

MIXED MESSAGES ?

On EU Policy Coherence and the Right to Food in Latin America

Main Author and Editor: Annelie Andersson



Produced with support from the European Union



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Contents

Foreword	1
Introduction	2
1. Hunger and the right to food	3
Hunger and poverty in Latin America	3
Food as a human right	5
2. EU – a major actor on the global stage	9
Unity of policy objectives	9
EU Common Agricultural Policy	10
From global to regional trade agreements	16
3. EU concludes trade agreements with Latin America	21
4. Consequences for developing countries	29
5. Coherence, alternatives and recommendations	33
Coherency – does the right hand know what the left is doing?	32
Right to food and food sovereignty as alternatives	32
Recommendations	34
Summary	37
References	39
Glossary	43



Foreword

For the majority of us life is something we take for granted. We have food each day, housing and an income; and our children can attend school. We are free to choose our own way forward and what we want to do with our lives. For others this is not equally self-evident. In fact, for some people having food for the day is a dream.

But all humans have equal value, have they not? Surely no one questions the right of all individuals to a dignified life? This right was guaranteed almost 60 years ago when the UN General Assembly unanimously adopted the Universal Declaration of Human Rights. The right to food is included here as a prerequisite to a dignified life. With this states were obliged to guarantee the rights of their citizens. It was similarly chartered that all states should help one another in cooperation to ensure implementation of human rights worldwide.

The fight against poverty and hunger has been in focus in several international political forums in the most recent decades. Through various agreements and treaties the nations of the world have undertaken to contribute to fair and sustainable development for all people, globally, with no distinction. Despite this, the number of people going hungry in the world is on the increase.

At present 854 million people in the world suffer from hunger and malnutrition. In several declarations the UN Food and Agriculture Organisation (FAO) has pronounced that hunger in the world is due to lack of political will in

carrying out measures and programmes to reduce hunger and malnutrition.

Latin America is not a priority part of the world as far as aid goes. In particular where support for rural development and the fight against hunger are concerned. Yet 52 million of those people going hungry in the world are to be found in Latin America. At last year's FAO World Food Summit on hunger in Rome the Latin American countries raised their voice in unison. They presented their own strategy for eradication of hunger and at the same time criticised the world at large for being too slow in doing its bit for reaching targets set on hunger eradication. Simultaneously, increasing numbers of popular movements in Latin America are mobilising and getting organised. They are pressurising for the right to food and access to land becoming a reality.

For over two decades FIAN and UBV have cooperated with many of these social movements made up of small farmers, land workers and indigenous peoples. In many ways the struggle for a dignified life looks the same now as it did 20 years ago. However, an important difference is that with globalisation focus has increasingly shifted to the global arena. The policies pursued by the EU have an ever-increasing impact on developing countries. Hence it is important to take a still closer look at EU policies and the way in which they affect human rights and the alleviation of poverty and hunger in the Global South.

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Introduction

As the finishing touches are being put to this report in the early autumn of 2007, the first round of negotiations on an »association agreement« between the EU and the Andean Community (CAN) will have taken place, including a trade agreement. When the report returns from the printer negotiations will be in progress between the EU and Central America. These are negotiations between unequal parties. On one side you have the EU – the world’s biggest producer, importer and exporter of agricultural products. It pays out 43 billion euros a year in support to European farmers while at the same time exhorting developing countries to scrap various types of protection and open their markets in a variety of different areas. On the other side you have regions containing several of the poorest countries in Latin America. Fifty two million people go hungry in Latin America. They go hungry despite food being a human right, and despite enough food existing to feed all. Often, the people most hit by hunger are those in rural communities, who are themselves dependent on agriculture for their livelihood.

The EU has made commitments to conduct a coherent policy. All areas of policy should strive in the same direction and contribute to poverty reduction, and likewise promote human rights and democracy. The EU also has responsibility through its international agreements, such as trade agreements, to ensure that people’s right to food is not violated. But just how coherent is EU policy? Do the trade and agricultural policies aspire to reach proposed development goals? What policy does it follow, and what are the consequences?

This report seeks out some answers to these questions, and provides an overview of European trade and agricultural policies and the influence they have on people in developing countries, not least in Latin America.

By way of introduction a review of the poverty and hunger situation in Latin America and the importance of agriculture to poor people’s chances of making a living is provided. The chapter also deals with the importance of food as a human right, the responsibility of states to guarantee this right, and international undertakings to eradicate hunger.

This is followed by a chapter dedicated to the EU’s agriculture and trade policies. But prior to this is a run-through of the commitments made by the EU on carrying

out a coherent policy for development. There is then a discussion on the development of the European agricultural policy, its consequences and the reforms of latter years. The chapter concludes with EU trade policy with special attention paid on increasing EU focus on bilateral and regional agreements.

Chapter three takes up the association agreements, including trade agreements the EU is to negotiate with Central America and the Andean community. The background to the agreements is dealt with first along with current relations between the regions. This is followed by analysis of each party’s interests and the hopes and concerns that exist.

In the last but one chapter the consequences facing developing countries following trade liberalisation in the form of deregulation and opening of markets are analysed. Finally EU policy is looked at in the fields of trade and agriculture on the basis of undertakings made on coherent policy. This is followed by a discussion on possible alternatives to the current policy to conclude with a series of recommendations to the EU and member states.

1. Hunger and the right to food

Food is a human right. And yet 854 million people in the world suffer from chronic hunger. According to the UN's food and agriculture organisation – FAO – the number of people in the world going hungry is increasing at approximately 4 million people per year. This is in head-on conflict with the Millennium Development Goal of halving hunger by 2015. Over 52 million of those people going hungry are in Latin America – representing approximately 10 per cent of the continent's population.¹ Who is most hit by hunger? And what does food as a human right entail? What responsibility do states have to ensure this right is met?

Hunger and poverty in Latin America

Hunger – a violation of human rights

Discussions on hunger often focus on how to increase food production. But hunger is not about a shortage of food in the world. Enough food is produced to feed the entire population of the world. Rather hunger revolves around the uneven distribution of resources and the violation of human rights. Three types of hunger are normally talked of – acute, chronic and hidden. The most common image of hunger and starvation that is portrayed is acute hunger caused by e.g. war, drought or other natural disasters. Yet acute hunger affects a mere 10 per cent of those people suffering from hunger. Almost nine out of ten hungry people are chronically undernourished.²

Hunger is both a cause and consequence of poverty. Hunger makes the fight against poverty more difficult and also has a negative effect on economic development. Poor and hungry people often face both social and political exclusion. Their access to education, work, medical treatment and clean drinking water is frequently lacking. Overcoming the hunger issue is a prerequisite for the fight against poverty.³ But overcoming hunger in the world is above all about guaranteeing basic human rights.

Unequal income distribution at the back of hunger

Approximately 559 million people live in Latin America. It is a vast continent with major differences, both between states and between town and country. On average almost eight out of ten people live in towns, but in the poorer nations of the continent the figure is closer to 50 per cent.⁴ Nearly four out of 10 people live in poverty. The figure for rural communities is six out of 10, with one third living in extreme poverty. In countries such as Bolivia, Nicaragua and Honduras the proportion of rural poor reaches no less than 80 per cent with the proportion of people in extreme poverty between 55 and 70 per cent.⁵

Indigenous peoples represent one tenth of the total population in Latin America. In every one of the countries they belong to the most discriminated and marginalised groups in society and live in poverty to a greater degree than others.⁶

Hunger is a widespread problem. On average one tenth of the population of Latin America suffers from hunger. In the region's poorest countries this is up to a quarter.⁷ More than a quarter lack permanent access to clean drinking water.⁸ As with other regions on earth, the hunger is not due to a poor supply of food, but due to large parts of the population lacking the opportunity and circumstances to obtain the food that exists.⁹ According to the UN food

1. FAO (2006:1): *The State of Food Insecurity in the World 2006*.

2. UN Millennium Project, Task Force on Hunger (2005). *Halving hunger: it can be done. Summary version*.

3. UN Millennium Project, Task Force on Hunger (2005).

4. ECLAC (2007): *Statistical Yearbook for Latin America and the Caribbean 2006*. United Nations, Economic Commission for Latin America and the Caribbean.

5. The poverty terms are based on the definitions of ECLAC (Economic Commission for Latin America and the Caribbean) in which a person lives in poverty if they have an income lower than twice that of the cost of a »basic food basket«. The cost of a »food basket« is calculated as the cost of essential food items. According to this definition, people live in extreme poverty if their income is less than the cost of a »food basket« (ECLAC 2007).

6. Hall, Gillette & Patrinos, Harry Anthony (2005): *Indigenous Peoples, Poverty and Human Development in Latin America: 1994-2004, Executive Summary*. World Bank.

7. The ECLAC definition of hunger comprises the proportion of the population with a calorie intake under the minimum level (ECLAC 2007).

8. ECLAC (2007).

9. FAO (2006:2): »Twenty-ninth FAO regional conference for Latin America and the Caribbean«. LARC/06/INF/5. Caracas, Venezuela 2006. FAO.

and agricultural body (FAO), the unequal distribution of income and access to means of production represent an important reason for poor food security in the region.¹⁰ Poor food security affects women to a greater degree than men, which may be explained by lack of gender equality, and power relations that make women's access to employment, means of production, education and decision-making more difficult.¹¹

Poor people dependent on agriculture

The agricultural sector plays a central role for people's employment, income, development and food security in many developing countries.¹² Approximately 70 per cent of the poorest people in the world live in the rural community and to a large degree depend on agriculture for survival.¹³ Almost one billion people in the world work in the agricultural sector.¹⁴ The proportion of people living on agriculture in Latin America varies greatly between the different countries. In poorer nations such as Honduras, Bolivia, Nicaragua and Guatemala, as much as one third of the population depends on agriculture for its livelihood.¹⁵ This can be compared with a mere two per cent of the EU population working in this sector.¹⁶

Indigenous peoples depend on agriculture for their livelihood to a much greater degree than others. In rural Bolivia income from agriculture represents 64 per cent of income for families belonging to indigenous peoples. The average household income of indigenous peoples is less than half that of other households. Similar patterns can be found in other countries such as Mexico and Peru.¹⁷

Many people lack access to land

Latin America is the most unequal continent in the world both as regards distribution of income¹⁸ and distribution of arable land. A large number of people who depend on agriculture quite simply lack access to arable land. The largest groups of landless people are to be found in Brazil, Mexico and Columbia. In some countries as many as half of farmers lack formal ownership documents for the land they cultivate.¹⁹

Women face greater obstacles than men with regard to access to land. Examples here include the often limited inheritance rights of women and little regard being paid to them when land reforms are drawn up and implemented.²⁰ People belonging to indigenous populations also have much smaller and poorer plots of land. On average in Ecuador their land is eight times smaller than others. A further related problem is that indigenous peoples have considerably fewer chances of getting loans since they more often lack formal ownership documents for their land.²¹

Ever-increasing numbers of land workers

More than four out of 10 people working in agriculture in the world – 450 million people – lack personal access to arable land, and instead work on medium-sized farms and large industrial-scale plantations. Women currently make up 20 to 30 per cent of these land workers and this percentage is on the up. As increasing numbers of small farmers are leaving their plots of land, and worldwide figures for people working in agriculture are falling, the numbers and proportion of paid land workers is on the rise.²² New jobs for women are above all to be found in export-oriented agriculture such as vegetable gardening, packaging and the flower industry. These are often low paid seasonal or part-time jobs with poor working conditions and practically non-existent labour rights. In general women get the worst jobs and the poorest wages.²³ Many

10. According to the FAO definition of food security, this is a situation where all people, at all times, have physical, social and economic access to sufficient, secure and nourishing food. The opposite situation – food insecurity – is where people are undernourished due to food being beyond reach, and lack of social and economic access to sufficient food (FAO Norden. »Hunger och undernäring«). <http://www.faoorden.se/start.asp?sida=8081>. 10/9 2007)

11. Spieloch, Alexandra (2007): *A Row to Hoe - The Gender Impact of Trade Liberalization on our Food System, Agricultural Markets and Women's Human Rights*. IATP & IGTN.

12. FAO (2007:3): *The State of Agricultural Commodity Markets 2006*.

13. World Bank & IFPRI (2005): *Agriculture and Achieving the Millennium Development Goals*.

14. UNDP (2003): *Making Global Trade Work for People*. London & Sterling: Earthscan.

15. ECLAC (2007)

16. UNDP (2005): *Human Development Report 2005*. United Nations Development Programme.

17. Patrinos, Harry Anthony & Skoufias, Emmanuel (2007): *Economic Opportunities for Indigenous Peoples in Latin America*. World Bank.

18. The wealthiest five per cent earn 25 per cent of total income, while the poorest 30 per cent together earn 7.5 per cent of total income. (FAO (2005): *The State of Food and Agriculture. Regional Review – Latin America and the Caribbean. Executive Summary*. July, 2005.).

19. Torche, Florencia & Spilerman, Seymour (2006): *Household Wealth in Latin America*. UNU-WIDER. Research Paper No. 2006/114. October, 2006.

20. FAO (2001): »Rural women's access to land in Latin America«, *SD Dimensions*, June 2001.

21. Patrinos, Harry Anthony & Skoufias, Emmanuel (2007).

22. FAO-ILO-IUF (2005): *Agricultural Workers and their Contribution to Sustainable Agriculture and Rural Development*. October, 2005.

23. UNCTAD (2004). *Trade and Gender: Opportunities and Challenges for Developing Countries*. UNCTAD/EDM/2004/2. United Nations; Oxfam (2002): *Rigged Rules and Double Standards*; Spieloch, Alexandra (2007).

small farmers are unable to live off their own farming and are also dependent on extra income from work on larger farms or plantations.²⁴

Land workers make up one of the poorest employment groups with more than six out of 10 living below the poverty level. It is one of the most vulnerable social groups; unionisation is low, work conditions are abject, and the group has the lowest access to any social welfare system. The weak position of this group frequently results in employment conditions characterised by dependence and a subordinate position.²⁵

Abject working conditions behind the bouquet

The flower industry in Columbia developed during the sixties as part of a campaign on export farming. This grew rapidly in the seventies and eighties to become one of the leading export sectors in the country. At 65 per cent women represent the largest proportion of workers in the industry. Export production is at 95 per cent. On most flower plantations workers receive the legal minimum wage. This however is so low that it merely covers one third of costs for the basic needs of a family. Almost all workers are seasonally employed and working days are long. Flower production requires large amounts of water and toxic crop sprays are used to a significant degree.²⁶

Food as a human right

The fact that 854 million people in the world go hungry largely depends on the skewed distribution of resources and lack of respect for human rights. Food as a human right is expressed in a series of different regional and international declarations and conventions, including the UN's Universal Declaration on Human Rights from 1948, article 25.1.

*Everyone has the right to a standard of living for the health and well-being of himself and his family, including **food** (...).*²⁷

24. Hence making a clear division between small farmers and land workers is difficult, with these groups frequently facing similar problems. Furthermore, both groups belong to those hardest hit by poverty (FAO-ILO-IUF 2005).

25. FAO-ILO-IUF (2005).

26. Ortiz, Olga (2006): *La Floricultura en Colombia*. FIAN, FES & GTZ. Octubre, 2005.

27. UN (1948): *UN Universal Declaration on Human Rights*. Article 25.1.

The right to food is also enshrined in the International Covenant on Economic, Social and Cultural Rights that entered into force in 1976. The covenant has been ratified by 156 countries, with these thus committing themselves to working for fulfilment of rights in the covenant. Article 11 concludes:

*11.1. The States Parties to the present Covenant recognise the right of everyone to an adequate standard of living for himself and his family, including adequate **food**, clothing and housing (...).*²⁸.

