

QUALIFIED MARKET ACCESS

HOW TO INCLUDE ENVIRONMENTAL AND SOCIAL CONDITIONS
IN TRADE AGREEMENTS

An EcoFair Trade Dialogue Discussion Paper

Hannes Lorenzen

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hansmartin.lorenzen@europarl.europa.eu

Preamble

This paper is written as a discussion paper within the framework of the project “EcoFair Trade Dialogue. New Directions for Agricultural Trade Rules” (www.ecofair-trade.org).

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. 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. Since the beginning of 2005 the EcoFair Trade Dialogue has brought together a group of 11 advisers on agriculture and trade issues from around the world, the so-called Expert Panel, to exchange views, work intensively together and make innovative and feasible proposals for a profound reform of the international agricultural trade regime. During 2006 a series of stakeholder dialogues in different regions of the world are being conducted to bring additional expertise to the process, and ground the group’s proposals in local and regional experiences. A concrete and coherent reform proposal that responds to the 21st century’s social and ecological challenges for global agriculture is envisaged as the outcome of the project at the end of 2006.

The Eco-Fair Trade Expert Panel has identified Qualified Market Access as a potential instrument to foster the emergence of a fairer, more ecologically sound trade regime for agriculture. The paper introduces the idea and functioning of Qualified Market Access, and discusses how this instrument may promote sustainable rural development world wide. It concludes with some recommendations for future implementation and institutional arrangements. While the EcoFair Trade Expert Panel has contributed to the emergence of this paper, the views expressed and research conducted remain the responsibility of the author. As this is a discussion paper of a preliminary character, comments and contributions to the discussion are expressly sought.

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Executive summary

Multilateral rules for trade in food and agricultural products should urgently include legally binding agreements on social and environmental principles and standards in order to break the worldwide race to the bottom in farm gate prices, rural working conditions and the degradation of natural resources.

Based on existing international conventions and national laws, national governments and the international community should assume their role of setting and implementing principles and standards for sustainable agricultural practices and rural development with the perspective of building a sustainable world food policy, including trade.

Including social and environmental requirements in trade rules is essential, because multinational trade corporations and food retailers, which dominate world food markets, increasingly shift their investments in food production to countries where environmental and social requirements are lowest. Through exports to markets in countries with higher production standards and food price levels they can then gain increased profits.

In order to avoid further ecological and social dumping, and to support more sustainable food production practices, tariffs should not be simply cut or reduced. Instead, market access must be qualified. In order to reduce unsustainable practices through trade, social and ecological standards should be applied on imports and exports so that they can work like trade filters.

This paper wishes to encourage governments and the international community to include *qualified market access* and trade preferences into the multilateral and bilateral trade negotiations in order to balance economic with social and environmental objectives. Developing countries and developed countries alike are encouraged to define criteria and standards for food imports which ensure that national food security and rural livelihoods are not undermined. Countries which have achieved a higher level of social and environmental legislation and standards should effectively safeguard these standards in their territory. Based on these inclusive achievements they may claim the right to apply levies on imports which could undermine these existing standards.

Charges imposed on socially and environmentally destructive practices and products should be turned into development aid and made available to regions and specific producers to support food security and sustainable rural development measures. An international fund for food security and rural development should receive these financial resources. An international committee of governmental and non governmental organisations should establish criteria and mechanisms of support for sustainable rural development programmes and food security measures.

This paper suggests initiating an international convention which elaborates a common framework for social and environmental principles and qualified market access including governmental and non governmental stakeholders. The convention should be initiated and carried out by the FAO, UNCTAD, ILO, UNEP, UNHR and WTO, based on an appraisal of existing standards including legally binding international, commercial and voluntary standards. Success stories of ecologically sound and

socially Fair Trade compacts and agreements should be gathered, published and promoted in order to mobilise stakeholders to participate in the exercise.

1. Introduction

Advocates of trade liberalisation have always argued that *increased market access* and *reduced market protection* are preconditions for a more dynamic world economy which will lead to a better share of development opportunities, especially in favour of the developing countries in agricultural trade.

Developed countries have set the notion of more *market access* in the offensive, as the "champion" of the current Doha Development Round of the World Trade Organization (WTO), while arguments in favor of *market protection* or regulation are in a defensive position, ear-marked as fearful resistance against progress and a barrier to change.

Developing countries strongly oppose any further opening of their domestic markets, especially for food and agricultural products. Agricultural exports from the North, often heavily subsidised, have destroyed local food security and livelihood and have significantly provoked increased rural poverty and hunger.

Recent scientific studies like *Winners and Losers of the Doha round* (Polaski 2006) carried out through the Carnegie Endowment for International Peace suggest that most developing countries will lose from further unspecific trade liberalisation in the agricultural sector. The benefits will flow overwhelmingly to multinational companies in the developed countries and a few net agricultural exporters like Argentina and Brazil.

