

ECOFAIR TRADE DIALOGUE

Report

from the

North American Regional Consultation

in Washington, DC, September 12, 2006,

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September 30, 2006.

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.

On September 12, 2006, the EcoFair Trade Dialogue conducted the North American Regional Consultation in Washington, DC, United States. 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 North America, to "root" the project and some of its messages and results in that region, and to get some information about problems and proposals specific to the North American context.

Some 30 participants joined the consultation. The overwhelming majority were representatives from civil society organizations and networks (some working at policy-, other at grassroots level, both in the international as well as the North American contexts) as well as some academics and some industry association representatives. Participants came mainly from the United States, with a small delegation from Canada, but also from Europe. The consultation was hosted by the North America office of the Heinrich-Boell-Foundation, located in Washington, DC, United States.

The very tight one-day consultation contained discussions on four main topics, as well as a segment on possible follow-up and regional cooperation (page 8). The four main topics were:

1. the overall design and setting of the EcoFair Trade Dialogue project (page 2),
2. 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. the "Role of Exports", i.e., which effect agricultural exports may have – both on producers in the country of origin, and on those affected by imports (page 4). Additionally, a discussion on biofuels took up a prominent part in the debate on exports (page 5).
4. "Policy Instruments for Sustainable Agriculture", i.e. the instrument of supply management as well as measures to foster the transition towards environmentally sustainable forms of farming (page 6).

A short summary of the next day's public panel discussion rounds up this report (page 7).

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

While the project was generally well received and complimented, and excitement about learning about some of the results of the project and sharing them with partners in the region was expressed, participants honed in on what they perceived as overall an unclear goal of the project. Several participants asked specifically what the project intends to do after presenting a coherent reform on a possible future ecofair regime. They asked whether specific political action, f.ex. through issuance and/or promotion of a declaration, was intended; whether the goal was to reach out and built on existing alliances through support and strengthening of present initiatives and proposals, or whether the project itself, through ongoing consultations, wanted to bring forward some new issues for broader discussion. Those members from the EcoFair Trade Dialogue present acknowledged that a decision on the future direction of the project is imminent.

As to the underlying analysis for the project, some participants suggested not to focus too much on the global framework of the WTO, and particularly on seemingly advocating for the WTO to regulate other areas beyond trade, f.ex. the environment. The participants also requested more information on the other consultations in Asia, Africa and Brazil so as to get a better understanding of the regional discussions to date, how they compare with one another, and to envision how they fit into a global set of recommendations for a shift in agriculture and trade policies.

2. Discussion on the Key Messages Paper

The “Key Messages Paper” was presented and discussed in the plenary. Feedback and suggestions for improvements included comments on several aspects: on the analysis of the “status quo” and the flaws of the current system, on a “vision” for a future agricultural model, 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 definition of the status quo and a “vision” of the future:

The participants were not uniform in their evaluation of the assessment the key messages paper provided of current problems, as well as its vision for the future.

One participant commented on the question of the “uniqueness” of agriculture and found the justification in the paper for the unique role that agriculture plays in need of improvement. Some participants also warned against romanticizing small farmers, pointing out that a vision of an enhanced role for small farmers has to be seen against the reality of population pressures (meaning global food security), inefficient farming techniques and the question of access to land and water,. The same participants also worried that not all of the negative outcomes described to trade are in fact caused by trade, but by modernization itself (a switch from subsistence to commerce) as well as by other external factors like population pressure; and thus “fixing” the global trade system would not result in “the cure” for all problems afflicting the poor and rural areas.

Others argued in support of a focus on small farmers, pointing out that small farming systems may be the most sustainable, and positing that empowering small farmers would ensure that the system is geared bottom-up. They suggested focusing stronger on the question of who benefits the most from the current agriculture model, how much the current system is benefiting those working on farms, as well as on pricing and the question of why cheap farm gate prices do not translate into cheap consumer prices, and why agribusinesses are the winners in this constellation.

Feedback on Instruments:

Analyzing the current agricultural market as characterized by market failures, (one participant brought into the discussion the term ‘globalization of market failure’) several participants voiced the challenge not as one of attempting to “re-embed markets,” but actually as one of creating for the first time functioning markets which

internalize externalities globally. The role of governments in the creation of such markets has to be addressed. One participant suggested incorporating true-costing and life-cycle analysis in the reform proposal of the EcoFair Trade Dialogue project. Related to this was also the suggestion to place the problems of global climate change as well as global water management more prominently on the agenda of challenges and environmental constraints for the current fossil-fuel driven industrial agriculture model.

Some participants liked the idea of asymmetric market opening, pointing out that a better differentiation has to be made among developing countries, since the capacities to trade vary f.ex. between Brazil and Zimbabwe. They encouraged the development of objective criteria such as the World Bank IDA-standards to be used to designate a country as a developing country within the WTO context in order to benefit from special and differential treatment measures.

Regarding the instrument of supply management, participants in the majority saw it as a valuable instrument with real applicability for the region (there are some 30 years of experience with national supply management schemes for dairy, eggs and poultry in Canada) and one in which the regional farm groups representing small-scale and family farmers place some high expectations.

