

Make a Difference for Poverty Reduction

at the Sixth WTO Ministerial Conference in Hong Kong

A CIDSE-Caritas Internationalis Position Paper

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CIDSE
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Executive summary

1. Support a pro-poor approach to trade

The daily work of organisations and partners supporting women and men in poverty in all the developing countries and Catholic Social Teaching legitimate a political perspective that makes human dignity the priority for guiding international trade rules. The following policy proposals for poverty reduction and social justice aim to contribute to shaping better trade rules taking full consideration of their effects on people in poverty, at the Sixth WTO Ministerial Conference in Hong-Kong.

2. Give a clear priority to progress on agriculture

A PRIORITY FOR POVERTY ERADICATION

Sustainable agricultural growth favours the sector where the majority of people in poverty work and the rural areas where they live. Agriculture is not only crucial for small-scale family producers but is also a key to broader economic growth and sustainable development in developing countries. Therefore agriculture can have a powerful impact on poverty reduction and in achieving the Millennium Development Goals. The skewed balance of power between the 1.3 billion farms and agricultural workers and the very few international traders and large distributors threatens livelihoods of farmers all over the world.

A PRIORITY FOR DELIVERING LIVELIHOODS

Food security is one of the most prominent features of agriculture. Most of the people in poverty derive their food from outside the commercial system. Therefore, availability of food through imports as promoted by the current Agreement on Agriculture (AoA) of the World Trade Organisation (WTO) is not sufficient to

address the food security concerns of developing countries.

A PRIORITY FOR GENDER EQUITY

The contribution of women to agricultural production, rural development and food security in developing countries is not properly valued or understood. Women often suffer from severe gender biases resulting from the current policy rules, leaving them few opportunities for sustainable development.

THE NEED FOR POLITICAL WILL

A more equitable, regulated system of trade rules and negotiations should allow for a model of agriculture that empowers the poor to achieve food security in developing countries. This implies a complete reorientation of the WTO rules that are currently seriously undermining human dignity and human rights, disregarding the commitments entered into under international conventions by the Member States. As a first step, the WTO should endorse the UN Millennium Development Goals (MDGs). Since the negotiations have progressed rather slowly since the Doha Ministerial Conference (2001), there is indeed a need for a much stronger political will to achieve real progress on agriculture that makes trade work for development in the world.

3. Stop trade distortion that generates poverty

STOP TRADE LIBERALISATION DENYING THE LIBERTIES OF THE POOR

International trade policies increasingly have a direct and often deleterious effect on the lives of the people in poverty, mainly small-scale family farmers and rural communities. The current AoA continues to push developing countries to liberalise,

whilst taking no account of the large reductions already made by them in the past. Coherence between agriculture policy, trade policy and development policy is also lacking. Developing countries have been pushed away from more sustainable policies based on their local needs and capacities towards an industrialised model of agriculture that has jeopardised food security in developing countries.

Furthermore, contrary to the fundamental tenets of one country, one vote and consensus, the negotiating and decision-making practices within the WTO have marginalised developing countries through a non-inclusive and non-transparent working process.

STOP MAKING THE POOR PAY THE COST OF TRADE LIBERALISATION

Firstly, the request of the United States and the European Union for substantial progressive offers from developing countries on industrial tariffs and services does not take into account the high price paid over the last thirty years by developing country farmers suffering from the dumping of agricultural goods produced by heavily-subsidised agribusinesses in the developed world for thirty years. Secondly, the continued reduction of trade and investment barriers is leading to the loss of significant sources of revenue in developing countries, at a time when developing countries face rising debt burdens and increasing social spending. Finally, non-reciprocal trade preferences that were benefiting developing countries are being eroded by both regional and multilateral liberalisation because of the overall reductions in tariffs.

STOP DUMPING ON DEVELOPING COUNTRIES' MARKETS

Dumping of Northern exports is preventing developing country farmers from marketing their production on their local or regional markets at a fair, remunerative price. As it is complicated for poorer countries to demonstrate harm, importing countries should have the ability to immediately impose countervailing and anti-dumping duties where goods are sold abroad for less than the cost of production. Governments should develop a more thorough and

transparent methodology to measure the extent of dumping. In addition, Northern countries should substantially reform their agricultural subsidy regimes to ensure an end to the dumping of products on global markets.

STOP TRADE-DISTORTING SUPPORTS

Subsidies depress the price of agricultural products on world markets. The WTO July Package (2004) takes a very gradual approach towards reforming subsidies on production and exports which is unlikely to have a significant impact. A clear frontloaded schedule should be set up for eliminating all export subsidies and support. The trade distorting subsidies (Amber Box) should be reduced according to a tiered formula. Product-specific caps and reduction commitments should be introduced by establishing criteria to disaggregate direct payments to farmers, partially de-coupled and linked to production-limiting programmes (Blue Box). A thorough review of the Green Box (de-coupled and "minimally trade-distorting" subsidies) is needed to ensure that any remaining domestic support has minimal trade-distorting effects and contributes to public goods. Discipline is needed regarding the Blue Box and Green Box, in order to thwart "box shifting". Developed countries should commit to develop standard harmonisation and to significantly reduce all non-tariff trade barriers.

4. Promote agriculture and rural development working for poor people

MAINSTREAM DIFFERENTIAL TREATMENT TO PROTECT PEOPLE IN POVERTY

Given the gap between the agriculture systems in the North and in the majority of developing countries, the same rules for all, the rich and the poor, the powerful and the weak, create new injustices. In order to allow developing countries to set their own course for growth, diversification and development, Special and Differential Treatment must constitute an integral part of all elements of the trade agreements with a view to preserving the food security, rural development and livelihood concerns of

millions of people who depend on the agriculture sector in developing countries. For developing countries whose tariffs are already low, the tariff reduction must contain: progressivity, proportionality and flexibility. Given that *de minimis* support (support not exceeding 10 per cent of the total value of production) is the only form of support available to farmers in most developing countries, any attempt to reduce it should be avoided. Moreover, the WTO Agreement on agriculture should be rebalanced by guaranteeing developing countries the right to protect their borders by maintaining or raising their agricultural tariffs and via quantitative restrictions as long as Northern subsidies remain. Finally, as there is no possibility of a net positive outcome from the current negotiation in the near future, Least Developed Countries should be exempted from any reduction commitments and should receive not only duty-free and quota-free access to richer countries' markets, but also support to strengthen their supply capacities.

PROTECT RURAL DEVELOPMENT WITH SPECIAL PRODUCTS

Putting a brake on trade liberalisation by exempting sensitive crops (Special Products) from further tariff reductions can play a vital role in increasing production and productivity by small farmers, maintaining and creating employment in the rural areas and providing food security to people in poverty. In accordance with its own development needs, each developing country should be allowed to select an appropriate number of agricultural products relevant for food and livelihood security and sustainable rural development with attention to specific gender needs. These special products should be exempt from further tariff reductions.

PROTECT FOOD SECURITY WITH SPECIAL SAFEGUARD MECHANISMS

Special safeguard mechanisms should provide flexibility to developing countries to protect small farmers, including women, with such mechanisms as removing food security crops from tariff reduction commitments, or raising tariffs, or imposing non tariff measures such as quantitative restrictions. The existing Special Safeguard Mechanism should be replaced by another that is easier to use,

applicable for all products and available for all developing countries to address import surges and price volatility.

