoes, aubergines, red peppers, marrows (squash) and watermelons. These clauses provide for the temporary suspension of the liberalisation programme if imports exceed the amounts set forth in the treaty. The application of these safeguard clauses is subject to a detailed investigation, without the possibility of appeal to a neutral and independent dispute settlement body. These clauses were not invoked until the year 2000, when they were invoked for pork and certain potato products, although the import levels at which they can be activated had already been exceeded during the first year of application of the agreement (an increase of 300% for pork, for example)[3].

[3] Taken from a response to the questionnaire by a partner of CCFD, Equipo Pueblo.

The agreement also contains a safeguard clause that can be invoked if a country refuses to apply a decision handed down by a NAFTA decision-making body in a case relating to a particular complaint.

The three NAFTA signatories also pledged to eliminate subsidies for exports to the other countries signatory to the agreement, in line with the general move to do away with such subsidies around the world. The impact of this pledge is questionable, however, as the US and Canada are still allowed to pay out export credits for products exported to the Mexican market in order to offset export subsidies provided by the other countries.

Mexico and Agriculture

In Mexico, corn is a staple food and is the agricultural product that generates the most employment. It provides an income to 3 million farmers; 8% of the Mexican population and 40% of the population making a living from farming. Corn production in the US is much more competitive than in Mexico. US production costs are 40% lower and yields are 8 tonnes per hectare, compared to 2 tonnes per hectare in Mexico. NAFTA provides for the abolition of customs duties on corn between the US and Mexico over a 15-year period, along with the introduction of a tariff quota the first year of 2.5 million tonnes imported duty-free, with a 3% annual increase. In the event, this tariff quota was not really used. Imports of corn that exceeded the tariff rate quota were not subject to a customs duty so as not to increase their price (Allen, Chowdhury, 2005). In 1999, the Mexican government eliminated the state monopoly that stored and distributed corn and transferred it to the private sector. Mexico is required to fully open its borders in 2008 to the import of corn and beans (both staple foods for Mexican families) from the US and Canada, which will likely aggravate the economic crisis in farming (Moro, 2007). US corn imports to Mexico have increased sharply, by 107% following the entry into force of NAFTA, at the same time that the price of corn fell by 64% between 1985 and 1999, according to Equipo Pueblo. This rapid increase was the result of a combination of factors, including liberalisation, drought in Mexico, a reduction in price supports from the Mexican government, and a lifting of the ban on using corn in animal feed. Harrison considers this had a positive impact on small producers (5 hectares or less) who, since they were not self-sufficient in corn, benefited from the fall in prices. Producers with more than 15 hectares generally managed to increase their productivity or sowed a different crop. They were not significantly affected by the price fall because they continued to grow corn without being able to achieve economies of scale or diversify their production. The Mexican government, under pressure from these growers, decided to grant subsidies in order to limit their lost income.

A similar situation has been experienced in the case of rice. In 1993, Mexico was the main market for US rice producers, who exported more than 250,000 tonnes to Mexico. Ten years later, they were exporting 800,000 tonnes. Mexican rice production tumbled by 33% during the same period and 30,000 small producers of Mexican rice - around two-thirds of all Mexican rice producers - left farming between 1985 and 2000. In 2002, faced with a serious crisis, the Mexican Ministry for the Economy conducted a study showing that as much as 74% of the production cost of imported rice is subsidised[4]. In response, Mexico introduced anti-dumping measures against certain US exporters. The US filed a complaint against those measures with the WTO's dispute settlement body in 2003. The two parties reached an agreement in January 2007.

Allen and Chowdhury estimate that the development strategy pursued by the agreement's negotiators did not produce the expected results. The intention was that, by bringing down the price of corn, Mexico's main staple, the labour-intensive industries could keep wages down, which would keep a lid on inflation and control the accumulation of capital. In the event, farmers became poorer while a few industries with close ties to those in power became rich by controlling the tortilla market (a thin, flat corn pancake, the most common corn product in Mexico). As a result, the inequalities within the agricultural systems were accentuated. From 1995 to 2005, corn yields rose from 7.12 to 9.28 tonnes per hectare in the US, while yields rose by only 0.5 tonnes in Mexico, from 2.28 to 2.72. During the same period, areas dedicated to growing corn fell by 1.4 million hectares in Mexico while they increased by 4 million hectares in the US (source: FAO). State support to farming increased in the US, and fell in Mexico. This demonstrates a case of unfair competition in the farming sector. At the same time, the price of tortillas, a staple of the Mexican diet, increased by 738% (Moro A., 2007). Clearly, poor consumers did not benefit from trade liberalisation under this agreement.

NAFTA clearly had an adverse impact on Mexican farming and its positive impact on the economy as a whole is questionable. Overall, the agreement did not impact significantly on the growth of the Mexican economy. GDP grew only by 17% between 1995 and 2000, a far less buoyant growth rate than that of imports and exports[5]. Moreover, the Mexican economy was unable to create enough jobs for the younger generation and for workers leaving the farming sector in order to reduce unemployment. As a result, there was an increase in emigration, mainly to the US. According to a 2003 study by the Carnegie Endowment for International Peace, since the entry into force of NAFTA in the mid-1990s Mexico has lost 1.3 million jobs and most Mexican wages have fallen in real terms.

New jobs were created mainly in the automobile and textile sectors in the maquiladoras[6], which hire cheap labour. These companies stimulate the economy to a certain extent only, because they primarily use imported inputs. Furthermore, working conditions in this sector give cause for concern and are often the subject of complaints by human rights organisations. A cooperation agreement on labour conditions was signed by Mexico, Canada and the US to protect workers' rights alongside the agreement of the NAFTA. However, this agreement has remained a dead letter in the absence of a clear implementation mechanism. Furthermore, any positive impact on the economy has largely not been sustainable since many companies have

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[4] In 2003, US rice producers received $1.2 billion in subsidies, more than the total budget of Nicaragua ($990 million in 2004).

[5] Since the signing of NAFTA and until the end of 2006, Mexico multiplied its exports to its two trading partners to the north by nearly five and its imports by three (Moro, 2007).

[6] The term used to refer to emerging textile industries in Mexico.

subsequently moved to Asia or to other Central American countries in the years since the introduction of the CAFTA-DR agreement.

Lastly, liberalisation, and in particular NAFTA, has aggravated regional imbalances. In Mexico, the mainly rural southern states receive less financial support than the northern states, and were destabilised by the opening up of the markets to agricultural products. The southern states, however, unlike the northern states, did not enjoy the benefits of the maquiladoras.

1.2. US-CAFTA-DR

CAFTA-DR is an "historic opportunity to bring prosperity to people who have never known it," President Bush in a statement to the Organization of American States (OAS) on June 6, 2005

The Central America Free Trade Agreement (CAFTA-DR) was signed in 2003 after only 12 months of negotiations. It includes the US, El Salvador, Guatemala, Honduras, Nicaragua, Costa Rica and the Dominican Republic, the latter two having signed in 2004. The agreement covers a wide range of areas, including agriculture, telecommunications, investment, trade in services, intellectual property and the environment. Costa Rica refused to join the group in the beginning, but finally agreed to join. Five countries, El Salvador, Guatemala, Honduras, Nicaragua and Costa Rica, had already begun a regional integration process under the General Treaty on Central American Economic Integration, which was signed in 1960. Under this agreement all products (excluding coffee, petroleum and ethyl products and alcoholic beverages) enjoyed free trade among these countries. In 1985, these same countries decided to set up a customs union that became operational after several setbacks resulting from national conflicts. Under this agreement, 94% of customs duties (per tariff line) had been harmonised by 2005. However, the harmonisation rate for agricultural products, which are the most sensitive products in the rural economy, was only 19%.

In parallel with negotiations with the Central American countries on the CAFTA, the US was also negotiating with the Dominican Republic. Although the Dominican Republic agreed to join the agreement in August 2004, it only entered into force when all the parties had ratified it. Costa Rica was the last to do so, by referendum on 7 October 2007.

In signing this agreement, the Central American countries' governments were hoping to achieve the same regional specialisation as Mexico (assembly industries, in particular textiles) to the detriment of their farming sector. In Central America, agricultural food production, in particular corn and rice, is expected to decrease to the benefit of the textile sector (maquiladoras). Democrats in the US Congress insisted that the CAFTA-DR agreement should reinforce labour law in the signatory countries but in the end their efforts failed. The agreement allows clothing made in Central American maquiladoras to have quota and duty free access to the US market, enabling them to compete with Chinese products. However, the rules of origin stipulate that the cloth and thread must come from within the CAFTA-DR zone or from the US in order to benefit from free access, a requirement that may well dampen the benefits of the agreement to Central American countries.