But also in many industrialised countries, the opening of markets for food imports is increasingly opposed. The arguments are different: farmers, especially small and family farms cannot compete with low price imports from developing countries; they face much higher production costs including various obligations to respect substantial environmental, social and health legislation. (*EU regulation 1782/03 cross compliance*)

To date negotiations on trade agreements in the WTO have excluded the so-called *non trade concerns* such as food security, poverty reduction, employment, environmental and cultural aspects. But the WTO has reacted to protests of the developing countries and civil society organisations. Discussions about more flexibility in the agreements through certain exemptions in tariff reduction such as *special and sensitive products* and the concept of the *special safeguard mechanism*. are taken more seriously.

Only about 10% of the world's food production is traded on the world market. But the remaining 90%, mainly locally and regionally produced and traded products get increasingly under price pressure as tariffs are cut. International trade rules must therefore reflect the great diversity of rural economies and the existing disparities between regions, producers and food industries. Sustainable development and a fair distribution of gains from trade will not be possible as long as the historical, ecological and social aspects are not included in the common rules for trade.

This policy paper is exploring principles, standards and instruments which could help to include social and environmental concerns into trade rules. The idea is to strengthen economically and socially weaker groups and to promote ecological and social innovation in achieving sustainable food supply systems through fairer trade.

2. Qualified Market access

"Markets are superb at setting prices, but incapable of recognizing costs"
(Paul Hawken in: The Ecology of Commerce)

Market access is the dominating issue in the current WTO negotiations. A mere focus on the issue falls short of addressing the challenge how to achieve sustainable development through trade, as the concept is solely used by the interested parties to promote cuts in national tariffs. However, regarding the increased degradation of natural resources and rising unemployment in rural economies, market access rules must include, -not exclude-, environmental and social costs of the various forms of food production in the countries of origin. If this goal is not achieved, liberalised trade will lead to social and environmental dumping worldwide.

The underlying assumption in the negotiations on market access is that cutting national border tariffs will increase competition, raise productivity in the farming sector and improve supply with foodstuff. However, global food markets are currently not working this way. Competition is very limited, as markets are dominated by a few multinational companies having reached a degree of market power which can undermine competition and sustainable food production practices. Productivity is only raised in certain advantaged export oriented regions. Supply with food is not working sufficiently for the great majority of the world population.

Thus the assumption that competition in food and agricultural production can take place on a liberalised global market without policy space for local, regional and national governments is erroneous. Competitiveness is not an issue only of the most efficient mode of production, lowest cost and price of services and goods. In a world of shrinking water and fossil resources and growing hunger, competition must produce sustainable agricultural practices, food security, and rural employment to avoid further migration into urban centres. This is why trade rules must include incentives and levies which strengthen local food production instead of destabilising it.

If export-oriented, input-intensive, and energy-consuming industrialised farming is taken as reference point for future agriculture and trade policies, this does not acknowledge that in rural areas there are many billions of micro, small and medium farms and enterprises which only supply local and regional markets and do not operate on the world level. Multilateral rules on trade in agriculture and food should therefore clearly distinguish between trade rules and policies for those farms and enterprises operating on a local or regional scale, and those operating on a global scale.

Market access is not just a concern of global trade companies. For small farmers and rural enterprises access to their local markets is a question of survival. The combination of trade liberalisation and growing market power of retailers and

supermarkets has closed the door for many traditional local products. To sell these products to food processing industries and retailers, farmers must often supply minimum quantities and respond to uniform industrial standards. It is therefore important to widen policy space and explore diversified standards and instruments which could define market access conditions. They must reflect the extreme disparities in size of farms and enterprises as well as geographical, climatic and technical conditions of local production.

Qualified Market Access is a concept which could offer balanced solutions to these problems. At the local and regional level it intends to enable producers to organise production, processing and marketing according to their specific needs and strengths in order to keep a maximum of the added value for reinvestment in the rural economy. In addition it promotes differentiated environmental, social, and hygiene requirements, as well as local market access, which needs to be supported through public policies and trade rules. The qualities and origin of food including specific modes of production are to be chosen and registered through standards and certification.

Existing sustainable local production and rural development measures should not be undermined. Therefore standards should be considered for defining possible charges to be applied at national borders. Instead of plain tariffs on price levels, Qualified Market Access suggests differentiated charges according to environmental and social criteria. These charges may be gathered in an international rural development fund which redirects the increasing share of international trade profits into structural aid for rural development and the maintenance of local productive resources. An international committee of governmental and non-governmental organisations should establish criteria and mechanisms of technical aid and training for sustainable rural development programmes and food security measures.