Likewise, the idea of anti-trust legislation or a competition policy to limit corporate concentration was well received, in part because these tools are already part of current reform proposals in the region, and have gained some political traction, f.ex. among some policy-makers in the United States Congress. In general, participants wanted to see a stronger section on counteracting corporations in terms of creating functioning markets and inclusive pricing.

Lacking issues – what’s missing in the paper:

Participants suggested some of the following issues needed more clarification and discussion or were missing from the paper:

- accounting for those poor people in urban areas that are not subsistence farmers, not employed by agriculture and are net food buyers,
- the role of human rights and the underlying framework of international human rights conventions, and their relationship to trade
- more emphasis on the role of consumers and other stakeholders throughout the food chain,
- a better elaboration of how to combine sustainable livelihoods with ecological regeneration of agriculture,
- the current discussion about the role of biofuels (sustainability criteria for production and exports) and how it may alter agricultural production and trade
- the question of management of information and technology (intellectual property rights) in the agriculture sector, and the role of technical assistance for better farming techniques
- focusing more on the inefficiencies of the agricultural markets and the market failures due to the neglect of externalities

Style & wording of the paper:

Participants recommended strengthening the documentation of the analysis of problems with data and references where possible in order to “make it proof against people who would want to ignore it”. They also encouraged to be more mindful of the language used and to use more nuanced and less sweeping statements to avoid having some of its generalizations ridiculed in front of a less benign and welcoming audience. Concretely, it was suggested to include new sections on market failure, pricing, and information and technology management. The participants also noted that the train of thought in the paper has to be strengthened and linkages between the sections made more explicit.

3. Discussion on Role of Exports

The discussion dealt with exports from both North and South, their effects on

agricultural producers in developing AND developed countries, but also specifically with the effect of North American exports on developing countries, using the example of Mexico and its NAFTA experience.

Some of the presentations on the effects of exports on agricultural producers saw an eerie symmetry in North and South with almost identical reports of farm incomes declining steadily in exports sectors while production and export volume – as well as market concentration – increase, and the environment and biodiversity suffer. Farm sectors that focus on a domestic market, on the contrary, fair usually better over time. Nevertheless, other participants criticized what they saw as a bias against agricultural production for exports vis-à-vis domestic production and requested a discussion about the circumstances under which agricultural exports might be preferable.

At the beginning of the multi-faceted discussion, some participants advocated for distinguishing between domestic support measures and subsidies, and dumping of agricultural exports on world markets, stressing that reducing subsidies and domestic support do not necessarily solve the problem of dumping, as bringing down subsidies will not solve the problem of overproduction. They pointed to the erroneous assumption underlying US and Canadian agriculture policy that export markets are the driver for an unconstrained export focus, when, in effect, export markets have been pretty stable while production increased. Therefore, they argued, in both developing and developed country markets, a focus on a strong domestic market– (based on regulation of supply to match demand so that prices would be higher and would reflect more accurately the cost of production) would be preferable.

One of the most important questions, as many participants therefore saw it, is how to deal with overproduction. Some suggested a switch from subsidies to price support programs to guarantee a minimum wage for farmers, coupled with re-establishing crop/grain stocks, set-asides (land taken out of production) or the use of crops for energy. These are policy proposals developed for the re-authorization of the US Farm Bill in 2007 and for a change of the current, failed, status quo.

Discussion on Biofuels

Within North America, especially the United States, the rapidly increasing use of domestic corn for ethanol production as use for biofuel has created an opening for many farmers, but also new dangers: even more corn monoculture, water-scarcity, and market concentration in the hands of agribusinesses. Participants pointed out that it has led to the decline of exports from the American Northeast, but it has not resulted in the decline of land used for agricultural production. For North America, there are, as participants put it, a lot of “known unknowns”: what to do with the residue of ethanol production (distiller’s grain), a potential food source for livestock? When will there be a switch to cellulosic ethanol (f.ex. to switchgrass, which would require a move to a more local economy)? What will happen to ethanol subsidies and mandates?

In the wider discussion, participants worried what would happen if the global energy demand would press on land use patterns in agriculture, with almost unlimited demand, but limited natural resources and the possibility to pitch fuel vs. food, or as some suggested more specifically, feed for animals vs. fuel. The participants therefore suggested that looking at sustainability criteria for biofuel production and trade could be worth concentrating on as this new market effectively represents a microcosm of all the problems in the current agricultural production and trade model at large, but without the rigid trade and export structures yet in place.

4. Discussion on Policy Instruments for Sustainable Agriculture

The presentations and discussions in this segment of the regional workshop focused, on the one hand, on supply management, both with regard to past experiences in the United States and Canada, respectively, as well as in its potential as a global instrument. On the other hand, issues of environmental sustainability were addressed, such as the setting of standards, and support measures for sustainable

farming practices..

Regarding standards, the unequal playing field these might create for farmers in the South was discussed. It was suggested to increase international acceptance and trust of other countries' certification schemes, especially those that were set up by non-governmental organizations. Producers then would not have to adhere to a global standard set by an international certification scheme. Such a strategy would need to focus on the process of standard setting, namely, inclusive participation, as a desirable good instead of a specific quality or norm of standards.

