

The Global Subsidies Initiative

**Africa, Agriculture & the WTO**

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**THE AFRICAN VIEW**

“Critical ... is access of our products into the food markets of the **developed countries**, some of which continue to **subsidise** their own agriculture **in a context that verges on intellectual, economic and social obscenity and brutal selfishness.**”




FORMER President Thabo Mbeki - South Africa  
(on the launch of Doha)



**LOCAL CONTEXT**

In 1975 when David first started farming, Europe imported most of its sugar. But today, because of subsidies, Europe is the world's second largest sugar exporter – producing more than 20 million tonnes of sugar every year and dumping around 5 million tonnes on the world market.

([www.cafod.org.uk](http://www.cafod.org.uk))



David Dlamini has become so disillusioned with the sugar trade that he has given up farming.






**The 'Nice' 1<sup>st</sup> World Reply**

“Deep seated trade justice would require the EU and the rest of the world's richest to honestly face the **'waste and scandal'** in agricultural protectionism.”

Gordon Brown  
UK Prime Minister  
& former Counselor of the Exchequer

Commission for Africa  
Cape Town

### The 'Real' 1st World Reply

**Agriculture: Newsroom**

Then just 1 month later .....

Tender for the export of wheat with refunds opened !

The cereals management committee yesterday gave a positive opinion on opening a tender for the granting of **subsidy refunds** for the export of **2 million tons** of wheat.





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### Potential Reform Impact Sugar

**WOW!**




Effects on raw sugar prices of less government intervention  
Percentage change from the baseline of no change in policies

Scenario	Percentage Change
Global liberalisation	~38%
EU intervention price cut	~18%
US liberalisation	~15%
Japanese import duties removed	~5%

ABARE research report 99/14

**Brazil, Thailand, Australia, South Africa main winners.**



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### The Future .....

“We are, however, **looking forward** to the results of the Doha Round of the WTO negotiations.

We hope to be allowed **not only to level** the proverbial ‘**playing field**’, **but also to plough that field**, in order to become a global player to a much larger extent than is currently possible.”

Statement by South Africa  
International Grains Council





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### The WTO Agreement on Agriculture

“The text of all its provisions, legally binding or otherwise, is exceedingly complex.

Almost every general rule is subject to a number of refinements or exceptions,

and most of these cannot be translated without recourse to additional information explaining their purpose and the meaning of special terms.”

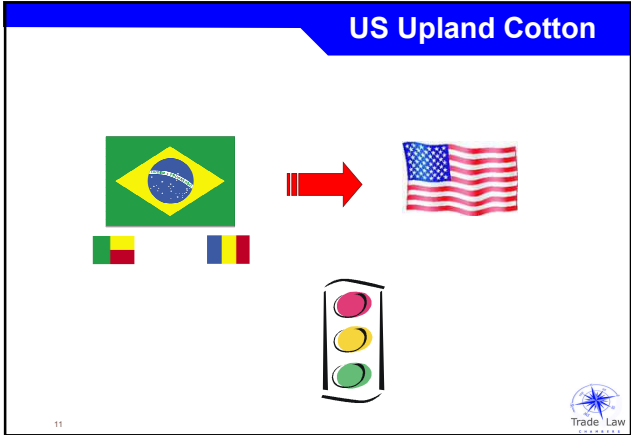
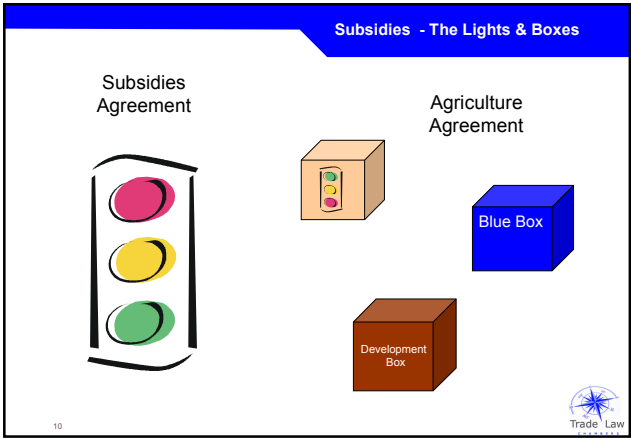
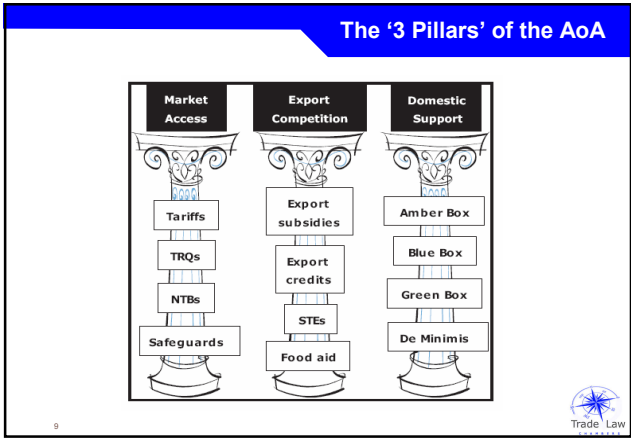
(the late Prof. Robert Hudec, a leading WTO Academic)