*11.2. The State Parties to the present Covenant recognising the fundamental right of everyone to be **free from hunger**, shall take, individually and through international co-operation, the measures, including specific programmes, which are needed.*²⁹

Thus the right to food is part of what is termed an »adequate standard of living«. But what does the right to food mean more concretely? The UN's ESC committee on economic, social and cultural rights has provided greater clarification in its comments to the covenant. The committee establishes that the right to food is essential to all other rights, and that the cause of hunger cannot be said to be due to lack of food but rather lack of food security. People have to have food security either via direct use of productive land or via work that provides adequate income. It further states that the right to food includes sufficient food being available in quantitative terms to cover the energy requirements of individuals. In qualitative terms the food has to contain the essential nutrients, vitamins and trace elements required to make up a nutritious diet. The food must also be culturally acceptable, since certain types of food are important to common identity in many cultures.³⁰

The ESC committee further mentions a series of particularly vulnerable groups that ratifying states should pay particular attention to when, for example, drawing up various programmes. This includes landless people, indigenous people, children, the elderly and disabled. All forms of discrimination regarding who has access to food constitute a violation of human rights.

28. UN (1966): UN International Covenant on Economic, Social and Cultural Rights.

29. UN (1966): *UN International Covenant on Economic, Social and Cultural Rights*. Article 11.

30. UN Committee on Economic, Social and Cultural Rights (1999). »The right to adequate food (Art.11)«. 12/05/99. E/C.12/1999/5, *CESCR General Comment 12*.

State responsibility

States that have ratified the ESC covenant have an obligation to act for *respect, protection and fulfilment* of these rights.

1. *Respect.* States must not take measures leading to individuals or groups losing existing access to their livelihood and to food. For example through forced displacements or dam building that leads to people losing access to land without gaining due compensation.

2. *Protection.* States are also obliged to protect people's food security against a third party, such as a transnational company or a major landowner. Projects such as oil exploitation, mining and the destruction of forests are often planned without paying regard to the local population. In cases where such activities undermine the chances of local people gaining a livelihood then the people affected must be entitled to due compensation.

3. *Fulfilment.* Finally states have an obligation to fulfil the rights of their citizens to food when people for various reasons lack the circumstances for gaining a livelihood. This means that states should provide conditions for making income via, for example, legislation on land reforms or minimum wages. Finally states are also obliged to provide food, for example in the form of food aid in disaster situations.

No fixed time frames have been set up on how rapidly states should fulfil these obligations. But in its commentaries the ESC committee emphasises the obligation of states to use the resources available to them in full. They should also take immediate and regulated steps towards realising the right to food as soon as possible in the time ahead. A violation of the right to food takes place when a state through its own actions or lack of actions fails to observe the three levels of state obligations.

Right to water

The right to water is closely linked to the right to food. Water is needed both for preparation of food and for agricultural production. Over one billion people lack secure access to clean water. The right to water is not expressly stated in the ESC covenant, but as with the right to food it is defined by the ESC committee via a *General Comment* (no. 15). It is established here that the right to water is included in the right to an adequate standard of living and right to health. In order for this right to be guaranteed, water must be both accessible and of good quality. It also applies here that the state should respect, protect and fulfil this right.³¹

31. FIAN & Brot für die Welt (2005): *Identifying and Addressing Violations of the Human Right to Water*.

International responsibility

According to the ESC covenant states are obliged to cooperate internationally in order to contribute to fulfilment of ESC rights. The ESC committee draws up guidelines on how states should work to respect and defend the right to food in other countries. For example, states should ensure that their own political measures do not violate the right to food in other countries, and they should press for the right to food being guaranteed in relevant international agreements.³²

This can be linked to what in human rights language is termed *Extraterritorial Obligations* (ETOs), which have received increasing attention in recent years in discussions on human rights. Human rights are universal, signifying that they apply everywhere and are not linked to any specific country. This means that states and governments are also obliged to respect, protect and guarantee that human rights are observed in countries other than their own. The need to strengthen extraterritorial obligations grows as economic globalisation grows, not least through the growth of transnational companies, with operations no longer confined to fixed national borders.³³

Commitments made on hunger reduction

As well as being judicially established via international human rights conventions, the right to food has also been laid down through international political commitments on hunger reduction. At the 1996 FAO World Food Summit meeting in Rome more than 180 governments endorsed an accord on eradication of hunger. Their immediate goal involved consensus on halving the *number* of hungry people in the world compared to the 1990 figure. For this to be reached the number has to be reduced to 412 million by 2015. There has been no reduction. On the contrary in recent years the number of people going hungry has increased. According to the FAO's forecast, however, the number will fall in coming years to stand at 582 million in 2015. Even if this reduction were to be realised, the target of 50 per cent fewer hungry people will be missed by 170 million.³⁴

The UN Millennium Development Goals (MDGs) also embrace hunger reduction as part of the first goal on poverty reduction. This goal is somewhat less ambitious compared to the World Food Summit goal. The Millennium Development Goal talks of the *proportion* of hungry people in developing countries being reduced by half to 2015. Despite an increase in the total number

32. UN Committee on Economic, Social and Cultural rights. (1999).

33. Hausmann, Ute & Künnermann, Rolf (2006): *Germany's extraterritorial human rights obligations*. Brot für die Welt, FIAN & EED.

34. FAO (2006:1).

of people going hungry, the increase in population has meant the proportion has fallen somewhat, from 20 per cent in the years 1990-1992 to 17 per cent from 2001-2003. In Latin America and the Caribbean both proportion and number of hungry people have fallen. But the reduction is still too slow if the goal on halving hunger – irrespective of whether we look at number or proportion – is to be reached. The differences are also considerable between different regions and countries. For example, in Central America there has been an increase in both the number and proportion of people going hungry.³⁵

Rights of indigenous peoples

Since indigenous peoples are among the poorest and most vulnerable people in several different Latin American countries, another important human rights instrument in this context is the ILO 169 convention acknowledging their full social, cultural and religious rights. Respect and protection should also be afforded their institutions, conservation and development of their culture and ways of life, and the right to traditional areas of land.

In September 2007 the UN General Assembly for the first time adopted a broad declaration on the rights of indigenous peoples. The declaration acknowledges the rights of indigenous peoples to areas of traditional land use and the right to determine how these areas may be used. States must consult and cooperate with indigenous peoples with regard to projects affecting their land areas or their resources, not least in relation to use or exploitation of minerals, water or other resources. Indigenous peoples also hold the right to maintain, control, protect and develop their traditional realms of knowledge and cultural expressions such as medicine, seeds and plants.³⁶

35. FAO (2006:1).

36. United Nations General Assembly (2007). *United Nations Declaration on the Rights of Indigenous Peoples*.



2. EU — a major actor on the global stage

Hunger is widespread, despite international agreements to eradicate it. Much hinges on countries in the Global South, but governments in the Global North also bear considerable responsibility for guaranteeing people the right to a livelihood. The EU is the world's largest producer, importer and exporter of agricultural products. This is why its common agriculture and trade policies are of crucial importance to developing countries in their bid to fight against poverty, and for the opportunities of millions of people to earn a living. Simultaneously, the EU has taken on the task of having policy coherence with eradication of poverty and fulfilment of human rights as goals that should characterise all fields of policy. So what policies does the EU have in various fields, and what are the consequences?

Unity of policy objectives

Coherence should be guaranteed in EU policies, i.e. all policy areas should aspire to similar objectives. This is established in the Treaty of Maastricht. Such coherence should not least be guaranteed in the external relations of the Union. This relates to its foreign and security policies and its economic and aid policies. The EU Commission and European Council are responsible for ensuring this coherence.³⁷

The development policy of the EU should serve as a to guide its coherence. The EC treaty establishes that EU policy for development should promote:

- Long-term economic and social development in developing countries, in particular in the poorest nations.
- Harmonic and gradual integration of developing countries into the world economy.
- The fight against poverty in developing countries.

Its policy should also contribute to development of democracy and respect for human rights. The EU and its member states should also fulfil commitments made

37. *Treaty on the European Union* (Treaty of Maastricht) (1992): Article 3.

within the UN and other international organisations. The EU should also pay attention to all these objectives within other areas of policy that may have an effect on developing countries.³⁸

A common policy statement from the European Council, the EU Commission and the EU Parliament – *The European Consensus on Development* – was made as recently as 2006. This statement emphasised the commitment of the EU to promoting a coherent policy for development. The importance was stressed of other fields of policy besides development cooperation in promoting efforts by developing countries to reach the millennium goals.³⁹

A new feature here is that the Commission will compile a biennial report evaluating the EU's policy of coherence. The first report is expected to be prepared in October 2007.

The EU is not alone in having a coherent policy for development. Several member countries have also pledged themselves to similar commitments. An evaluation of this type of mechanism to promote coherence on development within the EU and several of its member states was recently carried out to see the extent to which such mechanisms have been implemented and the effects they have had. The evaluation shows that the various mechanisms suffer a series of shortfalls. The main hindrance to successfully guaranteeing coherence is a shortage of political support. Furthermore a lack of clarity often exists in relation to the mandates of the various mechanisms; resources and knowledge for their implementation are frequently lacking; and participation of other actors such as civil society organisations is limited. A further difficulty is that policy areas other than development cooperation also wish to promote coherence – but from their own perspectives.⁴⁰

Two of the Union's major areas of policy will now be looked at using these points of departure. These are the policies of trade and agriculture – areas that have a sig-

38. *Treaty establishing the European Community* (EC treaty) (2002): Articles 177 & 178.

39. European Parliament, Council & Commission (2006): *The European Consensus on Development. Official Journal of the European Union*, C46/01. 24.2.2006.

40. ECDPM/Particip GmbH/ICEI (2007): *Final Report: EU Mechanisms that promote Policy Coherence for Development*. May 2007.

nificant effect on the chances developing countries have of fighting against poverty, and the windows of opportunity open to poor people to make a living.

EU Common Agricultural Policy

In 2007 EU farmers will receive approximately 43 billion euros in subsidies and agricultural support. This corresponds to around one third of the EU's total budget.⁴¹ The EU's agricultural policy arouses strong feelings. On the one hand European farmers and many others claim that if the EU wants a living rural culture and a strong farming sector then this costs money. On the other hand the policy and agricultural support are criticised by voices raised both in Europe and developing countries for leading to European agricultural products being dumped on world markets and the local markets of developing countries, in many cases wiping out small farmers. What is the background of the European agricultural policy and how does it currently function? What does the EU hope to achieve with its policy? And how does it affect small farmers, land workers and the worldwide trade in agricultural products?

From self-sufficiency to butter mountain

The Common Agricultural Policy (CAP) has been part of European collaboration since the foundations of the EU were laid⁴² after the Second World War. Enshrined back in 1957 in the Treaty of Rome⁴³. As a reaction to post-war food shortages the policy was marked by a wish to guarantee self-sufficiency in staple food.⁴⁴ The policy was implemented at the start of the sixties and focused on a series of core goals that in short were centred on increasing agricultural efficiency, providing farmers with an acceptable level of income, ensuring the supply of food, stabilising markets and giving consumers fair prices.⁴⁵

41. European Commission, Financial Programming and Budget (2007): »The EU Budget in Detail – The Current Year«. http://ec.europa.eu/budget/budget_detail/current_year_en.htm. 16/8 2007.

42. The term EU is used consistently to denote both the current EU and its EC and EEC predecessors.

43. The Treaty of Rome was signed in 1957 by the six founder states of the EU: Belgium, Netherlands, France, Italy, Germany and Luxembourg. The treaty contains the foundations of European cooperation on e.g customs tariffs, the internal market and agricultural policy.

44. European Commission, Directorate General for Agriculture and Rural Development (2005): *Description of the Common Agricultural Policy*.

45. Fahlbeck, Erik (2005): »Bistånd och jordbruk på kollisionskurs – EU:s jordbrukspolitik, storföretag och tredje världen«. I: Kronlid, David & Wolf-Watz, Daniel (red.) (2005): *Mat, miljö och utveckling*. Folkuniversitetet.

These objectives largely remain to this day, and may be considered reasonable. But in time they were to overshoot their mark.

A way of reaching the goals was to set up protective tariffs and quotas for goods originating outside the EU, while scrapping internal tariffs. There would be free movement of goods within the Union, and at the same time European agriculture would be protected against competition outside Europe. A further mechanism was the use of what is termed levies, which could be raised when prices on the world market fell, and reduced when prices rose. In this fashion imported goods became more expensive and products from within the EU cheaper. All this with the end goal of maintaining a stable level of prices for EU farmers.⁴⁶

This policy was successful and its objectives were more than achieved. The EU was self-sufficient in staple foods as far back as the late seventies. Import of agricultural products was confined to commodities that European farmers did not produce themselves. Self-sufficiency in meat was however only possible through the import of soya from Brazil for use as animal fodder. As the European demand for soya increased, Brazilian production of staple foods was edged out to make way for large-scale soya plantations. The high and stable prices within the EU meant many farmers investing in their operations and further increasing production. As time went by, the policy led to an EU surplus of agricultural products – butter mountains, wine lakes and grain stockpiles were created.⁴⁷

Export subsidies and reduced prices

So the EU now had a surplus of agricultural products in its charge. Since the minimum prices the EU guaranteed its farmers were far above world market prices, no one outside the EU was prepared to buy European produce. A series of measures were taken in the seventies, eighties and nineties to remedy the problem of surpluses. One of these was the introduction of what is termed export subsidies. These involved the EU subsidising farmers exporting goods outside the EU. Thus European farmers could sell their produce on the world market at sub-EU prices and gain compensatory subsidy for this loss. Through this, EU taxpayers financed an over-production of commodities to be dumped on the world market at prices below actual cost of production. This despite the fact that production was already subsidised and a high price paid for products on the European market.

One consequence of the EU's agricultural policy is that prices of agricultural products from countries outside the EU are reduced. This occurs in three ways:

46. Fahlbeck, Erik (2005).

47. Fahlbeck, Erik (2005).

- *Export subsidies* mean European agricultural products are sold at prices lower than world market prices and the prices of the local markets of developing countries than if sold without subsidy, leading to falling prices.
- *EU customs protection* makes it more expensive for farmers in developing countries to export to the EU, giving them a smaller market, whereupon prices fall.
- *EU support to its own production* reduces the demand for imported food, giving producers outside the EU fewer markets, leading to falling prices.⁴⁸

The largest falls in price have been for sugar, meat, grain and citrus fruits.⁴⁹ This distortion of world trade has had an impact on developing countries in particular.⁵⁰ Among the losers are international exporters such as Argentina and Brazil, who have not had the economic capability of subsidising their exports, and thus have been unable to compete with European agricultural products on the world markets. It has also hit small farmers in developed countries hard since they have no longer been able to compete with dumped European produce on their own local markets. A consequence of this is that many farmers have either been forced to transfer to production for their own needs alone or to production of export crops such as coffee, cocoa, fruit and vegetables.⁵¹

Does cheap food benefit poor people?

EU policy contributes to falling prices for agricultural products. But is this a problem? Is it not positive that European products are sold so cheaply that the price of certain staple foods falls in poor countries? Some people say of course it is, and claim that even if cheap imports hit specific poor producers, poor consumers will benefit. Cheaper products means they will have more money left over or else can afford to buy food they would otherwise not be able to afford.