3. The international rural development fund (IRDF)

According to statistics from UNDP and FAO rural development aid is currently on the decline around the world, because aid receiving countries are being forced to focus on export. The OECD-FAO agricultural outlook 2006-2015 (*FAO/OECD 2006*) states that in order to reduce the dependence of poor countries on food imports, greater investments are needed in education, training and rural development. However, most investments made by the World Bank and the IMF focus on building roads, export harbours and airports. The loss of rural infrastructure and missing public health services as well as basic education continues to provoke uncontrolled migration into the cities.

The proposed International Rural Development Fund is the innovative investment part of the *Qualified Market Access* concept. It is fuelled by charges imposed on imports which are below a country's quality standards. A fundamental first step for the establishment of the IRDF fund is to elaborate a survey of potential beneficiaries, vulnerable groups and disadvantaged regions. A second step would then be to identify the products, sustainable food security practices and infrastructure needed to create added value for these groups and the regions most in need. National and regional registers need to gather information on the specific qualities of products and best sustainable practices.

In addition the procedures may compare the potential trade-offs between maintaining a particular mode of production (subsistence or semi-subsistence) and options for processing and market orientation. Relevant stakeholders, governmental and foreign aid agencies as well as external donors must be consulted, if possible, at all steps of the survey and the programming of the funds' investments. The financial resources of the IRDF may be complemented by national aid programs, international food aid programs, and on return on investment systems. An international committee of governmental and non-governmental organisations establishes criteria and mechanisms of support for sustainable rural development programmes and food security measures.

Upon the initiative of the European Parliament the EU Commission is currently carrying out a study on the concept of Qualified Market Access including the instruments needed to implement it. Since years the Parliament has adopted resolutions on the reform of the EU Common Agriculture policy and on international trade in farm products suggesting that Qualified Market Access should define and enforce the role of ecological and social standards in trade.

4. Market ownership

Formally speaking a market cannot be owned. But there can be ownership of a process which carries conditions for market access, based on traditions and practices for sustainable production and fair trade. As long as there is transparency and agreement on the value of these practices between farmers and consumers on local markets there is no reason to question that the market is functioning.

But as soon as local markets get under price pressure from imported products which do not allow comparing the real costs and social and ecological conditions of their origin, the underlying values and production practices of the local market are under threat. When local conditions, traditions and values are separated from the product the local market turns into an anonymous mechanism which is blind for possible negative effects of the exclusion of costs and people which the society as a whole must carry and sustain.

There is widespread evidence that market liberalisation has strongly destabilised local markets, especially in developing countries. International trade companies have profited from the fact that industrially processed and often subsidised food reaching local markets have disrupted the culturally rooted market ownership or stewardship of the local population thus disintegrating the specific cultural, social and environmental relations in the local communities.

To re-establish the functioning of local markets local communities must be enabled to define conditions for local market access. Principles and rules for the inclusion of social and environmental costs of production need to be drawn from generally accepted good agricultural practices and rural development success stories. Good agricultural practices have been defined by the FAO and various other governmental and non-governmental organisations. But in order to implement these criteria, they must be agreed upon by stakeholders involved in agriculture and food business.

A prominent example of a successful process of consultation and agreement upon such principles and standards is the development of the organic food market. It has developed out of citizens' concerns over the negative effects of chemical and industrialised agriculture on environment and health. It is based on a social contract between farmers and consumers including agreements on conditions of production and standards for inspections, certification and labelling. An increasing share of consumers is most willing to pay the additional costs for the implementation of the agreed rules. In the case of the EU and many other developed countries this specific market is protected against the undermining of the specific standards. Market access to the organic market requires agreement to include the costs of sustainable production into prices and to exclude degradation of soils and loss of biodiversity, as well as to reduce the contamination, for instance, with pesticides or GMO to a minimum.

Another process of establishing market ownership has emerged through the definition of geographical indications (GI). GIs designate products originating in a particular region or country which have a unique character due to their particular qualities, traditions and production methods. GIs were originally created to protect producers and their special products in disadvantaged regions on a national level. But the concept has gained interest around the world as an alternative to commercial trade marks. They offer concrete instruments for the strengthening of local markets and a link of products and modes of production to specific qualities and regions. It is currently the most inclusive approach in terms of cultural, territorial and quality standards for trade. Although the concept faces fierce opposition from the US and many net exporting countries within the WTO, it continues to gain interest in many developing countries.

Another process of strengthening sustainable production and local marketing has emerged from farmer-consumer co-operatives. Members of such networks agree upon the following principles: consumers pay for their regular consumption of seasonal products in advance and take part in the distribution of the products. Farmers guarantee the regular supply of fresh quality food to households or food distribution points. The contract guarantees a fair food price for farmers and consumers. Such kind of local marketing networks started in the 1970s as *Teikei* (relation) in Japan and with food co-operatives in Switzerland and Germany. In the USA the movement is called *community supported agriculture (CSA)* which now comprises around 1700 groups (Pretty 1999).