**Is this reasonable for Africa ?**





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### The Essence of the Complaint

Brazil essentially complained that various subsidies granted to cotton farmers and processors by the United States Government were adversely affecting Brazil's potential to exploit the global cotton market by negatively impacting international cotton prices. Brazil contended that these subsidies were provided contrary to the limits and conditions provided for in the Agreement on Agriculture and as such were subject to discipline under the Agreement on Subsidies and Countervailing Measures and not shielded by the protection of the Peace Clause in the Agreement on Agriculture.

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## The Result - In Short



**“When someone alleges that the farm bill violates United States commitments under the World Trade Organization, they are just plain wrong.”**

(Ann Veneman, then US Secretary of Agriculture, Financial Times.)

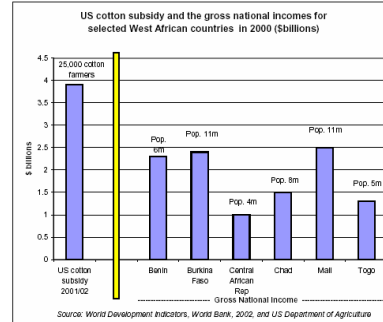
**“We recommend that the United States withdraw the prohibited subsidies without delay.”**

(Report of the Panel, United States Upland Cotton.)



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## Why Care?



### Production Cost Comparison 1 Pound of Cotton

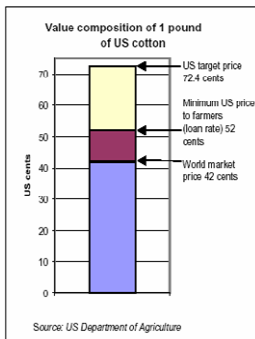
- USA 73 \$Cents
- West Africa 21 \$Cents
- African producers **3.5** times more efficient.

10-fold loss in market share!



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## Domestic Price Support



Caused  
'Adverse Effects'



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## A Paying Customer ?

- No benevolence ?
- A case would cost US\$ 1 million all in.
- West Africa lost US\$ 302 million in lost export earnings.
- Does this take a financial genius to work out?
- We have already paid for NOT bringing the cases!

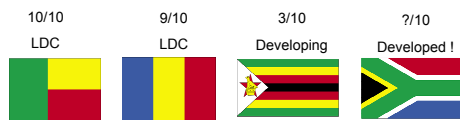


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## Implications for participation

- Experience of Benin and Chad was surprisingly +.
- Mythical questions dispelled -
  - Cost ×
  - Expertise ×
  - Fear ×

Small countries have assumed a leading 3<sup>rd</sup> party role in WTO dispute.



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## The Future Rationale ?

If you can't change the rules then at least enforce them!

Why?

"To bring about a positive resolution to trade Disagreements."



'Remember we still have the dispute settlement system ....'

(WTO DG Pascal Lamy - 30 July 2008)

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## Some Inspiration to Africa

'I would note that many people believe that the rules of the multilateral trading system were written by major countries for the benefit of major countries. However, we believe that the WTO dispute settlement system can and will recognize the impairment of rights suffered by least-developed countries. Indeed, this is why we decided to intervene in these proceedings'.

*(Naim Akibou: Benin final oral statement to the Appellate Body)*



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