

# A New Agricultural Policy in Germany - What about the South?

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# More Sustainability for German Agriculture - What about the World-Wide Paradigm Shift?

**T**he new German agricultural policy is aimed at making farming in Germany more environmentally compatible. To achieve this, subsidies for agriculture need to be made more conditional on the fulfilment of ecological criteria. Legally binding "good professional practice", as stipulated, for example in § 17 of the Federal Soil Protection Act, is being put into more concrete terms by clear recommendations for production technics, made more stringent and newly regulated, as for instance in the amendment to the Federal Conservation Law that has passed Parliament in 2001. An environmental safeguarding system with its own labelling is to be introduced for voluntary measures reaching beyond good professional practice in conventional farming. The EU is heading in the same direction with its Mid Term Review package of reform of its Agenda 2000. There, minimum standards are to become binding throughout Europe, called "cross-compliance", forming a prerequisite for any claims for subsidies. In addition, in the framework of the so-called second pillar, which promotes rural development measures, environmental performance is to become eligible for subsidies if it goes beyond the minimum standards.

**The international question arises** as to what type of international agriculture the EU and, respectively, the Federal Government is campaigning for. For a sustainable version like the one here at home? How is this sustainability defined? Are the priorities regarding what sustainability means in the South and the North the same ones? Are

the instruments used for enforcement in Germany compatible with those that would be required on a global scale? How does the Federal Government intend to promote ecologisation world-wide? What will the impacts on the South be if we shift to ecologisation in the North?

The new agricultural policy is not only needed in Europe or Germany. Rather, given the enormous agricultural environmental problems, it is essential world-wide. The required paradigm shift has to be based on a clear, consistent concept of global agricultural sustainability. Organic-farming is just one, albeit the most far-reaching, implementation of demands for sustainability. However, as an established set of methods, it is only going to cover part of agriculture world-wide. This is why international involvement cannot be restricted to merely promoting organic farming, important as this may be. The political framework for an improved conventional agriculture need to be developed as well, which is what the agricultural reorientation also envisages for Germany and Europe.

**The fears are** that with the new Agricultural Policy, we are concentrating too much on ourselves and that the German Federal Government is not doing enough to ensure international credibility, coherence and co-responsibility. Ecologisation as a solo effort, turning Germany, into a green island, cannot work in the long run. International competition in connection with the liberalisation of the world markets will undermine all attempts to achieve this. Protective measures

such as labelling, special government support or import restrictions cannot be maintained unilaterally over a longer period. They will result in the foreign rivals resorting to countermeasures, using WTO trade policy to do so.

We cannot define high standards for ourselves while leaving the imports untouched by them; this will not be accepted by the consumers with respect to health standards. Regarding environmental standards, the destruction of the global common goods we also depend on, such as agro-biodiversity, climate change, the spread of pollutants or genetic contamination, will catch up with us sooner or later. In economic terms, our producers can easily lose their competitive advantages.

We will lose our credibility among the developing countries if we fail to support them technically and financially in their endeavours to meet our standards. They need assistance in converting their rural development and in adapting to the raised standards in international trade.

**The facts are as follows:** A consistent ecologisation of agriculture in our country would have a large number of positive effects on agricultural systems in the South. In particular, a reduction of the surplus of agricultural produce in Europe, which will go along, would enormously ease the strain on the world's agricultural markets. The transfer of ecologically appropriate technology will benefit the developing countries more in future. Given the enormous superiority of the agricultural research and technology development capacities both in the public and the private sector of the North, our society has to come up with advance efforts in sustainable science and technology. As the South will continue to depend on innovative impulses from the North, they will benefit as well.

The "political" signal we would give with such an approach should not be underestimated. If we engage in sustainable agriculture in a credible way and on a major scale,

this will assume a high symbolic status, also with respect to the "reorientation" of the countries in the South. We would contribute to "progress" in agriculture not only being sought in technology, chemistry and high-performance breeding, all of which involves major capital investments and the acquisition of operating resources. Progress can also mean a knowledge and information deepening process on the part of the farmers. This would then be a "human capital investment" in the abilities of the farmers in the management of their plants, animals, marketing, operational systems and environmental conditions. Uncritical high-tech fascination would diminish if we were to start questioning it ourselves.

If the desired environmental safeguarding systems were to be introduced here, this would have to go hand in hand with a corresponding development of the market and the demand for "similar" products from the South as well. Then our new agricultural policy would give a direct market impulse to changes in other countries, too. The problem will be whether the guidelines, certification and auditing are going to be designed so openly that the system can also enable the participation of foreign suppliers and small-scale producers from the developing countries. Europe can pave the way as a pioneer, but this must not result in neglecting attempts to place the standards on a multilateral basis as soon as possible. This is a very difficult process that requires sensitiveness. The delicate issue of whether we are legitimised to advise the world on what sustainability in agriculture is has repercussions on the way that we define sustainability at home. An ongoing process of consultation, monitoring and change is required to make national standards acceptable world-wide. So ecologisation that is open to the world is a question of the approach taken.

Unfortunately, hardly any international environmental standards have been developed so far that could be of use in working out an international definition of "good agricultural practice". The only global agricultural environmental programme is Chapter

14 of Rio's Agenda 21 on SARD (Sustainable Agriculture and Rural Development). As the discussions of SARD at the CSD (UN Commission for Sustainable Development) have demonstrated twice, the implementation of this chapter lacks the corresponding readiness of most governments world-wide. The north gave pledges that it did not fulfil, and governments throughout the world failed to reach a consensus on concretising the concept. This was made clear by the failure of the FAO Conference on Multifunctional Agriculture at Hertogenbosch (The Netherlands) in September 1999, where the participating countries could not reach any agreement over their deep conflicts. SARD is unsuitable for a legally binding standard. The International Community has not even started multilateral negotiations on any individual aspect of agricultural production standards in the framework of the FAO. Even the attempts to describe the objectives of such negotiations failed, in spite of the fact that at least private draft plans for global agricultural environmental conventions, such as the ISCO (International Soil Conservation Organisation) proposal, do exist.

The other level which the German Agricultural Reorientation addresses is the instrument of voluntary labelling of higher environmental standards. It is essential that these standards remain open to globalisation. What would also be important is creating global acceptance among the governments, the farmers, the food industry, trade and consumers. Voluntary standards cannot simply be imposed on people. After all, the setting up of round tables for all groups in society, the stakeholders, was also a constitutive element of the new agricultural policy in Germany. But what about campaigning for a corresponding round table on a world-wide scale?

International agricultural policy can learn from the field of forestry, where the development of a world-wide seal for timber products coming from sustainable forest management was integrated into a wide process of dialogue of all economic groups involved in the Forest Stewardship Council. We need

a similar global multi-stakeholder dialogue as a platform for the debate on improvements in the conventional agricultural sector that would include the food industry and trade, farmers, consumers and environmentalists. This must also become part of the commitment for a new agricultural policy in Germany.

It is difficult to decide what is to be regulated by binding legal standards and what by voluntary self-commitment. Legal regulations have the advantage that they save costs since the complicated labelling procedure is not required. Their disadvantage is that the monitoring by the government often does not work. Labelling of higher qualities has the advantage that it can result in improved prices on the markets if the consumers support them and controlling is performed privately and via market mechanisms. Internationally binding regulations would have to be introduced to protect global commons and cross-frontier environmental goods. What is needed is:

1. an international framework agreement, balancing national sovereign rights with global responsibility to protect,
2. voluntary labelling, concretising the protection,
3. national consumer protection authorities and laws to protect and check the voluntary, labelled standards.

A study conducted by Essex University (UK) that was commissioned by Bread for the World and Greenpeace Germany demonstrates how important eco-farming is for world food supplies. Scientists examined 208 projects in 52 developing countries carrying out sustainable agriculture on a total of 29 million hectares, in conjunction with 9 million households. The result was that "sustainable agriculture can deliver increases in food production at relatively low costs, plus contributes to other important functions. They would make a significant impact on rural people's livelihood as well on local and regional food security".<sup>1</sup>

<sup>1</sup> Jules Pretty/Rachel Hines, Reducing Food Poverty with Sustainable Agriculture: A Summary of the New Evidence, University of Essex, Feb. 2001, page 19.

**For a new international agricultural policy it is important:**

1. to address the impact on and responsibility for agriculture in the South,
2. to have a clear and consistent concept of sustainability and ecologisation of world agriculture that can serve as a basis for the necessary paradigm shift. What is required is a binding international definition of minimum requirements for an environmentally compatible "orderly agriculture",
3. to organise an international multi-stakeholder dialogue in order to promote the development of quality assurance systems world-wide that would involve all economic groups concerned and all social groups affected,
4. that organic farming, the concept that goes furthest and is most clearly defined, assumes a prominent status in international agricultural policy,
5. that the signal effect of a new agricultural policy in the North enters international bodies such as FAO, WTO, the World Bank, the IMF and CGIAR. This commitment has to extend into negotiations on international agricultural environmental conventions, accompanied by new and increased financial support; and
6. that it is recognised that, by way of its social strategy, sustainability also means that the new agricultural policy can make an important contribution to world food security, for it balances social, economic and economic interests.

# Organic Farming Domestically - Bioprotectionism Externally?

**T**he new German agricultural policy is aimed at extending the share of organic farming from a present three to 20 percent of the agricultural land in Germany by 2010. The spread of organic farming is to be supported by government aid in converting, certifying, training, marketing and advertising. The promotion of marketing plays an important role in this context. On the 4<sup>th</sup> September 2001, the German Federal Cabinet passed the law on organic-labels, which the Federal Minister of Consumer Protection, Food and Agriculture, Renate Künast, referred to as the "most important piece of the puzzle of her reforms". In the agricultural budget for next year, a total of 7,7 million Euro has been earmarked to promote this new trademark. This seal introduces the existing EU organic regulations as a standard of trademark protection.

**The international issue that arises** here is whether "similar" forms of production, marketing and niche products of foreign suppliers will be excluded from or included in support and certification. Are we also going to extend the Federal Republic of Germany's new engagement for organic farming to the level of international politics? Do we want to develop organic farming as a world-market niche for our farmers or as a world-wide paradigm? Are we including poor producer groups of Fair Trade and international trading of organic products? Are we dictating the world what organic farming is and how it is to be controlled?

**The fears are** that we intend to develop the market segment of organic products in

Germany solely for our producers. For example, it has become apparent that the administrative requirements for organic certifying are being raised higher and higher and can hardly be met by the Fair Trade organisations, organic farming associations operating at international level and smallholder producer co-operatives in developing countries. The costs to do so are getting so high that a shift to organic farming for exports to Europe would not pay its way. There are hardly any opportunities for organic farmers outside the EU to influence the development of guidelines and their implementation in the EU. Rather, many new administrative guidelines for external trading of organic products with the EU suggest that bureaucracy is increasing. Is European agricultural policy going to make use of its influence on international agricultural policy to ensure that organic farming is consistently upgraded by all governments of developing countries, the international advisors and the multilateral financing organisations (IFAD and the World Bank)? At the same time, this would mean that our cosy little European and German market niche would be exposed to increasing foreign competition.

**The facts are as follows:** Thirty-five percent of the food sold via Fair Trade in Germany and coming mainly from developing countries has been produced and certified in accordance with ecological guidelines. The priority of Fair Trade, however, continues to be social standards. Since the demand for ecological products is growing considerably in Europe, farmers' organisations from the developing countries are making use of the opportunity to sell their

commodities at better prices via Fair Trade here in Germany and are converting their production to ecological cultivation methods. Via international trading of organic products, the new German agricultural policy therefore also has a direct impact on smallholders from developing countries. But here, it is difficult to draw a distinction between Fair Trade products in general and their distribution channels on the one hand and genuine organic food imports on the other.