This assertion tallies to some extent if we consider poor urban people. But his line of reasoning pays no attention to the fact that 70 per cent of the world's poorest people themselves rely on agriculture for their livelihood and survival. When dumped products from the EU knock out their production their source of income disappears and with this the

nor do consumer prices automatically fall when the price of agricultural products falls. It depends on the degree to which governments are permitted to regulate markets and guarantee competition. Consumer benefit is not assured if domestic competition is limited and a small number of importers control the market. One example of this is Honduras where the five main importers control 60 per cent of the rice trade. The import tariff on rice fell, resulting in the import price of rice falling by 40 per cent between 1994 and 2000. But on the other hand the consumer price rose by 12 per cent between 1994 and 2004.⁵²

A further aspect of this complex of problems is the risk contained in a country and its population being heavily dependent on food imports. Commodity prices change rapidly and are also affected by changes in subsidy regulations, which can lead to rapid and significant changes in consumer prices.⁵³ With small margins the consequences can be devastating for the right poor people have to food and a livelihood.

Despite the EU agricultural policy forcing down the price of agricultural products outside the Union, world market prices for agricultural products have been on the increase since 2002 after having declined for a long period. One of the chief reasons for this is the increase in demand. The higher price for oil has led to increased demand for agricultural products used in production of bio fuel. Prices are pushed up. Oil prices have also resulted in higher transport costs, something that also has an impact on the price of agricultural products. Processed agricultural products are also affected by increased fuel costs. Hardest hit by the price increases are those developing countries with major dependence on food imports, while at the same time they favour those countries that are major exporters of agricultural products.⁵⁴

Tariffs and tariff escalation

Agricultural products represent an important export commodity for many developing countries. Tariff levels are a crucial factor for the opportunity open to them to sell their goods on the markets of rich countries. When

48. Fahlbeck, Erik (2005).

49. De Vylder, Stefan (2007). *The Least Developed Countries and World Trade – Second Edition*. Sida studies no.19. Sida.

50. European Commission, Directorate General for Agriculture and Rural Development (2005).

51. Reichert, Tobias (2006): *A Closer Look at EU Agricultural Subsidies*. AbL & Germanwatch.

52. Oxfam International (2007): *Signing the future away - How trade and investment agreements between rich and poor countries undermine development*.

53. Oxfam International (2007).

54. FAO (2007:3).

the WTO agricultural agreement came into operation it meant that countries were forced to transform all types of import barriers on agricultural products such as import quotas to tariffs. In this way the system became more transparent. Tariff reductions in the agricultural sector have however been limited. In industrialised countries in particular tariffs are often extremely high on specific goods such as sugar, grain, fruit and vegetables.⁵⁵

A major problem facing developing countries is that the tariffs of rich countries increase with the degree of processing – tariff escalation. Thus for example the tariff on marmalade is greater than that on citrus fruit.⁵⁶ The average EU tariff on agricultural products is at present approximately four times greater than tariffs on other goods. This factor along with tariff escalation makes it difficult for developing countries to compete on the European market and establish processing industries for agricultural produce. For many developing countries tariff escalation is of particular importance in the case of principal export products such as meat, sugar, fruit, coffee and cocoa.⁵⁷ The EU is an overall net importer of agricultural products, but a net exporter of processed food products.⁵⁸

Reforms – a step in the right direction?

The large surplus of agricultural products with the EU led to claims for reforms. Instead of reducing prices of agricultural products within the EU, a series of other rulings were introduced to regulate production in various ways and reduce the supply of food. The first major reform of the Common Agricultural Policy was carried out in 1992. Tariffs and the guarantee price for grain were lowered. Instead of payment being made according to production as in the past, support to farmers was now calculated on cultivated land area and previous production. The idea was to reduce grain production. However, the reform did not cover important and long since subsidised products such as milk and sugar.⁵⁹

In 2000 the second reform took place entitled Agenda 2000. This involved lesser changes, for example specific reductions in guarantee prices. The hope was for a reduction in the surplus by greater consumption and a fall in production. The environment-related goals of the policy were expanded in connection with this reform.⁶⁰

55. De Vylder, Stefan (2007).

56. UNCTAD (2006): *Trade and development Report 2006*. UNCTAD/TDR/2006. United Nations: New York and Geneva.

57. Swedish Government Offices (2005): »Jordbruket – en nyckelfråga i WTO-rundan«, *UD Info*, No 1 April 2005; UNCTAD (2006); UNDP (2005).

58. European Commission, Directorate General for Agriculture and Rural Development (2005).

59. Reichert, Tobias (2006).

60. Reichert, Tobias (2006).

The latest in a series of extensive reforms of the EU Common Agricultural Policy followed on from a decision made in 2003. In the case of agricultural support one major change has been what is termed »decoupling« of direct payment from production. In real terms this means that most farmers in Europe no longer receive payment calculated on what they produce. In general decoupling gives producers the freedom to themselves determine what and how much they wish to produce, making the system more adapted to demand.⁶¹ The majority of the support will be paid out as direct income support irrespective of what and how much is produced. It is hoped that through this the incitement to over-produce will disappear.⁶² One criticism that has emerged is that since support will now be calculated on the basis of earlier support, large-scale producers that received the most support will be favoured.⁶³ Thus the injustices of the past system will be laid fast.⁶⁴

The original goals of the latest agricultural policy reform have been further supplemented with new social and environmentally related goals. These involve what in agricultural debate is termed the multifunctionality of agriculture. This alludes to the social benefits of agriculture beyond the production itself. Examples here include cultural landscape with significant value as regards culture and nature, eco-system functions (e.g. purification of water and air), biological diversity, food security and local development.⁶⁵ Roughly only one fifth of the EU's total agricultural budget of 55 billion euros is used to promote these new goals. The rest of the budget is made up of the 43 billion euros of direct payments and subsidies paid to EU farmers annually.⁶⁶

61. European Commission. »Reformen av den gemensamma jordbrukspolitiken: Ett långsiktigt hållbart jordbruk«. http://ec.europa.eu/agriculture/capreform/index_sv.htm. 16/9 2007.

62. European Commission, Directorate General for Agriculture and Rural Development (2005).

63. Direct payment within the CAP was initially established to serve as compensation for loss of income due to a fall in prices of agricultural products. Losses at large farms with larger scale production were greater than small farms and thus these received greater payment. Even if such direct payment has now lost its compensatory affect and functions more as a wage, an inequitable distribution of these payments remains.

64. Reichert, Tobias (2006).

65. Federation of Swedish Farmers, Church of Sweden and Swedish Society for Nature Conservation (2006): *Jordbrukspolitik och internationell solidaritet*.

66. Reichert, Tobias (2006).

Support to agriculture – in colourful boxes

EU agricultural policy is affected to a significant degree by WTO agreements, not least within the WTO's agricultural agreement.⁶⁷ A series of colourful boxes are coupled to the agricultural agreement where various types of support to agriculture are divided into different categories, depending on how much they are considered to distort trade and how quickly they are to be negotiated.

- **Red box.** This contains the kinds of support prohibited directly when the WTO agricultural agreement came into effect in 1995, e.g. import quotas. This box is no longer up for negotiation.

- **Amber box.** Here we find the kinds of support considered to distort competition as regards production and trade, e.g. export subsidies. This support should be at a minimum, and those countries lying above levels determined – including the EU – have committed themselves to a reduction.

- **Green box.** Green support measures are considered to involve minimum or zero distortion of trade. The definition of what might be accommodated here is broad, and includes e.g. direct payments the US pays to its farmers and also a large proportion of EU support once decoupled from levels of production. There is no demand on limits or reductions with this type of support.

- **Blue box.** The blue box was created as a concession to the EU in order for the WTO agricultural agreement to be adopted. This encompasses support calculated on production levels, but is exempted from the amber box regulation that support distorting trade should be dramatically reduced. On the contrary, support in this box may even increase as long as support is conditional on the farmer in question stopping cultivation of some of his or her land. Vindicators of this box feel that this type of support distorts trade less than support in the amber box. Opponents – including the majority of developing countries – claim that support in this box should be abolished since it distorts trade.⁶⁸

The problem with this system is the large amount of manipulation as to what falls within which category, and the type of support that can actually be considered to distort trade. Support in the green box is now steadily growing as the amber and blue support is phased out. Both the EU and the USA redefine their support to keep it within the WTO framework and yet continue with widespread support to agriculture. The green box above all contains support that only rich industrial countries can afford to make use of. Thus many critics consider that green box support does indeed distort trade – it is obvious that 43 billion euros in annual support to European farmers distorts competition for all farmers in developing countries who receive no support.

Export subsidies fall in importance

EU export subsidies, that have been a major culprit as regards dumping of European agricultural products on the world market and local markets in developing countries, have also seen major reductions in recent years. In 1980 export subsidies made up half of total EU agricultural support, but in 2006 this proportion was down to five per cent. As export support has fallen in relation to other types of agricultural support, its role in dumping European products on the world market has also fallen.⁶⁹ The reduction of EU export subsidies is closely linked to agreements within the WTO where this type of subsidy is considered to distort trade and finds itself in what is termed the amber box consisting of support that according to agreement is to be phased out. In December 2005 the EU undertook within the framework of WTO negotiations to abolish its export subsidies by 2013.

One EU product that was previously dumped in developing countries with the help of export subsidies, and that in some cases knocked out local production, is milk.⁷⁰ In June 2007 for the first time in 40 years the EU scrapped milk product export subsidies. However, the door was left open for a possible reintroduction of subsidies, depending on developments in world market prices for milk products.

69. Grain is one example. In 1995 export subsidies represented 60 per cent of export value, and in 2003 this had been reduced to a figure of less than 5 per cent. The figures for beef were 190 per cent of export value in 1995 to 75 per cent in 2002. (ActionAid & Cafod (2006): *A depreciating asset – too high a price*. April 2006.)

70. Previously Swedish Arla exported milk powder with the help of EU export subsidy to the Dominican Republic at such a low price that the price level of milk in the country fell dramatically. This led to local Dominican Republic milk farmers being forced to wind up and no longer be able to support their families. EU aid had previously contributed to building up functioning local milk production for the Dominican Republic's domestic market. (Fahlbeck, Erik 2005).

67. The WTO agreement on agriculture came into effect in 1995 and contains for example regulations to facilitate trade in food and agricultural products through e.g. increasing market access and reducing export support for agricultural products. A new agreement – the »Doha round« – is currently being negotiated.

68. UNDP (2003); WTO (2002): »Agriculture negotiations – background fact sheet. Domestic support in agriculture – The boxes«. http://www.wto.org/english/tratop_e/agric_e/agboxes_e.htm. 17/8 2007.

The world market price for milk is currently so high that it remains unclear the effect abolished export subsidies will have on European milk export.⁷¹

The unclear consequences of changed sugar regulations

One of the most tightly regulated agricultural products in the EU is sugar. In the past 20 years the guarantee price for sugar within the EU has been more than double the world market price. The price has been controlled through a sugar regulation system where quotas determine sugar production levels, and non-EU sugar faces high tariffs. The high price has led to production outstripping demand, with the surplus being dumped on the world market with the help of export subsidies. ACP countries (Africa, Caribbean and Pacific) have had the opportunity of exporting a certain quantity of sugar at the high European sugar price either at low tariff or tariff-free, meaning they have benefited from the system to a degree.⁷² The losers have included developing countries with major sugar export such as Brazil.⁷³

In 2006 the Council of the European Union determined on a reform of this system, leading to the guarantee price of sugar within the EU falling by 36 per cent. The hope is that this will reduce European production and also through this export of sugar.⁷⁴ The ACP countries, however, loose out in the reform since they receive a lower price than in the past. In 2009 all the least developed countries will gain tariff-free access to the EU sugar market.⁷⁵

Example: Agricultural support to Queen Elizabeth

On average EU member countries contribute one percent each of their GNP to the common EU budget. In this manner the taxpayers of Europe help to finance the EU budget and hence its agricultural budget too. In the 2003-04 agricultural year the UK's Queen Elizabeth received 230,000 euros. The Duke of Westminster, with a personal fortune of

around seven billion euros, also received his portion of the European agricultural cake, amounting to approximately 270,000 euros.⁷⁶

The big get more – the small get less

Who gets the agricultural support billions? In 2005, 4.4 million recipients – 63 per cent of those who received some kind of direct payment from the agricultural support budget – shared 1.6 billion euros between them, corresponding to just over five per cent of total payments made during the year. While at the same time one per cent of recipients together shared 4.9 billion euros. In other words three times more than the 63 per cent with the lowest payments. In all, 88 per cent of recipients gained less than 10,000 euros, or 43 per cent of the budget. While the 12 per cent gaining the most received no less than 57 per cent of the budget.⁷⁷ Thus Union support to agriculture is largely made up of large-scale support to large-scale farms.

Heading in the right direction?

EU agricultural policy regulations have multiplied, and at present it is hard to gain an overview of how the policy does in fact work. It is clear however that up to now it has been dominated by support linked to production or use of resources, i.e. the more a farmer has produced the greater his or her financial support. According to the OECD this kind of agricultural support stimulates higher levels of production, increases pressure on natural resources and distorts trade.⁷⁸ The recent reform decoupling agricultural support from production quantity should result in disappearance of the worst elements of the distortion effect. Agricultural production within the EU is now more adapted to EU demand and world market prices.

Major reduction of export subsidies and an EU undertaking to scrap them is good news. What the commitment will entail in practice remains to be seen. EU export subsidies at present represent a small proportion of the total of agricultural support. This means that even major reductions will not necessarily have any effect on the export

71. Merrett, Neil (2007). »EU export subsidies revoked as dairy prices rocket«, *FoodNavigator.com*, 18/6 2007. <http://www.foodnavigator.com/news/ng.asp?id=77437-dairy-export-subsidies>; 13/9 2007.

72. Johansson, Helena; Adenauer, Marcel ; & Jansson, Torbjörn (2007): *EU:s sockerreform - Effekter för u-länder som exporterar socker till EU* . Livsmedelsekonomiska institutet (SLI). SLI-rapport 2006:6.

73. Oxfam International (2004): *Dumping on the world – How EU sugar policies hurt poor countries*. Oxfam Briefing Paper no.61, March 2004.

74. European Commission, Directorate General for Agriculture and Rural Development (2007:3): »Reform of the sugar sector«. Press release. 7/5 2007.

75. FAO (2007:3).

76. Baldwin, Richard E. (2005): »Who finances the Queen's CAP payments? - The CAP as a dooH niboR scheme«. Geneva: Graduate Institute of International Studies.

77. European Commission (2007:1): »Annex 1: Indicative Figures on the Distribution of aid, by size-class of aid, received in the context of direct aid paid to the producers according to council regulation (EC) no. 1259/1999 and council regulation (EC) no 1782/2003 (Financial Year 2005)«. 05/03/2007. http://ec.europa.eu/agriculture/fin/directaid/2005/annex1_en.pdf; 10/7 2007.

78. OECD (2006): *Agricultural Policies in OECD Countries: At a Glance – 2006 Edition*.

opportunities of developing countries.⁷⁹ Above all it is the EU's internal agricultural support that currently makes it possible for European farmers to sell their products on the international market and the local markets of developing countries at prices below the cost of production. In principle this type of support is left untouched within the WTO where it finds itself in the green box – the box containing support that does not distort trade according to the WTO.⁸⁰

Up to now neither total EU agricultural support nor EU export of agricultural products have fallen, despite a reduction in export subsidies. On the contrary, there is a steady rise. The value of European agricultural product exports has doubled in 20 years.⁸¹ According to the forecasts of both the EU and the OECD grain exports for example are expected to rise in the period 2007 to 2016. The forecast is not least for a rise in exports to developing countries.⁸² Agricultural support continues to make up almost 30 per cent of the total value of European agricultural production, which in 2006 equalled 146 billion euros.⁸³

Besides the consequences the EU agricultural policy has had and continues to have for developing countries, consequences have also been felt on its home ground. The focus of the agricultural policy on increasing production and supporting big producers has led to an industrialisation of European farming with a high rate of using chemical sprays and fertilizers. In turn this has had serious consequences for the environment in the form of polluted land and watercourses, depleted soils and a fall in biological diversity.⁸⁴

EU banana tariffs hit Latin America

Text: Erika Brenner and Tove Silveira

Bananas represent one of the agricultural products on which the EU has imposed its highest tariffs, and which have caused most debate. EU support to its own banana producers, and to an even greater degree the high tariffs, have serious consequences for producers and workers on banana plantations in developing countries. Both Ecuador and Nicaragua serve as examples of how EU policy can affect people's right to a livelihood.