Agriculture is extremely important in the six Central American countries and the Dominican Republic, where this sector accounts for between 10% - 23% of GDP and at least one third of employment (5.5 million farmers). By contrast, in the US, agriculture accounts for only 2% of GDP and less than one third of employment (Oxfam America, 2005). In Central America, rice is an important staple food, along with corn and beans, and is a basic component in the diet of many inhabitants, in particular the poor.

This agreement calls for the elimination of customs duties on consumer products and US industrial goods imported by countries in the CAFTA-DR zone, and on their exports to the US. In the case of rice, customs duties will be completely eliminated in 18 years for Guatemala, Nicaragua, Honduras and El Salvador, and in 20 years for the Dominican Republic and Costa Rica. Customs duties will be reduced, starting in the agreement's 11th year of application. However, the agreement contains a tariff quota (without a customs duty) for an amount equal to 40% of the production of Central America in 2003, or of 70% of exports from the US to this zone in the same year (Oxfam, 2005). The result is that rice imported from the US could be 20% cheaper than that produced in Central America and some 80,000 producers in the zone could lose their livelihood. White corn was excluded from liberalisation but will be threatened by substitution products such as yellow corn and wheat. The situation with regard to beans, milk and beef producers is also cause for concern (Oxfam International, 2007).

The CAFTA-DR agreement contains a safeguard clause allowing an increase in customs duties for a limited period if the quantities imported exceed the tariff quota by 10%. However, this clause may no longer be applied once the product has been fully liberalised and in the case of rice may be used only during the 18 to 20 years following the agreement's entry into force. The clause may be used only for a limited number of products. Moreover, the agreement states that this clause may not be applied at the same time as the WTO safeguard clause. The Central American countries also wanted the clause to be triggered by prices falls, as is the case with the WTO safeguard clause, but the US refused to go along with this proposal, despite the fact that in the free trade agreement between the US and Australia negotiators introduced such protection for Australian imports of beef.

Under CAFTA-DR, the Central American countries that were competitive on the sugar market had hoped to expand their access to US markets. Although sugar makes only a negligible contribution to the US economy, it is protected by high customs tariffs, tariff quotas and a guaranteed price. The quota extensions granted to Central America under CAFTA-DR account for only 1% of US production and less than 3% of Central American production. Only a few Central American exporters will benefit (Oxfam International, 2007).

As a complement to the CAFTA-DR the US Agency for International Development (USAID) more than doubled the funding of its trade capacity building programmes[7], which finance trade-facilitating infrastructure, the training of workers, and helps the most vulnerable sectors to find niche export markets. These funds, however, are not designed to reduce poverty (Stokes, 2005).

It is still too early to estimate the impact of this agreement on Central American agriculture. If we take the example of Nicaragua, which started applying the agreement in April 2006, the results of this first period are discouraging. During the first 12 months of application, imports originating in the US increased 10% by volume and 26% in value, while exports grew by only 6% by volume and fell slightly in value (MIFIC, 2007). Large exporters in Nicaragua did benefit from this agreement and increased their exports of sugar and peanuts. However, during the same period, Costa Rica, which had yet to join CAFTA-DR, increased its exports to the US more than its imports from the US (FUNDROCOOP Salvador).

1.3. The US-Morocco Free Trade Agreement

The US-Morocco Free Trade Agreement was signed in March 2004, only a few months after the agreement for gradual and reciprocal liberalisation of agricultural trade between the EU and Morocco. It was ratified by Morocco in January 2005. This is the first agreement signed by the US with an African country and the second with an Arab country (the first being with Jordan). This free trade area is relatively complete and includes market access for agricultural and industrial products, services, intellectual property, government procurement, as well as provisions on transparency, environmental protection, labour law and others.

Under the agreement, trade liberalisation was structured around a number of lists of products with schedules for the phasing-out of tariffs (full liberalisation at 18 years). The bulk of products exported by Morocco were liberalised by the US immediately following the signature of the agreement, including fresh and frozen vegetables and processed fruit and vegetables. Other products are subject to longer phasing-out schedules, up to 15 or 18 years. Although products of interest to Morocco, such as citrus juice and pitted black olives, will be liberalised only after 15 years, this agreement does significantly improve the conditions of access of Moroccan products to US markets. Limitations on supply, i.e. quantity, quality and adaptation of product to market demands, were not lifted by this liberalisation and will tend to hinder the development of Moroccan exports to the US.

On the other hand, products that were quickly liberalised include items that are complementary to the Moroccan economy such as technology, including genetics and livestock feed. However, commodities such as raw and processed corn and soybeans are also included and will undergo an accelerated liberalisation process featuring 50% in the first year and 10% per year thereafter. Sensitive products (15 to 18 years for liberalisation) include mainly pulses, milk and dairy products, almonds, honey, eggs and certain food preparations. Suitable quotas and safeguard clauses were included for some of these products. Highly sensitive products, such as red and

[7] The funding of these programmes rose from $24.6 million to $52.6 million between 2002 and 2004 for the five Central American countries and the Dominican Republic.

white meats, will be liberalised under a quota subject to a customs duty that will gradually be phased out over 5 to 7 years. Amounts in excess of this quota are protected by the Most Favoured Nation (MFN) tariff that will be phased out over a longer period of 19 to 25 years. Common and durum wheat are a special case with a quota that, as in the agreement with the European Union, is calculated based on annual Moroccan production.

This agreement also features general and specific safeguard clauses. In the white meat category, there is a quantitative safeguard for whole chickens during the implementation period, and there is also a quantitative safeguard for chicken legs during the implementation period for any year-on-year increases in exports of more than 5%. In clauses pertaining to certain products, the additional duty that one party may impose on an agricultural product originating in the other party's country, added to any other existing duty, may not exceed the prevailing MFN rate of duty, nor may it be added to other safeguard measures such as those contained in article XIX of the general WTO agreement. It must also be phased out by the end of the period, during which a tariff is reduced to zero. Lastly, the US insisted on including a preference clause stating that the regime in question must not be less favourable than the one afforded to other partners, which unambiguously refers to preferences granted by Morocco to the EU.

2. Agreements Under Negotiation

The US and Malaysia signed a framework trade and investment agreement in 2004. At the end of 2006, both parties decided to negotiate a bilateral free trade agreement. These negotiations were supposed to be concluded at the end of 2006 as the US government wished to achieve an agreement before its Trade Promotion Authority lapsed in July 2007. Despite this deadline, however, neither side was able to move forward and negotiations remain ongoing. Controversial areas in the negotiations include high tariffs and restrictions imposed on imported US goods compared to imported Malaysian goods; government procurement based on new economic policy which favors local Malays; export subsidies, intellectual property rights, pharmaceutical, barriers in various services, investment requirements, again related to the NEP, and transparency in governance. According to the Third World Network, the proposed agreement would not benefit Malaysia's agricultural sector as farmers would be exposed to competition from subsidised agricultural products. This would create problems for small rice producers as rice is currently protected at a rate of 40% along with soy beans, poultry and beef. Despite failure to achieve significant progress at the most recent round in January 2008, the US nonetheless hopes to reach a deal ahead of the US presidential elections in November this year. The next and seventh round of talks is scheduled to be held in April 2008.

The Southern Africa Customs Union (SACU) comprises South Africa, Botswana, Lesotho, Namibia and Swaziland and is the world's oldest customs union, founded in 1889. The SACU's market is a small one but is symbolically important for the US. The SACU's main exports to neighbouring regions are machinery, vehicles, aircraft, medical instruments, plastics, chemicals, cereals, pharmaceuticals, wood and paper products. Total trade between the US and the SACU countries amounted to around $7.3 billion in 2002. Negotiations began in 2003 and involved trade in goods and services, agriculture, rules of origin, intellectual property, investment, government procurement contracts, countervailing trade measures, labour standards, environmental standards and dispute settlement. Negotiations quickly became deadlocked in 2004. One of the reasons for the difficulties encountered in the negotiations was the desire of the US to deal with all these elements at the same time. The SACU wanted to hold negotiations on goods and to finish a first agreement before moving on to the other areas. Intellectual property was one of the main stumbling blocks (Avafia, 2004). The SACU has continued to resist US demands. Today the two parties have lowered their expectations and are seeking to negotiate a cooperation agreement on trade and investment instead of a free trade agreement.

