

ECOFAIR TRADE DIALOGUE

 HEINRICH
BÖLL
FOUNDATION

in cooperation with
MISEREOR
IHR HILFSWERK

moderated by
**Science Centre
North Rhine-Westphalia**
Institute of Work
and Technology



Institute for Culture
Studies
**Wuppertal Institute for
Climate, Environment and
Energy**

Report

from the

South East Asian Regional Workshop

in Thailand, May 30 - 31, 2006

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The EcoFair Trade Dialogue is an international project carried out by the Heinrich Böll Foundation in cooperation with MISEREOR and moderated by the Wuppertal Institute (www.ecofair-trade.org). The overall aim of this project is to enrich the debate on the reform of the current regime of global agricultural trade through the development and advancement of forward looking guidelines and instruments, taking the concepts of 'food sovereignty' and 'sustainable agriculture' as reference points. A concrete and coherent reform proposal which responds to the 21st century's social and ecological challenges to global agriculture is envisaged as the outcome of the *EcoFair Trade Dialogue* at the end of 2006.

From May 30-31, 2006, the EcoFair Trade Dialogue conducted the South and South East Asian Regional Workshop in Chiang Mai, Thailand. This stakeholder dialogue served to discuss the ideas and proposals developed so far within the EcoFair Trade Dialogue, in order to get feedback and to further develop the ideas and proposals along with the experiences and realities in Asia, and to "root" the project and some of its messages and results in that region.

Some 35 participants joined the , including representatives from parliaments, governmental bodies and government-affiliated institutions, civil society organizations and networks, academics, and farmer organizations. Participants came from Thailand, Vietnam, India, Bangladesh, the Philippines, Indonesia, Australia, and the United States. The workshop was organized by the Thailand office of the Heinrich-Boell-Foundation, located in Chiang Mai.

The two days of the workshop contained discussions on five main topics:

1. on the overall design and setting of the EcoFair Trade Dialogue project (page 2),
2. on the draft "Key Messages Paper", which tries to wrap up the key issues and messages that have emerged during a year and a half of discussion within the project (page 2),

3. on “Role of Exports”, i.e., which role agricultural exports may play in a country’s overall development, and which experiences have been had with exports in Asia (page 4),
4. on “Governance of Imports”, i.e. what kind of experiences have been had with the liberalization of markets and initiatives to regulate and govern imports (page 5),
5. on “Market Concentration”, i.e. the role of transnational corporations within the food chain, experiences in the region, and approaches on how to tackle concentration and power in agricultural markets (page 6).

1. Comments on the overall design of the EcoFair Trade Dialogue project

Participants agreed that we should start our debate from the global framework, and from the global arrangement. However, it was suggested that this project should not limit its discussions to the mindset of the WTO – it should only be limited by the ‘possibilities’. Additional comments encouraged the project team to think “outside the box of the WTO mindset”, and to think more radically – as some perspectives remain much in the current framework. Nevertheless, especially participants from governmental bodies were interested in concrete solutions to policy makers and governments.

Discussion should not be limited to trade issues as such, or how to make trade fair in the context of concentrated markets. Rather this project might endeavor to broaden perspectives in order to debate the kind of development we would like to achieve. Participants suggested to first see the larger picture of development (including the relationship between agriculture and the economy/society at large), and then go back to analyze the role of trade as one of the means to achieve that kind of development. How can countries design trade rules according to their overall model of development, and how should they use their policy space?

It was mentioned that there is often a disconnect between national policies and the communal level, i.e. communities. The project team was encouraged to use the dialogue process to unravel unfairness at each level – internationally, nationally, and locally.

With a view to the nine distinguished policy papers written within the project, one participant suggested to include considerations on institutional arrangements – within and beyond current trade institutions. Another suggestion was to include a paper on the role of technologies (production technologies, transportation/ communication technologies, etc). In this context, it was suggested to not only think in countries and communities, and how to help them. Rather, it should be thought in methods of production, e.g. how to achieve sustainable agriculture, through trade, or other means.