All organic products that have been imported from non-member countries to the EU require a marketing authorisation by the EU. At the request of the importer, the responsible authority checks whether both the production and the controlling standards and their application are "on a par" with those in the EU. This procedure provides a sensible scope, since, for example, climate conditions or agricultural structures force practices to be adopted that may be different from those in Europe. The new German agricultural policy has not brought about any changes in import regulations.

However, what has changed is the way German authorities interpret the EU guidelines for produce from non-member countries. A viable procedure has been developed to control producer groups from developing countries effectively and economically: the so-called "Internal Control System (ICS)".

The core element of the procedure is controlling of all producers of a group by a specially trained internal controller coming from their ranks who is in turn checked by a controlling body recognised by the EU. This system was ultimately adopted in the requirements of the IFOAM accrediting programme and has also been accepted by the EU authorities in the framework of "equivalence" for years. Defending this procedure has to be an important objective of the new agricultural policy in Europe.

The conversion subsidies granted for organic farming in Germany represent a distortion of competition, for they are not enjoyed by the foreign organic suppliers. For this reason alone, it is important that compensations financed with development aid funds be provided to promote organic farming in developing countries.

The planned marketing promotion of the new German organic seal with subsidies from Federal funds will be controversial from a trade-policy angle because it only aims at a minimum standard (the EU regulation on organic food) that has already been legally established. 2) The question is whether foreign suppliers or producers are going to be included in the marketing assistance and subsidised advertising measures for organic farming. If this were the case, trade-policy objections could be invalidated.

**For a new international agricultural policy it is important:**

1. that the EU Commission and the Member Countries campaign for organic farming being given a higher status in all activities of the FAO, other international development organisations and at all levels of international agricultural policy,
2. that the Fair Trade organisations and the involved farming associations active at international level are included as representatives in finding decisions on the practical implementation steps,
3. that foreign organic seals fulfilling the IFOAM criteria are recognised as "on a par" with the EU regulation on organic food, that everything is done to lower the costs of certification in international trade and that the "international control systems" for smallholder organisations become binding,
4. that IFOAM is recognised as the sole international standardisation organisation for organic farming by the Codex Alimentarius Commission,
5. that IFOAM's guidelines on "fair trade and social rights" are adopted in the setting of international standards on organic farming,
6. that the financial and legal promotion of alternative agro-marketing at home puts the international Fair Trade and organic trade on a par ,
7. that no distinction is made between domestic and foreign "similar" produce, and
8. that the status of the Fair Trade movement is enhanced.

# Regionalisation at Home - in Solidarity with the South?

**T**he new German agricultural policy is aimed at making the origin of food more transparent and easier to trace. The anonymity of the markets and the mass products is to be partly replaced with clear, straightforward qualities, farm auditing and requirements to make the origin of products traceable in the producer-consumer chain. The marks and labels that are to be introduced regarding quality assurance and environmental quality are to be supplemented by the promotion of regional marketing, reference to regional origin, regional trademarks and transparent chains. "The first choice is regional" is the motto. This approach to food is part of a general reorientation of the agricultural policy towards integrated rural development, i.e. moving away from subsidies for agricultural production and towards regional job creation and maintenance of the country side. Tapping additional income generating opportunities for the farmers that are peculiar to a region, e.g. in the framework of contractual nature conservation schemes, energy generating, tourism, the processing of agricultural products on the farm or locally, belongs to this approach. Tenders have been called for a German competition "Regionen aktiv (The best projects of regional rural development)". In addition, the funds of the German programme "Gemeinschaftsaufgabe Verbesserung der Agrarstruktur und des Küstenschutzes" (Joint Task of all States of Improving the Agricultural Structure and Coastal Protection) are being provided to support such projects. At EU level, income from modulation is to be used for financing such activities.

**The international issue here is** whether such an approach does not have an essentially protectionist core. How can regionalisation be designed without appearing to be discriminatory against foreign suppliers? Is regionalisation a concept relevant to development that has its pendant in rural development measures in the South? What could solidarity between the North and the South look like in this respect?

**The fears are** that extending regional marketing could be understood and made use of as attempts to achieve autarky. Marking the origin of products could imply an indirect insinuation of products from foreign countries being less advantageous than local ones. Moreover, a region is difficult to delimit and does not represent a quality characteristic in an objective sense. The argument that the energy balance of the short routes between the producer and the consumer is per se environmentally better than with products from long-distance trade is not necessarily correct as it stands. This is why regional marketing based on objective quality characteristics can only work if origin and superior quality of the products go hand in hand and can be demonstrated, for example with regard to regional specialities, geographical indication or special local recipes. Then the products could be marked appropriately. But pure regional labelling is neither a product nor a production standard. Therefore, it would not be permissible in accordance with the labelling guidelines of the WTO's Technical Barriers to Trade (TBT) agreement. Regional trademarks without specific quality marks can be contested in international trade as „misleading“.

**The facts are as follows:** Food and its raw materials are widely traded world-wide nowadays, resulting in the advantage for the consumer that prices are lower and food is constantly available. However, this development also has negative consequences. The transnational corporations in the food industry buy their raw materials where they are on sale at the lowest prices. All agricultural locations compete with each other on the world market. Cultivations are shifted abroad, organic dumping and social-dumping enter the international price formation mechanism and, in countries with high standards, agriculture is put under pressure by cheaper, lower standard imports. The production of vital by-products on the farm through cyclical processes, their positive external effects and the provision of public environmental goods are sacrificed to world market competition.

At the same time, the routes taken by food have become more and more unfathomable. The consumer can hardly trace where the raw materials for food come from, how they were produced and what is used in terms of additives. In addition to a high level of traffic and energy consumption, it is above all changes in the landscape and the social structure of rural areas that is becoming evident. The personal relations of the consumers to their "environment", the landscape of their district, the local farmers and the local products have increasingly fallen by the wayside. This is why a growing number of consumers have the desire to see more regional elements in their food supply. The call for more regionality refers both to the organic products and the conventional ones. The advantages of the organic products disappear if they are transported and traded in exactly the same way, like long distance. Estimates have already been made that products marked with their regional origin have conquered a greater market share in Germany than organic products in general.

Regional marketing and regional cooking are closely linked topics. However, we must not forget that European food culture is al-

ready strongly globalised and many ingredients, recipes and foodstuffs originate from abroad. No other country in the world has such a high market share of international specialities as Germany (so-called ethno food). Lowering it would be untenable. The diversity of the food on sale and the eating habits are an essential contribution to the quality of life in affluent society. This should not be called into question. As soon as a culture becomes enclosed, it suffocates and dies. Eating locally and tasting globally, combining local and global use, is what is required. Only in this dynamic process can the political plea for regionalised shopping behaviour survive in modern affluent society. Rigorous attitudes would be counterproductive.

Most of the smallholder organisations in developing countries, e.g. those organised world-wide in La Via Campesina, are also campaigning for greater promotion of regional marketing. They are not speculating about market access to industrialised countries and do not intend to export their produce. Other farming societies, those not represented by La Via Campesina, however, may be strongly dependent on exports. One may hold various views on this. But if we opt for regionalisation for our farmers in Europe, at least we are also obliged to enable the same course as an option for smallholders in developing countries.

Bolstering self-sufficiency and regional marketing in Africa, Asia and Latin America is the logical consequence of campaigning for regionalisation at home. However, the development programmes of the FAO and most of the multilateral and bilateral donors are pursuing the increased integration of the agricultural systems in the developing countries into the world market. Pressure to become integrated into the world market is above all exerted by foreign debt and the IMF's Structural Adjustment Programmes. In accordance with our new agricultural policy, German agriculture would have to reorient itself and no longer attribute such a high status to promoting agricultural exports.

Debt cancellation needs to be stepped up; the coherence required by the Maastricht Treaty (Article 130 v; now renumbered under the Amsterdam Treaty as Article 178) and the adoption of the Federal Government's Action Plan 2015 to Combat Poverty demand this reorientation.

The legal framework conditions for regional marketing exist only rudimentary in the international sets of regulations. This applies to trade regulations, product and quality standards, marks of origin, the protection of regional specialities, geographic indicators and regional trademarks. Even the extended WTO protective regulations on geographic trademarks in the TRIPS agreement are deficient and restricted to certain products (so far only to cheese, wine and spirits). According to the EU, debates on geographical indications should also be held on the WTO's agricultural agreement, and regional trademarks should be given an extra status. This is something that the EU has recently been strongly campaigning for, but seems that the EU is isolated in the WTO, because other countries are afraid of their market limitation impact of such new labels.

Registering typical regional products has to be systematically extended to promote regional marketing. While a legal framework exists for this in Europe, there is nothing comparable at international level. Access of the regional products from the developing countries to such a list would be important to ensure that regional estimations can also result in product diversification in international trade. Protection must not merely cover product quality and brands but must also include traditional production methods, recipes and varieties/races.

Promoting regional marketing means partly retreating from the world market. All its promotional measures ought to be put into the "Green Box" of the WTO, provided that they are not designed in a way discriminating against trade. They are a genuine alternative to the reduction commitments of the "Blue Box".

### **For a new international agricultural policy it is important:**

1. that we design regional marketing in Europe in a non-discriminatory way,
2. that we also integrate regional trademarks of imports and their marketing channels into protection and promotion,
3. that we campaign world-wide for a strengthening of regional marketing as another option alongside the world market integration of the smallholders,
4. that we make efforts to have the legal framework conditions extended at WTO level on labelling, protecting geographical indicators and more open product standards (in the Codex Alimentarius) and
5. that a special Green Box measure is introduced for regional marketing.

# A New Agricultural Policy in German Fields - But Genetic Engineering and Pesticides on the Fields of Others?

**T**he new German agricultural policy is aimed at "a farmers' alliance with nature" (inaugural speech by Minister Künast on the 8<sup>th</sup> February 2001). This is to be accomplished with an environmentally compatible extension, e.g., of crop production. In crop production, the Mid Term Review in the EU makes all area payments conditional on compliance with "good farming practice", which is to be made more stringent (cross compliance). The payments for maize are to be reduced, while payments for all grassland are to be introduced. The agricultural environmental programmes are to receive better funding. The attitude towards genetic engineering in food and agriculture remains sceptical, as has been demonstrated by Minister Künast's objection to the Federal Variety Protection Office which wanted to authorize the genetically engineered T-maize. The lifting of the EU moratorium on introducing genetically modified plants is made dependent on the enforcement of the EU Regulation on Labelling and Traceability for Novel Food.

**From a development point of view, the question arises** whether extensification of plant production is also a viable course for the developing countries to secure world food supplies. Is it not possible that the opposite path has to be pursued, as many claim, that of making use of every conceivable measure to achieve yield-increases in production? After the Green Revolution,

is the "Double Green Revolution" now on the cards, i.e. genetic engineering plus increased application of chemicals into the bargain? Is the criticism levelled at genetic engineering in Europe a luxury that we can only afford from the viewpoint of the well-fed?

**The fears are** that technological developments in plant production of the North and the South are going in two different directions. The 2001 UNDP Report on Human Development criticises Europe's attitude towards genetic engineering, calling it one of the greatest obstacles to development in the South. If we pursue a course of our own that is not valid for the developing countries as it is, we will be neglecting our responsibility, and it will be difficult to stick to.

**The facts are as follows:** A comparable new agricultural policy in developing countries, i.e. abandoning the Green Revolution and moving towards sustainable farming is hardly recognisable as a trend of governments' policies in the developing countries. In general, the application of high-risk technologies of pesticides and genetic engineering is seen as a necessity against the background of existing food problems. At best, organic farming approaches are promoted as micro-projects, but this is only done half-heartedly and in isolated cases. However, doubts about the appropriateness of the conventional strategy are widespread.

Many are looking for new routes to pursue but do not want to commit themselves.