3. Conclusions on US Regional Trade Agreements

Regional trade agreements negotiated by the US clearly do not represent a neutral model for the development of countries in the South. Although they are not always necessarily against the interests of developing countries, they serve primarily to advance the interests of US multinational companies[8]. US regional agreements have also resulted in structural changes, fostering new global players in the world economy. The US-NAFTA, for example, brought about a further take-over of trade in corn by a handful of corporate traders.

Trade agreements are also widely used by the US as a way to increase its geopolitical and economic power. The negotiation of trade agreements on the American continent is a way of controlling neighbouring markets and ensuring an outlet for products made by US companies. In these agreements the US seeks to open markets for their agricultural exports, especially corn, and to ensure regular supplies of fruit and vegetables and low-tech manufactured products. Agreements signed or being negotiated with African and Asian countries enable the US to increase its influence on countries that traditionally have been under the influence of their former colonial powers.

[8] Gracia Rodriguez , 'Thinking about the Multilateral Trade System', International Gender and Trade Network, bulletin Vol. 8 No.1 Nov 07-Jan 08.

II. EUROPEAN UNION TRADE AGREEMENTS

1. Agreements Already Signed

In 1995, the EU started negotiating bilateral Euro-Mediterranean (Euromed) Association Agreements, of which there are now seven[9]. The Economic Partnership, Political Coordination and Cooperation Agreement with Mexico, called the EU-Mexico Global Agreement, was signed in 1997 and entered into force in 2000. The EU-South Africa Trade, Development and Cooperation Agreement (TDCA) was signed in 1999 and entered into force in 2000. The association agreement with Chile was agreed in November 2002. These agreements all contain sections on political dialogue and cooperation, as well as a trade agreement, and thus are more than simply free trade agreements.

The Cotonou Agreement between the EU and the ACP was signed in 2000 as a follow-up to existing agreements between the two blocs. This agreement provides for non-reciprocal trade preferences to be converted to Economic Partnership Agreements (EPAs), in which the trade chapter calls for reciprocal liberalisation.

1.1. The Euromed Association Agreements

The Euromed agreements have been under negotiation since 1995, when the first Euro-Mediterranean conference was held. A total of seven agreements were signed between 1995 and 2002. The overall goal of these agreements is to create a Euro-Mediterranean free trade zone by 2010. They do not envisage liberalisation of the entire agricultural sector, only concessions for the liberalisation of certain products. The trade preferences set out in these agreements mainly concern tariff quotas. Consequently, the agreements with Morocco, Tunisia and Algeria do not contain tariff concessions, only quotas. The EU offers reduced customs duties for live horses, goats and sheep, the meat from these animals, as well as for certain fruits and vegetables. The tariff quotas available to the Mediterranean countries concern products which are strategic for Europe, such as citrus fruit, tomatoes, apples, olive oil, cut flowers and wine. Some quotas are accompanied by seasonal limitations or may be applied in a flexible way based on annual assessments of import volumes. Under these agreements Euro-Mediterranean countries must reduce their customs duties on live animals and meat, dairy products and certain fruits and vegetables. They offer quotas mainly on sugar and cereals. All these agreements contain general safeguard clauses that are non-specific to agriculture. The agreement with Morocco calls for access for Moroccan fruit and vegetables that is more favourable than the entry price regime (a specific EU safeguard for fruit and vegetables, of which the WTO has been notified) by means of a decrease in the agreed entry price. This decrease is, however, limited to certain seasons and restricted to pre-defined quantities. The rules of origin specific to agriculture comply with the general provisions and the review process ends five years after the entry into force of the agreement. The flexibility clause is practically devoid of any usefulness because the resulting disadvantages for one of the parties must be compensated by other concessions from the party

[9] Tunisia (1995), Israel (1995), Morocco (1996), Jordan (1997), the Palestinian Authority (1997), Algeria (2001) and Lebanon (2002).

invoking the flexibility clause. These agreements also set several deadlines for an evaluation of progress towards trade liberalisation and the granting of new concessions.

The Case of Morocco

In 2003 Morocco signed a progressive and reciprocal agricultural trade liberalisation agreement with the EU that extended the association agreement for the 2003-2007 period and included some additional products.

The EU is Morocco's main trading partner and accounts for around two thirds of Morocco's exports and imports. France, as the former colonial power, maintains privileged trade relations with Morocco. France buys one third of Morocco's exports and provides one quarter of its imports. Outside Europe, the US accounts for a very small share of Morocco's international trade (around 5% of imports and 5% of exports), similar to that of Japan. With its trade resolutely turned toward Europe, it is not surprising that Morocco's level of integration within its own region is low. The other North African countries are a less important outlet for Morocco than the Netherlands, for example.

The products where Morocco has a comparative advantage are textiles, leather goods, jewellery, phosphates, ore, Mediterranean agricultural products, fish, fish preparations and cereals. Writing in 2003, Hugon predicted that the Euromed agreement would result in high costs for substitution industries in Morroco. These would then be afforded extra protection and at the same time a fall in inputs would benefit certain export sectors. The fall in customs revenue resulting from liberalisation was supposed to be offset by tax reform to be undertaken by most of the Mediterranean countries, involving a move from customs duties to value-added tax. Hugon predicted that that the agreement would aggravate Morocco's budget deficit and balance of payments and that, Morocco, as a result, would subsequently return to a specialisation in agricultural exports, thus requiring increased direct investment in its export industries.

Agreements Primarily Benefiting the EU

Morocco's regional integration, as noted above, is very limited. It therefore comes as no surprise that one of the consequences of the Euromed agreements is that the EU is attracting more investment from companies wishing to export to Mediterranean markets, given that these markets generally do not supply the markets of other Mediterranean partner countries.

Whatever its initial effects, for Lebanon, the Association Agreement with the EU is no longer advantageous. According to the Institut de la Méditerranée in 2005, Lebanon is experiencing a significant structural trade deficit as a result of the ongoing trade liberalisation process, which so far had not produced any positive outcomes. The Institut suggests that before going any further, national economic growth should be bolstered by increasing the country's production capacity and boosting exports in order to bring down the trade deficit. This could be achieved by developing the textile industry, using additional financing for companies and setting higher customs duties, which would enable infant industries to attain the level of productivity and competitiveness necessary to stand up to international competition. Another possibility is to pursue the move, already begun, toward upmarket products in order to increase competitiveness of exports by improving quality. Free zones could be created to facilitate trade flows and investment could be increased (from domestic savings or foreign direct investment) in the productive sector rather than primarily in real estate.

At the end of ten years of trade liberalisation, the Mediterranean countries are still below the average medium-range income, and their shortfall in relation to the 15 member states of the EU has increased. Unemployment has, furthermore continued to increase and emigration levels remain high.

1.2. The Agreement on Trade, Development and Cooperation between the EU and South Africa

The Agreement on Trade, Development and Cooperation (TDCA) between the EU and South Africa was negotiated with the aim of setting up a free trade zone between the two parties. It was signed in 1999 and entered into force in 2000. Unlike the Euromed Association Agreements, the agreements with South Africa, Mexico and Chile are based on generalised liberalisation over a specific period of time. Customs duties are being phased out gradually, with exceptions provided for sensitive products.

Europe is the biggest importer of South African agricultural products, buying up around half of exports (Kirsten, 2006). The legacy of apartheid in South Africa means that commercial agriculture remains heavily dualistic: some 46,000 big, mainly white, producers occupy 87% of farmlands, producing 4% of the GDP, 8.4% of exports and employing 10% of the formal labour force. Some 2.5 million small producers cultivate 13% of arable land, mainly located in the former homelands. The country is essentially self-sufficient in food and is in fact a net exporter. Agricultural exports account for 22% of total exports. With an average diet of 2,950 calories per capita, per day, South Africa is closer to the intake of developed countries (3300 calories) than that of Sub-Saharan Africa (2250 calories). Furthermore, according to the FAO, the proportion of the population estimated to be malnourished is only 5%, compared to an average of 33% in Sub-Saharan Africa. However, these encouraging indicators conceal wide disparities; some 1.5 million children are undernourished and amongst the poorest 20% of households the proportion of children with stunted growth is estimated at 38%, and those with underweight children at 9% (Kirsten, 2006).