2. Discussion on the Key Messages Paper

The “Key Messages Paper” was discussed in four parallel working groups. Feedback and suggestions for improvements included comments on four different aspects: on the “vision” for a future trade system presented in the paper, on instruments how to approach the vision and how to reform the current trade system, on issues lacking in the text so far, and on the style and wording of the paper.

Feedback on Vision:

Many participants agreed that the vision needs to be strengthened a great deal: what kind of production system, and trade system do we actually want to achieve? Some, for example, asked to prioritize national self-sufficiency; others suggested to emphasize local markets. It was requested the term eco-fair trade be more concretely defined. The paper might approach a vision for agriculture first, in order then to derive a vision for a future trade system.

Participants asked how the project would define dynamic rural areas, which would be attractive for (young) people to live in?

Several comments made the point for diverse models of markets, differentiating between various market functions, such as cash, reproduction, subsistence, barter etc.. In this context, the role of culture in agri-culture should be outlined, including references to food habits.

Some critiques asked not romanticize small farmers, and that better distinctions between different farming systems be made.

Feedback on Instruments:

Comments requested a strengthening of thoughts about institutional settings: what are the kinds of institutions that may take on and implement the project's proposals? What kind of role does the WTO play, or does not play? For example, as the paper demands to put non-trade concerns center stage, participants questioned whether the WTO is appropriate to take on those non-trade concerns. With a view to ensuring different types/models of markets, the question was raised: what kind of institution would take care of a trading regime that favors an ensemble of varying national or regional markets and production systems?

On enlarging policy space, several participants would welcome clarification that a lot of policy space is actually abused by governments. Some said, maybe instead of policy space, sovereignty for the people is needed. Others suggested to contrasting national policy space against control by communities. Thoughts about how to democratize the national level need to be included if talking about enlarging national policy space.

Regarding the instrument of supply management, participants mentioned it could only be valid 'outside the box' of the WTO-context. Others doubted the instrument would work at all, as it would be undermined by transnational corporations. Besides, some suggested to include thoughts on risk management.

Participants expressed a degree of unease with the instrument of qualified market access. Who would decide upon the standards? And what would be different to the situation today? Regarding the paper's pledge for certification, participants suggested that community and stakeholder controlled certification is needed, rather than by an international body. Comments reiterated that certificates are often not affordable for small farmers.

Lacking issues– what’s missing in the paper:

Participants suggested the following issues were missing from the paper:

- increasing urbanization, and that in a couple of years more people will live in cities rather than in rural areas
- the role of (international) financial institutions, in contrast to the role of the WTO and the role of transnational corporations
- the relevance of gender issues, and the aspect of social reproduction of the market
- role of (rich) consumers, in the north, but also in the south
- a definition of “costs of production”, and what we subsume under those costs
- a reference to accessibility of resources (land, water, seeds...), and to the distribution of resources – as trade in fact undermines a lot of the national/regional struggles for access to the means of production
- the role of Human Rights in relation to livelihoods needs to be strengthened.

Style & wording of the paper:

Participants recommended strengthening the train of thought in the paper, and to create a narrative. Currently, the paper is “like a supermarket shelf” – a loose compilation of ideas to pick and choose from. If possible, the paper should begin with outlining the vision. It was mentioned that there is somewhat of a lack of continuity in the paper, as the linkages between visions set out and policies/instruments suggested needs to be strengthened.

Some of the headings/titles are not precise, and are not appropriately worded. For example, “leveling out asymmetries” might better be rephrased as “balancing asymmetries”, or instead of “forgetful of nature, “willful disregard of nature” seemed more appropriate.

Participants mentioned that several references to the WTO as an institution are misleading, rather the paper should refer to “free trade”, or to the “international” or “multinational trading system”.