From an ecological and a health policy perspective, the use of high-risk technologies in developing countries is problematic, particularly under conditions of poverty. There, the application of pesticides results in immense health problems, many among the users, but also among the consumers. While only 20-25 percent of the pesticides used globally are applied in developing countries, more than 90 percent of all poisonings occur there. In several cases, the residues of pesticides in food are alarmingly high due to the absence of a sophisticated system of authorisation and inspection. The use of genetically modified plants also bears special risks for the developing countries. The centres of the biological origin of precisely those useful plants that have been modified are frequently located in the countries of the South, like cotton, maize and soya. This circumstance makes cross-fertilisation to relatives growing in the wild highly probable. Once cross-fertilisation has taken place, the plants can no longer be retrieved. Entire ecosystems can be tipped out of balance, and centres of genetic diversity are threatened.

There is also opposition to genetic engineering in part of the South. This is often due to a hostile attitude towards the monopolistic power of the remaining five major transnational corporations in life science industry. This opposition has not only manifested itself among demonstrating farmers and consumers. It is also interesting to note that the negotiations on the so-called Biosafety Protocol in the framework of the Conference of Parties to the Convention on Biological Diversity represented the so far unique case in which the countries of the South almost unanimously insisted on higher (safety) standards, while a number of coun-

tries were opposed to global regulations. But still the attitude dominates among the decision leaders of the South that they need to exploit the potential of organic and gene technology.

According to the "Pesticide Action Network Germany (PAN), the Federal Government has largely withdrawn from its responsibility regarding the deliberate pesticide policy, following an especially laudable engagement of the Ministry for Development (BMZ) and the German Agency for Technical Cooperation (GTZ) in the last decade. The Federal Republic played a crucial role in getting the FAO Codex on the Export of Pesticides transformed in essence into a binding international convention regarding PIC (Prior Informed Consent) and in creating the POP Convention banning persistent pollutants (the so-called "dirty dozen"). The winding up of GTZ's Pesticide Service Department and the fact that nobody is responsible any longer at the BMZ for the problem of safe pesticide exports and use in developing countries in no way corresponds to the special responsibility Germany has to assume as the world's third largest producer of chemicals and the world's largest exporter of chemicals. To an increasing degree, our corporations once again appear to be dumping their old stocks of obsolescent pesticides in developing countries. The latter are dependent on our technical and government capacities for a safe management, export and application of agrochemicals abroad, especially where the delicate issue of using pesticides in sustainable agriculture is concerned. Unfortunately, the existing legal and institutional global framework, such as the IOMC, IFCS and IPCS, which are very laudable approaches, are still in their infancy. The dialogue with all stakeholders has to be intensified.

**For a new international agricultural policy it is important:**

1. that our government adopts a clear stance against high-risk technologies in agriculture and commits itself for more gentle alternatives,
2. that we campaign in particular for the development of global instruments and platforms in order to improve safety management at all levels of international trading and the application of pesticides and genetically modified organisms,
3. that research, development and consultancy regarding alternatives to the high-risk technologies of crop growing is above all given special attention in the tropics and is also supported by the North,
4. that certain technologies, such as terminator seed, are banned, and
5. that the critical approach the EU has adopted regarding genetic engineering is also continued at international level.

# Biodiversity in Germany - Are we Meeting our International Obligations?

**T**he new German agricultural policy is aimed at stepping up organic farming. This also represents a significant contribution to promoting biodiversity. For integrating a multitude of organisms with their complex modes of interaction is a fundamental principle of organic farming.

**The international question arises** as to whether and how the new German agricultural policy can counter the burning topic of the world-wide loss of biodiversity among food crops.

**The fears are** that even despite the new German agricultural policy, the perspective of the commercial breeders will be asserted on issues of breeding research, breeding priorities, the importance of plant genetic resources, seed trading law and plant variety legislation – a perspective that is one-sided and heavily geared towards particular interests, as the court rulings against the “German Replanting Regulations” are increasingly confirming. At international level, the same debates are being held on UPOV, sui generis, TRIPS and the International Undertaking of the FAO.

**The facts are as follows:** The diversity of our cultivated plants secures world food supplies and is the basis of all human life, having been developed by our ancestors over a period of 10,000 years of cultural history. This diversity is now threatened. Mainly through the industrialisation of agriculture,

we have lost around 75 percent of the varieties of our cultivated plants and animal races.

In the case of wheat, one of the seven pillars of world food supplies, significantly less has remained. The seed wheat dominating the world’s fields today originates from just two of a total of 26 known species of wheat. This corresponds to a reduction of biodiversity in wheat down to around seven percent, and in terms of inner-species heterogeneity, the diversity of varieties, the remaining rest has been stimulated at around four percent. According to everything we know about the significance of biodiversity, this is not enough to ensure sufficient food supplies for the world’s population.

It is not the inserting of individual genes with costly techniques that will feed hungry people or solve problems with pests in the fields but the sensible use of plants that have been optimally adapted to regional conditions in working ecosystems. Biodiversity is directly linked to the issues of the health of plants, animals and human beings. It is crucial to world food supplies.

Scientific studies demonstrate the advantages of organic farming regarding the conservation of biodiversity. There are more earthworms and micro-organisms burrowing their way through the soil, and a larger number of herbs growing wild in the fields support soil fertility and provide numerous insect with a habitat that in turn serve as food for bats and birds. But among the culti-

vated plants, too, there generally is a greater variety of species owing to multi-phase crop rotation than in conventional farming.

The following international obligations to protect biodiversity have also been signed by the Federal Government: the Convention on Biodiversity (UNEP, Rio 1992), Agenda 21 (Articles 15, 54) and the Global Action Plan (FAO, Leipzig 1996). For eight years, the International Undertaking on plant genetic resources (I.U.) was negotiated at the FAO, ultimately to be passed in a strongly slimmed-down version in 2001. In spite of all dissatisfaction with this Agreement in comparison to the previous non-binding International Understanding, especially with regard to the watering down of Farmers' Rights, this Agreement is essential to preserving agro-biodiversity world-wide. So far, however, only little of all the international agreements has been implemented in Germany. Examples are only programmes for the protection of endangered races of domesticated animals at state level, programmes to protect traditional agroforestry of orchard trees and pasture and the model and demonstration project in North Rhine-Westphalia. The priority area of "Genetic Resources" has not been adopted in the Joint Task (GAK) of the German States. As yet, there are no proposals for programmes addressing on-farm conservation of plant genetic resources. Neither do any breeding programmes exist that are specially tailored to the requirements of organic farming.

The expansion of organic farming is also promoting a rethinking of concepts in plant breeding. Organic farming sets different goals. Owing to the greater significance of locational conditions, these goals can be

expected to contribute to biodiversity. Seed with variety diversification and genetic heterogeneity are of particular importance to the success of organic farming. However, establishing ecological breeding requires the support of the Federal Government, since it represents a cultural achievement that will take time to pay its way economically.

Traditional and ecological breeding complement each other well. However, in more recent conventional breeding, the accent has been put more and more on biotechnology and genetic engineering methods. While the bio-tec methods are controversial, genetic engineering is legally banned from organic farming and is not desired by the majority of the consumers. Moreover, owing to a lack of alternatives, the majority of bio-vegetable growers use hybrid seed with a reduced reproductive potential or male sterility that therefore contradicts the cycle principle of organic farming. If organic farming is to expand and the quality of eco-production is to be assured, healthy, qualitatively high-grade seed that is optimally adapted to the natural habitat conditions is required. Only breeding by many different farmers and in many different areas can ensure a rich variety of seed for organic farming. This calls for support programmes.

In taking steps to protect genetic diversity and ensure the availability of (eco-) seed, Germany and the EU are introducing pioneering measures. They could represent concrete support for the countries of the South, the centres of diversity, by following the example and by also sticking to their commitments in international agreements.

**For a new international agricultural policy it is important:**

1. that the seeds trade law is extended to legalise trading in "small varieties" and regional eco-varieties. This requires pressure at national and EU level. The Federal Government could set a good example world-wide;
2. that participatory breeding programmes are introduced specially for organic farming, i.e. involving breeders, farmers, trade and the consumer and integrating the countries of origin;
3. that the International Undertaking on plant genetic resources that has been passed at the FAO is improved and really implemented,
4. that the Farmers' Rights are newly negotiated,
5. that financing is provided for the FAO Action Plan of Leipzig, and
6. that biopiracy by German companies is stopped.

# Humane Keeping of Animals - Inhumane for the South?

**T**he new German agricultural policy is aimed at introducing a development towards healthier animals as a precondition for the production of healthier food. It intends to take the complex influential factors of animal health into account by promoting the breeding of healthy animals and more humane husbandry. All in all, these precautionary measures are to improve the conditions the animals are living in to a degree that will reduce the application of medicaments in animal husbandry. Structural aspects such as the degree of specialisation of individual farming units and entire regions with regard to intensive animal husbandry are to be given particular attention. A start has already been made in Germany with the ban on keeping hens in cages as from 2007 on.

**The international issue that arises** is as to whether demands on keeping animals in humane as well as environmentally friendly conditions will not increasingly lead to an isolation of our meat and animal product markets. Is our crisis of intensive animal husbandry typical of our way of farming or are they universal? If so, our new demands for more natural and healthy production processes would also be specific, and there would be limits to the reasonableness of world-wide standards. Just to overstate the point, what have cattle grazing in the Mongolian steppe got in common with the 10,000-litre cow kept in a German modern confinement with milking carousel?

**The fears are** that the new animal keeping and hygienic standards could have

a problematic impact on the developing countries. Firstly it might be impossible to fulfil them for financial reasons with respect to staff, technical and material conditions. Secondly complying with them might not at all be desirable under in the tropical conditions or totally different systems, like ranging.

**The facts are as follows:** Currently, selection in modern breeding is geared one-sidedly to high performance and has resulted in high productivity per time unit. However, it also entails a tendency towards vulnerability to disease. Animal husbandry is at the centre of the new agricultural policy because it was BSE that triggered the crisis in agriculture and its reform. Moreover, public perception of the crisis was enhanced by the way animals were treated in combating foot and mouth disease. There is no letup in the crisis affecting animal husbandry and animal feed. All new food scandals in Germany started with contaminated animal feed.

The BSE crisis and the way it has been dealt with sheds a light on possible threats to international agricultural relations posed by epidemic politics.

BSE was recognised as a problem in the United Kingdom in the mid-nineties. In 1987, the UK introduced a ban on feeding animal feed to ruminants, the practice that has been regarded as the chief way BSE spread. At the moment, several countries feel that they are free of BSE. However, countries exporting to the EU have to reckon with having to meet the EU standards or else losing their market access authorisation in

the event of a BSE case. On account of its responsibility, the EU ought to give the developing countries particular support in testing their animal stocks. This would enable these countries to make a more realistic assessment of their own situation, which would reduce the hazard potential of their own population and their cattle herds. If an acute case of BSE is diagnosed, the EU ought to co-finance the measures required to fulfil the EU standards in order to maintain the meat quota.

There is an extreme need for action among all agriculturally used species of animal with regard to breeding. A large number of long-standing, robust races are threatened with extinction or have already died out. In Germany, this development has already assumed alarming proportions. This is why the ecological and cultural significance of these races is going to exceed by far their contribution to food supplies for the local population in future, even if they are preserved and promoted.

There is considerable evidence to review the breeding and research in modern animal husbandry along ecological lines. Even within Germany, the requirements an "organic cow" has to fulfil depend on the location it lives at. The true diversity among these races would then be less easy to trace with the phenotype of these races, as was the case with the pasture pig, which had a by and large uniform appearance. Rather, it could be identified in connection with their genetic adaptation to different climatic and geographic conditions. Among other animal species, such as chickens and pigs, hybrids have made the need for action much greater, since old races with large stocks no longer exist in our part of the world. Here, animals belonging to more prolific races, including those from developing countries, could significantly widen the basis for ecological animal breeding.