5. Standard development – two examples

5.1 Organic standards

The organic food movement has established four principles to guide producers and consumers as well as to establish standards for marketing and trade. These concern public health, ecology, fairness and care. The *principle of health* points out that the health of communities and individuals cannot be separated from the health of ecosystems. This leads to standards which exclude the use of pesticides, fertilisers, animal drugs or food additives. The *principle of ecology* points at the enhancement rather than exploitation of living systems. This leads to standards which demand integration of crop and animal production, crop rotation and preservation of soil

fertility as well as biodiversity. The *principle of fairness* points at equal and respectful human relations between farmers, rural workers, processors, traders and consumers. This leads to standards which include social and environmental costs in food prices. The *principle of care* points at the precautionary principle in food production and marketing. This leads to standards which go beyond scientific evidence and knowledge including indigenous knowledge and cultural preferences

Regional groups of organic farmers and interested consumers established first basic standards in the 1940s. Since then have been developed hundreds of standards based on collective compacts, which have been codified in technical regulations of more than 60 governments. As opposed to conventional quality standards, which only refer to the quality of the end product, organic standards are including requirements on the product process such as preference of on-farm feed production, animal welfare standards, or the exclusion of genetically modified organisms in farming and processing.

In the early years farmers inspected one another on a voluntary basis. Today third party certification is a much more complex and formal process. Certification is the consequence of growing market ownership and market share of organic products, but also a consequence of an increasingly anonymous market. Governments have therefore imposed organic guarantee systems and labelling rules in order to avoid misuse and fraud of the image of organic products.

The privilege of becoming a co-owner of the organic market involves costs. These are costs for labelling, monitoring, certification, and the organisation of decision making on revision of norms and standards. The claim of market ownership in organics also results from the fact that these costs are shared by producers and consumers as opposed to the conventional farming which is generally controlled and certified at the cost of public phytosanitary and health services.

5.2 Geographical indications

The approach of geographical indications has a long tradition in countries like France and Italy but also in India, China and Thailand. Their potential to establish or regain market ownership for local producers and consumers from international markets lies in their territorial nature and deliberately limited production. They offer means to create and reinvest added value in the places of origin instead of cropping for export of raw materials. The territorial approach to food production and marketing promotes diversification of agriculture and reduces dependence from few export crops. GIs can enable local producers and their organisations to get a fair share of trade profits.

In the context of current multilateral negotiations on intellectual property, GIs can be characterised as the key opponent or alternative to commercial trade marks (CTM).

GIs are based on a collective level of activity, local know-how, cultural relationships, and territorial roots. As opposed to this integrative indication, trademarks are legally protected exclusive labels used to distinguish products of a group of traders from those of other traders. CTM holders have an interest in proliferation and growth of the mark and to encourage the use of the trademark by interested enterprises.

GIs include a supply management element as they strongly contribute to product diversification and reflect limited local and regional resources. There are limits set for the use of ingredients not produced in the region. The added value created in the specific region or locality is rooted in the place of origin and reinvested there. As opposed to commercial trademarks, which are rights of a private company or person and can be sold and transferred to other regions, GIs represent a territorial collective ownership of the production and the marketing process. They are thus more attached to the dimension of social cohesion and rural development. They aim to secure returns to the holders of traditional knowledge and to the costs associated with the system.

Two examples illustrate the difference: a GI *Honduran Banana* can only be used for Bananas from Honduras, whereas the trade mark *Chiquita* can be used on any banana produced in any country. *Champagne* as GI is limited to the production quantity and the specific quality requirements of the designation; if *Champagne* could be sold as a trademark, the Coca-Cola Company could buy it and produce unlimited quantities anywhere in the world without respecting the existing quality requirements.

GIs are collective rights while trademarks are private, individual rights. The difference lies in the protection claimed. In the case of GIs all parties within a geographical area receive protection against misuse of the indication; the enforcement is practised and achieved through a mix of private and public action; an independent agency or government undertakes inspection of compliance with standards laid down in the GI.; in the case of the EU there are laws which regulate the rights and ownership of GIs (e.g. CE 2081/92); unauthorised actions and infringements are defined; in the case of trade marks only the owner or the licensee of the commercial trade mark are protected, and conflicts must be resolved through law suits.

The European GI register includes 700 geographical indications for farm products and 4200 controlled appellations (AOC) for wine, which include specific local rules for production and quality. New trade agreements may undermine these quality rules. In order to end bilateral trade conflicts over the past ten years, the EU Commission signed in September 2005 a bilateral deal with the US. The agreement allows imports of chemically recomposed wines, the use of wood chips instead of using barrels, as well as adding up to 9% water (in the US 35% is allowed). The deal was made to keep the door in the US open for EU wine exporters, which also tend to move their production to countries with less strict environmental and quality legislation. The deal was clearly made at the expense of small-scale wine production which is based in disadvantaged mountainous areas.