Banana production in Ecuador impacted

At the head of other banana producing countries Ecuador has been in dispute with the EU in the past decade over tariffs on bananas imported to the Union. According to Ecuador, Nicaragua and other countries that are backing up the report to the WTO, the EU tariff system has given ACP countries (African, Caribbean and Pacific area – regions with former British and French colonies) advantages. On several occasions the WTO has judged in Ecuador's favour, but the dispute remains unsolved. As recently as March 2007 the WTO sanctioned a fresh investigation into EU banana tariffs.

According to the EU's new import regulations valid from January 1, 2006, the tariff for Latin American bananas is 176 euros per tonne. In comparison ACP countries are entitled to export 775,000 tonnes of tariff-free bananas to the EU. While at the same time, the EU's own banana producers – primarily from the Canary Islands – receive 10 dollars in support per 18 kilos of bananas. Prior to changes in the regulations, a quota system was used for Latin American bananas with a tariff of 75 euros per tonne (Even here ACP producers exported tariff-free).

The higher tariffs have hit the Latin American banana producers hard. According to the Ecuador government, Ecuador's share of the world market has fallen from 29.9 per cent in the first eight months of 2005 to 27.5 per cent for the corresponding period in 2006. Ecuador is the world's largest exporter of bananas, with globally three out of ten bananas consumed coming from the country. This includes brands such as Bonita, Dole and Del Monte. The banana production and export sectors in Ecuador employ 200,000 people. It is estimated that 1.5 million people are directly or indirectly dependent on the banana sector. Since 1990 Ecuador is the biggest exporter of bananas to the EU. According to the chair of Ecuador banana exporters, Eduardo Ledesma, the country has lost five per cent of the European market since January 1, 2006.

79. UNCTAD (2006).

80. Reichert, Tobias (2006); ActionAid & Cafod (2006).

81. European Commission, Directorate General for Agriculture and Rural Development (2005).

82. European Commission, Directorate General for Agriculture and Rural Development (2007:2): »Prospects for Agricultural Markets and Income in the European Union 2007-2014«. July 2007. <http://ec.europa.eu/agriculture/publi/caprep/prospects2007a/fullrep.pdf> 25/8 2007; OECD-FAO (2007): *Agricultural Outlook 2007-2016*.

83. Eurostat. »Gross value added at basic prices of the agricultural industry«. http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1996,39140985&_dad=portal&_schema=PORTAL&screen=detailref&language=en&product=Yearlies_new_agriculture&root=Yearlies_new_agriculture/E/E1/E14/eda38672. 20/8 2007.

84. Oxfam (2002): *Rigged Rules and Double Standards*.

The tariffs not least affect the import and export stages of banana production. The greatest basic-level impact is a fall in the price of bananas when supply is up, such as when ACP countries have large tariff-free quotas. Reduced tariffs could indirectly lead to higher wages and income for banana workers and producers in Ecuador. In the case of the *Asociación de pequeños productores bananeros de Guabo* cooperative that sells straight to Europe with no middlemen, every centavo in reduced tariffs would directly enter the pocket of the producers. It could also open the way to paying higher wages to contract day workers. These at present receive 10-12 dollars per day, plus overtime payment.

Tariff levels also affect small producers who do not sell directly to importers. The official minimum price to a producer for a box of bananas is 3.75 dollars. But the price received by small producers is usually lower than this at approximately 3.25 dollars per box. On occasion box price can be as low as 80 cents.

Nicaragua – Cooperative bankruptcy and thousands lose their livelihood

Another country with banana producers hit by the EU's higher tariff levels is Nicaragua. One example is the Trabanic cooperative that produces bananas for export. This cooperative went bankrupt four months after the EU raised its banana tariffs. The poverty level of 5,000 banana workers and their families was set deeper. The workers on the Trabanic banana plantation had a form of part-ownership and shared in 25 per cent of profits from export. This gave each worker around 800 dollars extra per year over and above wages. When the banana plantation closed they continued to receive this sum – their only income. This at least guaranteed food each day. But the money soon ran out and the 5,000 former banana workers lost their entire previous income.

One of the places hit was Villa 25 de Julio in northern Nicaragua where practically the entire population of 14,000 people consists of former banana workers. The banana plantations around the town are deserted, not a single tree is visible. Mireya Lacayo is one of the former workers. When the banana plantation closed she lost her regular income. For an additional period she was able to live off the 25 per cent. Her children received food each day at that time, but no longer.

- I don't understand the EU! One day they come here with piles of money and build schools and roads. The next they take everything away from us banana workers, says Mireya.

At present she lives off washing neighbours' clothes and selling peanuts. Peanuts are a profitable trade since banana export to the EU fell. But the peanut industry

is highly technologised and doesn't provide work for all the former banana workers. Yet this is what they largely live off. The tractors harvesting the nuts do not gather the entire crop, and many of the former banana workers pick what is left, roast and sell them.

In protest at the new EU import regulations, former banana producers collected 10,000 signatures and handed them over to the EU representation in Nicaragua. The Nicaraguan state has also been asked to help. After the new Sandinista government took over, the state institute for rural development visited the region. The undertaking was to investigate the possibility of alternative sources of income for the former banana workers such as beekeeping, prawn/shrimp farming or meat production. But so far nothing has happened. These workers have received no help, from neither the state nor from any organisations.

The issue of EU tariffs on bananas is complex. Many of the Latin American producers are big American corporations such as Dole and Chiquita who have already forced down banana prices on the world market. The concern of producers in the ACP countries is that repealed tariffs would lead to prices falling so low that their own production would be knocked out⁸⁵. At the same time small producers and cooperatives such as Trabanic in Latin America are hit severely by the advantages given to the ACP countries on the important European market, and the support given by the EU to its own banana producers.

From global to regional trade agreements

The EU's trade policy is closely linked to its agricultural policy.⁸⁶ Both within the WTO and in bilateral negotiations with developing countries the EU conducts a free trade policy based on the presumption that greater trade leads to growth and development. Liberalisation in a series of areas, access to world markets and higher rates of export are seen as the key to success for developing countries. At present the EU is fit and ready to launch negotiations

85. BBC Caribbean (2007): »Dismay over EU banana offer«, 30 July 2007. http://www.bbc.co.uk/caribbean/news/story/2007/07/070730_eubananas.shtml. 10/8 2007.

86. Trade policy is one of the areas where the EU has what is termed exclusive powers, meaning EU member states have no right to sign their own trade agreements with other countries. The EU Commission negotiates with non-EU countries on a mandate from member states in the Council of Ministers.

on what is termed »association agreements«, including free trade agreements, with for example Central America and the Andean Community (CAN). What does European trade policy focus on and what are the key issues?

WTO as starting point

For a long time the WTO was the central arena for European trade policy. In the most recent round – the Doha round – begun in 2001, the EU has among other things urged a reduction in industrial tariffs in developing countries and liberalisation of their service sectors. At the same time the EU has been willing to put its enormous system of agricultural support on the negotiating table, excepting specific items such as export subsidies. After the Hong Kong ministerial meeting in 2005 WTO negotiations became in practice bogged down, even if negotiations continue to solve knotty issues relating to industrial goods and agricultural products. Besides these two areas, the Singapore Issues make up a significant part of EU trade policy.

Singapore Issues

The Singapore Issues include some of the questions that led to WTO negotiations getting bogged down, and which now turn up in EU negotiations on regional trade agreements⁸⁷. Above all pressure has come from the EU and the USA to include these issues in WTO negotiations, something opposed by the majority of poor countries. At least as long as the industrial countries fail to make bigger concessions on trade barriers such as agricultural subsidies, export subsidies and export tariffs. What are these issues, and why are they so controversial?

Competition agreements

The main point of competition agreements is to give foreign and multinational companies the opportunity to act on the same conditions as domestic companies. Through such agreements national governments are deprived of the chances of supporting or giving national companies special treatment in preference to foreign companies.⁸⁸ Developing countries claim that this would prevent them from protecting and supporting their own companies in the same way modern developed countries did in the past. They also wonder if it is fair that small national companies be forced to compete on the same conditions as major multinational corporations.⁸⁹

Public procurement

Public procurement refers to the purchase by state, regional or local authorities of various types of goods or services. Examples here are medical treatment, education, building services and equipment. In many countries public procurement represents a large part of the national economy. Agreements regulate procedures and who may take part in public tenders. Once again the wealthy countries are putting on pressure for tendering to be open to both national and foreign companies.⁹⁰ Developing countries claim this would limit their chances of forming their own development policies and thus oppose such agreements. They say that one of the most important instruments that governments in developing countries have for promoting economic development is to decide what the state buys and who it buys from.⁹¹

Investment agreements

The objective of investment agreements is to protect investments abroad.⁹² If you fail to do this, say proponents (primarily industrial countries), future investments – and hence the development of poor countries – come under threat. However, the majority of developing countries have for various reasons opposed this type of agreement. Such agreements entail states being unable to give special treatment to domestic investors in preference to foreign investors. They may also mean a prohibition against conduct regulations that make demands on foreign companies to ensure their investments promote the environment, local development or transference of technology. Such regulations are not allowed even if they also apply to domestic companies. In certain cases such agreements also give foreign investors – frequently multinational corporations – the right to sue a national government if they consider that it has negatively impacted investment value through its laws or policies. This is achieved via conflict solving mechanisms that can impose forceful economic sanctions.⁹³

In summary, critics claim that all these issues mean greater protection for foreign and multinational companies at the cost of small companies in developing countries. They involve to a still greater degree large-scale limitation of the political room for manoeuvre of governments. That is to say the chances they have of forming their development policies themselves on the basis of their country's circumstances and priorities, and guaranteeing the rights of their citizens to food, health and a clean environment.⁹⁴

87. The questions are called the Singapore Issues since groups were formed to discuss them at the WTO's summit meeting in Singapore in 1996.

88. Kommerskollegium. www.kommers.se; 14/6 2007.

89. Bilaterals.org. www.bilaterals.org; 14/6 2007.

90. Kommerskollegium. www.kommers.se

91. Bilaterals.org. www.bilaterals.org

92. Kommerskollegium. www.kommers.se

93. Bilaterals.org. www.bilaterals.org

94. Bilaterals.org. www.bilaterals.org

Investment agreement threatens access to land in Paraguay

Text: Åsa Callmer

Investment agreements between countries can have serious consequences for people who lack their own land and food security. One example of this is the bilateral investment agreement between Paraguay and Germany that was enacted in 1993. The agreement disallows expropriation of land belonging to German companies and citizens.

Forty-seven per cent of people in Paraguay live in the countryside. Half of these live below the poverty line. In many cases poverty results from people lacking access to arable land. One settlement is called Palmital with 120 landless families that occupied land property over 10 years ago that had not been used for several years. In accordance with Paraguay's land reform provisions the families applied to take over ownership rights. The Paraguayan state refused expropriation of the land, citing its investment agreement with Germany. The land was shown to be owned by Germans and expropriation would therefore have meant breaking the conditions of the agreement. Since then the families have been driven from the area three times by the police, who have burnt their homes and destroyed their harvests, as well as imprisoning the leaders of the settlement.

An accord has been reached between the farmers, owners of the land and the state so that the families are now able to remain on the land. But due to the investment agreement, the Paraguay state has blocked the land reform process on land owned by Germans.⁹⁵

Bilateral trade agreements on the march

WTO negotiations might have become sluggish, but there is much happening on other fronts as regards international agreements. Both the EU and the USA are advancing their positions via regional and bilateral trade agreements with developing countries. The proportion of this kind of agreement in world trade as a whole has increased vastly in recent years.⁹⁶ Agreements are already in place

between the EU and for example Chile and Mexico. Negotiations have been ongoing for several years now with ACP countries (Africa, Caribbean, Pacific area) on Economic Partnership Agreements (EPA), with trade an important aspect.

European business interests and growth

The EU took a further step in promotion of regional trade agreements in the autumn of 2006. It was then the Commission presented *Global Europe – competing in the world*,⁹⁷ a strategy with guidelines for the EU's future policy when trade activities with non-EU countries are drawn up. The strategy will serve as the basis for all trade agreement negotiations launched by the EU with countries or regions outside Europe.

According to the EU the fundamentals of trade policy should be sustainable development and the fight against poverty. Yet these goals are glaringly absent in the new strategy. Instead, focus is on promoting the European ability to compete and combating protectionism – i.e. protection of domestic markets. The message is quite clear – the EU should work hard for further liberalisation of the world market and in this way secure the access of European companies to new markets, and through this the economic growth of the Union.

In relation to the WTO, the EU keeps to its commitments for multilateral cooperation, and is prepared to make sacrifices to keep the system flourishing. But at the same time as its commitments to the multilateral trade system are avowed in one paragraph, page after page is dedicated to detailed discussion of the advantages of regional trade agreements and the issues central to urging them into being. EU interest in such agreements is clearly expressed:

*Free Trade Agreements (FTAs), if approached with care, can build on WTO and other international rules by going further and faster in promoting openness and integration, by tackling issues which are not ready for multilateral discussion and by preparing the ground for the next level of multilateral liberalisation. Many key issues, including investment, public procurement, competition, other regulatory issues and IPR [intellectual property rights] enforcement, which remain outside the WTO at this time can be addressed through FTAs.*⁹⁸

95. Hausmann, Ute & Künnemann, Rolf (2006)

96. If we include agreements not yet implemented and others still under negotiation, at the end of 2006 there were almost 400 bilateral trade agreements in the world. (WTO (2007): »WTO – Regional Trade Agreements«. http://www.wto.org/english/tratop_e/region_e/region_e.htm. 15/8 2007).

97. European Commission, Directorate General for Trade (2006): *Global Europe – competing in the world*. http://ec.europa.eu/trade/issues/sectoral/competitiveness/global_europe_en.htm. 26/4 2007.

98. European Commission, Directorate General for Trade (2006).

Thus many of the Singapore Issues are in focus. IPRS and competition rules should be strengthened to ensure that European companies are not unfairly treated in other countries due to subsidies to local business. Emphasis in the strategy is also on the importance of increasing EU access to resources such as energy, metals and raw materials. According to Global Europe, new free trade agreements must in fact be more extensive and ambitious than those within the WTO if positive effects are to be achieved. They should aim towards the greatest possible trade liberalisation even in the case of services and investment. If a free trade agreement is already in place between EU competitor country and opposite party, then it is specifically expressed that the EU should strive to obtain at least the same advantages.

With Global Europe as its basis the EU plans new free trade agreements with a series of countries and regions, including Central America, Andean Community, ASEAN countries⁹⁹, South Korea and India.