Currently, contradictions may arise between humane keeping animals in the open and its environmental impact. They are

particularly apparent in poultry keeping. For decades, the hybrid chickens used for lack of alternatives have been selected with a view to their being suitable for caging. They are highly productive (per time unit), but are vulnerable to diseases. Just releasing them into the open to grassland will not do, particularly since they frequently bring along pathogens such as salmonella from their reproduction and rearing centres. Whether a certain system of keeping animals really is appropriate to a species or race, i.e. meets the needs of the animals, depends on the type of breeding of the particular animals.

**The new German agricultural policy is aimed** at turning animal welfare arrangements into binding requirements and will call for further support measures. The EU is urging the WTO to extend the Green Box to cover animal welfare issues by exempting compensatory payments for additional costs from the reduction obligations. This demand is justified as long as the EU can guarantee that the animals coming from stocks supported in this way are not traded on the world market. Also, the additional costs have to be directly related to the higher animal welfare requirements. However, what complicates the matter is that many developing countries still keep their animals in natural conditions, for example by having them graze on pastureland throughout the year. Subsidising such systems here for an effort that foreign competitors have to make free would distort competition. Objections would be raised at the WTO to such a regulation. Also tariffs on products not meeting the domestic animal welfare standards or similar requirements are inconceivable. Animal welfare tariffs cannot be established under current WTO rules. However, if the revenue from "animal welfare tariffs" were to be spent for those countries on whose products the tariffs were levied to enable them to adapt to the new standards, or if we were also to offer our animal welfare subsidies to foreign suppliers for adaptation measures, there would be a scope for negotiations at the WTO.

**For a new international agricultural policy it is important:**

1. that in establishing standards, consideration is given to the fact that they only make sense if they relate to the respective framework conditions, and that they therefore cannot be valid world-wide,
2. that in importing animals or semen portions of indigenous races that are used to revitalise domestic races the proprietary rights to animal genetic resources are respected. A remuneration must be agreed that takes breeding efforts into consideration;
3. that attempts to make excessively intensive animal husbandry systems more extensive must also contribute to ecologising animal production methods in developing countries,
4. that we offer compensation for BSE standard adaptation to poor countries that have been affected by supporting them in coping with the situation,
5. that we set a good example, if necessary with a solo effort, and even if we have to accept competitive disadvantages in the short term. For after all, we set a bad example with our animal disease and industrialisation of animal keeping and benefited from all the "advantages"; and
6. that we support the developing countries financially in adapting to standards.

# Saving the Agricultural Location of Germany - What are our True „Comparative Advantages“?

**T**he new German agricultural policy focuses on producing “quality instead of quantity”, on shifting from industrial low-cost production to farmers’ quality produce. Critics from the ranks of agricultural economists, the food industry, the opposition in politics and the farmers’ union fear that a solo effort on the part of the FRG or the EU would make German or European agricultural products more expensive. This would represent a distortion of competition resulting in agricultural production being relocated abroad because cheaper food would be imported.

**The international question arises** as to whether Europe has any advantages as an agricultural location that are worth defending. At the WTO negotiations on agriculture, Europe’s agricultural policy, which has so far been oriented on maintaining competitiveness, presents itself as a troublemaker in free trade. Our agricultural surpluses have to be reduced, and our markets have to be opened. It seems doubtful whether disadvantages arising from the new agricultural standards will have much of an additional impact.

**The fears are** that we can hardly expect our population to accept sacrificing German agriculture for development and trade policy reasons. The disappearance of farming in some regions, rural employment and supplies for our markets with domestic products

raises grave problems of acceptance. At the same time, however, existing agricultural policy, with its high subsidies, peak tariffs, protectionism and food and environmental scandals, has a notoriously bad reputation.

**The facts are as follows:** So far, German and EU agricultural policy has served the purpose of securing the livelihoods of those working in the agricultural sector. The instrument of supporting individual farming units has focused solely on so-called “structural improvements”, i.e. on creating viable and competitive enterprises. In spite of massive government support and an enlargement of enterprises by double the size and a halving of the number of farms over the last 40 years, all of which has been aimed at enhancing competitiveness, European agriculture has hardly come any closer to the goal of being internationally competitive. The rivals are on the alert. At best, the gap has not widened.

The new German agricultural policy and the Mid Term Review aim at spending these and other funds on investment and conversion support serving the setting of higher standards in animal protection, quality assurance or environmental protection. This money would be lost for structural improvement and therefore for maintaining and improving competitiveness on the international mass markets for agricultural primary products.

In addition, the new environmental and animal welfare standards are increasing the costs of production. If agricultural products come from European countries and non-member countries that do not have to meet our standards, our agriculture will no longer be competitive. If the consumers buy their food where it is cheapest, our producers will lose massive shares of the market to importers. There will be an agricultural exodus.

It is along these lines that 42 German agricultural economists clearly expressed their views in a joint declaration addressing the decision-makers and the public as soon as the goals of the new agricultural policy were announced (such as in a newspaper advertisement in the *Faz*, 17<sup>th</sup> January 2001). "We are not living on an agricultural policy island. Our agriculture has to survive in the competitive environment of the EU and, to an increasing degree, in that of the world market. This is why a conversion to larger farming units is essential. The 'small and eco' strategy leads into a cul-de-sac." Ironically enough, the strongest objections to the Federal Government's new policy are raised by some of the Social Democrats' own Ministers of Agriculture in the New Länder (Eastern States), where the agricultural structures are large and the former socialist enterprises are seeking their salvation in the international markets for primary products. For example, Till Backhaus from Mecklenburg-West Pomerania refers to the new agricultural policy as an "uncritical following of a fashion".

However, in a counter-statement, 64 other scientists back a reorientation in the sense of Ms Künast's reforms. They do not belong to the inner cycle of the agricultural economists. This group squarely puts the blame for the BSE crisis on the orientation of the animal food sector on the world market, and it also regards the several other food scandals as a result of extreme competitive pressure. The world market prices are not an efficient allocation criterion because they have been ruinously lowered by dumping on the part of the industrialised

countries. The current market could not cover costs of sustainable agriculture. Instead, this group calls for a "segmentation of the global market", i.e. the creation of labels for special qualities, regionally based production and environmentally friendly production methods. However, the scientists maintain that the chief task of the new agricultural policy is not that of subsidising alternative production but changing the framework conditions for regional and ecological markets. Instead of producing subsidised surpluses, the focus ought to be on reduced but improved production to supply the domestic market.

Our trade partners and the developing countries are neither interested in subsidised exports from the EU nor in structural improvements of European agriculture with government support. What they primarily demand is the elimination of all forms of export dumping, and they are calling for an opening up of the European markets so that they can sell their competitive products to the EU. Both of these demands represent a true threat to our agriculture, especially to conventional agriculture, and can hardly be countered by government-supported structural improvements. They have nothing to do with the new agricultural policy but are factors that the German and European food industry will have to reckon with in any case owing to the WTO negotiations.

Opening up the markets, which is discussed in greater detail elsewhere in this paper, could result in considerable advantages for developing countries with respect to some products. If it were not to progress so rapidly, a compromise could be found allowing for our producers to convert their production at an early stage to goods that they really have comparative advantages for. These are not so much the primary products of the world market but the artisanal, processed foods meeting more sophisticated demands. In this context, the quality standards and market segments for which the new agricultural policy is developing markets play an important role. Thus the new agricultural policy

enables some farmers to develop their specific competitive advantages and open up other markets to foreign competition.

It is above all sugar and, partly, beef, rice, nuts, cotton, tobacco and certain sorts of vegetables and fruit that are the competing, highly protected EU goods with products from developing countries. It would be a strategic approach to make considerable concessions regarding market access in this area in order to simultaneously get concessions in segments of major interest to the new agricultural policy, e.g. in setting new standards, labelling and certification, in return, in order to then reorient our farmers.

It is important that the new agricultural policy does not remain a purely German issue, but that uniform standards and regulations are at least introduced throughout the EU. With the reform proposals made in the Mid Term Review, clear signals have been given at EU level. Then the new market segments can be marked, certified and controlled. The next step is to have these labels recognised by the WTO. Fear of international competition cannot really be a valid argument against pioneers in the field of environmental protection. Experience has shown that those economies that have broken new ground with high environmental and quality standards, resulting in new technological developments, have turned out to be the winners in the long run, when the others start catching up. The costs involved are usually overestimated, too. Surveys have demonstrated that the additional costs in crop growing owing to higher German environmental protection and animal welfare legislation are significantly lower than five percent (cf. Grote et al; Hirschfeld).

However, the enthusiasm on the part of the EU is meagre to withdraw from export markets in favour of a diversification of the domestic markets. For example, France has quadrupled its agricultural exports, and alongside the USA, it is now the biggest agricultural exporter, focusing on cereals. Agricultural Commissioner Fischler is not making any effort to really do without export offensives. "We have to make optimum use of the opportunities arising from the continuous growth of world trade," he still said in his speech of July 2001 (Agra-Europe, 28/01, p. 3).

### **For a new international agricultural policy it is important:**

1. that the new agricultural policy consistently develops the comparative advantages in its quality market segments in Europe,
2. that this is primarily accomplished with market development instruments,
3. that there is a withdrawal from the subsidised exports among the mass products, and
4. that the markets open up step by step, which would benefit the developing countries so that they could in turn support some major requests to overcome obstacles for our new agricultural policy at the WTO.

# Consumer Protection First - in Confrontation with the Starving?

**T**he new German agricultural policy is aimed at enhancing the status of consumer protection in the framework of changes to agricultural policy. To this end, the interests of agriculture and the food industry, environmental protection and rural development need to be reassessed. The renaming of the Ministry of Agriculture in Germany as the Ministry of Consumer Protection, Food and Agriculture was based on the rationale that this name also expresses the ranking of priorities.

**With a view to the international level,** the question arises as to how these changes at national (and European) level can be reconciled with the interests of the countries in the South.

**The international fears are that,** in future, the discerning consumers among the well-fed will prescribe for the poor how safe food has to be and what other factors have to be taken into consideration regarding the production methods. Are they going to set up new trade barriers in the shape of high health standards that the developing countries are only able to fulfil with difficulty or will fail to reach at all? Can the developing countries benefit from higher food safety?

**The facts are as follows:** The consumer organisations of the industrialised countries have made considerable efforts over the last few years to achieve increases in safety standards for food. This above all affects food health hazards and, partly, better

environmental and animal welfare standards. The BSE crisis and other scandals and the accompanying economic collapses have seen to it among those responsible that such demands are given more attention.

However, there is a contradiction between the demands of the consumers in the rich countries and the poor producing countries. The high and even higher new standards are frequently impossible to fulfil because they are expensive and can only be reached with considerable difficulty in terms of technology and organisation under the prevalent conditions in the developing countries. Residues of pesticides and animal medicaments, sanitary requirements in processing, avoiding animal and plant epidemics and food that is guaranteed to be free of genetically modified organisms are particularly delicate issues. Whereas even more uncompromising standards are perhaps acceptable for imported goods when health protection is concerned, cosmetic requirements, such as the absence of any spots on fruit, prescribed standard sizes or the type of packaging material, are genuinely problematic. The issue is not merely that of the technical standards as such but whether they are of any relevance to the countries of origin. After all, the technical recognition of quality assurance systems in the exporting countries by the big importing countries provides much scope for random measures and discrimination. For example, the EU does not take long to authorise testing systems for the checking of residues in China, a major trade partner.

But small, insignificant countries in Africa sometimes have to wait for years before the EU finally responds to their application for authorisation and sends an inspection mission.