Tariff concessions are characterised by an asymmetric and differentiated reduction in customs duties. South Africa has 12 years, and the EU 10, years to reduce their customs duties. For this agreement the EU has categorised beef, sugar, certain dairy products, corn and related products, starches, certain cut flowers, certain fresh fruit (citrus, apples, pears, grapes and bananas), prepared tomatoes, certain prepared fruit and fruit juice, certain wines, vermouth and ethyl alcohol as sensitive products. In addition, products whose designation of origin is protected by the EU are excluded from liberalisation (mainly wines and cheeses). For its part, South Africa has categorised certain animals (beef cattle, pigs, goats and sheep), sugar, certain dairy products, corn, barley and wheat as well as derived products and chocolate as sensitive products. Tariff quotas were introduced for certain products excluded from trade liberalisation, as well as for products that are not subject to immediate liberalisation. Annual percentage increases were also set. The safeguard clauses negotiated for this agreement provide a great deal of flexibility and can be invoked in exceptional circumstances (article 16). Article 25 defines transitional safeguard measures that can be introduced for a period of 12 years. In addition, agriculture is included in a common safeguard clause that defines the applicable safeguard criteria and their procedures. This agreement contains no shortage clause. The rules of origin negotiated for this agreement are quite flexible and are favourable to the ACP countries and the members of the South African Customs Union (SACU): South Africa, Botswana, Lesotho, Namibia and Swaziland. Products containing components from other ACP countries are considered to originate in South Africa if the added value in South Africa is greater than the imported value. Moreover, these products need not be processed or transformed in South Africa. With regard to the SACU, any processing or transformation carried out in a member country is considered to have been done in South Africa. The geographical indications are covered in a separate agreement relating to wine and in the agreement on trade in spirits. The wide differences between the two parties on this aspect were the main cause of the delay in the negotiations of the agreement.

A review clause and a flexibility clause (articles 18 and 20) are included in the TDCA. Additional trade liberalisation measures must be envisaged within 5 years following the signature of the agreement, in particular for products that are totally excluded from the phasing-out of customs duties (the review clause). The flexibility clause enables the two parties, once an agreement has been reached by the Cooperation Council, to modify the agreement's provisions to bring them into line with changes in their respective agricultural policies, although the clause has a provision calling for the two parties amending the agreement to maintain the other party's original imports at a level equivalent to that provided for in the TDCA. Finally, the agreement contains particular provisions on wines and spirits, as noted above.

Under the agreement, if requested by South Africa, the EU shall consider proposals for an accelerated timetable for tariff elimination for imports of agricultural products into South Africa, coupled with the elimination of all export refunds for exports to South Africa of the same products originating in the European Union. In addition, the TDCA openly calls for cooperation on sustainable development, in particular sustainable management and environmental protection, in Article 84. Article 61 of the agreement provides for specific measures aimed at the agricultural sector, such as knowledge transfer, capacity building and the establishment of joint ventures.

The TDCA agreement was negotiated very actively by South African government officials who took the initiative to put issues on the table, leading to a significant chapter on cooperation (Bertelsman-Scott, Draper, 2005). Although the agreement must be revised every five years, the date of the next revision has not been made public. It could have been that such a review could be used to settle the issue of the role of the SACU. This question has now changed, however, since South Africa has been involved in negotiations for an EPA between the Southern Africa Development Community (SADC) and the EU.

1.3. The EU-Mexico Economic Partnership, Political Coordination and Cooperation Agreement

This pact, also referred to as a ‘global agreement’ was signed in 1997 and entered into force in 2000. It provides for a 10-year transition period for trade liberalisation, with 8 different schedules for total or partial liberalisation. Certain products that the EU wished to protect were excluded from liberalisation, largely the same as those excluded under the TDCA. Mexico classified beef cattle, pork and poultry, dairy products, eggs, potatoes, bananas, most cereals, roasted coffee, certain oils, sugar, cocoa, grape juice and rum as sensitive products. The EU also inserted tariff concessions for certain products whilst Mexico granted no quota for products excluded from the trade liberalisation process.

This agreement contains a general safeguard clause only, which describes the criteria for applying safeguard measures, the advance consultation time required, and the obligation to provide compensation to the other party. A shortage clause defines how export restrictions can be adopted, similar to the clause which exists under the GATT. Under the rules of origin bilateral cumulation is allowed and geographical indications are covered by a separate agreement that calls for mutual recognition and protection[10]. The agreement contains a review clause so as to allow for the establishment of new concessions. This is much more precise than those in other agreements because it allows for a review of concessions and tariff quotas following an evaluation by the joint council within 3 years following the agreement’s implementation. The agreement does not, however, contain a flexibility clause.

Following the agreement’s entry into force, Mexico’s trade deficit with the EU surged, to the point that at the end of 2006 it amounted to $81.688 billion. This means that for every dollar that Mexico sent to the EU, Mexico imported goods and services worth three dollars (Moro, 2007).

1.4. The EU-Chile Association Agreement

This agreement, signed in 2002, is the most recent free trade agreement entered into by the EU, and is the most advanced FTA signed by the EU so far. It sets a maximum implementation period of ten years for the liberalisation of trade in agricultural products. It also contains four schedules for tariff concessions in which the EU is to eliminate its customs duties fully within transition periods of 0, 4, 7 and 10 years. The agreement also introduces commitments for partial liberalisation of other groups of products. On the Chilean side, total liberalisation of certain products is envisaged over periods of 0, 5 and 10 years. Chile did not, however, commit to additional partial liberalisation of other products. As with the EU agreements discussed above, the EU designated certain products to be excluded from this liberalisation process. Chile sought to protect dairy products, pulses, corn, vegetables, sweetcorn, certain cereals and derived products, vegetable oils, margarine and sugar. Tariff quotas on certain products not subject to full liberalisation were also negotiated by the parties based on an annual percentage increase for each product.

[10] In the agreement; Mexico agrees to protect all the European designations and the EU agrees to protect the designations of Tequila and Mezcal.

The EU-Chile Association Agreement contains a general safeguard and shortage clause. It also includes an emergency clause allowing, for example, for an increase in customs duties to pre-liberalisation levels. A compulsory 30-day advance consultation is required, however, before any measures can be taken, and immediate actions in exceptional circumstances must provide for transitional measures lasting no longer than 120 days. This clause also stipulates that the exporting party is entitled to compensation. With regard to rules of origin, general provisions for attributing the status of original product apply, and bilateral cumulation is allowed. A review clause, called the future developments clause, offers the possibility of an increase in trade liberalisation three years after the agreement's entry into force. The agreement does not, however, contain a flexibility clause. Other features include provisions designed to strengthen economic cooperation and the development of sustainable agriculture.

1.5 The EU-ACP Partnership Agreement

This agreement was signed in Cotonou, Benin, in 2000, and entered into force during the same year. It is not a straight forward free trade agreement but rather provides for the negotiation of Economic Partnership Agreements. These EPAs are intended to introduce reciprocity in trade preferences between the EU and the ACP countries. The Cotonou Agreement, however, provided for non-reciprocal trade preferences granted by the EU to the ACP countries under the 4th EU-ACP convention to be maintained during the entire preparatory phase of these agreements.

The trade regime defined by the 4th EU-ACP convention provided duty-free access without tariff quotas for most products exported by the ACP countries to the EU. Only around 7% of agricultural exports were taxed under the Cotonou regime. There were basically two types of residual tariff barriers under the regime: the ad valorem duties (a percentage of the product's price) and specific duties (an amount in euros per unit of measure, for example per 100 kg, per tonne, the number of units, etc.). While some products would receive a 100% reduction in ad valorem duties, they may still be liable for specific variable duties[11].

The residual tariff barriers applied to agricultural products from the ACP countries apply to products that the EU considers to be particularly sensitive, i.e. those that may compete with EU producers. For such products, the principle of ACP tax-free access to the European market without quotas, under the Lomé Conventions and under the Cotonou Agreement, is limited in scope. Furthermore, the Cotonou Agreement provides, in Declaration XXII of Annex V, provisions such as duty-free tariffs, import ceilings and seasonal duties for agricultural exports from the ACP countries. Although the agreement states that ACP countries can apply for the registration of new agricultural products under the tax and quota exemption principle, this process is far from straightforward and success is not guaranteed.

[11] Certain tariffs may be very complex, containing an ad valorem part and another of specific duties (Gallezot, 2003).