OPEN POLICY SPACE FOR SUSTAINABLE AGRICULTURAL DEVELOPMENT

The current AoA embodies one of several different models of agriculture. It favours large-scale, industrial farming, and – for the South in particular – significantly narrows the choices that each country can make about its own economic development. This model of export-oriented economic growth often tends to increase poverty and food insecurity. Indeed, most poor rural producers are simply unable to compete against richer producers with much greater capacity and a highly capitalised agriculture. Poor and small-scale farmers depend mainly on the functioning of local markets. Poverty of peasants in developing countries is also the result of the existence of an agricultural price formation system which leads to a decrease in these prices. Therefore, in order to pursue policies that assure all residents a basic standard of living, developing countries need policy space, rather than rigid and constricting trade rules which constrain and shape the formulation of domestic policy. Poor countries need the right and the capacity to regulate trade and investment in the interests of national development, with the necessary protection and gradual openness when the right conditions are put in place. Price stabilisation policies, and in some cases supply management, may be useful tools for developing countries to improve farm incomes and food security. The challenge is to develop models for sustainable agriculture that strengthen public goods (including food security) and create resilient ecosystems and vibrant economies.

5. Summary of policy recommendations

CIDSE and Caritas Internationalis call on the Sixth WTO Ministerial Conference to give real priority to a pro-poor perspective.

STOP DISTORTING TRADE THAT GENERATES POVERTY

The WTO should endorse the UN Millennium Development Goals (MDGs) as its primary commitment. The WTO negotiating process



must be more transparent and more inclusive. Loss of revenue by developing countries due to tariff cuts and preference erosion in agriculture should be compensated.

Northern countries should substantially reform their agricultural subsidy regimes to ensure an end to the dumping of products on global markets. The importing developing countries should have the flexibility to impose additional duties on subsidised imports. Members States have to commit on short deadlines and processes to eliminate all trade-distorting subsidies (Amber Box) and all export subsidies. Product-specific caps and reduction commitments should be introduced for the Blue Box payments. A thorough review of the Green Box (de-coupled and "minimally trade-distorting" subsidies) is needed to reduce trade-distorting effects. The Green Box should secure the livelihoods of small farmers. Developed countries should commit to significantly reducing all non-tariff trade barriers.

PROMOTE AGRICULTURE AND RURAL DEVELOPMENT WORKING FOR POOR PEOPLE

Special and Differential Treatment for developing countries must constitute an integral part of all elements of the Agreement on Agriculture. The tariff reduction for developing countries must be progressive, proportional and flexible to avoid negative impacts for small-scale farmers. The AoA should also be rebalanced by guaranteeing developing countries the right to protect their borders by maintaining tariffs or quantitative restrictions as long as

Northern subsidies remain. Least Developed Countries need special treatment (including duty-free and quota-free access).

In accordance with its own needs for food security and sustainable rural development, with attention to specific gender differences, each developing country should be allowed to self-designate an appropriate number of Special Products to be exempted from further tariff reductions. In the event of a drop in prices or a significant increase in the volume of imports, a Special Safeguard Mechanism should provide flexibility to developing countries to protect small farmers. Open policy space should be given to the developing countries to develop national policies (price stabilisation, supply management...) that protect and promote sustainable agricultural practices.

1. Support a pro-poor approach to trade

The daily struggles of women and men in poverty around the world are calling for a humanising transformation of the global economy. There is an urgent need to strive for the creation of international rules to ensure the ability of a globalising world to truly work for the global common good. Catholic Social Teaching does acknowledge the potentially positive role of the market in the international economy¹ but has also always pointed out that today's world markets, including labour, trade and financial markets, are dominated by the realities of power. Agreements presented as free contracts, and so as bearing the full consequent obligations between trading nations, are in reality shaped by unequal power relations and therefore lack legitimacy.² Whatever claims are made in favour of the markets, there are many human needs which find no place on the market.³ Political and international affairs and the multiplicity of arrangements which constitute the international economic, social and political order need to be ruled by moral values recognisable by all people.⁴

The vulnerable and oppressed are agents of change leading the struggle to eradicate dehumanizing poverty, unacceptable living and working conditions, and unjust social, political, economic and cultural structures. The daily work of organisations and partners supporting people in poverty in all the developing countries⁵ legitimates a political perspective to fight poverty that makes human dignity and social justice the priority to guide international trade rules. These positions are in accordance with two principles of Catholic Social Teaching. The principle of *subsidiarity* – where the decisions that most affect peoples and whole communities must be most influenced by those peoples and communities. The principle of the *preferential option for the poor* – where the economic decisions must start with a full consideration of their effects

on people in poverty.

The following policy proposals for poverty reduction at the Sixth WTO Ministerial Conference in Hong-Kong aim to contribute to building a better world for people in poverty and oppressed men, women and children, providing a beacon of hope and global solidarity and contributing to changes and development of social justice.

¹ The goods of the earth are given by God to 'the whole human race for the sustenance of all its members, without excluding or favouring anyone' (*Centesimus annus* 31, 1991).

² 'When two parties are in very unequal positions, their mutual consent does not guarantee a fair contract. The rule of free consent remains subservient to the demands of natural law.' (*Encyclic Populorum progressio*, Nr. 59, 1967)

³ "The market [has to] be appropriately controlled by the forces of society and by the state to ensure that the basic needs of the whole society are satisfied" (*Centesimus Annus* 1991, #35).

⁴ 'With respect to States themselves, Our predecessors have constantly taught, and We wish to lend the weight of Our own authority to their teaching, that nations are the subjects of reciprocal rights and duties. Their relationships, therefore, must likewise be harmonized in accordance with the dictates of truth, justice, willing cooperation, and freedom. The same law of nature that governs the life and conduct of individuals must also regulate the relations of political communities with one another.' (*Encyclic Pacem in Terris*, Nr. 80, 1963)

⁵ **CIDSE** (International Cooperation for Development and Solidarity) is a coalition of 15 Catholic development organisations in Europe and North America working with two thousand partner organisations in developing countries. **Caritas Internationalis** is a confederation of 162 Catholic relief, development and social service organisations working to build a better world, especially for the poor and oppressed, in over 200 countries and territories.

2. Give a clear priority to progress on agriculture

A priority for poverty eradication

There is an intimate relationship between poverty and agriculture. Of the 1.2 billion people worldwide living on less than a dollar a day, 900 million live in rural areas where agriculture remains the major means of securing a livelihood.⁶ Agricultural sustainable growth has a more powerful impact on poverty reduction than any other economic sector.⁷ Agriculture can and does reduce poverty and inequality, making specific contributions as measured by progress towards achieving the Millennium Development Goals.