3. Discussion on Role of Exports

As a general remark, it was suggested to differentiate between export of surpluses, and export orientation. The moment a country starts thinking about export orientation, it will change its model of agriculture, and the structure of the agricultural sector. Make the point that there is no case known where small farmers on the whole gained from export orientation. Comments suggest that there is a need to differentiate between exports per se and export orientation of the economy (exports have a role which is not debatable – whether or not is not the matter!). These two imply a different set of national policies. Who controls the products being exported? Note that export-led production creates a different society. Is the market share index an indicator for “quality of exports”? Market concentration is one sign for “damaging exports”.

One participant mentioned that it is important to consider terms of trade when debating exports. A Worldbank study outlines that developing countries might benefit from trade, but that at the same time their terms of trade decline. What is going to be the effect of declining terms of trade? Countries will overexploit their natural resources, and their labor. Another participant as well mentioned that a sustainable use of the natural resource base cannot go together with

export orientation. Therefore, exports may only make sense when the natural endowments allow for it.

A participant from Indonesia suggested to refer to the example of oil palm plantations: many hectares are owned by foreign companies, plantations are not owned by the people, promotion of palm oil exports ends up in a promotion of large, transnational corporations.

Thailand's exports in rice have constantly been increasing over the last ten years, to the highest level in history today. At the same time, average farm gate prices did not increase. The structure itself doesn't allow for benefits for small farmers.

One participant noted, that too often, it is taken for granted that governments act in the interest of their people. Governments may aim at balancing their national account, and for that matter, it does not matter to them whether small producers gain or not, as long as exports increase.

Several comments pointed out that national policies are important, and that the project should say something on policies at the national level. Yet of course, nations should not be the parameter, but rather people (producers). Furthermore, the potential of domestic markets should get more attention, as this is a great potential. Strengthening was also requested for the impact of export-led policies on women.

4. Discussion on Governance of Imports

Indonesia: Trade agreements have led to cheaper imports, especially massive rice imports from Vietnam and Thailand. No subsidies for rice production in Indonesia (e.g. compared to Vietnam).

Philippines: Cheap rice imports are a problem as well. The imported quantities have increased a lot. The problem began with the compulsory minimum market access. The country could keep some production subsidies, but the 'soft' rather than the 'hard'.

Some participants discussed that going back to import substitution will not be the answer. Policy space is needed, but the deficits of the state need to be addressed. In the past import substitution did not work because there was a bias against agriculture in overall domestic policies. Besides do not forget that import substitution was linked to the "Green Revolution", with many well-known negative effects. Policy space will not automatically be an instrument for the local level and for farmers to profit. Yet on the other hand, by opening the market countries lose control and add another challenge besides bad national policies. Current trade rules are magnifying the domestic problems. One participant said it would be wrong to pit import substitution against export orientation as development options, instead to combine them creatively. Be careful with "black and white" solutions, as this would be again a one-size-fits-all approach; imports might actually make sense in some cases. Another participant criticized that ecological aspects are missing from the proposal.

In the discussion, it became clear that there is a need to consider more detailed why countries may need imports/may want to import. For example: cheap prices for the (urban) poor? Want to increase competition? Need the goods for (upper class) consumers? Etc. With such an analysis in mind, then figure out different concepts how to react.

Regarding import surges and the governance of imports: smuggling is a big issue in many countries. How to tackle it?

By defining solutions, the aim should not only be to maximize what you have in the in the logic of the WTO system. Raise it as a political question: if there is real political will, nothing will prevent governments from implementing solutions that go further (e.g. Evo Morales in Bolivia).

Participants criticized that too little attention is being given to imports and exports of agricultural inputs. Not only focus on trade with agricultural products, but also on trade in inputs. Impact is important.

Consumption patterns were also considered important. In the Asian region consumption patterns are fast changing – through food imports, but also through establishment of fast food chains, through advertisement etc.. The globalization of consumption patterns makes imports necessary. For example, in Indonesia more and more people are eating wheat, while wheat is not domestically being produced. How do we see the transformation of the dependency on certain commodities?