Sugar, beef, bananas and rice were given special treatment. The agreement authorises a certain quota on exports from the ACP countries with reduced or zero customs duties and, for sugar and beef, the ACP countries are allowed to benefit from EU internal prices, which are stable and higher than world prices. Customs duties are collected on dairy products, eggs, fresh and frozen vegetables, oleaginous fruits, bananas (in excess of tariff quotas), other fresh and dry fruits, cereals, starches, animal fats, sugar (with the exception of cane sugar, which is under a protocol), chocolate, cocoa paste, fruit juices, albumin and animal feeds. A review clause allowed the ACP States to request the liberalisation of new products.

The deadline set for Cotonou arrangements to be converted into reciprocal free trade arrangements was 31 December 2007, when the WTO waiver permitting preferential ACP access to the EU market was to expire. As of February 2008, one full EPA and 20 interim EPAs have been initialled by the EU with ACP countries and regions, whilst 43 ACP States refused to, or were unable to sign any deal. As these agreements are 'initialled' only, they as yet have no legal status, and negotiations are set to continue throughout 2008. Although the process of examining in detail the content and implications of these agreements has only begun, northern and southern civil society and many ACP governments have already heavily criticised the agreements both with regard to their content, and to the circumstances in which they were signed. The European Commission is widely considered to have put unprecedented pressure on ACP governments to sign up to new market access arrangements without allowing sufficient time for these proposals to be examined by national governments or regional groupings. The Commission was able to use the threat of the imposition of GSP for non-LDCs on 1 January 2008 as a result of the end of the WTO waiver on existing preferential access on 31 December, in order to push ACP governments into signing. The impact the EPA process has had and will have on regional economic integration within the ACP bloc, and on South-South trade more widely is now of serious concern. Despite the fact that regional integration is one of the purported objectives of Cotonou and of the EPAs, at this point they are considered to have contributed to the opposite. The lack of sufficient time for regional consultation, and the move by the Commission to negotiate sub-regional, bilateral or individual country agreements, has broken up established ACP regions and resulted in a range of diverse EPA arrangements. The tensions raised amongst regions and the ACP as a whole as a result of this process has had political implications, and, furthermore, the differences in the various initialled EPAs present significant obstacles to regional economic integration.

It remains to be seen how the EPA process will continue throughout 2008. Many ACP States and civil society are calling for a re-opening of the initialled agreements, and although the President of the European Commission indicated at the EU-Africa Summit in December 2007 that revisiting the initialled agreements would be possible, Peter Mandelson, the Commissioner for trade for the EU, has recently made several statements signalling his unwillingness to re-open the texts on trade in goods[12].

[12] Trade Negotiations Insights. Volume 7. Number 1, February 2008, p2.

2. Agreements Under Negotiation

The EU is currently negotiating agreements with emerging economies in order to benefit from their increasing economic vitality. The EU is now in talks with MERCOSUR (Brazil, Argentina, Paraguay, Uruguay and Venezuela), the third largest integrated market in the world. The aim is to set up a free trade zone between the two blocs whilst protecting their sensitive products. The EU is, in this case, in a defensive position with regard to agriculture, but holds a position of strength in industry and services. The question of the degree of liberalisation of EU markets to MERCOSUR agricultural products remains unresolved. These negotiations were initiated in April 2000 and have been at a virtual standstill since 2005. In December 2007, however, it was reported that the Mercosur plans to restart talks with the European Union in May 2008[13].

In May 2006, at the EU-Latin America Caribbean summit in Vienna, the participating governments announced their decision to start negotiations for two association agreements with the EU, one involving Central America and one with the Andean Community. Subsequently, in April 2007, the EU foreign ministers gave the go-ahead to the European Commission to start negotiations for a free trade agreement with three of the most dynamic economies in the world: India, South Korea and the Association of South East Asian Nations (ASEAN). Negotiations should take around two years to complete and in the case of four of these negotiations (India, ASEAN, Central America and the Andean Community), sustainability impact assessments (SIA) will be conducted. These studies will identify the economic, social and environmental consequences of a free trade agreement. They are also an opportunity to organise a participatory process involving the civil societies concerned, to put forward their viewpoints and to try to introduce protection measures for sensitive sectors, and support measures.

3. Conclusions on the Agreements with the EU

In the various agreements signed by the EU there are two approaches to liberalisation. The first consists of setting a positive list of products which have preferential access to markets, for example the Euromed agreements. In this case the agreement does not set guidelines for the liberalisation process but instead defines the negotiation arrangements in a review clause to progress the liberalisation process. The second approach consists of setting schedules for the liberalisation process as a whole. With this approach, certain products are excluded from the liberalisation process and can enjoy preferential access under tariff quotas. In such a case, the adoption of different schedules or exemptions for groups of products, as well as tariff quotas, is a way to control the liberalisation process. Safeguard and review clauses provide additional flexibility to respectively protect or liberalise agricultural markets.

[13] Bilaterals.org, 2007.

III. A COMPARATIVE ANALYSIS OF US AND EU AGREEMENTS

"As trade commissioner, I would like to promote, via open trade based on rules, greater prosperity and more social justice. The benefits of trade must be accessible to all, including the poorest," Peter Mandelson, European Commissioner for Trade, 2004.

"Free markets and open trade are the best weapons against poverty," President Bush, 2002, during negotiations for the CAFTA-DR.

In today's trade relations, US and European political leaders all make the same claim: that liberalising trade will help to reduce poverty. The EU has altered its words and deeds in this area over time. In the Lomé and the Euro-Mediterranean Association Agreements, the EU negotiated positive lists and preferential agreements, with agreements mainly concerning the former colonies of European powers. During this period the US was already negotiating in areas other than trade in goods, such as investment, intellectual property rights and services. Today, the EU is also negotiating free trade agreements on goods, services, investment, etc. That is a significant change in strategy. Until now, the European Commission pursued a two-way path: a multilateral strategy favouring the WTO as a forum to dismantle obstacles to trade, and a political strategy negotiating bilateral agreements with the developing countries that are geographically or historically close to Europe.

In reality, the agricultural chapters of these agreements simply reflect the extent to which the big powers are able to open the markets of the developing countries to the subsidised agricultural products of their own producers. The short-term concern of the developing countries is, in this case, to lower the cost of food in order to develop labour-intensive industries. This follows the theory of comparative advantages. It should be noted, however, that in this case the comparative advantage of agricultural products produced in developed countries derives from the high level of public financing. Furthermore, in applying this theory, the adjustment costs are not taken into account. Farmers, impoverished by the fall in agricultural prices, will not immediately move to the industrial sector because their training is inadequate and the urban infrastructure is not sufficiently developed to integrate this new group. In short, public funds that could facilitate the transition and help generate benefits from this specialisation are not available. One sector is weakened without creating the conditions for a developing sector to advance in a sustainable manner. The EU set up exactly this type of public funding mechanism with its European neighbours throughout the course of the EU enlargement processes. Consequently, during the various enlargements, new EU member states benefited from sizeable funding over several years that was far more than what the EU or the US makes available to the developing countries with whom they set up free trade agreements. In addition to the scarcity of public financing for agriculture in developing countries and the near-absence of adjustment funds, the safeguard clauses are in general negotiated in favour of the big powers, with the notable exception of South Africa, for which the agreement is more balanced.

There are other factors related to the question of comparative advantages, however, that do not depend on public financing in the same way, as in the case of the export of subsidised agricultural products, such as trade in services. This is a major issue of concern for the economies for developing countries and thus in negotiations between the EU and MERCOSUR, for example, concessions by the EU in the agricultural sector are justified by the EU's concern to open up MERCOSUR services markets.

There are also certain differences between the US and EU regional trade agreements. The latter often contain cooperation clauses that accompany provisions on the liberalisation of goods and services. Cooperation between the EU and the countries concerned is generally designed to enable the latter to generate profits from trade liberalisation. The case of EU integration and enlargement is a pertinent illustration of this. In the integration package, apart from the common market, the customs union and the political institutions, significant amounts of structural funds were available to help the integrated economies adapt to the necessary changes. In the case of the US, negotiations with Canada and Mexico led to a free trade agreement without common political institutions and without any kind of structural funds. In general, development assistance from USAID is essentially for the reconstruction of countries occupied by the US Army. Of the $10 billion spent in 2005, the Middle East received $2.1 billion, of which $750 million for Iraq. Asia received $2.7 billion, of which $1.2 billion for Afghanistan. USAID funds do not appear to particularly support the US trade policy and is focussed on military matters.