The GI approach to trade needs to be strengthened and broadened, particularly through better use in developing countries. This needs an effective and accessible domestic legal framework and adequate infrastructure. But in parallel also the international legal protection needs to be reinforced at the TRIPS agreement. Currently Art. 23 of the agreement limits the so-called "additional GI protection" to wines and spirits. Countries like India, Thailand, Cuba, China, Switzerland, Venezuela, Turkey, Pakistan, Sri Lanka, Kenya, and the EU demand the extension of GIs to potentially all products. This is of course opposed by the major exporters like the US, Australia, Argentina, Canada, and New Zealand. It is urgent to include GI extension into the modalities negotiations currently taking place at the WTO in Geneva. Countries from Europe and Asia are demanding the international protection

of GIs in the WTO negotiations on agriculture and food processing, including a variety of small-scale handicraft industries.

Experiences with GIs in Europe, Africa, Asia, and Latin America

The EU has detailed GI legislation in place which has come under attack in the WTO. Exporting countries oppose the limited market access which is reached through its territorial limitation. Many of the GIs have proved to increase and preserve food diversity, but also to increase employment, especially for local special products. In the case of 'lentilles vertes de Puy', a local variety of lentils with special nutrients and flavour, the number of producers has tripled in 6 years as a consequence of GI protection. The Chinese approach to GIs is similar to the French 'Appellation d'Origine Controlée' (AOC). The system also codifies modes of production. In November 2003 there were over 100 applications for GI protection in China. India has a long tradition of local foods and has well codified modes of production for these products. The two most famous products, Basmati rice and Darjeeling tea, are not formally protected as GIs. But when the RiceTec patent was granted in 1997 the government challenged this on the ground of the collective rights of Indian society on this variety. Darjeeling tea has been protected as a trade mark by an international tea trading company. Even the word Darjeeling has been exclusively protected. However, some regions in India consider to challenge this protection and to demand GI protection. Mexico has protected mainly spirits like Tequila and Mezcal, which are distilled from agaves. But the country could also easily extend the system to many local special products (e.g. Café de Veracruz) in order to conserve biodiversity and the enormous genetic pool in corn and beans.

6. Setting the standards

Regarding international trade agreements more common standards and their enforcement would be necessary. It is of course difficult to boil the immense diversity of criteria for food security and sustainable practices down to minimal standards for national market access. Nevertheless an international compact seems necessary to protect the functioning of local markets, based on core principles which strengthen the inclusion of social and environmental standards into international trade agreements.

Pascal Lamy, Secretary-General of the WTO, has elaborated on this problem referring to "collective preferences" of regions and countries as the basis for developing standards: "At a more fundamental level, we should be looking beyond the WTO and thinking about what type of social contract we want for the world as a whole. Even if such thing were possible to achieve, uniform choices would not be desirable from a political or an economic point of view. However it would be in the international community's interest to identify certain core shared preferences, or collective preferences that would translate into universally applicable standards."

Currently, the process of standard setting takes place mainly on four levels.

1. *Bottom-up voluntary standards* are agreed upon and driven by non-governmental or civil society organisations in order to establish sustainable or fair trade practices where government legislation does not exist. The organic farming movement (e.g., IFOAM), the Forest and Marine Stewardship Councils, Fair Trade groups, as well as a

wide range of environmental, animal welfare, and public health organisations have established such standards. Many have created their own control systems which allow consumers to make a choice for more sustainable practices or Fair Trade products. These standards are a basis for social contracts which create market ownership in a non-legally regulated environment.

2. *Voluntary commercial standards*, also called *soft law*, are mainly introduced by private companies as a commitment in production or trade. This occurs mainly as a consequence of rising public awareness on unfair trade practices or global environmental degradation. The *sustainable food laboratory* initiative is such an initiative which strives to reach consensus between corporations and civil society on sustainable food systems. The goal is to achieve publicly accepted practices in order to keep or improve a market position and profits.

3. *Legal standards of governments, hard social and environmental law*, are a mirror of the level of conscience about sustainability problems and differ very much between countries. This usually creates conflicts about unfair competition in trade. When governments set standards which integrate formerly externalised costs into the prices of products, e.g. by imposing taxes on pesticides or oil, less competitive companies can still produce in countries which have lower level of standards.

4. *Global or extraterritorial standards*, set by UN organisations, are based on international conventions or laws, like the convention on biodiversity, labour standards or human rights. They fall under the category of *soft laws*, as long as there is no international infringement procedure and translation of these standards into national law.