The following example of a one-sided raising of standards illustrates the conflict. More stringent regulations introduced by the EU for maximum levels of aflatoxins (carcinogenic metabolic products of moulds) in food (mainly nuts, grain and coffee) resulted in grave economic losses for African exports. A World Bank study relating to this issue provides particularly volatile calculations. It forecasts that by lowering the permissible maximum level of aflatoxins from 20 mkg to 10 mkg, two lives could be saved per year among a billion consumers in Europe, but that this would mean a loss of 670 million US\$ in proceeds from exports for the African peanut producers<sup>2</sup>. In the case of the aflatoxins, a cynical, albeit purely hypothetical question arises. Are the lives of two rich consumers in Europe worth 670 million US\$ of income in Africa? Or to overstate the point, with these earnings, 1.8 million poor Africans could double their income from a dollar a day to two dollars a day, which would represent a revolutionary improvement in their nutritional status, if we were to let two additional Europeans die of cancer.

However, this is only one side of the coin. The other is that the consumers in the developing countries have the same right to healthy food as those the industrialised countries. Food safety must no longer be a privilege of the rich. Dangerous food should no longer be justified by claiming that the poor attach more importance to quantity than to quality. They are subject to the same health risks through unsafe food. In fact, the risk they run is often higher because they are undernourished, which makes them more vulnerable to disease. So the industrialised countries also contribute to health

protection for the poor by carrying out research and developing standards at high levels, and the developing countries only have to join new schemes. This applies in particular to the authorisation procedures for hazardous inputs and additives, also in the case of genetic engineering. Thus the stringent safety conditions established, for example, for the release or authorisation of genetically modified food in the North can be regarded as a contribution to biosafety in the South and need not be viewed solely as an obstacle to food supplies, as the UNDP does in its latest report.

The problems can only be solved in a fair balance of interests. Either a safety measure is scientifically justified for health reasons and necessary or not. There can be no compromise with reduced safety standards for developing countries. Even at low prices, such products would probably be difficult to sell in Europe, and they would also threaten the market for products with higher standards. The consumers in the North would not accept imports with lower safety standards.

Owing to the volatile character of this issue, it is important that development policy sensitivity and flexibility is brought to bear on the setting of standards. This can only be achieved if the setting of standards is carried out multilaterally and with intensive consultation and participation of the developing countries. This is what the Codex Alimentarius was created for that the FAO and the WHO have jointly adopted sponsorship of. The activities of the C.A.C. devote far too little attention to consumer interests in the North and the South. So far, the C.A.C. has been strongly dominated by the transnational corporations of the food industry. Now this seems to be changing slowly. Nevertheless, it is still difficult for the developing countries to be sufficiently represented there with expertise and participate in a competent way in the highly technical discussions.

As a consequence of the BSE crisis, a commission installed by the Chancellor, headed by the President of the Federal Audit Office, has proposed a reorganisation of

<sup>2</sup> cf. Otsuki/Wilson/Mirva/Sewadeh. "Saving Two in a Billion".

government food safety management. The Federal Ministry of Consumer Protection, Food and Agriculture is in the process of implementing these proposals. At national and European level, a central authority for consumer protection in the food sector is to be set up. Responsibilities are to be concentrated and newly focused. Research is to be integrated. All institutions under it have now been entrusted with food safety as their chief goal. An independent scientific committee is to conduct the risk analyses and has the right to its own public relations activities. Improved safety research and the independence and power of such new structures could also benefit the countries of the South if they were to make co-operation on these issues with them more efficient. The Federal and European authority yet to be created has to be given responsibility for international co-operation with the developing countries and address development issues in its activities.

### **For a new international agricultural policy it is important:**

1. that standards are set multilaterally and with strong co-participation of the consumer associations in the North and the South and the governments of the developing countries,
2. that the Codex Alimentarius Commission is provided with considerable funds enabling it to offer the developing countries legal, technical and financial assistance,
3. that the influence of the food industry on setting standards is pushed back, and
4. that the new Federal Authority assumes responsibility for international co-operation and adopts a sensitive attitude towards development issues.

# Agricultural Policy with a Social Thought Via Modulation - Global Poverty Orientation?

**T**he new German agricultural policy is aimed at redesigning direct income transfer to the farmers in the shape of animal and area payments by applying so-called modulation regulation, which would introduce a social component. The chief purpose is the restructuring of income support for farmers to finance agricultural environmental and rural development measures. This restructuring is also accompanied by allowances or progressive reduction rates according to the size of a farming unit. France, the UK and Portugal have made use of this right, which is established in the EU Agenda 2000, from the start. The new German agricultural policy has made provisions for reductions of two percent being made among all enterprises in 2003, but that reductions only start above a subsidy level of 10,000 EUR.

The EU proposal for the Mid Term Review now wants to turn this mechanism, called "modulation", into a binding regulation for all member states and goes way beyond the German rate. Each country is to carry out a reduction and restructuring of funds with a growth rate from year to year of three percent, and the free allowance level is set at 5,000 EUR per family farm (an enterprise of two labourers at maximum), and increases by 3,000 EUR for each additional labourer. And for the first time, from a sum of 300,000 EUR of government subsidies per enterprise, a discount is to be introduced for further claims.

Currently also other aspects of social differentiation exist in Germany dating back to the period before the new agricultural policy, such as the high government subsidies for agricultural social insurance institutions, which account for the lion's share of the Federal Government's national agriculture budget. Among the area payments for grain, there is the so-called "small-scale producer exemption". Here, small grain producers are entitled to flat-rate support instead of subsidies according to the number of hectares used. This small-scale producer exemption was also introduced as an exemption from "Seed Replanting Guideline".

**The international question is** as to whether the Federal Government is giving a new signal to international agricultural policy with its orientation on social issues that will also result in an enhanced status of the social functions of agriculture world-wide. No longer only gains in efficiency shall be the chief motive of agricultural policy, but the job-creating effect of agriculture, the integration of farms into a rural culture and rural economics, the important role of small-scale family farming for retirement schemes and social welfare, etc. This would amount to accepting that agriculture is far more than a mere economic sector and would make the concept of multifunctionality in Europe credible.

**The fears are** that while a rich EU can afford a social component of this kind by

way of its subsidy awards, the rest of the world can only maintain its agriculture via the production of goods for the market and can therefore not realise a rural social orientation. It might also be the case that the social orientation of the EU turns out to be just so many false promises, for example if, in reality, it is continuing to vie for aggressive conquering of the world market at the expense of the small-scale producers in the developing countries.

The call for an integration of social standards into the WTO, which is widespread among the societies of the North, represents a serious threat to the developing countries. The North wants to counter ostensible social dumping on the part of the developing countries by opting for the protection of the own assumed high social standards by tariffs. The core labour norms of the International Labour Organization (ILO), which would be suitable for this purpose, are only directed against the developing countries, referring to issues such as child or forced labour. The dispute among the WTO and the FAO about the politically overheated concept of multifunctional agriculture shows up all aspects of these fears.

**The facts are as follows:** In reality, social differentiation within the new agricultural policy has also turned out to be only very moderate. The heated debate over modulation is understandable because here, for the first time, one group has something taken away from it while the other is given something. The lobby of (large-scale) farmers is opposed to this in principle. What really has been introduced in terms of redistribution is hardly spectacular in comparison with the existing disparities in the distribution of subsidies: 20 percent of the enterprises receive 80 percent of payments; or just four percent of the crop producing enterprises receive 40 percent of the payments according to the EU Auditing Office). If the distributive effect of the EU sugar market order, which has hardly any impact on the budget, is also taken into account, the picture becomes even starker. In comparison to other, far-

reaching proposals for a reform of agricultural subsidies, the new agricultural policy is very moderate in social terms. For example, it has been suggested that payments be tied completely to entitlements by persons or to employment or to make them subject to a real degression based on the size of an enterprise or on the real income of the enterprise. All of which would have been appropriate since the advantages by the economics of scale in terms of hectare or head of cattle would justify considerable cuts in subsidies in the upper segments of scale.

Linking trade issues with labour norms in the WTO is highly problematic. The EU submitted a constructive proposal in Doha. It does not intend to resort to social protectionism but wants to reward compliance with the norms in the developing countries. Trade that has demonstrably upheld the standards is to be given preferential access to markets and other preferences. The EU Commission also intends to increase its efforts to establish social labels, especially in trading with the developing countries. Here, we are very close to the principles of Fair Trade, in which this has already been practised for years. IFOAM also has guidelines on fair trade and social rights in addition to its ecological standards. This is the right approach, and it can only be welcomed. Rather than enhancing the status of the WTO, the ILO is to be strengthened. The ILO is to receive more technical support and be made more well-known. The Commission will probably be giving special attention to the ILO working group on the social dimension of globalisation. With this policy, the EU is offering clear concessions to the developing countries. The new German agricultural policy also has to support this course.

“Combating Poverty – A Global Task. Action Programme of the Federal Republic 2015” is the parallel paradigm shift to the new agricultural policy in development policies, with the accent on moving away from a pure growth approach to a poverty alleviation of all measures. In the agricultural sector, this is marked by a turn to the Right

to Food. This is a target-group-oriented approach, which would also be urgently required for our own rural development. Behind it is the assumption that the poor and small farmers, e.g., are highly productive if they are not confronted with so many obstacles and if technological development is centred more strongly on human capital. Redistribution and productivity gains can go hand in hand. The success story of organic farming in Germany is the best example, how strong innovative forces of smallholders can be. They have developed organic agriculture as a unique and highly experimental system in spite of all the discrimination this kind of agriculture has faced for decades in our country. At the World Food Summit, the Federal Republic campaigned for the Code of Conduct on the Right to Food, which was something the EU Commission was hardly interested in. It became a big success after 70 countries joined the initiative. Now it is a clear mandate.

At international level, the Federal Government's Development Policy intends to step up promotion of agricultural and land reform, land distribution, opening up access to land (especially for women), rural women's programmes, self-help capacities, agricultural research oriented on the needs of the poor farmers, rural democratisation and participation at all levels. These would also be ventures for the new agricultural policy at home that could be adopted in precisely this form from the international level. There is a lot we can immediately learn from the large number of programmes in the developing countries for our own policy of rural development. The FAO and other international organisations ought to help us with Asian, African and Latin American development workers in getting along with our own rural reforms. Government subsidies for

agriculture and the rural regions have to be justified on account of whether they help the rural poor at home, and not on the grounds of their making the rich more competitive on an international scale; this is not meant in a charity sense but in the sense of job and income creation.

The concept of multifunctionality of agriculture incorporates the interesting attempt to appreciate the large number of services not immediately addressed to the market that agriculture based on family enterprises performs. According to OECD research, the issues here are above all 1) "external effects", 2) interconnected production processes and 3) the provision of public common goods by agricultural production. It is very difficult to estimate the quantitative magnitude of such aspects, to attribute a value to them, to make the whole thing internationally comparable and to derive rights of countries from it in an appreciably fair way according to which they are allowed to subsidise their agriculture more strongly than others or even protect it against cheap imports. The EU and some other countries (Japan, Norway, Switzerland and South Korea), have made the political mistake of claiming exclusive multifunctionality for their agriculture and generally using this to justify any agricultural programmes they like without multifunctionality being quantified. In doing so, they have exhausted what is in essence a promising avenue of access to the problem even before the concept has been given a realistic chance to materialise. The attempt of the OECD, which is now happening as something of an afterthought, to make the concept politically operational could already be too late. This is unfortunate since the details of the concept would be uniquely suitable to describe the approach of the new agricultural policy.

**For a new international agricultural policy it is important:**

1. that the social differentiation of agricultural subsidies must not remain in its infancy, but that a real redistribution has to be achieved. A power conflict is inevitable;
2. that European agricultural policy is given an orientation on target groups and needs in agriculture; it has to be justified on account of its social and job creation impact. The focus should not be on creating competitive structures but on generating income;
3. that European agricultural policy abandons the rhetoric of wishing to defend its social standards in international trade; instead, the emphasis should be on an effort to strengthen the core labour standards of the ILO in international agriculture;
4. that we also learn from poverty-oriented programmes in developing countries, and that the FAO does not remain a one-way street of international exchange and co-operation, and
5. that the Federal Ministry of Consumer Protection, Food and Agriculture provides resources for programmes to assert the Right to Food via its FAO mandate.