With regard to national supply management schemes, the overall positive experience of schemes in Canada (dairy, eggs, poultry) was discussed, and how these schemes are challenged by the WTO's Agreement on Agriculture. Participants pointed out that it was the act of making farmers the decision makers what lead to positive outcomes, not the act of reducing supply per se, since this would still hold the danger that proceeds from better prices could be skimmed off by processors and retailers. This was contrasted with the experience of dairy producers in the United States, which saw their prices drop by half in the past six years. Many participants therefore agreed that supply management, if set up correctly, can present a powerful counterweight to the increase in power on the side of agribusiness.

Besides supply management, other policy instruments were mentioned as a way to curtail the power of corporations. For example, American farm groups and family farm advocates would favor a competition title in the 2007 version of the US Farm Bill. This title includes 8 policy measures including one that would give farmers more rights to negotiate farm contracts with agribusinesses, as well as stronger anti-trust legislation for food processors where the market concentration is especially high.

With respect to global supply management, participants worried about political feasibility and implementability of such an instrument. Such a scheme would have to concentrate on agricultural production of just a few large producers (e.g., EU, US, Brazil, CA, AU, NZ), allowing the rest to be "free riders". Today the political momentum for such a scheme, as proponents acknowledged, is close to zero, although windows of opportunity might open in the coming years due to CAP reform in the EU, Brazil's ongoing farm income crisis, and the renegotiation of the US Farm Bill. It would necessarily have to include WTO reform. Participants also suggested that such a system would only work if not one crop, but all crops that could be substituted for each other are subjected. It was suggested to focus on cereals, oil seeds, sugar and cotton in such a scheme. One participant worried about the impact of higher farm commodity prices on the urban poor in developing or net-foodimporting countries.

5. Feedback and Outlook – Possible Inter-linkages to Regional Initiatives

Regarding the follow-up of this regional consultation, and the presence of the EcoFair Trade Dialogue in the region, participants expressed interest and excitement in being provided with information on the further process of the project, and on future documents and outcomes. This was coupled with a very specific invitation from the small Canadian contingent of the group to come to Canada to present process and outcome. Some suggestions were made to follow up in very small issue-specific roundtables, f.ex. as a brown bag discussion with policy makers focusing on one specific key message of the Key Messages Paper, or on just one of the nine background papers. Furthermore, there was interest in increased dialogue among groups in Canada and the US to strengthen analysis and alliances in the North America region.

The region does already see a number of ongoing initiatives as well as some project proposals on more sustainable agricultural production and trade that might interlink with the EcoFair Trade Dialogue project. It might provide future opportunities for both vetting as well as publicizing final results. These include among others:

- "Building Sustainable Futures", a dialogue process by IATP, ActionAid, The Rural Coalition and others, which brings together farmers from the United

States and developing countries, with two scheduled meetings in the US and in Mexico, as well as a final meeting scheduled to be hosted in Washington, DC in December 2006.

- An international conference on biofuels hosted by the German Forum Environment & Development on October 12-13, 2006 in Bonn, Germany, where civil society representatives will strive to agree on a short set of sustainability criteria for biofuel production and trade.
- The Agrobusiness Accountability Initiative, hosted by the Center of Concern and the National Catholic Rural Life Conference is an attempt to create a network of organizations working on market power and agribusiness along the food chain (has cooperated and been supported by the Heinrich Boell Foundation before).
- The International Assessment for Agricultural Science and Technology for Development (www.agassessment.org); it focus on a global and five subregional assessments of past investments in the agricultural sector as a way to look for possible future investments. In this process, NGOs are somewhat underrepresented as of yet.
- The “Green Lands/Blue Water” Initiative of IATP tries to find alternatives to the corn and soy production in the American Mideastern states; it looks f.ex. into sustainable production standards for biofuel and bioenergy production
- The “Transatlantic Dialogue Program” of IATP is about to be launched and still seeks support; it aims at creating stronger links between those working on the US Farm Bill and the EU's CAP reform in order to identify common issues in both reforms and as a way to influence the direction of global agricultural production and trade
- The Canadian Dairy Farmers are speaking with their European counterparts (among them many German representatives) about their experience with supply management. A workshop for European guests was hosted in mid-September in Canada.

Public Panel Discussion on September 13

On the day after the North America Regional Consultation of the EcoFair Trade Dialogue, the Washington office of the Heinrich Boell Foundation hosted a public panel discussion on “After the Collapse of the Doha Agricultural Talks: Time for New Directions in Agricultural Trade?” This event attracted about 60 participants from a diverse background, including some mainstream think tanks as well as the international financial institutions. The two-hour discussion, including speakers from the EcoFair Trade Dialogue, exposed the audience to some of the discussion topics of the Regional Consultation, including the need for policy instruments for sustainable agriculture and fairer agricultural trade, as well as the deficiencies of the current model as it disadvantages small-scale and family size-farmers in South and North. Participants here, too, expressed a strong interest in the EcoFair Trade Dialogue project and expressed hope for a sharing of results at the finalization of the project.