In order to build up a critical mass for lobbying for the inclusion of social and environmental principles and standards in international trade agreements, it seems most promising if the process of standards setting brings together the top-down approach of international conventions and national law with the bottom-up approach of voluntary and commercial criteria and standards. What needs to be launched to reach an agreement on standards is a common effort to identify and name the externalities of unsustainable practices and unfair trade and work on practical steps to include them into prices for food. This includes full cost accounting of products which cause identifiable, long lasting damage and high risks for food security. Many data already exist but are not yet translated into standards.

It will be important to distinguish between legitimate political space, sometimes legitimate cultural collective preferences on the one and protectionist motives on the other. Relying upon "consumers' choice" through strict labelling of fair trade products can be strong, -if there is awareness of the need for social and environmental inclusion, as in the case of meat hormones or GMO in Europe. Leaving the setting of standards to scientific evidence and health concerns alone, as practised in the WTO is certainly too restricted. Relying only on scientific criteria can be dangerous, as the history of the mad cow disease has shown.

6.1 Examples of agreed and revised standards

1. Voluntary standards

ISEAL, the International Social and Environmental Accreditation and Labelling Alliance, based in the UK, has developed an international code of good practice for social and environmental standards to promote fair trade on a voluntary basis (www.iseal.org). The code was established following a multi-stakeholder dialogue. The code is regularly reviewed and adapted. Members of ISEAL are Fair Trade labelling organizations like Max Havelaar and the global eco-labelling network, IFOAM for trade in organic farming, the forest and the marine stewardship councils, the Rainforest Alliance, the Social Accountability International, and the Institute for Agriculture and Trade Policy (IATP).

2. Voluntary commercial standards

EurepGAP (good agricultural principles) is an initiative of European retailers to develop widely accepted standards and procedures for the global certification of Good Agricultural Practices (GAP) (www.eurepgap.org). The private organisation has defined a set of normative documents for internationally recognised certification criteria. EurepGAP members include retailers, producers/farmers and associate members from the input and service side of agriculture. Standards and the certification system are approved by technical and standards committees of specific product sectors. These committees have 50% retailer and 50% producer representation. EurepGAP was set up following food safety scares such as BSE (mad cow disease), pesticides, and GM food concerns. Many EurepGAP members are global players in the retail industry. They have agreed upon a commonly recognised and applied reference standard of Good Agricultural Practice with a consumer focus. According to EurepGAP a triple bottom line "people, planet and profit" for the good agricultural practices ensures that agriculture respects food safety, the environment, workers welfare and the welfare of animals.

This commercial standard system has been strongly criticised by NGOs for being mainly a publicity measure and a reaction to consumers' interest in organic and Fair Trade products.

3. Legally binding national or regional regulations

More flexibility in setting food hygiene and quality standards

EU legislation on food hygiene and quality standards has a reputation for its negative effects on local small-scale production. Imposing ever stricter and detailed demands on hygiene measures especially in milk and meat processing has raised production costs which small farms and enterprises were unable to cover from decreasing farm gate prices. The concentration in the food processing and retailer industry played an important part in this process. With growing distance between farmers and consumers, food retailers demanded food with longer shelf life, which led to stricter hygiene and conservation practices. However, due to a rising consumer demand for local and regional quality products and better organisation of local producers, the EU has recently reformed hygiene and quality rules, which now allow member states to more flexibly interpret hygiene and quality standards to local conditions. The new food hygiene regulation (852-854/06) much less fixes the specific methods of

achieving a certain level of hygiene and quality; it rather defines the responsibilities of the food producers and retailers to achieve a final quality. Many governments have used and still use the food quality standards to enforce a restructuring and concentration of the food industry. However the example shows that if consumers, small farmers and rural enterprises reach a critical mass, change in legislation gets possible.

4. International conventions

Multilateral Environmental Agreements (MEA) have partly legally binding, partly voluntary character. An example is the Rotterdam Convention (RC) on pesticides and chemicals use (PIC). The RC sets out binding conditions for monitoring and control of trade in hazardous chemicals. It is an instrument to provide countries with information, so that they can decide which chemicals they want to exclude from import. UNEP and FAO started developing the International Code of Conduct on the Distribution and Use of Pesticides in 1985. The text of the Rotterdam Convention was adopted at the Diplomatic Conference held in Rotterdam on 10 September 1998.

Another example are international labour standards. The ILO was the first to establish a set of four labour standards that are applicable universally. Freedom from forced labour and freedom from discrimination are enforced on a global level; however, freedom of association and collective bargaining, and prevention of child labour are far more controversial. Some developing countries argue that some forms of child labour are essential to the survival of extremely poor families that rely on the income generated by every family member. These countries fear that permitting the creation of unions will cause multinational companies to disinvest in countries with low labour costs and low labour activism.