Agreements between unequal parties

Does any difference exist between the regional and bilateral trade agreements and agreements within the WTO framework? According to UNCTAD this type of bilateral or regional trade agreement often pays small regard to the different situations facing the parties as regards for example level of development. Many regional agreements also go further than multilateral agreements through inclusion of controversial questions such as the Singapore Issues, frequently forcing developing countries to concessions greater than those lined up within the WTO. They impact a whole series of areas and often entail irrevocable rule changes severely curtailing the chances of poor countries shaping their own policies to alleviate poverty and bring about development.¹⁰⁰

The already weak negotiating position of developing countries risks becoming still weaker in bilateral agreements compared to those within the WTO. In the bilateral or regional agreements they stand alone or together with a small group of developing countries against for example the EU, with its enormous advantage as regards resources and negotiating capacity. Furthermore, the negotiating of regional agreements by individual countries or groups of countries leads to a split among developing countries in WTO negotiations. Countries that have already largely opened up their markets via regional trade agreements are likely to take up different positions in WTO negotiations

compared to countries that have not done so.¹⁰¹ The weaker negotiating position of developing countries in bilateral trade agreements can for example be seen in that these agreements – as opposed to those within the WTO – have scarcely led to any changes in EU agricultural policy.¹⁰²

According to Oxfam both the EU and the USA utilise regional trade agreements to promote the influence of their own corporations on world economy.¹⁰³ Reports from Oxfam and ActionAid show how EU trade policy has the interests of European corporations at its heart. Representatives of the powerful lobby organisations speaking for multinational companies have privileged access to EU decision-makers and negotiators. It is claimed that this order of things contributes to global trade regulations that undermine the fight against poverty. As the influence of companies rises, the chance developing countries have of securing their position in the global economy falls.¹⁰⁴

If the risks are so great then why do so many developing countries enter negotiations on this type of agreement? The UNCTAD guess is that the dominant position of export promotion as development strategy makes bilateral trade agreements a goal in themselves for many governments in developing countries. Through these agreements developing countries hope to secure access to the markets of developed countries.¹⁰⁵

Assessments will lead to better agreements

One tool the EU has at its disposal to promote development issues and ensure coherence in the Union's trade policy is what it terms *Sustainability Impact Assessments* (SIAs). The intention here is to assess the possible consequences of trade agreements for development in the countries concerned, with suggestions being made on changes and measures to deal with negative outcomes that may arise. Such assessments should be carried out prior to the EU deciding on initiation of trade negotiations with countries or a region.¹⁰⁶ This should lead to a

99. ASEAN is made up of 10 Southeast Asian countries:

Brunei, Cambodia, Indonesia, Laos, Malaysia, Burma, Philippines, Singapore, Thailand and Vietnam.

100. UNCTAD (2006).

101. Oxfam International (2007).

102. Moehler, Rolf (2007): »EU Bilateral and Regional Trade Agreements: Impacts on the CAP«, *EuroChoices* 6(2). The Agricultural Economics Society and the European Association of Agricultural Economists 2007.

103. Transnational corporations currently make up 10 per cent of the world's total GNP. Owning major parts of the chains of production and having access to developing markets are crucial to the continued expansion of these companies (Oxfam International 2007).

104. ActionAid International (2006): *Under the Influence*; Oxfam International (2007).

105. UNCTAD (2006).

106. European Commission, Directorate General for Trade (2006).

more sustainable trade policy and can be a method for increasing openness in this regard.

Numerous European civil society organisations have pointed out a series of problems with such assessments. The biggest problem is that they are often carried out in parallel with or even after completed negotiations on trade agreements. As far as the agreement with Mexico is concerned, signed in 1997 and coming into effect in 2000, an assessment is still yet to be carried out. This means that the conclusions of these assessments have no influence on EU mandate or EU positions in trade negotiations. Furthermore, current assessments are based on the assumption that trade liberalisation is a good thing and rarely indicate problems or give any recommendations to the EU on how it might change its policy. Furthermore, at present the number of groups or individuals consulted during the assessments is limited.¹⁰⁷

Aid for trade

EU trade policy is not only related to its agricultural policy. It is also in various ways linked to its development policy. One such link is trade related development aid, its *Aid for Trade*. The aim of such support, which has increased in the last decade, is to boost the chances of developing countries adapting to and benefiting from the global trading system. Examples of this include stronger production capacity, improved infrastructure, better knowledge on trade negotiations and on implementation of trade agreements.

This type of aid has been criticised in the past for amongst other things being guided too much by the priorities of donor countries. More than half of the technical trade-related support reported to the WTO in 2001 was made up of support based around the Singapore Issues, this despite the fact that developing countries in the WTO »Doha round« of talks have already said no to inclusion of these issues in negotiations. A mere one percent was used as negotiating support within agriculture, despite this being an area central to many developing countries.¹⁰⁸ Trade-related aid has also been criticised for frequently being tied, ineffective and misdirected.¹⁰⁹

Following the WTO ministerial meeting in Hong Kong

in 2005, a group was appointed to draw up recommendations on how to take an overall grasp of trade-related aid. Recommendations of the group focus on adding strength to identification of trade-related needs in developing countries, quality of donor support and the link between these two.

107. »EU Trade Sustainability Impact Assessments: A Critical View«. Statement of European Civil Society Organisations. October 2006. http://www.foeeurope.org/publications/2006/siastatement_eucivilsociety_oct2006.pdf 20/6 2007.

108. UNDP (2005).

109. Oxfam (2005): *Scaling up aid for trade*. Oxfam Briefing Note.

3. EU concludes trade agreements with Latin America

In the middle of 2007 negotiations got underway on trade agreements within the framework of the association agreement between the EU and the Andean Community¹¹⁰ and with Central America¹¹¹. Association agreements are the most far-reaching agreements signed by the EU with countries or groups of countries. What is the background to these agreements? What do they entail? What interests lie behind them, and what are the misgivings?

After a long series of summit meetings

Relations between the EU and Central America and the Andean Community go back a long way. The EU not least played a prominent role in Central America via the »San José dialogue« launched in 1984, which was important to peace processes in the region during the eighties. A special dialogue was launched in 1996 between the EU and the Andean Community on combating drugs. Development cooperation has also constituted an important part of relations between the regions. Top members of Government in the EU and Latin America have met every other year since 1999 to discuss issues of common interest, including democracy, human rights and regional integration. At the most recent summit meeting in Vienna in May 2006, the EU and Latin America agreed to launch negotiations on an association agreement. At the same time the EU and Andean countries resolved to continue a dialogue on future negotiations. The possibility of negotiations between the regions on an association agreement had already been discussed, both at the Madrid summit of 2002 and in Guadalajara, Mexico, in 2004.¹¹²

Current trade relations between the EU and Latin America

What trade relations between the EU and Latin America exist at present? Latin America's most important trade partner is the USA. Forty-five per cent of Latin American export goes to the USA, while import from the USA is at 38 per cent.¹¹³ Trade between Latin America and Europe is relatively small. A quarter of Latin America's total export went to the EU in 1990, the figure now is one seventh. Trade between the regions has however increased somewhat in recent years.¹¹⁴ Only six per cent of EU import goods come from Latin America. Sixty-nine per cent of Latin American export to the EU consists of primary materials and agricultural products while 87 per cent of EU imports are made up of industrial products.¹¹⁵

Trade with Central America and the Andean Community represents a small proportion of EU trade with Latin America, and a smaller proportion still of the Union's total trade. Trade with Central America corresponds to 0.4 per cent, and trade with the Andean Community 0.8 per cent of the EU's total trade. At the same time, the EU is the second most important trading partner, after the USA, for the Andean countries and Central America. In 2004 trade with the EU was 15.5 per cent of the Andean countries' total trade, and for Central America 12 per cent.¹¹⁶

Current trade relations between the EU and Central America and the Andean countries are regulated by the

110. The Andean Community consists of Bolivia, Colombia, Ecuador and Peru.

111. Costa Rica, Nicaragua, El Salvador, Guatemala and Honduras. Panama will also take part in negotiations when or if it determines to join the Central American economic integration system (SICA).

112. European Commission, Directorate General for External Relations (2007:1): »The EU's relations with Central America«. http://ec.europa.eu/external_relations/ca/. 23/8 2007; European Commission, Directorate General for External Relations (2007:2): »The EU's relations with the Andean Community«. http://ec.europa.eu/external_relations/andean/intro/index.htm. 23/8 2007.

113. These figures reflect import and export to/from the EU. WTO statistics for example show much lower figures since they include all import and export taking place to/from each respective EU country (European Commission, Directorate General for Trade (2007:1): 07 August 2007. <http://trade.ec.europa.eu/doclib/html/111527.htm> 23/8 2007)

114. European Commission, Directorate General for Trade (2007:1); Inter-American Development Bank (2006): *Inclusive Integration for Global Competitiveness – Strengthening the EU-LAC Partnership*.

115. During 2006 the EU exported agricultural products to a value of just under three billion euros to Latin America, corresponding to 4.5 per cent of the EU's total export to Latin America (European Commission, Directorate General for Trade 2007:1).

116. European Commission, Directorate General for External Relations (2007:1) & (2007:2).

»Generalized System of Preferences« (GSP).¹¹⁷ This provides both the Central American and Andean countries with tariff-reduced or tariff-free access to the European market for all industrial products and specific agricultural products. A new system, entitled GSP+, was launched in 2005. An overhaul of the regulations will be made in 2008.¹¹⁸ Several agricultural products of great interest to the Latin American countries, for example sugar cane and bananas, are not included in the current system and thus are at a disadvantage. The fact that such regulations were set up unilaterally by the EU is criticised both by popular movements and business.¹¹⁹

EU following in US footsteps

The EU has followed in US footsteps in the past as regards trade agreements with Latin America. The EU renegotiated agreements with both Chile and Mexico after the countries have reached accord with the USA. The EU has taken these agreements as its starting point and demanded privileges at least equal to those given to the USA. An economic partnership agreement including a free trade agreement came into operation in 2002 between the EU and Mexico. Negotiations reached their end in one year alone – high speed for a far-reaching agreement of this type. Dialogue with civil society – both in Mexico and the EU – was flawed. The Mexican parliament also had limited public control. A 2003 free trade agreement within an association agreement framework came into operation with Chile. Negotiations here took two years.¹²⁰ Those with Mercosur¹²¹ were started back in 1999 but have since run aground.¹²² The trend continues. The USA now has agreements with both Central America and two states

in the Andean Community (Peru and Columbia), with the EU at its tail.

The three strands of association agreements

The agreements to be negotiated with Central America and the Andean Community are termed association agreements and have three main strands:

- *Political dialogue.* Agreements on political dialogue and development cooperation were signed in 2003 between the EU and Central America and the EU and the Andean Community. These are yet to come into force however. The agreements on political dialogue institutionalise the dialogue already existing between the regions on issues of common interest.¹²³
- *Development cooperation.* Current development cooperation is based on a framework agreement from 1993. It will be replaced by the agreement on political dialogue and development cooperation from 2003 when it enters into force. Common goals in cooperation between the two regions are: political and social stability via promotion of democracy and human rights; and strengthening of regional integration and the fight against poverty. A strengthening of peace and security is a further goal in the agreement with the Andean countries.¹²⁴
- *Trade.* The new component in both association agreements will be a free trade agreements. Since agreements already exist in relation to the first two strands, focus is now on negotiations relating to the third.

The agreements shall also contain a democratic clause establishing that human rights and democratic principles make up both the basis and objective of the agreements. The clause should also serve as a guarantee that all trade, investment and financial relations be based on respect for human rights. The clause has however been criticised for being toothless – more a paper tiger than anything else.¹²⁵

117. The EU has three different types of preference system giving 180 developing countries and territories preferential tariffs as regards access to the European market: a General System of Preference (GSP); GSP+ for countries with particular development needs, and *Everything But Arms* which gives the least developed countries tariff-free access to the EU market for all goods except weaponry.

118. European Commission, Directorate General for External Relations (2007:1) & (2007:2).

119. Perez Rocha L, Manuel (2005). *Hacia un Acuerdo de Asociación entre Centroamérica y la Unión Europea. Un instrumento para el desarrollo y los derechos humanos o un CAFTA II?* CIFCA. Mayo 2005.

120. Aguirre Reveles, Rodolfo & Pérez Rocha Loyo, Manuel (2007): *The EU-Mexico Free Trade Agreement Seven Years On – A Warning to the Global South.* Transnational Institute & ICCO.

121. Mercosur is a customs union made up of Argentina, Brazil, Paraguay and Uruguay and since 2006 Venezuela.

122. EU agricultural subsidies were one of the essential points on which they failed to reach agreement. Mercosur made demands for reductions unacceptable to the EU (Kommerskollegium (2003): »Frihandelsförhandlingar EU – Mercosur – avstämning«. Dnr 110-2382-03.1/12 2003).

123. Stated areas of interest for the political dialogue include: regional integration, poverty reduction, sustainable development, regional security, conflict prevention, human rights, democracy, migration, combating terrorism, combating corruption, drugs and small arms.

124. *Political Dialogue and Cooperation Agreement between the European Community and the Andean Community* (2003): http://ec.europa.eu/external_relations/andean/doc/pdca_1203_en.pdf; *Political Dialogue and Cooperation Agreement between the European Community and Central America* (2003): http://ec.europa.eu/external_relations/ca/pol/pdca_12_03_en.pdf.

125. Perez Rocha L, Manuel (2005).

EU shifts focus in its development cooperation with Latin America

Besides the framework agreements on development cooperation that exist between the EU and Central America and the Andean Community, EU regional strategies play a decisive role in the orientation of European development cooperation. At the start of 2007 the EU adopted new strategies for development cooperation with both Central America and the Andean countries for the period between 2007 and 2013.

In historical terms EU development cooperation in Central America has focused on human rights, democracy, rural development, disaster prevention and reconstruction, social development and regional integration. According to the new strategy focus will be on institutional strengthening of the regional system, support for regional economic integration, good governance and regional development. Development cooperation with the Andean countries will be oriented towards regional economic integration, economic and social cohesion¹²⁶ and combating drugs. The EU has set aside 840 million euros for development cooperation with Central America in the 2007-2013 period.¹²⁷ 713 million euros have been earmarked for development cooperation with the countries of the Andean Community for the same period.¹²⁸

The new strategies clearly show that EU focus and priorities have shifted with regard to development cooperation with both Central America and the Andean region. Focus is increasingly directed at development and trade. For example, the strategy for Central America particularly puts focus on backing up a customs union, something that was also an EU prerequisite for launching negotiations on an association agreement. The strategies are relevant for seven years and are not up for renegotiation. They are however open to possible changes on the basis of accords reached in the trade negotiations.

EU in favour of far-reaching agreements

Despite the fact that EU trade with Central America and the Andean Community is limited, the EU is interested in trade agreements with both regions. What does it stand to win from these agreements, and what questions is it pursuing? A clear picture of European interests is provided by looking at the issues raised in previous agreements of the same type (e.g. those with Mexico and Chile), Global Europe and the EU draft mandate.

The agreements with Mexico and Chile both followed the same model as agreements between these countries and the USA. The agreement with Chile is the most far-reaching of EU trade agreements. It goes further than the WTO in a series of fields and encompasses all elements of bilateral trade: free trade on goods, services and public procurement; liberalisation in the field of investments; strong protection of intellectual property rights; and a binding conflict solution mechanism.¹²⁹ The EU-Mexico trade agreement also in principle covers all sectors, including core sectors such as finance, telecommunications and energy.¹³⁰

Global Europe represents the fundament in negotiations with Central America and the Andean Community, with issues raised in these negotiations having been previously discussed in this report. European mandates for negotiations were drawn up by the European Commission and approved by member countries in the European Council. This is where guidelines are drawn up as to which issues the EU will pursue in its negotiations. Mandates for this type of negotiations are confidential, but leaked drafts are in circulation. These drafts confirm that the EU pays little regard to the differences between the regions; the aim is rather for reciprocal and relatively speedy liberalisation. The talk is of »...progressive and reciprocal liberalisation, by means of an ambitious, comprehensive, balanced Free Trade Area fully compliant with the rules and obligations of the World Trade Organisation, as well as investment promotion«.¹³¹

The same applied to the Mexico and Chile agreements, where small regard was paid to asymmetries, i.e. the fact that the parties have reached different stages in their development and have different needs. The mandate includes a series of controversial issues expected to be part of the coming agreement.