Agricultural development favours the sector where the majority of poor people work, use the land and labour that they possess, produce crops that they consume and favours the rural areas where they live. It generates employment, creates income, and increases the ability of poor people to secure and create further assets. In contrast to industrialised economies, the majority of agricultural products in developing countries are grown, produced and marketed by small-scale family producers. Agriculture is the most important source of employment in most of the poor countries.⁸ A 1 per cent increase in agricultural productivity has been found to reduce the proportion of people living on less than \$1 a day by 0.6-1.2 per cent.⁹

Not only can agriculture reduce poverty directly, but it can also stimulate growth in the wider economy, provided it is based mainly on family producers. Family-based agriculture is not only a key to both rural and urban food security and to household livelihoods but also to agriculture's broader contributions to economic growth and its indirect linkages to poverty reduction and sustainable development are often overlooked in development policy formulation. Agriculture contributes to viable rural communities, enhances food

security, reduces rural and urban poverty, promotes equitable and sustainable development, and helps ensure social stability, cultural continuity and rural heritage. Studies have shown that a \$1 increase in agricultural value added leads to a \$1.50-\$2.00 increase in value added in the non-farm economy. Similarly, a 1 per cent increase in agricultural gross output has been shown to raise rural non-farm employment by 1 per cent.¹⁰

⁶ IFAD, *Achieving the MDGs by Enabling the Rural Poor to Overcome their Poverty*, (IFAD, Rome, 2003).

⁷ Hanmer, Lucia and David Booth *Pro poor growth: why do we need it, what does it mean and what does it imply for policy?*, (ODI, London, second draft August 2001). See also Lipton, M. and M. Ravallion, "Poverty and Policy" in Behrman and Srinivasan (eds.) *Handbook of Development Economics*, Vol 3b (North Holland, Amsterdam, 1995) Ravallion, M. and G. Datt, *When is Growth Pro-Poor?* (Mimeograph, World Bank, 2000); Timmer, C.P *How well do the poor connect to the growth process?* (Harvard Institute for International Development, Cambridge, Mass, 1997).

⁸ In Africa, agriculture employs about two thirds of the labour forces and accounts for 37% of the GNP and one half of exports. *World Development Report 2000*, World Bank.

⁹ Eastwood, Robert and Michael Lipton "Pro poor growth and pro growth poverty reduction: what do they mean? What does the evidence mean? What can policymakers do?", paper delivered at the Asia and Pacific Forum on Poverty: Reforming Policies and Institutions for Poverty Reduction, held at the Asian Development Bank, Manila, 5-9 February 2001. The World Bank found that a 1 per cent increase in agricultural GDP per capita led to a 1.6 percent gain in the income of the poorest fifth of the countries analysed. See Timmer, C.P. (1997) *How well do the poor connect to the growth process?* (Harvard Institute for International Development, Cambridge, Mass, 1997).

¹⁰ Hazell, P. and S. Haggblade "Farm-Nonfarm Growth Linkages and the Welfare of the Poor" in van der Gaag, J. and M. Lipton, (eds.), *Including the Poor: Proceedings of a Symposium Organized by the World Bank and the International Food Policy Research Institute* (World Bank, Washington, DC, 1993).



Not everyone benefits from the opportunities of increased trade – in many cases the livelihoods of small-scale farmers and agricultural labourers have worsened.¹¹ Few people can benefit from international agricultural trade because a handful of companies dominate world markets. In 1986 it was estimated that 85-90% of global agricultural trade was controlled by five companies. Around 75% of the global cereals trade is controlled by two multinational companies. Approximately 50% of the world coffee supply comes from small-scale farmers, 40% of the global coffee trade is controlled by four companies.¹² Companies gain an increased share of the market by consolidating and acquiring production resources and by extending their activities beyond simply producing.

Transnational commodity traders and processors, predominantly from developed countries, have the means to invest in the production, processing, transporting and trading processes, giving them a massive advantage over small-scale producers. The balance of power is extremely skewed between the 1.3 billion farms and agricultural workers and the very few international traders and large distributors. Huge firms control the sale of chemicals and seeds to farmers, grain purchasing and processing, livestock production, and the sale of food and other products to consumers. Their market power enables them to set prices at the expense of farmers and consumers alike.¹³ For example, firms sell US cotton on world markets at prices close to 50 percent below what it costs to produce. That cotton drives down the world price for cotton, at the expense of growers in some of the world's poorest countries,

including Burkina Faso and Mali. Transnational companies are more interested in high sales volumes and in keeping inputs cheap for their more profitable livestock and grain processing operations. This threatens livelihoods of farmers all over the world, leaving them either impoverished or dependent on subsidies to earn a living.

A priority for securing livelihoods and fighting hunger

Food security is one of the most prominent features of agriculture's multi-functionality. Agriculture has ensured that global food production has more than kept pace with human population growth. Ninety percent of the food produced in the world is consumed within the country or region producing it, and most of that usage lies outside of the commercial system. On average worldwide, poor people in rural areas derive half of their household income from farming.¹⁴ Agriculture supplies food and primary commodities, lowers food prices, provides surplus labour and capital, and consumes non-farm production.

Availability of food through imports is not sufficient to address the food security concerns of developing countries as trade liberalisers claim. According to the UN's Food and Agriculture Organization (FAO), food security is significantly strengthened if increased per capita food availability is due to increased domestic production rather than imports. It has been well documented that as a result of the implementation of the World Trade Organisation (WTO) Agreement on Agriculture (AoA) developing countries' agricultural imports have increased faster than their exports. Sixteen country case studies carried out by the FAO, looking at the impact of the AoA, found

¹¹ Smaller, Carin, *Planting the right seed: a human rights perspective on agriculture trade and the WTO*, 3D, Geneva, March 2005

¹² Vorley, Bill, *Food Inc. – Corporate concentration from farmer to consumer*, UK Food group, 2003.

¹³ Murphy, Sophia, *Will the Doha Round play a role in ending poverty ?*, Au courant, p. 7-9, CCIC, 2005.

¹⁴ *Better livelihoods for poor people, the role of agriculture*, DFID, 2002.

that food imports surged after liberalisation.¹⁵

A priority for gender equity

“There will be no food security without rural women” Jacques Diouf, FAO Director General.¹⁶ It is difficult to overstate the importance of women in developing country agriculture. Women account for 70-80 per cent of food grown in sub-Saharan Africa, while in South and Southeast Asia, women carry out 60 per cent of the work in agriculture and food production. There is also an increasing trend towards the “feminisation of agriculture”, owing to conflict, HIV/AIDS and rural-urban migration. However, women also suffer from severe gender biases. They have unequal access to capital (notably credit), legal and social ownership rights (land in particular) and inequalities in access to productive resources and services (including agricultural extension services, training, technology and market information). Women’s higher rates of illiteracy lead to exclusion from new market opportunities, while women farmers are often neglected by policy makers and their contribution to

agriculture is not properly valued or understood.

These gender biases constrain women’s ability to succeed in some sectors of developing country agriculture. What has been termed “gender exploitative integration”¹⁷ limits women’s participation in export-oriented agriculture, and also in

¹⁵ See, FAO, *Developing country experience with the implementation of the Uruguay Round Agreement on Agriculture: Synthesis of the findings of 23 country case studies*. Paper presented in a Symposium in Geneva on 2 October 2002.

¹⁶ FAO High-level Consultation on Rural Women and Information

¹⁷ Hewitt de Alcántara, C., *Real Markets: Social and Political Issues of Food Policy Reform*, (Frank Cass, in association with EADI and UNRISD, London, 1993).

¹⁸ Hernández, María Pia, *Incorporating Gender Considerations for the Designation of Special Products in WTO Agriculture negotiations*, IGTN, Geneva, March 2005.