Suggestions were made to include considerations on the relationship between bilateral and regional trade agreements. One example is that Indonesia provides the ASEAN markets with cheap agricultural products from Australia and New Zealand, as they import from there at preferential tariffs due to bilateral agreements.

Regarding state trading enterprises (STEs), one participant elaborated that from a public management perspective, these mechanisms have proved to be highly inefficient. Because they both enjoy a monopoly and at the same time are profit oriented, in many countries they are full of corruption. However, it was argued that there is a need for a new type of STEs, in which government control and management meets producer cooperatives and farmer participation in decision making. Besides, note that where STEs have been dismantled, their functions had not been able to be restored otherwise and by other mechanisms. So how can countries retain some of the necessary functions while challenging the deficiencies of STEs?

One participant cautioned asking for more room for domestic support and domestic research without saying what it is for. In India, for example, there would be many researchers eager to develop and produce their own GMOs. Therefore well defined programs must be present precursor to policies for domestic support. Another participant favored farmer-led research for sustainable agriculture.

Overall, participants observed that the paper on governance of imports has a strong economic focus, only economic aspects are being taken into account. The author was encouraged to take additional aspects into account, for example culture, or organizational culture. For example, cooperatives are not a model that has worked everywhere, so be sensitive to local ways of organization.

One participant suggested additional instruments and measures for the governance of imports: disciplines regarding food aid, so that it does not end up as dumping; balancing pro-consumer (cheap prices) and pro-producer policies; establishing/keeping stocks for emergency situations at the international, national and regional level.

5. Discussion on Market Concentration

Market concentration is often associated with the increasing power of transnational corporations (TNCs), and the decreasing power of governments. However, TNCs and governments may actually enjoy mutual supportiveness. If governments work with TNCs, often both benefit in the form of private profits, taxes for public funds and foreign currency income increase at the same time. Participants mentioned that governments often are 'addicted' to foreign direct investment, and emphasize it as *the* road to development. Challenge that, and put investments into context!

Participants agreed that some kind of multilateral rules are needed in order to tackle concentration in agricultural markets. At the same time, many believed, it is important to act at the national, regional and local level. A prerequisite for multilateral rules is reliable participation and democratization at national and local levels. It is important to be careful with multilateral rules when geopolitical imbalances exist. Yet participants encouraged analysis of the state of the art in competition policy. In Cancún competition policy was supposed to be introduced, but it was the wrong competition policy. However, little analysis exists on the issue. In this context, consider local content policies, labeling for local contents, as well as information disclosure on PPMs.

One of the main questions in the discussion was how do we/the people get access to anti-trust and competition legislation and enforcement? Mechanisms for civil society to have workshops with governments (inside lobby work) were suggested as one tool, but also outside mechanisms were considered important.

Participants discussed approaching the issue of the power of TNCs with a two-tier strategy: restrict the power of TNCs, and at the same time increase the power of small producers. Supporting small farmers and enable them to step out of mainstream production and marketing models would help them become more independent from the influence of TNCs. And greater independence would automatically give them more power to negotiate.

One participant outlined that sustainable, or ecological production would *in situ* be resistant to influence of TNCs, as they do not have the power to control inputs.

It was suggested considering the role of consumer within the whole issue of market power: consumer information, advertising, consumer power, awareness-raising for consumers, strengthen consumer-producer relations. An example was given from a successful consumer campaign in Burkina Faso, which asked consumers to buy local rice instead of imported Thai-rice. Many consumers declared solidarity with Burkinabe rice farmers and increasingly bought local. In this context, another participant suggested considering the potential for the assertion of rights at the community level. For example, in the Philippines there are communities that have decided to remain GMO free areas.

Participants mentioned that a human rights perspective in TNC regulation was so far lacking in the paper on market concentration.

Regarding the follow-up of this regional workshop, and the presence of the EcoFair Trade Dialogue in the region, participants raised interest as to how policy makers would respond to the proposals. They asked to be provided with information on the further process of the project, and on future documents and outcomes. Participants suggested disseminating that information also on the local level.