Another notable difference between the agreements negotiated by the EU and those negotiated by the US is the concern for sustainable development that grew out of the EU Gothenburg Summit of 2001. At that summit, the European Commission pledged to conduct sustainability impact assessments (SIA) for every trade agreement with a third-party region. These studies help to increase understanding of the consequences of different scenarios on economic, social and environmental aspects. They may lead to proposals for agreements that promote sustainable development or support measures that help to bolster sustainable development. These studies are supposed to be part of a participatory process in which civil societies can be involved.

IV. THE MAIN CONSEQUENCES AND HOW TO TACKLE THEM

Most of the studies and analysis of free trade agreements have been carried out in the context of relatively low agricultural prices. However, in recent months, the price of agricultural inputs has increased sharply.

In a situation of low agricultural prices and subsidised agriculture in the North, the main consequence of greater competition between small-scale farming in developing countries and the agricultural sector in developed countries is a general decrease in incomes and overall employment for small-scale farmers, without the affected populations deriving any benefit from the development of other sectors.

Labour is supposed to be mobile and it is presumed that workers who do not benefit from comparative advantages will therefore migrate to other, more competitive, sectors. In Central America, for example, corn producers are leaving agriculture and moving into the textile sector. For the most part, however, this theory is not borne out by the facts since unskilled workers are generally not very mobile. Whilst some unskilled employment is created, inequalities are aggravated and the increase in incomes is mainly experienced by skilled workers. It is inevitable that some sectors will lose and some will win. In the winning sectors, most of the benefits are enjoyed by skilled workers and the shareholders; workers in the losing sectors who are made redundant do not necessarily find jobs in the winning sectors.

The theory is that specialisation in products in which a country has comparative advantages benefits both sides in a trade arrangement. Today, however, trade concerns more than just two parties; it has become multilateral. Having a pool of cheap labour and duty-free access can generate a comparative advantage in textile production in Central America over that of the US, but this advantage will in the end be less than that enjoyed by Chinese textiles. Consequently, despite free trade agreements between the US and Central America, the textile industry is nevertheless moving to China.

Today we are no longer in a context of low agricultural prices. The prices of the most important raw agricultural materials, such as wheat, corn and rice, have increased significantly in recent months. There are several reasons for this surge in prices. A drought in Australia reduced wheat harvests in 2006, which caused tension on the cereals markets, and the reform of the EU Sugar regime has also had its impact. Biofuels[14] production plants in the US and to a lesser degree in Europe became operational and absorbed a portion of available corn and wheat. Finally, the rise in oil prices has had an impact on the price of agricultural inputs, which has further pushed up agricultural prices. These price increases have had several knock-on effects in developing countries and access to food is now an issue of concern in certain countries such as Mexico. Developments are, however, too recent for the impact to be measured in the Southern countries as a whole.

[14] A variety of interpretations of the term exist. For the purposes of this paper, the term ‘biofuels’ refers to the use of living produce, such as plants or cereal crops, for energy production.

Price rises owing to speculation also have a disruptive effect on the balance among products, and producers will tend to turn to more profitable products. Finally, the increase in agricultural prices tends to stimulate production, which increases pressure in the agricultural sector on natural resources, forests in particular. Farmlands will increase in value, which may harm the poorest farmers. This will, however, increase the revenue of producers who are established on agricultural markets.

It is uncertain whether agricultural prices will remain high for the foreseeable future. It is clear, however, that demand is on track to increase over time. The world population is growing, diets based on animal protein are spreading, and non-food uses of agricultural products are developing. Supply, although limited by natural constraints, still has room to grow. Although arable land cannot increase ad infinitum, there is still some unexploited farmland, for example in hilly areas, and yields can still increase in many regions of the world. If supply was reliant exclusively on the techniques being used today, the world would certainly become incapable of feeding its people and providing enough fuel. Although experts disagree on the question of whether agricultural prices will remain high, there is agreement that potential agricultural production is limited because it is based on natural resources that are limited and thus, in the long-term, demand will eventually surpass supply. Before then, agricultural prices will stimulate production and it is likely we will witness new price decreases.

In trade agreements, five types of instruments can moderate the degree of free trade in agricultural products:

1. Tariff concessions: a full or partial reduction in customs duties.
2. Tariff quotas: a reduction in customs duties for specific amounts of given products, often accompanied by seasonal limitations. Tariff quotas can also vary, based on national production. Morocco, for example, granted a tariff quota for wheat to the EU that is inversely proportional to Moroccan production. However, this may not fall below a minimum threshold.
3. Safeguard clauses: Safeguard clauses may concern imports or exports. In the case of imports, these clauses may be triggered by prices or import quantities. In the case of exports, a fall in the quantity of foodstuffs can be a trigger for restricting exports.
4. Rules of origin: Rules of origin specific to each agreement guarantee the application of preferences to the members of the agreement only.
5. Review and Flexibility Clauses: The possibility of flexible adjustments is provided by review and flexibility clauses. A review clause requires the two parties to examine the agreement in an association committee. The flexibility clause allows the partners to amend the agreement if one of the parties changes his domestic agricultural policy.

The use of the first four instruments depends on a country's administrative and managerial capacity, in particular the existence of efficient customs and inspection services. The last instrument depends on a country's diplomatic skills.

In a context of high agricultural prices, the negative effects will be different. The goal would be to offset the negative effects of high food prices on the purchasing power of the poor and on the development of agri-businesses. In such circumstances, the instruments would be less of a trade policy matter and more of a food security and farm policy issue. However, in the case of agro-fuels[15] it is important to ensure that trade agreements contain provisions that restrict the marketable quantities and provide social and environmental guarantees.

[15] For the purposes of this paper, agrofuels refers to large-scale agricultural production of biofuels for export.

V. CONCLUSION

From the agreements discussed in this paper it is clear that the inclusion and application of the above instruments in regional trade agreements with the US and the EU, crucial to prevent potentially disastrous consequences of liberalisation on the economies and populations of developing countries, is neither automatic nor straightforward. Although the application of many of these instruments indeed depends on the technical capacities of the parties involved to do so, their inclusion in the agreement, alongside fair conditions relating to their use, depends upon the political will of the negotiating parties. As noted in the introduction, negotiations for bilateral or regional trade agreements tend to be more unbalanced than those taking place at the multilateral level. This paper provides evidence of the fact that regional trade agreements frequently result in arrangements that are of primary benefit to the greater economic power, in these cases the US or the EU, and that instruments available to protect local markets and food security in developing countries are neither automatically nor fairly incorporated into the agreement. It could be concluded, therefore, that although regional trade agreements per se are no worse than multilateral trade agreements for growth and for the protection of food security, the difference in the political dynamics involved in regional trade agreements means that they will often result in more inequitable trade arrangements in which the ability of developing countries to promote their economic development and protect the food security of their population is further eroded.

Many econometric studies have successfully and conveniently convinced policy makers that developing countries will automatically benefit from global agricultural liberalisation. This assumption, however, ignores issues with important implications for most of the poor developing countries: in particular, the supply-side rigidities or lack of capacity to take advantage of market opportunities, as well as losses caused by the erosion of trade preferences. The EU, the US and other powerful trading blocs must also take stock of the failure of the dominant paradigm of liberal trade policies as part of export-oriented economic growth, promoted as the model for developing countries by the WTO and the international financial institutions. This model does not provide, and has never provided, an automatic path to poverty eradication[16].

It could be argued that the negative consequences of liberalisation can be moderated by programmes to promote the development of sectors that can benefit from liberalisation. These programmes can be included in a cooperation agreement combined with the free trade agreement and may include undertakings on technical assistance and the establishment of adjustment funds. The reality, however, is that the political will or financial commitments to see the effective implementation of such cooperation is lacking in most cases. For example, although the association agreements being negotiated by the EU with the various regional blocs in Latin America all contain chapters on cooperation and development, it is clear that these agreements are primarily conditioned by trade, over and above any social or political concerns. The evidence of existing association agreements with Chile and Mexico – promoted as the model for future EU-Latin America partnerships – demonstrates how ‘cooperation’ is in fact

[16] Ibid, p22.

largely earmarked for assistance to facilitate trade and investment flows from Europe to Latin America.