¹⁹ Williams, Mariama, *Gender mainstreaming in multilateral trading system, A handbook for policy-makers and other stakeholders*, Commonwealth secretariat, 2003.

Women’s role in agriculture

According to the FAO, rural women are responsible for half of the world’s food production and have a prominent role in agriculture at all levels, in home farm production critical to household maintenance as well as in commercial agriculture mainly oriented to export crops. They produce between 60 and 80 percent of the food in most developing countries and are also the main producers of the world’s staple crops – rice, wheat, maize – which provide up to 90 percent of the rural poor’s food intake. Women contribute significantly to secondary crop production, such as legumes and vegetables, which provide essential nutrients for their families and are often the only food available during the lean seasons or in case the main crops fails.

In India, agriculture and allied industrial sectors employ as much as 89.5% of the total female labor force. Women play a

crucial role in ensuring supplies of food not only for household purposes, but also as food vendors and post-harvest processors of livestock and fishery products. In Tanzania, ILO estimates that women comprise 54% of those economically active in agriculture. In Honduras, rural women play an important role in agriculture, especially in the peasant and small farmers sectors, working an average of four hours a day in crop and livestock activities.¹⁸

“A common feature of women’s work in the majority of rural areas of the developing world is the underestimation and lack of economic remuneration for their work and contribution to household and community maintenance, as well as to the macroeconomic level. Women have extensive work loads with dual responsibility for farm and household protection”.¹⁹

larger-scale – and more profitable – activities (trading, marketing) in domestic agriculture. Gender biases in turn often trap women in low-productivity, low-growth economic activities, leaving them few opportunities other than home-based employment in low-technology sectors.

The need for political will

Current global trade rules are biased against poorer countries and poorer people. Millions of people want to be able to trade their way out of poverty. All they are lacking is a fair chance to do so. Therefore, the rules need to be changed to empower these marginalised countries and communities to develop their economies and trading systems. A new system of trade rules should place trade at the service of international human rights, poverty eradication and sustainable development. A more equitable regulated system of trade rules and negotiations would allow for a model of agriculture that empowers the poor to guarantee food security in developing countries. This implies a complete reorientation of the WTO towards a stronger focus on development

The trade liberalisation agenda promoted by the WTO is seriously undermining people and their human rights.²⁰ Accordingly, Member States have to ensure that their WTO commitments are not in conflict with their human rights obligations. Member States of the WTO should also respect and abide by the international treaties that they have ratified (including the International Covenant on Economic, Social and Cultural Rights, the UN Convention on the Rights of the Child and the UN Convention on the Elimination of all Forms of Discrimination against Women) as guiding principles when making trade policy. The FAO's *Right to Food Guidelines* provides practical guidance for countries in implementing their obligations related to the right to adequate food.

In this context, the WTO itself should also fully embrace the concept underwritten in the Monterrey Consensus of trade as a step forward for development. The WTO should endorse the UN Millennium Development Goals (MDGs) as its primary concrete overarching objective, as the IMF and World

Bank have already done. It would provide a framework in which to discuss trade impact on people in poverty and which trade rules would really benefit them.

Since the Doha Ministerial Conference (November 2001), the focus of the negotiations has been on devising a set of 'modalities'²¹ that will determine the depth, scope and speed of further trade liberalisation in agricultural trade in developed and developing countries. From the start of the negotiations, developing countries have stressed the importance of the agricultural sector for their economic development and for their economic, social and political stability. The Framework agreement approved on 1 August 2004 in Geneva marked rather limited progress in the negotiations. Even if it does not address all the necessary issues, the Hong Kong Ministerial should narrow its work to reaching outcomes on the core issues already under negotiation. The upcoming series of discussions should not be broadened to any "issue of interest but not agreed". There is a need for a much stronger political will to go beyond the rhetoric and to make real progress on agriculture that makes trade work for development in the world and provides policy space for concerns other than trade.

²⁰ 3D, *Planting the Rights Seed: A Human Rights Perspective on Agriculture Trade and the WTO*, March 2005.

²¹ The term modalities refers to the numerical targets for further commitments in the different areas of disciplines established in the AoA during the Uruguay Round and new trade rules under which the new commitments will take place. The Doha Ministerial Conference established a mandate for the negotiations identifying specific objectives on each of the pillars or areas of the negotiations – market access, domestic support, and export competition – and tight timelines for concluding the negotiations.

3. Stop trade distortion that generates poverty

Stop trade liberalisation denying the liberties of the poor

Trade policies adopted at the international level increasingly have a direct and often deleterious effect on the lives of the poorest of the poor. The globalisation of the market economy takes shape regardless of its influence on people's lives. Due to trade liberalisation, developing countries have become more vulnerable to short-term import surges, which can have devastating and permanent impacts on small farmers and rural communities. This sets off what the FAO describes as "a progressive pauperisation of small-scale farmers, who cannot possibly compete with modern capitalised farms in an increasingly open world economy."²²

Many developing countries have already undergone substantial trade liberalisation as part of IMF and World Bank conditionality. Liberalisation often occurred at a breathtaking pace and depth, seemingly promoted more by economic dogma than a considered analysis of its probable impact on poor people. Both Mozambique and Zambia now have more open economies than the UK and Germany, for example.²³

The current WTO Agreement on Agriculture (AoA) continues to push developing countries to liberalise, whilst taking no account of the large reductions already made by them in the past.²⁴ The AoA, as currently constituted, pushes countries away from more sustainable options towards an industrialised model of agriculture that has jeopardised food security in developing countries by pursuing a capital and chemical intensive form of production, geared to exports from large farms rather than the interests of small producers.

Coherence between agriculture policy, trade policy and development policy is lacking: one cannot pretend to support developing countries' agricultural development needs while at the same time demanding these countries open up their markets to

subsidised products from developed countries as part of the EU Economic Partnership Agreements (EPAs), US Free Trade Agreements, through conditionality imposed by the World Bank and the IMF or through the WTO. This view of coherence needs to be broadened to ensure that countries do not enter into trade or financial agreements that undermine their social policies or their ability to meet their human rights obligations including food security. However, much greater emphasis is also needed on developing countries' domestic policy needs – to increase productive capacity, prioritise local and regional markets, add value, tackle the commodity crisis and diversify.

On paper, the WTO is the most democratic of all the international institutions with a global mandate. Each country has one voice and all decisions are taken by consensus. However the negotiating and decision-making practices have marginalised developing countries through non-inclusive working methods, lack of transparency in the negotiations, a proliferating number of informal consultations... The use of exclusive meetings (mini-Ministerial, green room meetings...) the five interested parties to build consensus among the few, which is then presented to the majority, contradicts the fundamental tenets of one country, one vote and consensus. Reform of the negotiating process is a pre-requisite for a good development outcome of the Doha Round as well as a vital factor for legitimisation of the WTO.²⁵

²² FAO, *The State of Food and Agriculture 2000* (FAO, Rome, 2000)

²³ Based on the IMF's Trade Restrictiveness Index (TRI) from the IMF's *International Financial Statistics* CD Rom (1999).

²⁴ See Sophia Murphy, *Food Security and the WTO*, CIDSE, September 2001

²⁵ See the policy proposals developed in "A hearing in the WTO for all Members. Guidelines for improving the WTO negotiating process", CIDSE-Caritas Internationalis, April 2005.