Voluntary corporate self-regulation in Cambodia: improved labour standards

The Cambodian apparel industry has participated in a process of incentive-induced voluntary self-regulation, which was supported by US government aid from 1999-2005. This entailed a trade agreement between the two nations that, if certain labour standards were achieved in the Cambodian industry, an increase of import quota of Cambodian apparel exports would take place. The supervision of the agreed labour standards was in the hands of a neutral specialist labour branch of the ILO. The ILO was responsible for targeted and transparent standard assessments, which were made fully accessible to governments and private buyers. This maintained the incentive to reach international labour standards, even after the removal of US import quotas due to the interest of domestic firms to gain reputation of conscious buyers. As a result, employment in the apparel sector increased from 80.000 to 220.000 between 1998 and 2003. This approach to qualified market access allowed Cambodia to become the first LDC to achieve over one billion US\$ in yearly exports (www.carnegieendowment.org)

Support for reaching EU import standards

EU - ACP support for horticultural trade and pesticide reduction (COLEACP and PIP) COLEACP is an inter-professional association of exporters, importers and other stakeholders of the EU-ACP horticultural trade. The objective is to promote safe and responsible production in the horticultural sector in ACP countries, in a manner that addresses the concerns and requirements of producers, consumers and intermediate stakeholders in order to improve export recognition and acceptance of ACP horticultural products.

The Pesticide programme of COLEACP (PIP) is working with potential beneficiaries to find the type of support needed to respect EU import standards. PIP focuses on implementing food safety systems, train staff and develop traceability systems. PIP support must necessarily contribute to making exports comply with health regulations, particularly in terms of pesticide residues, as well as with product traceability requirements. With funds coming from the European Development Fund, PIP is ready to support the efforts of ACP companies looking to demonstrate the compliance of their production and share the cost of adapting products and practices. (EU regulation 882/2004 "A framework is provided to help development countries meet EU import requirements and enable the Commission to fund activities that enhance feed and food safety)

8. Quality market development

Shared responsibility, fair prices, more jobs

In a perspective of gathering good practices and success stories in quality market ownership, there are various levels of experiences which could encourage further research and action on quality market development. Here are three different examples from Brazil, Senegal, and the United Kingdom.

The Brazilian family farmer's organisation FETRAF has decided to export GMO-free soy to interested farmers' organisations in the EU. Over the past years sustainable farming practices have been described and criteria for control agreed upon in close cooperation with environmental and consumers organisations in Brazil and in the EU. Farmers' organisations in the EU, e.g. in Brittany, France, in the Netherlands and Germany had expressed interest in buying GMO-free sustainable soy directly from family farmers in Brazil and have since negotiated prices and conditions for imports. The problem lies in transport facilities and harbours which are almost entirely controlled by trade companies like Cargill and Monsanto, and which do not allow for sufficiently reliable separation of GMO-free and GMO soy. This initiative is now under way with logistic support of local co-operatives such as COTRIMAIO and the Dutch soy association. The idea is to make a first 50 000 tons shipment to Europe coming from 2000 small farms from Paraná and Mato Grosso do Sul. The soy is certified by Ecocert Brazil and producers are correctly paid with a 13% premium. 11 European regions are involved in the preparation of the contracts.
(www.fetrafsul.org.br)

Agrecol Afrique Senegal has launched a campaign for marketing and catering local organic products under the label '100% Africa products' in order to enhance local consumption and local added value to products which have been almost entirely produced for export in the past. The initiative includes contracts between farmers, women trading with the production on local markets and consumers. It also includes catering and a restaurant which employs a growing number of women and of young people. The "100% Africa Supermarket" uses the terminology of the retailing industry to attract attention for the new concept (www.agrecol-afrique.sn)

Street markets offer better choice on fresh fruit and vegetables than supermarkets at half the price, generate higher benefits for the local economy and create twice as many jobs per square metre of retail than supermarkets, a research done by the new economics foundation on the local Queens market in London has found out. The market delivers twice as many jobs per square metre as a food superstore. It provides a space in which individual entrepreneurs are encouraged and supported, especially a large number of black and minority ethnic entrepreneurs who face particular barriers when starting businesses. Queens Market is providing a vital source of accessible, affordable and good quality food in an area which otherwise provides poor access to fresh and affordable food

(<http://www.neweconomics.org/gen/marketsvssupermarkets>).

9. From agricultural subsidies to rural development policies in the EU

The EU has started a process of reforming its agricultural policies which moves away from subsidies for crops and transforms these into direct aid for farmers. Even though the financial perspectives for the next 7 years do not contain a substantial shift from direct payments to the rural development fund, there is still political pressure to use these funds to increase funding for agro-environmental measures and infrastructure for the wider rural economy. This transformation process is currently far too slow. Direct aid to farmers still uses up to 90% of the EU agricultural budget and allows the food industry to buy cheap. The move towards investments into education, training and sustainable production must be accelerated and addressed in the international trade negotiations, mainly in the context of the revision of the Green box and the notification of sensitive products.