# Non-Trade-Related Concerns at the WTO - How the „Green Box“ could Honour its Name

**T**he new German agricultural policy is aimed at restructuring subsidising programmes. The Mid Term Review of the EU Commission follows the same route. The Common Agricultural Policy is to move away from pegging of prices and other market interventions and towards direct income support that is disconnected from production. This income support is to be linked to food safety, environmental protection and animal welfare requirements. It is also intended to reward the farmers for further environmental efforts and step up support for rural development. In this context, a reallocation of expenditure is planned instead of a reduction.

**From a development policy angle, the question arises** as to whether the EU is thus giving up its agricultural protectionism as well as its last 30 years of agricultural policy orientation, which have been so damaging for developing countries.

**The fears are** that agricultural dumping will carry on to the same extent with concealed means, and that external protection is only going to be transferred from tariffs to standards, so that, in the final analysis, there will be no real changes for the developing countries. What difference is there if the farmers are now producing under their production costs for the conquering of the world market by the EU instead of previously producing at exaggerated prices while the exporters were subsidised? This is why many

developing countries are demanding the gradual elimination of all subsidies at the ongoing agricultural negotiations of the WTO, at least a definite "capping" of all, including those "Green Box Measures" that have been exempted so far from the obligation to eliminate subsidies because they are claimed not to distort trade or to do so to only a small degree.

**The facts are as follows:** In the past, the world markets and the domestic agricultural markets in several developing countries were massively distorted by subsidised exports from the EU (but also from the USA). The end of the (export) subsidy race between the EU and the USA was one of the most important aims of introducing the agricultural agreement in the WTO. However, the agreement does not oblige parties to eliminate all subsidies. Export subsidies have to be reduced. The domestic programmes supporting agriculture were divided into different categories according to their suspected trade distorting impact. Measures of the so-called "Amber Box", above all guaranteed prices and subsidies coupled to the volume produced, have to be reduced since they are regarded as particularly trade distorting. "Blue Box" measures are payments in the framework of programmes on the restriction of production. They are permissible up to an unrestricted level. On the one hand this is because they are regarded as less trade distorting, and on the other it is because the EU would not have approved the agricultural

agreement otherwise. The EU's area and animal payments are still the only programmes that remain in the "Blue Box". Finally, the "Green Box" allows payments of an unrestricted level that are not supposed to have a trade distorting effect, or if so, only a minimal one. Thus the payments disconnected from production allow US American and European farmers to market their products at prices lying below what they need to cover their own production costs. Nowadays, agrobusiness buys artificially cheapened agricultural primary products from the farmers in the North to flood the world markets at prices that no unsubsidised farmers can keep up with. In order to stop this game, the Cairns Countries (an alliance of 17 countries that are in favour of free trade in agriculture), and several other developing countries too, have called for setting a limit for Blue and Green Box expenditure that a country may not exceed. In its proposal, the USA even goes one step further, quite in contrast with its own practice, and demands that the sum of all support measures must not exceed ten percent of the total agricultural production value of a country. Both demands would also represent an attack on the new agricultural policy and the Mid Term Review, which do not reduce subsidies but merely intend to redistribute them.

The measures proposed in the framework of the new agricultural policy fit in well with the WTO regulations in that they provide for a further reduction of export and production related subsidies that have a particularly distorting effect on trade. However, in a number of cases, there are still inconsistencies with the WTO rules. In order to achieve greater compliance with the Green Box criteria, the agricultural environmental programmes would for example have to be tightened up, must not have any unambiguous aims and have to be made more transparent. And subsidies must not exceed the level of compensation for additional efforts.

However, the bone of contention is the Blue Box measures, i.e. the payments tied to the area or number of animals, which are

still allowed in accordance with the WTO because they entail reductions in production (set-aside requirements, requirements to make production more extensive). The Mid Term Review has supported some of the criticism of these programmes. Area payments have been decoupled from the cultivated crops and the actually cultivated area and are handled as flat-rate subsidies for enterprises in accordance with their historical level in a base year. The animal payments are also tied to persons and decoupled from the actual number of animals kept. Thus the new entitlements are better suited to fulfil the WTO conditions of decoupling and move from the controversial Blue Box to the less controversial category of Green Box measures.

From a development policy angle, one can reckon with farming being made more extensive, which is aimed by the new agricultural policy, the problem of direct export dumping will be reduced. However, a continuing high level of subsidies in the EU will remain a potential disturbing factor to the world market and contributes to the prevalence of low world market prices. This is why, in the framework of the ongoing negotiations on agriculture, the developing countries are calling for additional measures to protect them so that they can counter these negative effects, even amidst of the multi-lateral liberalisation process. A number of technical and legal instruments have been discussed in this context. They can be grouped in the so-called "Development Box". For example, one proposal is to apply the special safeguard of the existing "Agreement of Agriculture" also to all developing countries. So far most developing countries have not the right to apply this safeguard. Another possibility would be to change the "Special Safeguard" with a view to making it easily accessible to "Food Security Crops" in developing countries. The most restrictive demands are the ones calling for a ceiling to agricultural subsidies regardless of their type.

All in all, the EU ought to make considerable concessions to the developing countries in working out a common concept to ensure the environmental, social and domestic market orientation of the new agricultural policy at home while at the same time meeting the interests of the developing countries. The EU must no longer focus on a compromise with the USA as its prime target in the negotiations. It urgently needs the developing countries as allies. The EU has to recognise that subsidies at the level it currently grants will still have a potentially damaging effect on the world markets. At the same time, if it does not provide the developing countries with sufficient protective options, it will damage the entire course of its agricultural policy.

### **For a new international agricultural policy it is important:**

1. that direct and indirect subsidies for exports are stopped, i.e. that agricultural subsidies are restructured in favour of the Green Box are accompanied by a reorientation of agricultural production for the domestic market, so that the products of the supported enterprises do not appear on the world markets. This can be achieved with the programmes of regionalisation, marketing support and rural development;
2. that the EU meets the requests of the developing countries so that our "non-trade concerns" and those of the developing countries are combined as a consistent negotiation package, and
3. that the rights of the developing countries to the protection of their markets are recognised and extended.

# Taking the New Agricultural Policy to the World Food Summit

**T**he new agricultural policy is aimed at reorienting German agriculture and agricultural policy in order to address the requests of the consumers, environmental protection and rural development to a greater degree. But what about the requests for an improvement of the world food situation?

**The international question arises** as to what status the international commitments to combat hunger resulting from the Action Plan of the 1996 World Food Summit have, given that the goals of the new agricultural policy are geared mainly to the interests of our own society. All seven of the commitments agreed at the 1996 summit were aimed at the overriding goal of halving the number of people suffering from hunger in the world by 2015, i.e. reducing them to 400 million. Moreover, both the official German and EU agricultural policies are tied by the objective of making a constructive contribution to world food supplies.

**The fears are** that, with reduced surpluses, we can no longer, and no longer intend to, meet our commitments to international food aid. In fact, food aid has to be increased, for the liberalisation of the world markets is going to result in higher world market prices and cut off the poorest of the poor from some of their food sources. Moreover, the liberalisation of the world agricultural markets is going to result in incalculable risks for the poor developing countries that have to import food. The global food security networks have to be improved. Are we going to raise the international budget for agricul-

ture? Will funds also be released for international commitments if we have to reduce the agricultural subsidies at home, bearing in mind that we now need so much money to convert our own agriculture?

**The facts are as follows:** Combating hunger world-wide is mainly up to the Development Ministries in Europe. The responsibility for the FAO lies with the Ministries of Agriculture. The commitment of the 1996 World Food Summit and its follow-up events in the summer of 2002 relates to the entire portfolio of the Ministries of Agriculture, i.e. our agricultural, food and consumer policies have to correspondingly justify themselves what they contribute to reduce hunger by half by 2015. Finally, Article 130 V of the EU Maastricht Treaty and the "Plan to Combat Poverty" passed by the German Cabinet commit all policy areas to coherence with development policy and combating poverty.

So far, the Ministries of Agriculture have not been particularly active in regards to World Food Matters. For example, all that the Annual Agrarian Report of the Federal Government contains is a tiny little reference to this portfolio. For instance, the Annual Agrarian Report 2001 (circular 14/5326) states: "According to estimates of the FAO, the goal agreed by the World Food Summit of Rome, 1996 (halving hunger) cannot be reached if the Rome resolutions are implemented at the speed achieved so far"<sup>3</sup>. One will search in vain for any conclusions re-

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<sup>3</sup> FAO: Annual Agrarian Report 2001 (circular 14/5326), p. 96.

garding the Ministry's policy at the FAO. This policy area has a particularly low status at the Ministry, which is already demonstrated by the staffing of the department with just three senior officials. This is in contradiction, for example, to German President Rau's statements in his speech in Bonn of the 4<sup>th</sup> September 2001 on the occasion of the opening of the IFPRI congress, where he speaks of the scandal of hunger and demands that combating hunger and poverty has to be placed at the top of the political agenda and asks for an International Alliance Against Hunger.

Elements of the new agricultural policy are certainly going to have a positive impact on World Food Matters. However, in a globalised world, a new agricultural policy that does not simultaneously "think and act globally" in addition to "acting locally" lacks credibility and is unsustainable, for it is not only the WTO that is being influenced by strong forces from the outside. For example, a consistent programme of a genuine paradigm shift towards sustainability would be required by the FAO that can also demonstrate that it simultaneously increases food production in the South, combats poverty and improves the environment. If alternatives fail, we can assume that the "green genetic engineering" will take on the leading role in combating hunger; it will penetrate Germany from the outside and call the new agricultural policy that is sceptical about genetic engineering in Germany into question. This will be all the more the case since the research capacities required for tropical biotechnology and genetic engineering are located in the industrialised countries. The UNDP has already branded Europe's critical approach to genetic engineering as a betrayal of combating poverty.

The hunger policy perspective of our Agricultural Ministry is still being dominated by a logic which balances increases in supply and demand for food world-wide and deducting from this that it is absolutely essential to increase production in order to combat hunger. This view automatically results in stressing yield-enhancing technologies as

the top priority in combating hunger. The World Bank's new concept for Rural Development, which was presented in the summer of 2002, is still based entirely on this approach.

It is countered by a sociological approach setting out from the situation of the target groups that are threatened with hunger and addressing their specific social problems. Here, the question is raised as to what denies those suffering from hunger their right to food in each special case. There are in fact several very successful local initiatives to combat poverty that have been developed in the course of organised survival strategies by the poor rural population itself. Such measures are given hardly any attention by global politics. In contrast, the global politics of combating hunger is still very much biased towards the views of those with power in the world.

The target group approach takes the right to food for everyone that is attested by the International Human Rights Covenants seriously and arrives at highly diversified social strategies and political commitments in a poverty-oriented rural development policy. The resolutions of the Social Council of the UN's Economic and Social Commission (ECOSOC) of September 2001 on the international implementation of a Minimum Pact on the Right to Food then act as a guideline. Genuine agrarian reforms move to the centre of the development context. These are approaches that fit together very well with our new agricultural policy, which is oriented towards social and environmental issues. Fortunately, the Federal Government has emphatically adopted this topic and campaigned for a mandate to negotiate a voluntary Code of Conduct at the FAO World Food Follow-up Summit that is to spell out what the human Right to Food could mean for the various stakeholders. The EU does not regard this as an interesting approach and believes that it clashes with the new binding planning approach of the International Monetary Fund the so-called "Poverty Reduction Strategy Papers" when granting new credits.