Stop making the poor pay the cost of trade liberalisation

The United States and the European Union have taken the position to subject any progress on the pace and the content of agricultural negotiations in which poor people and countries have a major interest, to a condition of substantial progressive offers from developing countries on industrial tariffs and services. This does not take into account the fact that developing countries have already paid a high price suffering the dumping of agricultural goods from the European Union and the United States for thirty years.

While the AoA forces developing countries to cut tariffs,²⁶ which are in many cases their only means of protecting their farmers, there are numerous loopholes that allow rich countries to continue to subsidise their own farmers, enabling them to dump products on the world market at less than the cost of production. This fundamental imbalance between North and South has meant that developing country farmers (who constitute 97% of the world's farm population) have faced devastation as a result of liberalisation-induced surges of imports, many of them produced by heavily-subsidised agribusinesses in the developed world.

With the public finances of many developing and emerging market countries heavily dependent on trade tax revenues, the

continued reduction of trade and investment barriers championed by many development experts and institutions is leading to the loss of significant sources of revenue in developing countries. This revenue loss as a consequence of trade liberalisation comes at a time when developing countries face rising debt burdens, at best stagnant ODA, and the pressure to increase social spending in order to achieve the Millennium Development Goals.

Non-reciprocal trade preferences²⁷ are of importance to many developing countries. They are being eroded by both regional and multilateral liberalisation because of the overall reductions in tariffs. Preference erosion should be addressed in the

²⁶ According to the Chairman's text the depth of cuts will depend on the level of the final bound rate established during the Uruguay Round. Small and poor countries such as Cuba, Honduras, and Sri Lanka with tariffs at or below 50 per cent would be required to reduce tariffs by 30 per cent on average. Many African countries, whose tariffs were bound at higher levels using tariff ceilings (e.g. 100 per cent), will be required to reduce their tariffs by 40 per cent on average

²⁷ Almost all sub-Saharan African countries are members of the African, Caribbean and Pacific group of countries which, as former colonies of EU member states, have enjoyed privileged access to European markets. As the EU has extended trading benefits to other developing countries, the value of this privileged access has been eroded. This is known as preference erosion.

negotiations, in accordance with the provisions of the 'July Framework', and requires mainstreaming the development dimension in the multilateral trading system through (i) expanded market access for products which are of vital export importance to the preference beneficiaries; (ii) effective utilisation of existing preferences and (iii) additional financial assistance and capacity building to address supply constraints, promote diversification and assist in adjustment and restructuring.²⁸

Stop dumping on developing countries' markets

Agricultural products are considered dumped when they are sold below their cost of production. Dumping denies fair access for developing country farmers to their own markets.

Dumping of Northern exports is preventing developing country farmers from marketing their production on their local or regional markets at a fair remunerative price.

The current WTO anti-dumping rules (mainly art. 6 of the GATT) make it technically complicated for poorer countries to establish grounds for anti-dumping duties because of the requirements to demonstrate harm to the sector involved. It is also politically difficult for a poor country to impose prohibitive tariffs against a powerful country on which most of its exports depend.²⁹

Importing countries should have the ability to immediately impose countervailing and anti-dumping duties where goods are sold abroad for less than the cost of production. The linkage of the level of subsidies in developed countries and the tariff reductions should be undertaken by developing countries. Through a so-called balancing measure, the proposal would provide the flexibility to importing developing countries to impose additional duties on subsidised imports by calculating a subsidy-equivalent tariff.³⁰

Annual full-cost-of-production estimates for OECD countries should be published. Governments should develop a more thorough and transparent methodology to measure the extent of dumping, and make the relevant data publicly available in a timely way.

²⁸ G20 New Delhi Declaration, March 2005, http://www.agtradepolicy.org/output/resource/G20_delhi_declaration.pdf

²⁹ Sophia Murphy, Ben Lilliston, Mary Beth Lake, *WTO Agreement on Agriculture: A Decade of Dumping – United States Dumping on Agricultural Markets*, Geneva, 2005.

³⁰ See, for example, submission by the Philippines in September 2002, WTO document JOB(02)/111

³¹ See Laura Carlsen, *The Mexican Experience and Lessons for WTO Negotiations on the Agreement on Agriculture*. Presentation at the European Parliament, Brussels 11 June 2003

Mexico and agriculture

Maize is Mexico's principal crop and major source of sustenance. Mexico is the birthplace of maize and the country's history and culture revolve around the crop. Since NAFTA, maize imports have nearly tripled, and the price has dropped 64% since 1985.³¹ Genetically modified maize imports have contaminated local varieties, leading to fears of loss of biodiversity and increasing dependency on transnational seed and chemical companies. Under NAFTA, the Mexican countryside has lost 1.7 million jobs, with little employment generation in other sectors. Thousands of Mexicans migrated to the US, many to work in agriculture as

undocumented workers without labour guarantees or benefits. The potential development outcomes of trade liberalisation were destroyed by its other consequences: increase of rural poverty, malnutrition and migration; increased workloads, particularly for women; increased profits and market control by transnational traders and processors at the cost of small-holder farms; increased food dependency and lost national revenues; and severe risks to the environment and biodiversity. De-agriculturalisation has led to a loss of culture and the destruction of the traditional fabric of society.

In addition, Northern countries should substantially reform their agricultural subsidy regimes to ensure an end to the dumping of products on global markets. The European Union and the United States should focus agricultural reforms on reducing overproduction and redressing the disparity between millions of small-scale producers and the few biggest agribusiness companies that dominate agricultural production and trade.

Stop trade-distorting supports

To redress the imbalances in the current agreement, based on the unsatisfactory results of the implementation of the AoA and the negative impact to date of trade liberalisation on food security, developing country organisations have stressed the need to significantly reduce or eliminate trade distorting domestic support and export subsidies in OECD countries before further trade liberalisation is required from them.

Subsidies depress the price of agricultural products on world markets. The recent WTO framework agreement reached in Geneva in July 2004 is unlikely to lead either the US or the European Union to undertake any significant reform of their subsidy regimes.³² The July Package takes a very gradual approach towards reforming subsidies on production and exports. Moreover, while the July Package set an initial 20 percent cut in trade-distorting support during the first year of implementation, the effect of this cut is not significant due to the gaps between countries' allowed support bounds and their actual support levels. In addition, the proposed disciplines on export credits, credit guarantees and insurance programmes, as well as food aid, include loopholes that undermine their effectiveness, potentially allowing members to elude their export subsidy reduction commitments.

In order to reach the end objective of eliminating dumping, the following steps should be taken:

- All forms of export support should be eliminated. A clear frontloaded schedule should be set up for eliminating export subsidies and support.