126. *Economic and social cohesion* is the standard term used in EU development cooperation.

127. Comité Económico y Social Europeo. »Las relaciones UE-América Central«. REX/232. 12 de julio de 2007.

128. *Political Dialogue and Cooperation Agreement between the European Community and the Andean Community* (2003); *Cooperation Agreement between the European Community and Central America* (2003).

129. European Commission, Directorate General for Trade (2007:2): »Bilateral trade relations – Chile«. http://ec.europa.eu/trade/issues/bilateral/countries/chile/index_en.htm. 2007-09-14.

130. Inter-American Development Bank (2006).

131. European Commission (2006). *Recommendation from the Commission to the Council – Explanatory Memorandum*. Draft for EU mandate for negotiations on an association agreement with Central America. From: www.bilaterals.org/article.php3?id_article=8336

Singapore Issues

Fully in line with Global Europe, the EU includes the Singapore Issues in its negotiating mandate. As previously discussed these issues are controversial since they are seen as containing far-reaching limitations on the prospects of governments defining their own development policies.

For example they involve pursuing opening markets for public procurement. The water, energy and transport sectors are specifically mentioned.¹³² In its agreement with Mexico the EU gained access to the Mexican procurement market in line with NAFTA. The agreement covers procurement at central level. The agreement with Chile goes further as regards goods and services, and encompasses procurement at central, regional and local level.¹³³

According to the EU mandate, a future agreement will promote investment. The EU currently prioritises inclusion of investment rules in regional and bilateral trade agreements. A whole series of investment agreements between Central American and European countries already exists. This type of agreement gives foreign investors extensive rights with regard to the countries where they are active. If for example a company feels an expropriation has taken place it can sue the state in question. The term »investments« is broadly defined and for example may include share purchase. With this, anything seen as reducing investment value can be defined as expropriation, including for example tax increases or tighter environmental laws.¹³⁴

Investments – promoting development or promoting takeover of national companies?

One aspect raised as something positive when association agreements are discussed is the opportunity through these of increasing European investments in the Andean and Central American countries. According to advocates this would be positive for development in Latin America. European investments in Latin America are currently centred on Chile, Argentina and Brazil, consisting chiefly of Spanish companies (making up 60 per cent of investments in the region) that have entered privatised markets or taken over national companies. Above all in sectors such as telephony, finance, water, electricity, oil and gas production.¹³⁵ Thus what we are primarily concerned with here is operations that already exist passing into European

ownership or management.

To a large degree the same applies to European investments in Mexico – Mexican companies are taken over by European companies. Investments are concentrated on a minority of sectors and regions. Since the free trade agreement prohibits Mexico from, for example, making sectorial or geographical demands, it has not been possible to use investments to promote regional development. A large portion of EU-Mexico trade is made up of trade between European-owned companies, meaning profits do not stay in the country. A company imports goods that are assembled in Mexico and then exported by the same company to the European and American markets. The conclusion is that free trade agreements have primarily favoured European companies by cheap access to labour reducing their costs of production and through providing them with a platform for access to new markets.¹³⁶

If future investments in the Andean and Central American countries follow the same pattern how will these countries and their populations benefit?

Trade in services

The global trade in services is currently regulated by the GATS agreement¹³⁷, one of the WTO's most important agreements. Through GATS WTO member countries undertake to liberalise or open their services markets. This paves the way for any member countries to establish themselves on these markets. This not least includes sectors such as education, medical treatment and transport. The EU is one of the most vociferous advocates of further liberalisation in the services sector. It is clear from the draft mandate that the EU will aim for reciprocal liberalising of trade in services and greater market access. The same rules should apply to domestic and foreign companies. The EU can accept transitional periods for certain countries, though 10 years maximum. It is also expressly stated that in cases where agreement already exists with another country the EU wants the same advantages for its companies.¹³⁸

Greater liberalisation of trade in services means all restrictions and regulations within the services field can be seen as trade barriers, including those that aim to achieve environmental or social objectives. Many popular movements, along with most governments of developing

132. European Commission (2006).

133. Kommerskollegium (2002): *Handbok för EU:s bilaterala och regionala avtal*.

134. Perez Rocha L, Manuel (2005).

135. Inter-American Development Bank (2006).

136. Aguirre Reveles, Rodolfo & Pérez Rocha Loyo, Manuel (2007).

137. General Agreement on Trade in Services. Agreement adopted 1995 as one of WTO's most important agreements.

138. European Commission (2006).

countries, are highly critical of liberalisation of trade in services. They feel this risks leading to privatisation of public services such as education, transport, telecommunications, medical treatment, water and energy. They also claim that such agreements risk tying down developing countries in a position where the interests of foreign investors are put before the good of the community. The position of companies is strengthened at the cost of national governments, which see their political room for manoeuvre diminish.¹³⁹

In the case of Mexico, its free trade agreement with the EU has meant major restrictions on its chances of shaping a national development policy. For example it has made it impossible for Mexico to aid local small and middle-sized companies, since this contravenes the EU agreement.¹⁴⁰ In the case of the EU-Chile agreement the EU went only slightly further than its GATS obligations, while Chile went far beyond its GATS commitments.¹⁴¹

Privatisation in Bolivia put right to water at risk

Previous experience from Latin America shows that privatisation of public services threatens the capacity of the state and its chances of guaranteeing human rights for all – such as the right to water. One example is Cochabamba, Bolivia, where water distribution was privatised in 1999 following pressure from the World Bank. Many people in the population already lacked access to clean water prior to privatisation, with some spending up to one fifth of income on water. Water costs increased considerably following privatisation – by up to 35–50 per cent, sometimes more. This meant the individual's right to water was at risk. People reacted with protests and strikes, and after violent confrontations with the military they won out and water distribution went back into local authority hands.¹⁴²

Tariffs and market protection

The EU wants to achieve reciprocal repeal of tariffs on more or less all trade – both agricultural and industrial products. Scope is left for any possible exceptions or transition periods for »sensitive products«, but emphasis is on any exceptions being kept to a minimum. Current GSP preferences should be included in agreements.¹⁴³

According to the EU itself the process with Mexico on

scrapping tariffs was extremely fast. Mexico's tariff on some products was lower when the agreement entered into force than after five years with NAFTA (trade agreement between Mexico, the USA and Canada).¹⁴⁴ The longest period allowed for keeping any barriers for trade in goods and services is 10 years. In the case of Chile 97 per cent of EU-Chile trade should have no trade barriers within 10 years of the agreement entering into force.¹⁴⁵

Intellectual property rights

Intellectual property (patents and copyright) issues are regulated via the TRIPS agreement, one of the main agreements of the WTO. All WTO members are committed through TRIPS to passing laws on a level with the most developed industrial countries, which have far-reaching legislation here. For example the EU and the USA allow patents for genetic material taken from developing countries without the consent of the population. This means that European companies can take out patents on crops evolved by farmers in developing country communities, crops central to their survival and food security.¹⁴⁶

Both the EU and the USA are pushing for an expansion of these regulations via what is termed TRIPS plus. This for example is the case in the EU-Chile agreement.¹⁴⁷ The EU's draft mandate prior to negotiations with Central America states that an agreement must guarantee and promote a forceful protection of intellectual property.¹⁴⁸ In previous regional trade agreements the EU has for example demanded that countries take on regulations prohibiting farmers from selling or exchanging legally protected seed for sowing. This boosts the position of seed companies on the market and raises the prices of seed. Small farmers that previously kept seed for planting each year now have to buy new seed every year. In this way the situation of the poorest farmers becomes still more vulnerable while the profits of the agricultural industry go up.¹⁴⁹ This is something that is opposed by, for example, the *Vía Campesina* international farmers movement.

TRIPS plus would also involve even stronger protection for pharmaceutical companies. It may mean a stop for the already limited chances developing countries have of buying or manufacturing cheap medicine copies, so-called generic pharmaceuticals. This would threaten access to medicine in developing countries. The government of

144. European Commission, Directorate General for Trade (2007:3): »Bilateral trade relations – Mexico«. http://ec.europa.eu/trade/issues/bilateral/countries/mexico/index_en.htm 14/9 2007.

145. Inter-American Development Bank (2006).

146. Oxfam International (2007).

147. Kommerskollegium (2002).

148. European Commission (2006).

149. Oxfam International (2007).

139. Oxfam International (2007).

140. Aguirre Reveles, Rodolfo & Pérez Rocha Loyo, Manuel (2007).

141. Kommerskollegium (2002).

142. FIAN & Brot für die Welt (2005).

143. European Commission (2006).

Costa Rica has estimated that without generics its pharmaceutical budget would have to increase five-fold if it wanted to maintain the same access to medicine.¹⁵⁰ This represents an acute problem not least for the 420,000 people living with HIV in Central America and the Andean Community.¹⁵¹

Farming – hope for the future in Central America and Andean countries

EU interest in association agreements seems clear. But why do the governments of Andean countries and Central America also urge on the establishment of such agreements? The main hope with an association agreement for these governments is most probably greater access to the European market for agricultural products. Farming is a core sector in the economies of both Central America and the Andean countries, while their export to the EU chiefly consists of raw materials.

The European CIFCA civil society network published a report analysing the possible consequences of an EU-Central America agreement. The conclusion reached is that since the majority of agricultural products exported to the EU from Central America are already exempt from tariffs through the current GSP system, a trade agreement would most likely result in no major changes in this field. Bananas and sugar are outside the current system. Their inclusion in an agreement would mean an upturn in the Latin American export of these particular products. This however is not seen as wholly positive since production of these is characterised by big business-owned monoculture, environmental degradation and poor working conditions.¹⁵²

This ties in well with the FAO conclusion that a reduction in tariff levels via international or regional trade agreements does not result in any direct improvements for those countries primarily exporting tropical products since these already meet low tariffs. Larger gains are expected for developing countries relying on export products that currently face major trade barriers such as sugar and cotton.¹⁵³

The CIFCA conclusion is that the main obstacle to greater Central American export to the EU is not EU tariffs but rather EU's domestic agricultural and export subsidies. In the past decades the Central American countries have increasingly opened their markets to the EU. While the EU has made no direct concessions regarding what Central American farmers see as a barrier to the European

market – support to agriculture. With experience from WTO negotiations behind them CIFCA's final opinion is that the EU is unlikely to make any concessions on this in negotiations on association agreements with Central America and the Andean Community.¹⁵⁴

What were the consequences in Mexico?

The Mexican objective of a free trade agreement with the EU was greater and more diversified trade, increased investment in the country and creation of new jobs. These hopes have not been met. On the contrary, the agreement has meant a series of negative consequences for the country. Since the agreement entered into force its trade deficit with the EU has risen at an ever increasing pace¹⁵⁵, European investments have been heavily concentrated on specific regions and sectors, few new jobs have been created and national companies have been sold off to foreign companies. Mexico's biggest export commodity to the EU is oil. From January 1, 2008, Mexico-EU agricultural trade will be fully deregulated, making Mexican farmers still more vulnerable than before.¹⁵⁶

Negotiations – what is the procedure?

Negotiations on association agreements between the EU and the Andean Community and Central America were launched in May and June 2007.

Central America has taken a further step towards establishing a customs union. This was an EU requirement before launching negotiations on an association agreement. Costa Rica continues to remain outside the customs union, and awaits a referendum in October 2007 on the free trade agreement with the USA (CAFTA) before joining. It will however be part of association agreement negotiations right from the start. Panama is not part of the Central American system of integration, but if it becomes part of this then it may also join negotiations. In the Andean Community Peru and Columbia consider themselves ready to open full-scale negotiations. Bolivia wants to wait until reaching greater internal agreement, and Ecuador feels it will soon be ready to start negotiations.¹⁵⁷

150. UNDP (2005).

151. UNAIDS (2006): *Report on the global AIDS epidemic 2006*.

152. Perez Rocha L, Manuel (2005).

153. FAO (2007:3).

154. Perez Rocha L, Manuel (2005).

155. The Mexican trade deficit (export-import) increased from 9.4 billion dollars to 16.9 billion dollars since the EU-Mexico free trade agreement entered into force in 2000, an increase of almost 80 per cent.

156. Aguirre Reveles, Rodolfo & Pérez Rocha Loyo, Manuel (2007).

157. »Acta de la reunión de la Comisión mixta Comunidad

Negotiations take place between regions, and two chief negotiators will lead each respective negotiation, one from each party. In turn these are backed up by officials. For the EU this means officials from the European Commission Directorate General for Trade. Five rounds of negotiating will be held in Europe and five in Latin America for each agreement. But this figure may vary depending on state of negotiations. Negotiations will take place both in plenary sessions and in three thematic groups corresponding to the three main strands of the association agreement: political dialogue, development cooperation and trade. The trade group will be divided up into 12 sub-groups, where for example services and investments, public procurement, development cooperation and competition make up groups of their own. The first rounds of negotiation are planned to take place in the autumn of 2007. Negotiations are expected to last from two to three years.¹⁵⁸

Once agreement has been reached the European Commission will present this to the European Parliament. It can then be adopted or rejected in its entirety, leaving little room for any changes. Once adopted by the Parliament it has to be approved by the EU Council of Ministers. In Central America and the Andean countries the agreement will be ratified by the parliament of each country.

Impact studies into how the association agreements might influence development in Central America and the Andean region – what is termed SIAs – have not been carried out but according to the EU will be carried out in parallel with negotiations.¹⁵⁹

Demands from civil society

Popular movements and other organisations on both sides of the Atlantic have mobilised on the issue of association agreements. Some of them reject such agreements outright, seeing them in their very nature as always favouring big business and the interests of rich countries, never developing countries. Others suggest that if agreements are to be reached, then a series of criteria must be filled with regard to content and how they should be drawn up. Several of the most important requirements are listed here:

With regard to *content* an agreement must:

- Above all promote the fight against poverty, respect for human rights and sustainable development.
- Guarantee that there are no negative impacts on food security.
- Guarantee basic services such as water, medical treat-

ment and education, and thus leave the Singapore Issues outside negotiations and not force privatisation of these sectors on countries.

- Include a reference to and respect for ILO convention 169 guaranteeing the autonomy of indigenous peoples and guaranteeing that indigenous people are consulted on policies or investments that may affect their rights.
- Pay regard to the differences that exist between the two regions in for example economic and social development and regional integration, and thus not demand reciprocity, i.e. that both parties should make the same concessions.
- Guarantee the political scope required by the Latin American countries so they are able to form development policies themselves.

As regards the *process* to reach an agreement:

- Negotiations must be marked by openness and transparency to allow participation.
- Civil society must be given the opportunity of true participation.
- Impact assessments on the possible consequences of the agreements (SIAs) must take place, and these must be the basis for the contents of the agreements.
- Negotiations must take the time needed for true participation and the reaching of qualitative agreements.