If the EU would fully move away from farm subsidies and adopt bottom-up rural development policies, it would much facilitate the move away from an extremely oil-dependant food production and increasing problems of depopulation of rural areas. Only by moving away from export-oriented unsustainable industrial farming, and by completely abandoning all forms of export subsidies, the EU could gain legitimacy for more qualified external protection. There is still much to do to make this happen, but given the critical view of the general public in Europe on agriculture policies, there is a real opportunity to make this move.

Subsidy transparency

*Upon the initiative of journalists and activists from across the EU, data are currently gathered and published on the amounts and distribution of EU subsidies for agriculture and food industries. The data reveal that a major amount of the payments do not reach farms but food industries and large landowners. Many member states of the EU still deny publishing data. The decoupling of payments from production is now raising the question, why farms and industries which are competitive on the world market should receive tax money, sometimes 120.000 € per job unit in highly industrialised production schemes – while small farmers get almost nothing. The debate also helps to promote the initiative to reallocate farm subsidies in sustainable rural development programmes which are currently under-funded.
(<http://www.farmsubsidy.org/>)*

The EU has for the first time recognised the existence of subsistence farming in Europe and its importance for rural livelihood. Semi-subsistence farms also in pre-accession countries like Turkey can now get support in moving towards local markets or training for alternative jobs. Member states are also allowed to use decoupled farm aid to include grassland areas, which are the typical milk producing areas that were increasingly abandoned as a result of high subsidies for corn and cereal production. These internal policy changes encourage farmers to make responsible use of Europe's own resources instead of abandoning them, including employment, low energy input agriculture and renewable energies. If the move towards a more sustainable use of rural resources would be carried by future policies including more participation of civil society, this could become a strong model for more sustainable agriculture worldwide, as it includes human capacities and biological resources instead of externalising costs.

What is needed however, is a co-ordinated pressure of all rural stakeholders to strengthen and enlarge the integration and implementation of existing environmental and social welfare legislation which is already partly included in the notion of cross compliance, meaning that any public aid offered to farmers or rural entrepreneurs will respect social and environmental standards.

10. Towards an international convention on qualified market access

Stakeholders in fair and ecologically sound trade have already gathered much experience in negotiating and agreeing upon principles, standards and labelling of sustainable practices and fair prices for agricultural products and trading thereof. Non-governmental organisations, like IFOAM for the organic sector, the Fair Trade certification system and Rainforest Alliance have established an inclusive and transparent process of definition and revision of principles and standards for production processes and end products. Governments have established various levels of monitoring and evaluation of technical aid, anti-dumping measures and preference systems in order to adjust the role of standards and certification in qualifying market access.

All these efforts are still much dispersed and need more consultation and integration between the stakeholders. The UN, including the World Bank, FAO, UNDP, UNESCO and the WHO, has launched an international assessment of agricultural knowledge, science and technology, addressing food and livelihood security and environmental sustainability.)) But this process excludes questions of trade in order not to clash with the multilateral trade negotiations in the WTO. Many other processes of implementation of international conventions take place in parallel with little efforts being made for co-ordination and common action. Without serious efforts to include the so called non-trade social and environmental concerns into the international trade arena, multilateral negotiations will continue to be biased in favour of the interests of multinational corporations and net exporting countries.

The process of the *European AgriCultural Convention*, which gathered stakeholders from across the EU to work out and agree upon recommendations to be included into the European Constitution, has gathered valuable experience in running and concluding such a process. Developing countries should be encouraged to organise such processes on a national and regional basis, starting from food security measures and sustainable agricultural practices as well as special and sensitive products. The EU and other trade blocks should carry out and support such processes including global challenges like reducing oil dependency in food systems and rural employment.

Negotiations need to include the use of quotas and preferences systems for specific producer groups (smallholders and certain vulnerable regions). There should be stronger efforts to reach an international agreement on the principle that no exports should be allowed which do not meet the domestic food security laws and the internal ecological, social and health standards of each country. The revision of the green box should be done accordingly. Practices of many industrialised countries which ban dangerous pesticides and chemicals on their internal markets but export them to third countries should be banned.

The EU is in a position to launch a convention process on qualified market access. Instead of insisting on further market liberalisation or giving up the multilateral exercise on trade rules, turning towards new bilateral agreements, the EU should further reform its own farm and rural development policies. The EU should shift from farm subsidies to a rural development scheme giving priority to infrastructure for local and regional markets. Given the high dependence of European agriculture on imported oil and facing the problems of unemployment and rural exodus the momentum is promising to move further towards more sustainable production practices and fairer trade

Hannes Lorenzen

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IAASTD is the international Assessment of Agricultural Science and Technology for Development process, launched by the UN to analyse the impacts of science, technology and local knowledge on hunger, poverty, nutrition, human health, environmental and social sustainability; www.agassessment.org