- The trade distorting subsidies (Amber Box) should be eliminated and reductions should be made according to a tiered formula, with higher levels of support being cut more steeply
- Direct subsidies to farmers, partially decoupled and linked to production-limiting programmes (Blue Box) should see a substantial reduction. Product-specific caps and reduction commitments should be introduced by establishing criteria to disaggregate Blue Box payments at a product-specific level. This would prevent shifts in support among products or the concentration of large amounts of support in a few products. Price linkages should be disciplined to ensure that there is no incentive to increase production. Although Blue Box payments are granted under production-limiting programmes, there are no requirements for details as to how these payments in fact limit production. The need and importance of improved monitoring and surveillance provisions is clear.³³
- The de-coupled or "minimally trade-distorting" subsidies (Green Box) are permitted subsidies including payments

³² See CAFOD "Analysis of the WTO Framework Agreement" (CAFOD, London, 2004) and South Centre "Detailed Analysis of Annex A to the General Council Decision July 2004 'Framework for Establishing Modalities in Agriculture'" (South Centre, 2004)

³³ G20 statement on the Blue Box, 15 March 2005: As regards Blue Box payments which are not aimed at limiting production, the G20 proposed the following:

- * No updating of base areas and yields: This would reduce the incentive to farmers to increase planted areas on the expectation that a possible future updating would increase their revenue received from the Government. As a consequence, farmers would focus more on market signals;
- * Payments should be independent from what is being produced: This proposed change is intended to allow for a larger degree of flexibility for the farmers to move away from their original crops and even to withdraw land from production;
- * Accumulation of payments: If the Blue Box is a half-way to reform, commodities benefiting

The impact of Northern subsidies on cotton

"Cotton is everything for us – our pharmacy, our hospital, our schools, our children," farmer Joseph Kabore tells CIDSE visitors in his village, Limseyga, in Burkina Faso. He has been growing cotton since 1986. "In the beginning, cotton gave us hope; but with the low market price and the high cost of inputs, we can't make enough money to take care of our families." Declining world cotton prices have dealt a severe blow to the livelihoods of more than 2 million people in Burkina Faso who depend on cotton. Despite producing high quality cotton at low cost, Burkina Faso, one of the poorest countries on earth, is finding itself undercut by the strategy of the agrobusiness industry that lowers prices to producers, and facing heavily subsidised producers from the richest countries in the world, that manage to stand these low prices thanks to their subsidies. The US is the world's largest exporter of cotton, accounting for 41 per cent of world cotton exports in 2003. US cotton farmers are relatively uncompetitive, and are able to take such a large share of the market only because of lavish subsidies. In 2001/2002 the US spent around \$3.9 billion on cotton subsidies, more than the entire gross domestic product of Burkina Faso, and three times the entire US bilateral aid budget for Africa.³⁴

While the elimination of cotton subsidies would benefit all low-cost cotton producers, West and Central African countries – where more than 90 percent of

cotton is grown for export – are among those that suffer most from the high level of subsidisation in the sector. Over ten million people in the region depend directly on cotton production. Cotton exports represent around 30 percent of total export earnings and more than 60 percent of earnings from agricultural exports. The International Cotton Advisory Committee (ICAC) estimates at US\$6 billion the combined support granted to the cotton sector by the US, the EU and China in 2001/2002, which corresponds to total world exports in that year. US cotton subsidies alone exceed by 60 percent the total GDP of Burkina Faso, where nearly two million people depend on cotton production. Nearly half of US support goes to a few thousand growers with farms of more than 1,000 acres, penalising West and Central African farmers whose plots average five acres and who live on less than a dollar a day.³⁵

But while defending poor cotton producers of developing countries is very important, this should not prevent all countries' efforts to get out of commodity specialisation and crop monoculture, and to enhance local and regional trade for diversified family based food production that would both address poverty reduction and food needs, reduce the vulnerability of developing countries on the world market, and contribute to more sustainable agricultural development.

from it should not be allowed to receive Amber support;

- * Setting criteria to determine target prices: Target prices are currently fixed arbitrarily, which creates an effectively permanent incentive for farmers to continue to produce a specific crop, insulating the farmer from market signals. A good alternative could be loan rates fixed in relation to a 5-year Olympic average, following market price fluctuations;
- * Limits to price-gaps differentials: Current WTO agreement on agriculture (AoA) rules in terms of direct payments limit the compensation for farmers' income loss due to natural disasters to

70%. It is proposed that a factor or reduction be introduced to bring down the level of income-loss compensation due to normal market risks;

- * Product specific caps: This would be a means of preventing the shift of support among products or the concentration of large amounts of support in a few products.

³⁴ CIDSE and Caritas Internationalis, *Unfair Trade and Cotton: Global Challenges, Local Challenges* (CIDSE and Caritas Internationalis, 2004)

³⁵ This section is taken from Bridges, May 2003

linked to environmental programmes, pest and disease control, infrastructure development, and domestic food aid (paid for at current market prices). The Green Box also includes payments to producers that are not linked to changing levels of production (so-called decoupled payments) and government payments to income insurance programmes. A thorough review of the Green Box is needed to ensure that any remaining domestic support has minimal trade-distorting effects and contributes to public goods such as environmental protection and securing the livelihoods of small farmers. In addition, the Green Box should accommodate development programmes in developing countries. Disciplines are needed on the Blue Box and Green Box, in order to thwart "box shifting."

Subsidies to agriculture should be focused on addressing development concerns for family-based production and poverty reduction.

Developed countries should address non-tariff trade barriers. For instance, The Commission for Africa, established in 2004 by British Prime Minister Tony Blair, in its report issued on 11 March 2005, calls on developed countries to ensure that standards are not unnecessarily stringent and to help Africa in meeting these standards. It also urges rich countries to explore standard harmonisation so that African exporters are better able to identify and meet such requirements.

4. Promote agriculture and rural development working for poor people

Mainstream differential treatment to protect people in poverty

The same international trade rules may not have the same impact in different countries depending on their level of economic development (competitiveness on global markets, supply side capacity, constraining factors in the ability to access markets...) and on their sectoral composition (e.g. proportion of national production and employment in agriculture). The gap between the productivity of agriculture in the North and of a limited number of developing countries on the one hand and the majority of developing countries on the other hand was at 1 to 10 at the beginning of the 20th century and now stands at 1 to 1000, if not more.³⁶ Same rules for all, the rich and the poor, the powerful and the weak, create new injustices.

Therefore, special and differential treatment (SDT) needs to be given to developing countries in order to establish global trade rules that aim to achieve not trade growth but trade justice, development and poverty reduction. However, most of the provisions providing temporary exceptions to general rules are in fact meaningless for the large majority of developing countries, which do not have the right to provide export subsidies³⁷ or the means to do so, or administer TRQs³⁸ (Tariff Reduction Quotas), or provide trade distorting domestic support to their agricultural sectors as most developed countries do.

Governments of developing countries should be allowed to set their own course for growth, diversification and development and this principle should prevail over trade liberalisation, deregulation and privatisation.

The G20 emphasised that the tariff reduction formula must contain for developing countries: (i) progressivity – deeper cuts to higher bound tariffs, (ii) proportionality – developing countries making lower reduction commitments than developed countries and neutrality in respect of tariff structures; and (iii) flexibility – to take account of the sensitive nature of some products without undermining the overall objective of the reduction formula and ensuring substantial improvement in market access for all products.³⁹ The G33 developing countries warned that developing countries with already low tariffs have little capacity to undertake further significant cuts without disrupting their rural economies.⁴⁰ There should be differentiated coefficients for rich and poor

³⁶ Seminar « *How to achieve food security: a major challenge for policy coherence* », Luxembourg EU presidency, 21-23 March 2005, Luxembourg.