¹⁶⁰

Bolivia puts forward alternatives

Civil society is not alone in raising a critical voice. In mid-June 2006 the president of Bolivia, Evo Morales, presented an alternative suggestion to negotiations on an association agreement with the EU. His demands included acknowledgement of differences (asymmetries) existing between Europe and the Andean countries. European aid should not be conditional on specific policies. He also made demands that the EU should open its market fully while the Andean countries should have the right to protect their own markets. Access to medicine should be guaranteed via limitations on patent

160. These demands are taken from: »For Fair Agreements – A Manifesto from European, Central American and Andean Civil Society Organizations on the Future Negotiations of the Association Agreements« (2006): <http://www.euforic.org/manifesto/>; ALOP, APRODEV, CIFCA & Grupo Sur (2006): »Un Acuerdo de Asociación Union Europea America Central orientado hacia el desarrollo humano es posible«; 11.11.11, ALOP, APRODEV, CIFCA, Friends of the Earth Europe & Grupo Sur (2007): »Letter to the Ministers and Chancellors of the EU Member States«. Brussels, 15/1 2007.

Andina – Unión europea«, La Paz 29 y 30 de mayo, 2007.
158. Aprovech/PICA (2007): *Hoja Informativa sobre las relaciones entre la UE y Centroamérica, número 6, agosto 2007*. <http://www.aprodev.net/pica/Documents/Hoja/HojadePICA6agosto2007.pdf>
159. European Commission (2006).

rights. No agreement should force privatisation of state services such as electricity and water. It is further pointed out that agricultural products cannot be treated the same as any other products, since the rights of millions of people rely on agriculture.¹⁶¹ How much of a hearing in negotiations Bolivia will get for these demands remains to be seen.

161. Morales, Evo. President of Bolivia. Letter to the EU's 27 Prime Ministers and the chair of the European Commission. La Paz, 30 January 2007. http://www.bilaterals.org/article.php3?id_article=7058.

4. Consequences for developing countries

EU support for its own agriculture is considerable, while at the same time the EU strives for greater trade liberalisation. The negative consequences of the European agricultural policy for the chances of people in developing countries earning a living have already been discussed. Some of the outcomes mentioned include dumping, falling prices for agricultural products and tariff escalation leading to the collapse of small farms in developing countries, reduced scope for export, greater dependency on food imports, and difficulty in developing a processing industry. In this chapter we will take a closer look at the consequences for developing countries of liberalisation in the field of trade.

Conducting a trade policy promoting liberalisation in various fields as in the case of the EU is not a new phenomenon. During the eighties and nineties many developing countries carried out rapid and extensive market-oriented reforms. The IMF and the World Bank played an important part in forcing through these liberalisations, not least via the structural adjustment programmes¹⁶² that a series of developing countries were obliged to carry out in order to be granted loans. Above all these reforms embraced liberalisations and deregulations at national level and an opening of national markets to international competition.¹⁶³ Such liberalisation and deregulation in the agricultural sector has led to sweeping changes for farmers, with the majority of developing countries currently having far more deregulated agricultural markets than the EU and other industrialised countries.¹⁶⁴ As far as trade liberalisations go, Latin America has led the world.¹⁶⁵ But there are negative consequences to such liberalisations.

162. The IMF and the World Bank used structural adjustment programmes particularly during the eighties and nineties as a condition on loans to developing countries. The programmes contained a series of measures such as privatisations, deregulations and lower tariffs. Following severe criticism and doubtful results the programmes were reformed at the beginning of the new century and took on their present form of Poverty Reduction Strategies (PRS). These were to be owned to a greater extent by the countries themselves and would pay more attention to fighting poverty. But they have to have the approval of the IMF, which in practice means that many of the earlier demands of the IMF and World Bank remain.

163. UNCTAD (2006); UNDP (2003).

164. UNDP (2003).

165. UNDP (2005).

Increased polarity

More exports, increased growth and new jobs are often highlighted as the gains of liberalisation. In some countries such as Chile these types of reforms have led to growth and higher export rates. But growth and export do not automatically lead to poverty reduction. A distribution policy and efforts in the social sector such as in schools and medical treatment are needed to achieve this. The UNDP and others have claimed that the advantages of trade liberalisation have been overrated. They point out that no certain link exists between trade liberalisation and economic growth, and even less of a link between this type of reform and fighting poverty.¹⁶⁶ In several areas such reforms have instead been followed by low levels of investment, deindustrialisation and negative social consequences. In cases where they have led to greater efficiency they have not automatically meant higher rates of growth, rather instead greater polarity between rich and poor.¹⁶⁷ In Mexico for example such reforms have led to a negligible decrease in poverty and a widening gap between rich and poor. Rapid deregulations with regard to the import of agricultural products have hit the rural poor hard.¹⁶⁸

According to the FAO, countries that have the best opportunity of taking advantage of liberalisations in the global trading system are primarily those that already possess competitive agriculture. In the short to medium term greater access to export markets or an opening of the home market does not necessarily mean that all developing countries are favoured. On the contrary, certain of them are disfavoured when abolished tariffs result in domestic production facing greater competition from imported goods. The domestic production system, important to food security, income and jobs, can be knocked out.¹⁶⁹ With one possible result being that some people lose their livelihood, and their right to a living comes under threat.

166. UNDP (2003); UNDP (2005).

167. UNCTAD (2006).

168. UNDP (2005).

169. FAO (2007:3)

Export farming forces small farmers out

Deregulation and liberalisation in the agricultural sector has been followed in many developing countries by increased concentration on farming for export. Without doubt all countries are dependent on export in the current world economy. Exports provide foreign currency income making it possible for countries to import what is not available domestically. For example technology that may be important for development of domestic industry can be accessed.¹⁷⁰

One problem is that export crop ventures can lead to many people losing or being forced from their land. In many cases they are edged out, being unable to compete with the large export plantations when these force the price of a series of products down. As a result of this many of them are forced to sell their land, if they own it, and migrate to towns. The numerous people who lack formal ownership certificates for the land they work risk being driven off when export agriculture begins to spread. These are frequently the poorest people, hence the negative affects this development has on both rural development and the chances of people earning a living.¹⁷¹ Export farming, and ultimately a liberalisation of agricultural trade, thus threaten the right people have to food and work.

Export crops take over food for domestic consumption

Small farmers primarily grow crops for local markets and account for the majority of food production for domestic consumption. Staple crops or crops that the population has traditionally lived off are rarely favoured by liberalisations and concentration on export farming. Development towards increasingly export-oriented farming takes place at the cost of small-scale farming, and thus also at the cost of food production for the domestic population.¹⁷² Between 1991 and 2005 the cultivation area of rice, beans, maize and wheat in Brazil fell. During the same period the area of soya bean cultivation increased threefold.¹⁷³

In general women dominate farming that produces crops for household use or local markets, whereas men are dominant in commercial export farming. This is why the economic situation of women and the food security of households are hardest hit by a concentration on export farming.¹⁷⁴

Dependence on imported food constantly rising

The import of food by many developing countries is increasing as more and more agricultural land is taken up by large-scale export farming rather than small-scale farming for local needs. Incomes from export are important in many countries to pay for the import of staple foods. Where countries are dependent on a small number of export goods – the case in many poor countries – both export income and through this people's livelihood are vulnerable since food prices change rapidly. One example is the heavy fall in the price of coffee in recent years leading to serious consequences for food security in Central American countries.¹⁷⁵

Monoculture threatens the environment and biological diversity

Concentration on export farming promotes industrial agriculture in the form of monoculture. In its turn monoculture threatens biological diversity, uses large land areas, much water and fuel, and discharge of chemicals is high.¹⁷⁶ Extensive soya bean and sugar cane cultivation in Brazil has led to a fall in biological diversity and destruction of forestland. Industrial farming has led for example to the disappearance of local varieties of maize and beans in some areas and their replacement by a limited number of varieties available from transnational seed companies. This has made farmers independent on the seed industry and has led to the loss of valuable genetic resources.¹⁷⁷ Furthermore, this type of farming makes considerable use of water, toxic fertilizer and crop sprays. This can result in water shortage, pollution of groundwater and soil degradation.¹⁷⁸ Agricultural trade liberalisation also means greater import and export, meaning more transportation hitting the environment hard.¹⁷⁹

With the increasing demand for bio fuels in Europe and elsewhere in the world, the risk exists that large monocultures will grow still larger, and the livelihood and food security of people will be even more under threat.¹⁸⁰ It might also threaten people's access to clean water.

170. UNDP (2003)

171. Sachs, Wolfgang & Santarius, Tilman (2007): *Slow Trade – Sound Farming. A Multilateral Framework for Sustainable Markets in Agriculture*. Heinrich Böll Foundation, Misereor & Wuppertal Institute. Germany

172. Sachs, Wolfgang & Santarius, Tilman (2007); UNCTAD (2004); UNDP (2003).

173. GRAIN (2007): »Soya Nexus in South America«, *Seedling*, July 2007.

174. UNDP (2003).

175. FAO (2006:1).

176. Sachs, Wolfgang & Santarius, Tilman (2007).

177. Svenska Naturskyddsforeningen (2000): *Globalt jordbruk – på rätt väg? Dyrköpta erfarenheter från Brasilien och Europa*.

178. FAO, Natural Resources and Management Department. »Bioenergy – Sustainability«. 20/9 2007. http://www.fao.org/nr/ben/ben_key1_en.htm

179. Sachs, Wolfgang & Santarius, Tilman (2007).

180. Sachs, Wolfgang & Santarius, Tilman (2007).

Less political room for manoeuvre

The freedom to work out their own policies for promotion of economic and industrial growth on the basis of their own particular situations was crucial to industrial countries as they developed.¹⁸¹ UNCTAD finds that WTO rules and other trade agreements severely limit the political room for manoeuvre of the developing countries of today. This occurs in three ways. Primarily, the regulations mean that the opportunities a country has open to it to use subsidies in support of development of domestic production are severely limited. Secondly, countries are prohibited from setting up codes of conduct on foreign investors guaranteeing that investments will favour local development and not damage the environment. For example, codes requiring transfer of technology or use of a specific proportion of locally made products. Thirdly, the rules make it difficult or expensive for domestic producers to gain access to (patent or copyright) technology and copy it. All these obstacles mean the growing importance to developing countries of domestic tariffs.¹⁸²

But freedom to use tariffs is strictly curbed. During the last few decades many developing countries have sharply reduced tariffs on the import of both agricultural and industrial products as part of structural adjustment programmes.¹⁸³ Within the framework of both WTO negotiations and through bilateral and regional trade agreements the EU now makes demands on developing countries for further reductions.¹⁸⁴ This despite the fact that industrial tariffs were one of the most important instruments used by today's industrial countries, both in Europe and in the tiger economies of Asia, during their industrial development. Tariffs and other types of protection made it possible for these countries to develop their industries without being forced to compete with the industries of other countries before reaching a competitive level. This possibility is now denied the developing countries of today.

For many countries tariffs are also an important source of income. If the import tariffs of low income countries were scrapped completely they would lose on average 18 per cent of their tax income – in some cases as much as 50 per cent. This would lead to greater budget deficits or lesser endeavours in the social sector such as medical treatment and health.¹⁸⁵

Liberalised trade has led to a series of problems that threaten in various ways both the democratic room for manoeuvre of countries and human rights compliance. Not least agricultural deregulation has entailed a threat to people's right to a livelihood.

181. UNDP (2003).

182. UNCTAD (2006).

183. UNCTAD (2006).

184. Oxfam International (2007).

185. UNCTAD (2006).

The downside of bio fuel – example from Brazil

Research: Maria Karlsson

*...the estates are going to control the countryside, but to feed engines rather than people.*¹⁸⁶

Francisca Rodriguez, Via Campesina.

*My dream is to get my own patch of land to farm. But seeing that the sugar cane plantations are spreading out more and more round here, I'm worried that there won't be any land left for us small farmers who want to produce food.*¹⁸⁷

Luiz Ferreira da Silva, 64, Agua Branca, Pernambuco, Brazil.

Brazil represents a clear example of the consequences of increasing focus on export farming. The country stands at a crossroads in the choice between backing land reforms and feeding the population with domestic food products or backing monoculture farming for export.

Brazil is currently the world's biggest ethanol producer. It is estimated that production will double by 2012. Increases in sugar cane acreage have a direct effect on the production of food for domestic consumption. At present 60 per cent of the country's food production is accounted for by small farmers. The expansion of monoculture plantations means a concentration of land area in the hands of estates as small farmers are edged out from their land in rural areas. Estates (ownership above 1,000 hectares) represent three per cent of large landowners in rural areas and make up 57 per cent of Brazilian agricultural land. At the same time around five million families lack arable land. Sugarcane and eucalyptus plantations replace arable land producing food. Between 1985 and 1996 close on one million farms or smallholdings closed down.

When people lose their land the sugarcane fields represent the only work left to them, even if the industrialised monocultures lead to relatively few jobs. Such jobs are characterised by poor conditions such as low wages, dangerous work and lack

186. GTEnergia do Fórum Brasileiro de ONGs e Movimentos Sociais para o Meio Ambiente e o Desenvolvimento (FBOMS) & Núcleo Amigos da Terra/ Brasil (2006): *Agronegócio e biocombustíveis: uma mistura explosiva. Impactos da expansão das monoculturas para a produção de bioenergia.*

187. Interview with Luiz Ferreira da Silva, occupier in CPT-camp Agua Branca, Zona da Mata, Pernambuco, Brazil. 14/7 2007.

of rights. Those people without jobs migrate to urban areas where they often end up in poor slum areas. Between 1999 and 2001, 5.3 million people abandoned the countryside.

Sugarcane plantations cause a significant environmental impact. Forest is cut down to make way for sugarcane, irrigation uses large amounts of water and soil is depleted. Large quantities of crop spray are used, polluting land and water and also affecting the health of those who work in the fields and people who live nearby.¹⁸⁸

The main priority of EU's energy policy is greater use of renewable sources, and in May 2007 the EU and Brazil launched strategic cooperation on ethanol.

188. GTEnergia do Fórum Brasileiro de ONGs e Movimentos Sociais para o Meio Ambiente e o Desenvolvimento (FBOMS) & Núcleo Amigos da Terra/ Brasil (2006); Intervju med José Placido da Silva Junior, CPT i Recife, Pernambuco, Brazil. 14/7 2007; Glass, Vera (2007): »Diante da fome e da escassez de água potável, o que significa plantar energia«, Boletim Inovação Unicamp, Carta Maior, 2/3 2007. http://www.cartamaior.com.br/templates/materia-Mostrar.cfm?materia_id=13631&editoria_id=3; Comissão Pastoral da Terra, Grito dos Excluídos Continental, Rede Social de Justiça e Direitos Humanos & Serviço Pastoral dos Migrantes (2007): *Agroenergia: Mitos e Impactos na América Latina*.

5. Coherence, alternatives and recommendations

How does EU policy and the consequences of this equate with undertakings made on coherent policy to promote global development? Do any alternatives to current policy exist? How should the governments of the EU and member countries act to guarantee a coherent policy?

Coherency — does the right hand know what the left is doing?

As already shown, the EU should ensure that the policies it conducts in various fields are coherent and promote poverty reduction, democracy and human rights in developing countries. This means that when negotiating association agreements with Central America and the Andean Community, the EU has to make sure these promote human rights, democracy and sustainable development. Now that we have taken a closer look at both European agricultural and trade policies and their consequences, we can ask ourselves whether or not current policy is in line with coherency commitments.

Agricultural policy

The EU's agricultural support – and still to a degree its export subsidies – result in European products being dumped on local markets and small farmers dependent on agriculture for their livelihood being put out of business. The agricultural support also leads to a fall in prices of farming products, making it harder for producers from developing countries to compete on the international market. Together with EU tariffs, the agricultural support makes it hard for developing countries to gain access to the European market. They don't get the opportunity to compete on the European market despite the fact that they themselves have frequently opened up their own markets to competition from the EU and other rich countries. The EU is pushing for further opening up of these markets. Little attention is paid to the fact that 70 per cent of poor people in the world depend on agriculture for their livelihood. Development policy goals on poverty reduction

– supposed to be guiding principles in all other fields of EU policy – appear conspicuous by their absence in EU agricultural policy.