**For a new international agricultural policy it is important:**

1. that the European ministries of agriculture campaign politically, financially and legally for a consistent model of agricultural sustainability world-wide and for a world food security network at the FAO,
2. that the implementation of the Right to Food, participatory approaches and the new agricultural policy are given priority over technical approaches to combating hunger,
3. that an interdepartmental working group involving civil society supports the cross-sectoral task of "Food Security" in the framework of the Federal Government's "Poverty Strategy 2015",
4. that the development policy impact of the EU's agricultural policy, the developments on the world agricultural markets, the global technology trends and WTO liberalisation in the agricultural sector are subjected to constant monitoring and consultation with the developing countries, which is what the Economic Partnership Agreement with the ACP countries demands,
5. that food security is not subordinated to the liberalisation of the world agricultural markets, and
6. that the German Ministry of Agriculture presents itself to the German public as the advocate of global food security and engages in a public relations offensive in Germany.

# Money Matters - Converting Agricultural Protectionism

**T**he new agricultural policy is aimed at restructuring agricultural subsidies away from hectare and animal payments, export subsidies, investment support for individual enterprises and price stabilisation, which all boost production; instead subsidies become decoupled from production, like agro-environmental programmes, rural development and marketing support for new quality products. Subsidies are to be shifted from the so-called "first pillar" (production-related) to the "second pillar" (environment and rural development). The Mid Term Review even goes further, by suggesting to support only farms and not products any more.

**The international question arises** as to whether this restructuring is negotiable in the first place, given that agricultural subsidies are supposed to be reduced in the framework of the WTO. Is the South going to accept an unlimited further extension of the Green Box? Can we introduce further agricultural environmental and rural development programmes worth billions of Euro in order to turn our agriculture into an ecological, high-standard island, while continuing to cut development aid support for sustainable agriculture in the South and for global food security at the same time?

**The facts are as follows:** The ODA (Official Development Assistance) for rural development and World Food Matters has dropped scandalously world-wide. Although it is difficult to establish the statistics since "rural development" is not easy to circum-

scribe, a consensus does exist on the issue as such. The FAO speaks of a drop from 25 percent in the seventies to less than 18 percent towards the end of the nineties. The World Bank also confirms a strong flagging of interest in official development aid investments in rural development, and it intends to counter this trend with its new strategy.

In contrast, in spite of the WTO, the agricultural support programmes of the OECD countries have seen further growth over the last few years, and they have reached alarming levels, having grown from 274 billion EUR in 1986 to 374 billion ECU in 2001, measured in accordance with the Total Support Estimate (cf. OECD, Paris, d. 18-19.3. 2002). This is higher than the GNP of entire Sub Saharan Africa. Per fully employed farmer, this amounts to 17,000 EUR a year in the EU and 22,000 EUR a year in the USA.

Both trends contrast with various promises and self-commitments of the North in connection with international pledges to support the developing countries in rural development. They have either been followed by no financing at all or by only very insufficient cash flows. This has been the case with the World Environmental Summit of Rio regarding Chapter 14 of Agenda 21 (Sustainable Agriculture and Rural Development), the FAO Trustee Fund for the Preservation of Agrobiodiversity (Leipzig Action Plan), the raising of the commitments connected to the Food Aid Convention, the implementation of the commitments towards the Net Food-

Importing developing countries (NFIDC) at the WTO (the so-called Declaration of Marrakesh on NFIDC)), technical support in implementing the food standards of the Codex Alimentarius Commission, the Trade Facilitation Pledges of the WTO, the TRTA (Trade Related Technical Assistance) etc.

Let's just take the most controversial expenditure, the 5.6 billion EUR worth of export subsidies of the EU in 1999/2000. In the ongoing WTO negotiations on agriculture, they will once again have to be reduced by at least a third, i.e. two billion EUR of finance a year is going to be released in the EU from a programme that has done so much damage to the developing countries through dumping. If the WTO cuts the internal support levels (according to the Aggregate Measurement of Support) by 20 percent, which is realistic, around five billion EUR will be released alone in the EU. What is going to happen to all this money?

The EU Ministers of Agriculture have fully set their sights on carrying on as usual and are reckoning with being able to completely restructure these funds, putting them to use to finance all the programmes of the new agricultural policy at home.

Some developing countries are gradually losing their patience with financial pledges that have not been honoured. They are threatening to boycott further co-operation with the North, for example on environmental issues, and in more radical terms, with regard to their participation in the Johannesburg World Environmental Summit in September 2002. In Johannesburg, Agenda 21, and hence the issue of implementing sustainable agriculture, is going to play a world-wide role.

**The fears** that the developing countries could opt out of further restructuring are very real. They have already bitterly complained to the WTO that, in the past, massive restructuring of this kind turned out to be a false promise. For example, the EU extended its "Green Box" subsidies from ten billion US\$ in 1986 to 20.6 billion US\$ in 1997, and

in the same period, the USA did so from 24 billion US\$ to 51 billion US\$. Many developing countries say that if agriculture in the North is supported to this extent by this type of agricultural subsidising, then these subsidies for agriculture cannot have a neutral effect on trade, for there is no guarantee that the produce of enterprises enjoying such support will not reach the world market. They demand a ceiling for the "Green and Blue Boxes", i.e. they must no longer grow beyond a certain level. This would spell the end of the affordability of the new agricultural policy. If the EU does not go along with this, it will certainly not escape the other WTO negotiation topics, such as dismantling of tariffs or market access, unscathed.

The Cairns Countries, the alliance of 17 countries in favour of free trade in the agricultural sector and the USA even go one step further. They want to see the sum of all support measures not exceed a certain share of the total agricultural production value of a country. Ten percent has been mentioned. This would be a disaster for the EU's entire agricultural policy, and would in fact spell its end.

Development NGOs in Germany (and in the rest of Europe) have now come up with a proposal that could represent a compromise between legitimate calls for the affordability of the new agricultural policy and increased finance for rural development in developing countries. They suggest the following rule: An OECD country can increase subsidies for its own agriculture (above a ceiling according to a historical base year), if at the same time the same amount of funds is released for rural development assistance to developing countries. Thus the rich countries would be buying themselves the right to subsidise their agriculture beyond the upper limit permitted. The precondition for this is that the subsidy programmes are not trade-distorting. In this way, part of the subsidies would be released for development assistance without stalling the process of the new agricultural policy in absolute terms.

The acceptance and reasonability of such a mechanism depends mainly on whether the measures that are to be financed with it are effective in combating hunger, poverty and underdevelopment in the rural regions. First of all, the funds saved from agricultural export subsidies would have to be invested into a World Food Security Network. Several poor Net Food Importing developing countries (NFIDCs) have been made dependent on our cheap food. The WTO determined that a compensation would have to be created for these countries if the export subsidies were to be eliminated and the food prices were to rise on the world markets. An Interagency Panel of experts of various UN organisations has recently worked out concrete proposals on the setting up of a corresponding fund. The second priority results as a logical consequence of the development effects of the new agricultural policy. It is the need to support the developing countries in achieving the ability to fulfil the raised standards in food quality, environmental protection and animal welfare. These are just two examples. Several other sensible measures and international programmes are waiting to be implemented.

Finally, it has to be noted that the funds need not be transferred from the agricultural budget to the development budget, for as a rule, they are then gone. Rather, the proposals here are to be assigned to international agricultural policy, for which the Ministries of Agriculture are also responsible. Only in this way will the conversion character of restructuring become apparent. Step by step, agricultural policy in the North is transformed from a policy hostile to development into a policy benefiting the global rural poor.

**For a new international agricultural policy it is important:**

1. that the industrialised countries raise their financial commitment for global food security and rural sustainability with new, fresh funds,
2. that a considerable portion of these new funds is mobilised via savings in the agricultural budget on account of the forthcoming WTO reduction requirements,
3. that a link is established between the increase in the funds for the new agricultural policy in the North and the funds for new global food security and agricultural sustainability commitment,
4. that, in this way, a conversion of agricultural policy that is harmful to development and trade policy of developing countries into a policy benefiting the developing countries is accomplished.

# Epilogue by German Federal Minister of Consumer Protection, Food and Agriculture Renate Künast

**W**orld Food Matters or, more appropriately, getting rid of hunger world-wide is a global topic. In spite of many efforts made, the absolute number of people suffering from hunger has only dropped slightly over the last 20 years. It is almost inconceivable that in the age of high technology and the information society, in a world in which many people are living in luxury, well over 20,000 people should die from hunger every day.

Five years ago, at the World Food Summit 1996 in Rome, the community of nations declared war on hunger and malnutrition anew. Heads of states and governments unanimously pronounced their goal of reducing the number of starving people of 800 million at the time to 400 million by 2015. Today's statistics, in 2001, are rather sobering; if the present trend continues, the goal will only be reached partly.

Access to food has to be established as a basic right. This is the chief issue that needs to be addressed by all governments of all countries, all groups in society and, last but not least, every single individual if the world food supply situation is to be improved.

For me as Federal Minister of Consumer Protection, Food and Agriculture, the following tasks are among those that need to be tackled in the immediate future:

- improving the agricultural and consumer policy framework meaning maintaining high standards for Food Safety. At the same time, r existing disadvantages for the developing countries shall be reduced in world agricultural trade and their special requirements shall be met, also at the forthcoming round of the WTO,
- supporting the development of an International Code of Conduct on Food Security in order to define more closely the obligations of national governments, the international community of nations and other actors with a view to the implementation of the right to sufficient and healthy food,
- information and education, including the clear labelling of goods that have been produced in an ecologically and socially compatible way in order to give consumers the opportunity to support their ideas of a fairer world and sustainable development with their shopping bags.

The new agricultural policy introduced in Germany became necessary because the consumers had lost confidence in the food they were being offered. A reorientation of agriculture enabling it to produce goods that the consumer will be able to trust simultaneously strengthens the rural areas. Jobs are preserved, and regional production supports sustainable modes of economic activity.

Our programme for quality labels and quality campaigns are consciously aiming to also integrate the developing countries. I do not share the accusation that the criteria valid in our country are unattainable for the developing countries. I am convinced that food safety is also, and in particular, an important topic for the developing countries. After all, many people, especially children, die there as a result of contaminated food and poor drinking-water quality. This is another reason why I think it is both necessary and essential that the developing countries are supported with consultancy, imparting of technical know-how and other specialised project activities when they introduce new certification schemes. A corresponding programme has long been run by the GTZ (German Technical Assistance) in some selected developing countries. However, in principle, and in the long run, these costs of certification have to be covered by the price for the products from the developing countries. .

Green genetic engineering is often claimed to be one of the panaceas against world hunger, in spite of more and more consumers in the wealthy industrialised countries – we in Germany are not on our own in this respect – having their doubts about the safety of genetically modified organisms in food. So far, we know too little about the effects of genetic engineering on natural cycles. We are devoting the utmost level of attention to these processes here. In view of open questions regarding the long-term harmlessness of genetically modified organisms to nature, green genetic engineering will not be given the go-ahead in Ger-

many. However, the use of genetically modified plants is often advocated for the developing countries, for the poorest of the poor. For example, resistant plants are supposed to prevent harvests from being destroyed by pests. But the seed is expensive and makes many of the smallholders who go for it dependent.

It has been demonstrated that overall, there is enough food in the world. The amount is not the problem. What counts is distribution and access. And these issues cannot simply be resolved by a scientific insight or by technological progress. There are 800 million people in the world who just haven't got the money to buy the food! Nothing would change about this even if food production was increased with all possible means.

There is one thing that all this clearly demonstrates. The challenges that have arisen in connection with higher consumer requirements in the European industrialised countries regarding the quality of products from the developing countries also have to be addressed in the interest of the people living there. They are not suitable as an argument against our new agricultural and consumer policy.

Let's continue this discussion together and look for suitable solutions to cope with worldwide hunger.