³⁷ Only those countries that provided export subsidies at the time of the Uruguay Round and inscribed export subsidy commitments in their schedules of commitments have the right to provide those subsidies. The following developing countries have the right to provide export subsidies: Brazil, Colombia, Indonesia, Mexico, Panama, South Africa, Turkey, Uruguay and Venezuela. WTO document TN/AG/S/8.

³⁸ During the Uruguay Round it was agreed that only those countries that undertook tariffication were given the option to establish commitments on TRQs. Most developing countries did not tariffify but rather established tariff ceilings. The following developing countries inscribed TRQ commitments in their schedules: Barbados, Brazil, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Indonesia, Malaysia, Mexico, Morocco, Nicaragua, Panama, Philippines, South Africa, South Korea, Thailand, Tunisia, and Venezuela. WTO document TN/AG/S/6.

³⁹ G20 New Delhi Declaration, March 2005

⁴⁰ G33 statement on market access, 13 December 2004.



countries in the final tariff reduction formula to allow for this. The FAO noted that “tariffs were often the primary, if not the only, trade instrument open to these countries for stabilising domestic markets and safeguarding farmers’ interests”.⁴¹ The WTO Agreement on agriculture should be rebalanced by guaranteeing developing countries the right to protect their borders via quotas and/or quantitative restrictions as long as Northern subsidies remain.

Given the lack of substantial progress by rich countries in negotiations and the remaining unbalanced nature of the AoA, developing countries should have the right to determine the nature and extent of their tariff commitments in this round of negotiations. If this includes choosing not to cut their agricultural tariffs, and indeed raising them, to secure development objectives, they should be able to do so.

Developing countries’ farmers face high costs in accessing markets due to lack of infrastructure and other constraints. Indeed most of the time, access to world markets does not benefit farmers, but rather industries and companies specialised in international trade, whether national or international. *De minimis*⁴² programmes are one of the very limited options available to developing countries to offset some of these costs and other disadvantages faced by

farmers. Given that *de minimis* support is the only form of support available to farmers in most developing countries, any attempt to reduce *de minimis* support in developing countries should be avoided, as this would negatively affect the programmes benefiting subsistence and resource poor farmers.⁴³ The amounts of support in developing countries are insignificant when compared to those in developed countries (over 95% of total domestic support in agriculture goes to farmers and the agri-industrial sector in

⁴¹ FAO, Agriculture, Trade and Food Security Issues and Options in the WTO Negotiations from the Perspective of Developing Countries - Vol. II Country Case Studies (FAO, Rome 2000).

⁴² A *de minimis* threshold, expressed as a percentage, is the amount of domestic support a country may exempt from its calculation of total domestic supports and therefore further reductions. For developed countries, the *de minimis* threshold is limited to 5 percent, while for developing countries the *de minimis* threshold is 10 percent”

⁴³ “Developed members with high domestic support will reduce their support levels on an average basis only, whereas developing members which hardly give support would reduce it on a product-specific basis. In other words, a discipline which has not been accepted by developed countries since the beginning is being imposed on developing countries”, G33 statement on *de minimis* domestic support, 14 March 2005

developed countries) and therefore should not be subject to reductions.⁴⁴

There are also some developing countries for which there is no possibility of a net positive outcome from negotiated changes in trade policy until the very long term. LDCs are particularly badly affected by some aspects of current trade.⁴⁵ These include not just trade measures: tariffs, agricultural subsidies, and the end of the MFA, but environmental trade barriers and two economic trends, the decline in extractive industries and the fall in commodity prices. Least Developed Countries need special treatment, including duty-free, quota-free access to richer countries' markets. They should be exempted from any reduction commitments. Specific support should be provided to promote their export capacities, including the need to address the supply constraints of LDCs. While promoting these export capacities, special attention has to be given to enhancing family-based farmers' and national industries' capacities for organising themselves and benefiting from this trade. Multinational companies investing in developing countries derive benefits from increased market access to the North.

Special and Differential Treatment for developing countries must constitute an integral part of all elements with a view to preserving the food security, rural development and livelihood concerns of millions of people who depend on the agriculture sector

Protect rural development with Special Products

Under the AoA, tariff reductions in developing countries, in conjunction with Northern agricultural subsidies, dumping and concentration of global agribusiness, have led to numerous instances of import surges of food and other crops and a long-term deterioration in agricultural trade balances. These have particularly hurt small farmers. Putting a pause to trade liberalisation by exempting sensitive crops from further tariff reductions can play a vital role in national development programmes directed at increasing small farmer production and productivity, and maintaining and creating employment

opportunities in the rural areas. Agricultural products on whose production low-income and resource poor farmers, including women, depend for their basic food needs and income should be exempted from further tariff reductions.

In accordance with its own development needs, each developing country should be allowed to self-designate the SPs based on an appropriate number of domestically-produced agricultural products. The selection of SPs should be made on the basis of an appropriate number of products and not tariff lines. The criteria for special products should be their relevance for food and livelihood security and rural development. The design and implementation of gender analysis and gender sensitive policies should be integrated when defining trade policies, especially special products provisions, to ensure that the needs of women as producers and as those responsible for household nutrition are protected.⁴⁶ The treatment of SPs must be more flexible compared with the treatment of other products, including sensitive products. Given that many developing countries bound their tariffs at low levels during the Uruguay Round, especially in relation to the conditionalities of IMF and World Bank loans, special products should be exempt from further tariff reductions, tariff increases should even be allowed if necessary and must not be excluded from the coverage of the Special Safeguard Measure.

Protect food security with Special Safeguard Mechanisms

Developing countries should not be expected to undertake fast, deep and across the board agricultural trade liberalisation as

⁴⁴ G20 New Delhi Declaration, March 2005, G33 statement on de minimis domestic support, 14 March 2005.

⁴⁵ UNCTAD Secretariat (2004) *The Least Developed Country Report*, New York and Geneva, United Nations.

⁴⁶ Hernández, María Pía, *Incorporating Gender Considerations for the Designation of Special Products in WTO Agriculture negotiations*, IGTN, Geneva, March 2005.

a result of the current negotiations, given the negative impact of such liberalisation on their food security situation to date. Special safeguard mechanisms should provide flexibility to developing countries to protect small farmers, including removing food security crops from tariff reduction commitments or raising tariffs. If a crop is of crucial importance to food security in a poor country, governments should have the flexibility to set tariffs at whatever level required to protect the livelihoods of the poor against fluctuations in prices, even if that involves raising them.⁴⁷ This is a short-term mechanism for dealing with price volatility, not a long-term solution to the structural imbalances of world trade.

Moreover, the value of the safeguard mechanism will depend on the detail of the mechanism still to be negotiated. The WTO's existing Special Safeguard Mechanism – used primarily by rich countries – was conceived as a transitional instrument and should be eliminated. Constraints regarding the trigger mechanisms for using the current SSG as well as restrictions related to the remedy measures that can be applied have led developing countries to propose the establishment of a new special safeguard mechanism available to all developing countries to help them address import surges and price volatility.⁴⁸ Overall, developing countries made use of the SSM in just 5 per cent of the cases for which they could have used it, in large part because the criteria needed to trigger its use are too strict and cumbersome.⁴⁹

The safeguard mechanism should be easy to use and applicable for all products. Safeguards could be invoked both on the basis of a drop in prices or a significant increase in the volume of imports. The new SSM should cover all agricultural products, in particular SPs. Import surges and steep drops in prices for any crop can have deleterious effects on their rural economy, employment and farmers' income levels, and there is no reason to exclude a priori some agricultural products from protection against import surges.