Trade policy

As far as trade policy is concerned, the EU is pressing for far-reaching trade liberalisation, both through the WTO and bilateral trade agreements. The Singapore Issues, further tariff reductions, open markets for the services trade and greater protection of intellectual property rights are the central questions. The risk is that developing countries will be limited to a large extent in forming their own development policies. For example more forceful intellectual property rights could directly threaten poor people's access to medicine and seed, while liberalisation of trade in services could put the right to water in the balance. In various fields trade policy is in conflict with goals on coherent policy for development.

Right to food and food sovereignty as alternatives

Do alternatives exist to the trade and agriculture policies that prevail? International principles and regulations for human rights are an important tool in defeating hunger, poverty and social injustice. Particularly as regards the most vulnerable groups in society. A perspective with its basis in human rights acknowledges the hungry as people who bear with them and claim these rights, not simply people as helpless individuals. Those who have their right to food violated are frequently people who lack power and resources. With a rights perspective these people are put in focus and function as agents of change with the chance of having an affect on their own societies instead of being singled out as victims. From this perspective, states have responsibility and an obligation to fight hunger within

their territorial borders by fulfilling the right people have to food and a livelihood.

The FAO gives a series of recommendations guaranteeing the rights of all people to food and to overcoming hunger in the world. Efforts in agriculture and rural development are crucial. Sustainable development needs protection and promotion of local production and agricultural trade. Also at the core here is the access poor people have to means of production such as land, capital, technology and education.¹⁸⁹ The harmful agricultural support of the EU and other rich countries has to be abandoned. Local production of food ought to be promoted where possible and developing countries must have the chance to protect this.¹⁹⁰

Voluntary Guidelines on the right to food represent one instrument states have at their disposal to ease implementation of the right to food. The 187 member countries of the FAO adopted them unanimously at its 2004 session. The guidelines provide recommendations in a series of fields, e.g. recommendations for land and water. Emphasis is given to the importance of access to land, not least the need to improve the access of poor people and of women. According to the guidelines, water must be protected as regards both access and quality. In a conflict of interests, priority must be given to drinking water and water for domestic use.¹⁹¹

FAO member states met in 2006 for the International Conference on Agrarian Reform and Rural Development (ICARRD). Government delegations from 92 countries were represented along with observers from over 150 NGOs worldwide. They sought a new vision for rural development and land reform to contribute to a reduction in poverty and hunger. Since then a series of developing countries have shown interest in following up the conference, something opposed by the EU and others.¹⁹²

Popular movements in the Global South put forward food sovereignty – encompassing the right to food – as an alternative to current agriculture and trade policy. The term was coined in the nineties by the Via Campesina farmer network. Food sovereignty is a principle where people, societies and countries have the right to define their own farming, fishing and food production policies on the basis of local, cultural and social conditions. It advocates an agriculture that primarily exists for local populations and in second place for export production – agriculture should primarily satisfy local and national markets. This aspiration can be seen alongside the EU's

joint agricultural policy when it was founded – the aspiration was to achieve self-sufficiency in staple foods, no less.

Food sovereignty is also about the right of farmers and land workers to produce the food they want to produce, the right of consumers to choose what they eat and how it is produced, and the right to stand outside transnational company control of the market for food. This is why countries have to be allowed to develop their own agriculture and food sector in order to increase their own political independence. At the same time they should have the right to protect themselves against dumping. Food sovereignty should as far as possible be based on varied and ecologically sustainable systems of production. Support for food sovereignty is growing in land movements and other popular movements in many countries in the Global South, not least in parts of Latin America. Global food sovereignty forums were held in Cuba 2001 and Mali 2007.

Many food sovereignty ideas have gained support from elsewhere. For two years a number of German popular movements held the *EcoFair Trade Dialogue*. Grass roots organisations, civil society, politicians and academics from various parts of the world exchanged experiences and ideas related to global trade regulations putting small farmers in focus. The result was presented in a report entitled: *Slow Trade – Sound Farming. A Multilateral Framework for Sustainable Markets in Agriculture*. The report contains a series of conclusions worth considering.

The report points to the problems involved in current international trading regulations treating agriculture like any other endeavour. Attention must be paid to the fact that for millions of people agriculture is a question of survival – something rarely done in trade negotiations. Treating unequal parties as equal – as in modern trade agreements – can make the lack of equalness still greater. The international trade system, characterised by large gaps between countries and large differences between farmers, favours big farming concerns not small farmers. Thus striving for increased cross-border trade alone, which favours the already powerful, represents something of a problem. Governments should be allowed to use a mixture of protection against imports and promotion of exports.¹⁹³

Sustainable farming requires the backing of small-scale agriculture. More food on less land is usually produced, but with more labour. Crops are frequently varied, as opposed to the big industrial farms, which attempt to maximise harvests of one and the same crop.¹⁹⁴ In other words small farms and smallholdings are usually more efficient than large farms both in land use and the fight

189. FAO (2006:1).

190. FAO (2007): *SARD and... agricultural trade. SARD policy brief 5*. 2007.

191. FAO (2006:3): *The Right to Food – Putting it into Practice*.

192. ICARRD. www.icarrd.org

193. Sachs, Wolfgang & Santarius, Tilman (2007).

194. Sachs, Wolfgang & Santarius, Tilman (2007).

against poverty. They normally provide work for more poor people, both within the family and neighbours. Small farming households usually spend their income on locally produced goods and services, stimulating the local economy.¹⁹⁵ Thus improving the prospects of small farmers, such as access to land and national markets, is the best way of guaranteeing the right to food in the world, especially considering that many poor people live in rural areas and are dependent on agriculture.¹⁹⁶

Economic growth must not be put before human rights and the environment. Trade and agricultural policy frameworks have to be drawn up so that living conditions for poor people are improved. The needs, interests and priorities of developing countries vary widely both with regard to poverty reduction and development in general, and specifically with regard to agricultural production and trade. Thus solutions must also be allowed to vary. The developing countries of today must have the democratic and political scope to define their own development policies. Developing countries must be given greater political room for manoeuvre in order, for example, to protect small farming systems from major rises in imports so as to allow domestic regulation of food security, food quality and protection of the environment.¹⁹⁷

Recommendations

How should the EU and its member countries act in order to live up to their commitments to a coherent policy? How might their policies promote human rights and the fight against poverty to the degree possible? On the basis of the conclusions drawn in this report a series of areas exist in which the EU should act:

Above all else, the EU needs to guarantee that human rights are ranked before policies in both agriculture and trade. In accordance with the international obligations of states, the EU and its member countries have responsibility to ensure that the right to food is not violated in other countries through the signing of trade agreements. For example, the EU should not have trade or investment agreements preventing countries from taking measures guaranteeing vulnerable groups access to land.

The EU should draw up all its policies so that they do not clash with its coherency principle and the development goals it has set up. This means that human rights and the

fight against poverty should be in focus.

The EU and its member countries should engage themselves in:

- Guaranteeing the rights and scope of developing countries to draw up their own policies for development and poverty reduction in accordance with the priorities and conditions in each country.
- Stopping the dumping of European agricultural products on the markets of developing countries, including both export with the help of export subsidies and the selling of agricultural products at lower prices due to comprehensive agricultural support.
- The establishment of EU agricultural support that does not negatively affect the opportunity producers in developing countries have of selling their goods on local markets or exporting them.
- The unilateral opening of their markets to goods from developing countries and dismantling of the current tariff escalation system.
- The freezing of association agreement negotiations until the consequences of association agreements with Mexico and Chile as regards human rights and the fight against poverty are evaluated and analysed, and sustainable impact analyses are carried out for Central America and countries in the Andean Community.
- Carrying out sustainable impact assessments with broad participation from various sectors, not least civil society, with the result of these being the basis for the EU's mandate and any future agreements.
- Association agreement negotiations being marked by openness and true participation by the parliaments of the countries concerned and by civil society.
- Paying regard in association agreement negotiations to the different situations of the EU and Central America/Andean Community in relation to poverty and economic and social development.
- No pressure being put on the Andean or Central American governments to open up their markets for trade with services and with agricultural and industrial products.
- The exclusion of the Singapore Issues from association agreement negotiations; issues that the majority of developing countries are opposed to within the WTO framework.
- The exclusion from association agreement negotiations of further far-reaching agreements with regard to intellectual property rights (TRIPS plus).
- Backing the efforts of developing countries in rural development and small-scale production of staple food via financial and technical support within their development cooperation.
- All EU member countries implementing Voluntary Guidelines for the right to food.

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Summary

Food is a human right. All countries are obliged to respect, protect and fulfil within and outside their borders. The countries of the world have also undertaken via the Millennium Development Goals and the UN food and agriculture organisation's (FAO) world summit meeting on hunger to halve world hunger by 2015. An ambition far from being fulfilled. Hunger in the world is widespread with 854 million people going hungry. Of these, 52 million are in Latin America where 40 per cent of the population lives in poverty. The majority live in the countryside and are dependent on farming for their livelihood, either as small farmers or land workers. Many lack own access to land because of skewed distribution of resources.

Coherency should be guaranteed in European policy. This means all areas of policy should strive in the same direction and contribute to the fight against poverty and fulfilment of human rights. EU agriculture and trade policies are two areas that have palpable consequences for developing countries and small farmers. Its agriculture policy represents by far the largest single budget item, with European farmers receiving 43 billion euros a year in different types of support. One aim of the policy has long since been to guarantee food security in Europe. Over time agricultural support and tariffs have resulted in vast surpluses of agricultural products. With export subsidies backing them up these have been dumped and often brought producers in developing countries to ruin or obstructed their chances of export. Reforms in recent years have meant a step in the right direction, but EU agricultural support is still enormous and the EU is a major exporter of agricultural products.

The EU conducts a trade policy that aspires to open up the markets of other countries in a series of different areas. It increasingly prioritises bilateral trade agreements. Here the EU forces through controversial issues despite having come to a standstill with them in the World Trade Organisation. One example is the Singapore Issues involving not only investment and public procurement but also more far-reaching liberalisation of trade in services. The agreements strengthen the position of major companies and limit the chances developing countries have of forming their own policies on development and poverty reduction. In the autumn of 2007 the EU opened trade agreement negotiations within the framework of what is termed association agreements with Central America

and the Andean Community.

Many developing countries have carried out a series of trade liberalisations, often following demands set by the World Bank and the IMF. These have resulted in several negative consequences. The rich-poor gap has increased and political room for manoeuvre has been curtailed. Increasing focus on export farming has led to small farmers growing crops for the domestic market being edged out by vast export crop monocultures. Monocultures lead to considerable strain in the form of land and water pollution. As staple foods are edged out dependency on food imports steadily increases. Rapid and large changes in the prices of food increase the vulnerability of poor people and countries and threaten food security.

The report shows that the EU fails to live up to its commitments on coherent policy. Many features of both trade and agriculture policies are in conflict with goals on the fight against poverty and promotion of human rights. Food sovereignty, put forward by a series of organisations, not least in developing countries, is one alternative to the current system. This means, for example, freedom to form one's own farming and to put food for local consumption before export. The report concludes in a series of recommendations to the EU and its member countries. As a whole these concern the need to put human rights and the fight against poverty before European trade interests.



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Glossary

Agenda 2000	Reform of EU agricultural policy.
Aid for trade	trade-related development aid.
Andean Community	(CAN) – cooperation between Bolivia, Columbia, Ecuador and Peru with one objective being a common internal market.
ACP countries	Africa, Caribbean and Pacific region.
Association agreement	agreement concluded between the EU and a non-EU country covering political dialogue, development cooperation and trade.
CAP	European Union Common Agricultural Policy.
CAFTA	(Central American Free Trade Agreement) – free trade agreement between the USA and countries in Central America.
Doha round	WTO negotiating round underway since 2001.
Dumping	the WTO definition of dumping is when a good is sold on a foreign market at a price lower than on the exporter's domestic market.
EC Treaty	treaty on establishment of the European Community.
EPA	EU Economic Partnership Agreement with for example ACP countries.
ESC committee	UN committee on economic, social and cultural rights.
ESC Covenant	UN international covenant on economic, social and cultural rights.
ETOs	Extraterritorial Obligations, meaning that states are obliged to respect, protect and fulfil the right to food even in contexts with activities taking place outside the country's borders, for example in multilateral development cooperation or the signing of bilateral trade agreements.
FAO	Food and Agriculture Organisation of the United Nations.
GATS	(General Agreement on Trade in Services) – WTO agreement on trade in services.
General Comments	Document of the UN Committee for Economic, Social and Cultural Rights (ESC Committee) clarifying the contents of the various human rights and the obligations of states. General Comment 12 for example specifies the right to food.

Global Europe	strategic guidelines for EU trade policy.
GSP	(Generalized System of Preferences) customs preference system of industrialised countries that aims to offer developing countries reduced or zero tariffs on goods the latter produce. The GPS regulates trade relations between the EU and Latin America.
ILO 169	UN convention on the rights of indigenous and tribal peoples.
IMF	International Monetary Fund.
Intellectual Property Rights	issues concerning, for example, patents and copyright.
MERCOSUR	(Mercado Común del Sur) – customs union between Argentina, Brazil, Paraguay and Uruguay.
NAFTA	(North American Free Trade Agreement) – free trade agreement between Mexico, the USA and Canada.
OECD	Organisation for Economic Cooperation and Development. The industrialised countries' cooperation organisation with 30 members. The organisation works on a number of issues but their main areas of work are macroeconomic development and structural and trade policy.
SIA	(Sustainability Impact Assessment) – Assessment analysing the possible consequences of a trade agreement that should be conducted prior to the EU starting trade negotiations with a country or region.
Singapore Issues	a term coined at the WTO ministerial meeting in Singapore 1996 encompassing four subject areas: trade and investments, trade and competition, transparency in public procurement, and trade procedures.
Treaty of Maastricht	treaty of European Union.
TRIPS	WTO agreement on Trade-Related Aspects of Intellectual Property Rights.
Tariff escalation	this means the tariff on goods rises the more a product is processed.
UNDP	United Nations Development Programme.
UNCTAD	United Nations Conference on Trade and Development.
WTO	World Trade Organisation.



MIXED MESSAGES?

On EU policy coherence and the right to food in Latin America.

Eight hundred and fifty-four million people in the world live in hunger. People go hungry despite food being a human right and the countries of the world committing themselves to halving world hunger by 2015. A goal they are nowhere near achieving. Fifty-two million of these hungry people are to be found in Latin America. The majority live in rural communities and are dependent on farming for their livelihood as small farmers or land workers. Many of them lack own access to land due to skewed distribution of resources.

The European Union starts negotiations in the autumn of 2007 on trade agreements with Central America and the Andean Community. These agreements are just two in a series of bilateral trade agreements where the EU pursues controversial issues on which it has reached a standstill in the WTO. The negotiations are negotiations between unequal parties. On one side you have the EU with annual support of 43 billion euros to its farmers, on the other are regions that include some of Latin America's poorest countries.

The EU has undertaken to conduct a coherent policy where consensus in all policy areas will contribute to the fight against poverty and fulfilment of human rights. But what is the reality of this? The report begins by looking at the EU commitment to coherency and food as a human right, and then takes a closer look at two EU policy areas that have a significant effect on developing countries and small farmers – agriculture and trade. The report also looks at the contents, interests and concerns to be found in the current negotiations between the EU and Latin America.



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