*Berlin, 19<sup>th</sup> November 2001 (German Edition)*  
*Berlin, Sep. 1<sup>st</sup>, 2002 (English Edition)*

# BSE and International Justice

## Our demands to deal with the crisis in a responsible way

*German NGO Forum on Environment and Development,  
Working Group on Agriculture and Food*

The incidence of BSE in Germany has resulted in considerable uncertainty among consumers, plunged our agricultural methods and agricultural policy into a crisis and triggered a fundamental debate on the need for a new orientation in agriculture and consumer policy.

In the conclusions below, the German NGO Forum on Environment and Development, Working Group on Agriculture and Food, draws attention to a neglected dimension in the European debate on BSE: the consequences it has for development policy. We are concerned about the damage that has been caused on an international scale by exporting hazardous material and through the partial collapse of the beef markets, and about unilateral efforts that are being prepared to solve the problem without giving due consideration to the poor countries, which are strongly affected.

### Summary of demands:

1. Standards for EU exports must not differ from those applying to marketing within the EU.
2. Short-term measures to eliminate surpluses are only acceptable if they coincide with medium and long term concepts to avoid surpluses and production cut-backs.
3. Coping with the BSE crisis must not result in any new, unnecessary import restrictions.
4. Replacing meat and bone meal as animal feed, which is now prohibited, with soy imports and shifting demand for beef to pork and poultry must not aggravate social and ecological problems in the countries of origin of oilseed. Moreover, the level of self-sufficiency as far as protein feed is concerned in the EU should be enhanced so that cycles can once again be closed at local level.
5. Those LDCs, whose welfare depends heavily on beef exports, must not run into financial difficulties on account of the BSE crisis.
6. Minimum standards in consumer protection and measures to combat BSE must be defined multilaterally and may not be abused as a technical trade barrier. Elaborate standards do not have to be applied world-wide. Here, a differentiated approach is called for.
7. The new agricultural policy announced in Germany as a lesson learnt from the BSE crisis and other scandals ought to rectify the trend towards further industrialisation and orient agriculture and animal husbandry on the guiding principle of organic farming.
8. In the forthcoming WTO negotiations, the new agricultural policy can only be secured if the EU campaigns not only for its own "non-trade-related" demands

but also for those of the developing countries and steps up its efforts to form new alliances.

9. Campaigning for a new paradigm in German agricultural policy also requires similar engagement among all international organisations for a new agricultural policy on a global level that is geared to sustainability.

## I. Coping with the crisis

### 1.) Checking the international spread of the BSE threat

Standards for the EU exports must not differ from those applying to marketing within the EU. This means:

1. Meat and bone meal as animal feed and special hazardous material must not be exported by the EU or by Germany as long as their use is banned within the EU or Germany or as long as they have not been proven safe.
2. Hazardous material has to be disposed of within the EU or in the country it has been produced or extracted from without creating any further hazards.
3. In the foreseeable future, livestock must not be exported to countries that have no BSE safeguarding systems that are comparable to those in the EU.
4. Meat or animal products may only be exported if they are also authorised for the domestic market.
5. If non-member states create barriers to meat, feed and livestock imports from the EU with higher standards than those that are valid in the EU, the latter has to accept this. The EU must not exert any political pressure on the more than 60 countries that have in the meantime imposed import bans on European beef to lift their import bans.

### 2.) Reducing beef surpluses

Short-term measures to eliminate surpluses are only acceptable if they coincide with

medium and long term concepts to avoid surpluses and production cutbacks.

1. Relieving the market in the short term: We welcome demands for early marketing for a transitional period. If necessary, the intermediate calving period will be extended by funding measures. We reject the Herodes premium.
2. Eliminating surpluses in the medium term: We reject the use of surplus meat for emergency and food aid in poor countries even if the meat has been tested, as is the case with beef shipments to North Korea. Neither may any additional export be supported with the aid of subsidies. Promoting sales and market neutral distribution at domestic level are to be given priority. Culling animals is a last resort.
3. Long-term measures of the change in direction: (see section on agricultural policy).

### 3.) No unnecessary obstacles to imports on account of BSE

Coping with the BSE crisis must not result in any new, unnecessary import restrictions.

1. So far, the EU Commission has only determined unilaterally which countries have procured BSE-infected meat and animals from the EU since the onset of BSE. In closest consultation with the countries affected and the responsible multilateral organisations (OIE, C.A.C., FAO), it has to make a risk assessment that will then be accepted by all parties. Otherwise, a build-up of tension in trade will be inevitable.
2. Just like within the EU, beef from risk countries that is to be delivered to the EU must not be contaminated with remnants of hazardous material from the slaughtering process.
3. Parts of animals that may represent a hazard must be removed and destroyed in the abattoir of the exporting country.
4. When identifying BSE hazards, testing, inspecting cases of BSE, checking the disease and pursuing preventive policies,

all developing countries should be supported at all levels with technical and financial co-operation by the EU countries. All costs and expenses have to be defrayed for the the poor countries, in particular the LDC countries.

5. Market access that has been granted to our beef markets for developing countries so far must not be jeopardised by the BSE crisis.
6. No higher standards may be applied to imports from non-member countries than those for imports from one EU country to another.

## II. Compensating market distortions for poorer countries

The LDC, whose welfare depends heavily on beef exports, must not run into financial difficulties on account of the BSE crisis.

Beef prices and sales volumes have not only dropped considerably in Europe. Highly indebted LDC that heavily depend on beef exports, can run into financial difficulties. These countries must be supported. This could be accomplished with the aid of debt cancellation. These funds above all need to be provided for poverty-oriented rural development programmes, for the diversification of the beef industry and for ecological compensation programmes.

## III. No discrimination in technical standards

Minimum standards in consumer protection and measures to combat BSE must be defined multilaterally and may not be abused as a technical trade barrier. Elaborate standards do not have to be applied world-wide. Here, a differentiated approach is called for.

1. A world-wide ban or suspension of the general use of animal feed for feeding purposes is an exaggerated measure.
2. The negotiations that are currently underway concerning the Codex Alimentarius Commission (C.A.C.) and relate to an international code of conduct as a "guideline for good feeding practice" have to consider experience gained in the wake of the BSE crisis, e.g. by introducing internationally recognised labels for animal feed, a restrictive positive list for the use of animal feed that may be on the world market, a ban on feeding animal feed to ruminants and outlawing cannibalistic feeding practice (e.g. animal feed from pigs to pigs, from chickens to chickens) and the technical minimum standards in animal feed production.
3. The observation of the necessary safety measures by the C.A.C. also has to apply to slaughtering methods and the removal of hazardous material and its disposal.
4. The recommendations on the setting of standards have to be compiled by independent scientists. This applies both to the national and the international level. Political influence of industrial associations on health standards has to be pushed back, and the co-determination options regarding consumer interests have to be reinforced.
5. The multilateral standards must only be binding for countries that have been declared BSE hazard countries in a multilaterally co-ordinated procedure. They are merely recommendations for the other developing countries.
6. Different sub-sectors of the beef industry in developing countries have to be given individual consideration, e.g. in terms of differentiating according to animal stocks of traditional pastoral peoples, traditional smallholders and modern market-oriented enterprises. Our condition that our imported meat has to be licensed in the exporting country has to be restricted to the origin of those sub-sectors that represent a hazard. As a rule, this will only be the modern sub-sector.
7. The world food organisation FAO and the international animal epidemics

authority OIE have to be supported in their attempts to advise the developing countries on preventive measures, inform them about global trends on the beef markets and combat diseases.

8. GATT's basic fairness principles apply: transparency, non-discrimination, opting for solutions that represent a minimum of obstacles to trade, support in capacity building, technology transfer and training/awareness-raising.

#### IV. Qualifying feed imports

Replacing meat and bone meal as animal feed, which is now prohibited, with soy imports and shifting demand for beef to pork and poultry must not aggravate social and ecological problems in the countries of origin of oilseed. Moreover, the level of self-sufficiency as far as protein feed is concerned in the EU should be enhanced so that cycles can once again be closed at local level.

1. In the cultivation of soy and other feed from developing countries, human rights as well as social and ecological standards have to be ensured. Here, the most important criteria are:
  - socially compatible cultivation, e.g. without child labour, observance of the native population's land rights, a right to adequate food in the cultivation areas, marketing preferably via farmers' co-operatives
  - ecologically compatible cultivation, e.g. no new clearing of primary forests, conservation of resources, crop rotation, balanced regional development
  - no application of genetic engineering.
2. The Blair House Agreement with the USA has to be re-negotiated in the framework of the forthcoming WTO negotiations in order to once again enable more protein feed growing in the EU.

#### V. Redefining agricultural policy along ecological and social lines

The new agricultural policy announced in Germany as a lesson learnt from the BSE crisis and other scandals ought to rectify the trend towards a further industrialisation and orient agriculture and animal husbandry on the guiding principle of organic farming.

##### To be introduced immediately:

- a ban on hormones and antibiotic performance-enhancing agents as well as the routine administering of antibiotics.
- open declaration and positive list for feed.
- permanent Europe-wide ban on the use of animal feed and fats from carcass disposal plants for feeding purposes.
- temporary ban on feeding of animal feed consisting of waste from abattoirs as long as there is a BSE hazard.
- slaughtering at the next local abattoir; restricting livestock transports to a maximum of 4 hours of travelling.
- social and ecological qualification of area and animal premiums.
- scrapping of all export subsidies.
- transferring all direct payments tied to production to untied payments with social and ecological criteria.

##### To be introduced in the longer term:

- linking animal husbandry to land.
- scrapping of all payments linked to animals and agricultural areas and transforming them into basic payments.
- an across-the-board orientation of agriculture on the principle of sustainability.
- rewards for farmers who have made special contributions to animal, environment and nature conservation by applying particularly sustainable production methods that go beyond the legally required commitments.

- promoting organic farming by tapping new market potentials.
- promoting animal husbandry giving consideration to the requirements of individual species and the development of breeding according to animal health criteria.
- promoting regional food cycles.
- developing quality programmes, informative labelling systems, origin markings, monitoring concepts, geographical indicators.

## VI. Forming WTO negotiation alliances with the developing countries

In the forthcoming WTO negotiations, the new agricultural policy can only be secured if the EU campaigns not only for its own "non-trade-related" demands but also for those of the developing countries and steps up its efforts to form new alliances.

1. The EU has to offer itself as an ally of the Non-Cairns developing countries. Its offer has to include: eliminating all forms of export subsidies, the consistent redefining of all support measures as "Green Box Measures", a ceiling for expenditure on Green Box Measures and improved market access for farm produce from developing countries (e.g. a reform of the rules governing the sugar market).
2. The EU has to support the "non-trade-related demands" of the developing countries. These include e.g.: food security, emergency aid programmes, job security, the development box and improvements to the "Marrakesh Decision for Poor Net Food Importing Developing Countries".

## VII. For a new agricultural policy in international solidarity

Campaigning for a new paradigm in German agricultural policy also requires similar engagement among all international organisations for a new global direction in agriculture that is geared to sustainability.

1. Germany has to step up its efforts to campaign for multilateral environmental, consumer and animal welfare conventions by addressing the responsible international organisations in order to arrive at international minimum standards for keeping animals in accordance with the requirements of individual species and environmental requirements. Minimum standards formulated at this level will also be binding for the WTO.
2. Multilateral arrangements have to be made for the regionalisation of production and marketing, the setting of quality standards, licensing and labelling of production methods and the definition of geographical indicators so that a comparable offer from overseas has the same marketing prospects and so that there is no discrimination against attempts to introduce ecological elements in production abroad. The imported goods of ecological and fair trade as well as regional brands also have to be included in the government programmes to promote sales.
3. International Fair Trade and international certification systems have to be given a high political priority, also by the new Consumer and Food Ministry. This includes political pressure on importing companies to introduce Fair Trade Standards and Labels, legal and financial support and the WTO labelling rules.
4. The width and depth of the TRIPS geographical indicators has to be improved to make the differentiation of qualities and their cultural backgrounds more transparent for the consumer.

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