As indicated in the chapters of this paper, the advanced liberalisation arrangements emerging from regional or bilateral trade agreements result in a range of negative impacts on the populations of developing countries. Import surges and increases in food prices affect the rural and urban poor the most, and whilst a number of national and international traders benefit from such agreements, many poor and smaller farmers are forced to leave agriculture. Whilst economic restructuring may in many cases be in the longer term interests of the developing countries in question, without the necessary compensation and adjustment arrangements in place such changes will simply mean an increase in the wealth of a few, and the economic displacement of millions. The correlation between the impact of trade agreements on the population of poor countries, and the continuation and increase of legal and illegal emigration from the South to the North is unquestionable. Although it is too early in the case of certain of the agreements analysed in this paper to define clear lines of cause and effect, the existing evidence and trends cannot be ignored and merit significant research over the coming years.

This paper has raised the question of to what extent the processes by which trade agreements are reached influence their content and therefore their likely impact. Having raised this question it is important to emphasise, once again, the need to take other non trade issues into account in such processes. Clearly, the pursuit of new trade agreements – whether in a multilateral or bilateral forum – should not purposefully or inadvertently reduce a countries' policy space in pursuing development with a view to human and economic development and the fulfilment of its national and international obligations, including human rights and food security.

The stagnation currently being experienced in multilateral negotiations indicates that there are also important shortcomings in the WTO process. CIDSE has set out these shortcomings in other publications and formulated alternatives for real development outcomes in specific areas, through use of mechanisms such as Special Products and Special Safeguard Mechanisms[17].

The proliferation of regional agreements seems to offer an alternative to this multilateral standstill. However it is not necessarily a positive one for developing countries and certainly not for small farmers in these countries. The situation of the latter is one of the most important criteria for CIDSE to judge whether these trade agreements are helpful to cope with poverty – as decision-makers continue to pretend – or are causing more damage to those who remain voiceless in these processes.

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[17] "Global Trade at the Service of Human Development," CIDSE – CI Position Paper, August 2003 and "Make a Difference for Poverty Reduction," CIDSE – CI Position Paper, June 2005

VI. MULTILATERAL VERSUS BILATERAL TRADE AGREEMENTS

Advantages of Multilateral Trade Agreements

- WTO negotiations allow developing countries to negotiate in greater numbers, affording their views greater weight and increasing the chances of outcomes that reflect a balance of the needs and priorities of all members
- Negotiations taking place within the WTO are more easily monitored and scrutinised by any and all interested States
- The WTO forum offers a dispute settlement mechanism

Disadvantages of Multilateral Trade Agreements

- Negotiations at the multilateral level are long and tenuous, usually taking years at a time to agree new arrangements. This also means that if an agreement is reached that is unfavourable to certain countries, they will have to wait a significant number of years before the WTO membership is willing to renegotiate
- Despite the 'one State one vote' and the consensus principle, the WTO is not democratic in practice. Negotiations are often opaque and exclude non 'key-players'
- Although developing countries have more influence in multilateral negotiations than is the case in bilateral negotiations, the views of developed countries often prevail
- The lack of transparency of WTO negotiations make them difficult for parliaments and civil society to monitor

Advantages of Bilateral Trade Agreements

- Bilateral arrangements may facilitate more favourable access arrangements for developing countries than being achieved at the multilateral level, such as access to markets with higher and more stable prices, or more favourable rules of origin
- Bilateral trade agreements may provide additional benefits such as development cooperation and increased political dialogue

Disadvantages of Bilateral Trade Agreements

- The imbalance of power which usually characterises bilateral negotiations allows the greater economic power to control the content and pacing of negotiations
- This also means that interests of the greater economic powers will largely dictate the outcome of the negotiations, superseding genuine mutual interest or sustainable development
- The political and economic superiority of the greater economic power can also mean that it can use bilateral negotiations to introduce or reintroduce elements that have been excluded/rejected at the multilateral level
- Like multilateral negotiations, bilateral negotiations tend to be opaque processes and are difficult for other interested States, national and regional parliaments and civil society to monitor
- Decisions taken in bilateral agreements may restrict or constrain the possibility of establishing other multilateral or bilateral trade agreements that could be of benefit to developing countries

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GLOSSARY OF TRADE TERMS

Anti-dumping Measures - GATT's Article 6 allows anti-dumping duties to be imposed on goods that are deemed to be dumped and causing injury to producers of competing products in the importing country. These duties are equal to the difference between the goods' export price and their normal value

Bilateral Trade Agreement – a trade agreement between two States

Comparative Advantage – the principle of comparative advantage explains how trade is beneficial for all parties involved (countries, regions, individuals and so on), as long as they produce goods with different relative costs

Countervailing Trade Measures – actions taken by the importing country, usually in the form of increased duties to offset subsidies given to producers or exporters in the exporting country

Customs Duties – a tariff or tax on the import of or export of goods

Customs Union – a free trade area with a common external tariff e.g. the EU. The participant countries set up common external trade policy, but in some cases they use different import quotas. A common competition policy can also be established

Dispute Settlement Body – when the WTO General Council meets to settle trade disputes

Dumping - when goods are exported at a price less than their normal value, generally meaning they are exported for less than they are sold in the domestic market or third-country markets, or at less than production cost

Duties – taxes imposed on imported products

Duty Free – access to markets free from duties

Entry Price – the price of an imported product before any levies or duties have been imposed

Export Credits – a subsidy provided to exporter companies. Used extensively by the US

Flexibility Clause – provides flexibility with regard to the pacing of implementation of agreements, and for the renegotiation their contents

Food Security – the situation and conditions under which all people, at all times, have access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life

Free Trade Area/Zone – a designated group of countries that have agreed to eliminate tariffs, quotas and preferences on most (if not all) goods between them

GSP – Generalised System of Preferences — system by which developed countries grant preferential tariffs to imports from developing countries

Import Quota – a trade restriction that sets a physical limit on the quantity of a good that can be imported into a country in a given period of time

Intellectual Property Rights – the ownership of ideas, including literary and artistic works (protected by copyright), inventions (protected by patents), signs for distinguishing goods of an enterprise (protected by trademarks) and other elements of industrial property

MFN – Most Favoured Nation – the normal or standard non-discriminatory tariff charged on imports where no other preferential tariff arrangements or free trade agreements exist

Net-exporter – a country that exports more than it imports

Non-tariff Barriers – a vast array of domestic measures or policies apart from tariffs which serve to or result in, discouraging imports. Non-tariff barriers may include customs procedures, administrative requirements and even domestic regulations such as health, environmental or labour standards

Original Product – a product designated as coming from only one geographic area, e.g. champagne can only be called champagne if it comes from the champagne region of France

Regional Trade Agreement – an economic trade agreement to reduce tariffs and restrictions on trade between two or more nations within a certain region

Rules of Origin – the laws, regulations and administrative procedures which determine a product's country of origin. A decision by a customs authority on origin can determine whether a shipment falls within a quota limitation qualifies for a tariff preference or is affected by an anti-dumping duty. These rules can vary from country to country

Safe-guard Clauses – allow for a temporary increase in import duty to deal with import surges or price falls, under provisions that are special to the Agriculture Agreement

Safe-guard Measures – action taken to protect a specific industry from an unexpected build-up of imports – generally governed by Article 19 of GATT. The Agriculture Agreement and Textiles and Clothing Agreement have different specific types of safeguards: "special safeguards" in agriculture, and "transitional safeguards" in textiles and clothing

Sensitive/Special Products – products designated as 'sensitive' by a country for which they do not have to make any tariff reduction or tariff rate quota commitments

Shortage Clause – allows for interruption of certain provisions of an agreement in cases of a shortage of designated product(s)

Speculation – financial speculation, involves the buying, holding, selling, and short-selling of stocks, bonds, commodities, currencies, collectibles, real estate, derivatives, or any valuable financial instrument to profit from fluctuations in its price as opposed to buying it for use or for income via methods such as dividends or interest

Subsidies – there are two general types of subsidies: export and domestic. An export subsidy is a benefit conferred on a firm by the government that is contingent on exports. A domestic subsidy is a benefit not directly linked to exports

Substitution Industries – industries set up to replace imports

Tariffs - a tariff is a tax on goods upon importation. This tax is imposed either on an ad valorem basis (percentage of value) or on a specific basis (e.g. $7 per 100 kgs). Tariffs give price advantage to similar locally-produced goods and raise revenues for the government

Tariff Line – a product, as defined by a system of code numbers for tariffs

Tariff Quotas – when quantities inside a quota are charged lower import duty rates, than those outside (which can be high)

Trade Concessions – a tariff reduction agreed to by a particular State

Trade Deficit – a positive balance of trade is known as a trade surplus and consists of exporting more than is imported; a negative balance of trade is known as **a** trade deficit or, informally, a trade gap

Trade Liberalisation - free trade is a market model in which trade in goods and services between or within countries flow unhindered by government-imposed restrictions. Restrictions to trade include taxes and tariffs, and other non-tariff barriers, such as legislation and quotas. Trade liberalization entails reductions to these trade barriers

Trade Preferences - a tariff reduction agreed to by a particular State applicable to certain States

Trade in Services - the sale and delivery of an intangible product, a service, between a producer and consumer. Trade in services takes place between a producer and consumer that are, in legal terms, based in different countries, or economies, this is called International Trade in Services

For further help on trade terms visit
http://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm

http://www.tradeport.org/library/a.html

ANNEX I: RECOMMENDATIONS FOR CIVIL SOCIETY ADVOCACY

During the Negotiation of an Agreement

During the negotiation of an agreement, two advocacy strategies are possible. The first is to oppose the signing of an agreement and the second is to propose amendments in order to improve it. These two strategies of opposing and proposing can be fully complementary for civil society. However, for the sake of clarity and internal consistency, it can be advisable for an organisation to opt for only one of these two approaches.

Both of these strategies require the ability to develop a credible and well constructed argument. The skills necessary for this have been relatively well developed within many international NGOs that work on this issue, but it could be reinforced in many cases within in partner organisations in the South. Sustainable Impact Assessments, mentioned in this paper in the context of more recent EU trade agreements, can be a worthwhile instrument. It would be desirable for developed countries to make funds available to civil society organisations to conduct impact studies of this type. SIAs carried out by civil society would prevent any conflict of interest that may arise when the party ordering the study is a negotiator who may be tempted to use the instrument to bolster their negotiating position.

Proposals put forward by civil society could include the different instruments described in the concluding chapter. To that end, it would be advisable to reinforce the skills of civil society relating to these different instruments, in particular when and how they should be used. Civil society can only be efficient, however, if the negotiation process is relatively transparent. There will inevitably be certain elements of trade negotiations that will remain secret, but it is important that civil society be allowed to participate. To achieve this, the participation of representatives of civil society in the negotiations should be promoted. If civil society delegates have good quality information on the negotiations they can come up with useful proposals to help them advance.

During Implementation of an Agreement

For agreements already signed, civil society can monitor and follow up on implementation. This requires mobilisation and thorough knowledge of the contents of the agreements so that civil society can exert pressure to ensure that protection instruments and flexibility are used as much as possible.

After a few years of application assessments of the impact of agreements are possible. Civil society has to develop the necessary expertise to carry out these assessments so that it may conduct them independently. In order for this work to be effective, however, civil society must establish a dialogue with its government. A possibility for this is the creation of follow-up committees between civil society and governments, per government and per agreement.

Finally, putting these few recommendations to work raises a further issue. In the development sector, the field of advocacy in international trade is relatively new. Today it has advanced more in the North than in the South. Strengthening the Southern partners in these aspects is an important goal to be pursued. There is very little capitalisation and very little written material on these aspects. This field of research is ripe for exploration.

ANNEX II: QUESTIONNAIRE SENT TO SOUTHERN PARTNERS

Introductory Message to Questionnaire

Below you will find a number of questions to guide you in your feedback regarding the impact of the free trade agreements between your country and the EU or the US, on agricultural development, food security and poverty reduction.

In addition to your feedback, we would also be interested in receiving copies of any studies, reports or other documents you have, produced by either civil society or the government, that look at the implementation of these agreements and the impact that they have had.

Thank you in advance.

US

CAFTA/US – are there any relevant partners?

If yes, use the same questions as for South Africa (below), excepting the final question on cooperation.

Negotiated agreements

SACU/US

Malaysia/US and India EU

Is your organisation following up the negotiation process? Do you think that civil society is properly consulted, can express its views and that it is taken into account?

In this negotiation:

- Which defensive (and offensive) interests for your country do you identify, in the field of agriculture and food security?
- Same question for social groups in food insecurity and small farmers?
- Which offensive (and defensive) interest for the EU do you identify?

Mexico

What is the outcome of the NAFTA after 13 years of implementation; in particular in the fields of food security, agriculture and rural poverty?

What have been the impacts on small and family farms? Has the development of the maquiladoras compensated for losses in the agricultural sector?

What do you think of the safe-guard clauses in the NAFTA (the clauses that allow for the restriction of imports of agricultural goods during certain periods of the year if , for example there is a surge in imports, or if prices fall)?

Are these clauses adequate? Are they applied by the Mexican Government, if yes, on which products and what has the impact been?

EU and US

Mexico

What have the impacts been of the agreement signed between Mexico and the EU (signed in 1997 and entered into force in 2000) on the agricultural sector? Has the revision clause (the clause which allows for the negotiation of new concessions) been used to push for further liberalisation of Mexican agriculture, or, on the contrary, to protect it? Are the safe-guard clauses applied by either of the parties? If yes, in what circumstances and with what impact?

In both these regards, is Mexican agriculture sufficiently protected so that national production can develop?

Chile

What is the impact of the opening of the Chilean market to European and US agricultural products, according to the free trade agreements signed in 2002? Which products and which producers have been affected?

What is the impact of the opening of European and US markets to Chilean export products on Chilean agriculture? What products and what farmers benefit from this? What have been the impacts on employment, rural poverty and food security?

Have the safeguard clauses (shortage or emergency) been used by the EU, US or Chile? In what circumstances? What have been the consequences for agriculture and food security?

Safeguard clauses: these clauses permit the restriction of agricultural imports during certain periods of the year, for example if the quantities imported rise too rapidly, or if the prices fall too quickly.

Shortage clause: this clause permits the stopping of exports of a product if there is a shortage on the national market.

Emergency clause: fixes the conditions of the adoption of eventual measures of safeguards in the case of emergency, for example the lowering of customs duties to levels before liberalisation, as well as the obligatory consultation period before the imposition of such measures (30 days). This also includes the procedure to be followed for immediate action inn exceptional circumstances, transition measures of a maximum duration of 120 days. This clause specifies that the exporting party has the right to compensation.

The EU-Chile agreement also provides for cooperation between different economic sectors including the agricultural sector. What do you think of the EU-Chile cooperation in the agricultural sector; does it benefit small and family farming and contribute to their diversification and the production of staple foods? Does it benefit small and family farms integrated into the exports system, or does it essentially only benefit large specialised industrial farms oriented towards exports.

EU

Morocco

The opening of the Moroccan agricultural markets to European products (Euromed agreement signed in 1996) has been implemented principally by the reduction of customs duties on meats, dairy products and certain fruits and vegetables, and by the contingent tariffs for cereals and sugar. What is the impact of European imports to Morocco on national production? Is the market sufficiently protected in order for national production to develop, and if so, how?

For fruits and vegetables, Morocco has more favourable access to the European market than does the SPG, because it benefits from a more favourable calendar/timetable for exportation (the possibility to export with low customs duties during months when these products benefit from higher prices in Europe). What is the impact of exports of fruit and vegetables to the EU on small and family farming? Do these exports benefit small-scale farms, or are they only beneficial to large-scale farming? Does this structure provoke problems of access to land, water, and credit for family farmers? What is the impact on poverty in general (in particular, on the situation of agricultural employees/workers?

Have the general safeguard clauses (permitting the temporary interruption or restriction of imports) already been applied by Morocco? When, for which products, and with what impact?

South Africa

What is the impact of the increase of agricultural exports from South Africa to Europe, on food security and staple foods? Do small-scale farmers have access to the EU market, and with what benefits? Or does this arrangement only benefit large-scale enterprises? What is the impact on agricultural employees/workers?

What is the impact of agricultural imports on South African agriculture? Is South African agriculture sufficiently protected against competing EU exports?

Have the general safeguard clauses (permitting the temporary interruption or restriction of imports) already been applied by South Africa? When, according to which processes, for which products, for what duration, and what has the impact been? Similarly, has the EU already used the safeguard clauses to prevent the import of fruit and vegetables from South Africa? When? What are the consequences for the exporting producers? And what are the consequences for other actors?

What do you think about the cooperation between the EU and South Africa in the agricultural sector? Does it benefit small and family farming and contribute to their diversification and the production of staple foods? Does it benefit small and family farms integrated into the exports system, or does it essentially only benefit large specialised industrial farms oriented towards exports.

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