As the SSM intends to smooth out temporary fluctuations in imports or a drop in price that can disrupt local production, it should allow developing countries to take

measures beyond tariffs, including non-tariff measures such as quantitative restrictions.

Developing countries attempted to address the concerns regarding the effects of the SSM on South-South trade⁵⁰ by proposing that where imports from other developing countries are not significant (i.e. no more than 3 per cent of total imports of the product concerned and no more than 9 per cent of imports of the product concerned from countries below the 3 per cent threshold taken together) such imports shall be exempted from the application of the SSM.

Open policy space for sustainable agriculture development

Headline figures from projections conducted by econometric studies have beguiled policy makers into assuming that developing countries will automatically benefit from global agricultural liberalisation. But these projections ignore issues with important implications for most of the poor developing countries: in particular, the supply-side rigidities or lack of capacity to take advantage of market opportunities and losses caused by erosion of trade preferences. The EU, the US and other powerful trading blocs must also take stock of the failure of the dominant paradigm of liberal trade policies as part of export-oriented economic growth, promoted as the model for developing countries by the WTO and the international financial institutions. This model does not, and has never, provided an automatic path to poverty eradication,

⁴⁷ Matthews, Alan (2003) *Special and Differential Treatment Proposals in the WTO Agricultural Negotiations*, International Conference on Agricultural Policy Reform and the WTO: where are we heading?, Capari, Italy, June 23-26, 2003.

⁴⁸ WTO document JOB(02)/177/Rev.1. Proposal presented by Cuba, Dominican Republic, Grenada, Honduras, Nicaragua, Nigeria, Pakistan, Sri Lanka and Venezuela.

⁴⁹ FAO, Consultation on the Special Safeguard Mechanism, Rome, December 2004.

⁵⁰ WTO document JOB(02)/177/Rev.1. Proposal presented by Cuba, Dominican Republic, Grenada, Honduras, Nicaragua, Nigeria, Pakistan, Sri Lanka and Venezuela.



the key objective of any development policy. In practice, trade liberalisation often tends to increase poverty and food insecurity, and widen the gap between rich and poor men and - particularly - women.⁵¹ Poor countries need the right and the capacity to regulate trade and investment in the interests of national development, with the necessary protection when building up industries and gradual openness when the right conditions are put in place.⁵²

Some economic models predict that poor developing countries will face net losses, in the politically likely scenario of small or medium levels of global agricultural liberalisation.⁵³ The elimination of Northern agricultural subsidies impacting on international trade is only one element in the trade policy reform needed to make agriculture work for poverty reduction. The dogged pursuit of the rapid and unhindered opening of Southern agricultural markets will negate any benefit derived from reform of Northern agricultural and trade policies. Indeed, most poor rural producers are simply unable to compete against international agribusiness and richer producers with much greater capacity and a highly capitalised agriculture, even without subsidies.⁵⁴ Poor and small-scale farmers depend on the functioning of local markets and effective national policies that promote rural development. These policies will fail, or

their impact will be severely limited, if agricultural markets are opened too rapidly without allowing developing countries to maintain the conditions in which pro-poor agricultural policies can be implemented.

Poverty of peasants in developing countries is the result of the existence of an agricultural price formation system which

⁵¹ See: *The Impact of Trade Liberalisation on Food Security in the South. A Literature Review by John Madeley and Solagral*, CIDSE, May 2001.

⁵² See: Joseph Stiglitz, *Globalisation and its Discontents* (2002), Ha-Joon Chang, *Kicking Away the Ladder* (2002), Ha-Joon Chang, Duncan Green, *The Northern Agenda on Investment: Do as we say, not as we did*, South Centre/CAFOD, June 2003

⁵³ Achterbosch, T.J. et al. "Trade liberalisation under the Doha Development Agenda; Options and consequences for Africa", (Agricultural Economics Research Institute (LEI), United Nations Economic Commission for Africa, The Hague, 2004). Stephens, Christopher, "Food Trade and Food Policy in sub Saharan Africa: Old Myths and New Challenges" *Development Policy Review*, 2003 21 (5). Jean-Christophe Bureau, Sébastien Jean and Alan Matthews, "The consequences of agricultural trade liberalization for developing countries: distinguishing between genuine benefits and false hopes", Institute for international integration studies, 2005, Discussion Paper No.73

⁵⁴ This process is well described in Stephens, Christopher "Food Trade and Food Policy in sub Saharan Africa: Old Myths and New Challenges", *Development Policy Review*, 2003 21 (5).

leads to a decrease in these prices and, as a consequence, a collapse in the revenue and the purchasing power of this population. The global prices of the main products of agricultural trade – corn, wheat, soy, cotton and rice – have fallen by over 40% since 1996. A similar phenomenon can be observed regarding other important export products, especially within certain Least Developed Countries. Thus, within the last 20 years, prices of coffee, cocoa, sugar and palm oil have decreased by over 60%. Between 1985 and 2002, the average world market price of rice fluctuated between 310\$ and 185\$.⁵⁵ This situation is made even more alarming by the fact that the governments of these countries are not able to grant subsidies to their farmers, especially when tariff cuts deprive them of one of their financial resources.

Over the last 20 years, many of the instruments for public intervention in agricultural commodities such as state marketing boards have disappeared as structural adjustment programmes cut government spending and reduced the possibilities of states to regulate. Instead of seeking to redress the imbalance, WTO rules have locked all countries into the existing unfair system, which is characterised by many developing countries having few trade barriers, leaving them little space to re-introduce trade policies to support their agriculture sector.⁵⁶

Fair prices and price stability are crucial issues as they directly affect farm incomes and agricultural workers' wages and, hence, food security and poverty reduction. It is likely that the elimination of subsidies under the current WTO Agreement on Agriculture will not result in a price increase and not even their stabilisation. Fair prices allow producers to renew their very modest working capital, to modernise this capital and increase productivity, to provide for the basic needs of their families and those of agricultural workers and to be less dependent on development aid. Price stabilisation policies, and in some cases supply management, may be useful tools for developing country states to use to achieve these goals. The WTO and other international institutions should not impose constraints on them doing so. According to the FAO, bound tariffs would need to be set

at around 40-60 per cent in order to cope with world market fluctuations in their prices, with an additional 10-15 per cent to ensure protection for basic foods.⁵⁷ Policy space will allow each government or regional grouping to put in place price support mechanisms, accompanied where necessary by supply management, in order to prevent and address the collapse of agricultural prices.

In order to pursue policies that assure all residents a basic standard of living, developing countries need policy space, rather than rigid and constricting trade rules which constrain and shape the formulation of domestic policy. The Consensus of UNCTAD XI, agreed in June 2004 stated: "It is for each Government to evaluate the trade-off between the benefits of accepting international rules and commitments and the constraints posed by the loss of policy space. It is particularly important for developing countries, bearing in mind development goals and objectives, that all countries take into account the need for appropriate balance between national policy space and international disciplines and commitments".⁵⁸ Trade rules are not flexible enough in many areas to allow poor countries to develop and implement trade policy consistent with both short and long term development objectives.⁵⁹

⁵⁵ OXFAM, *Kicking down the door*, April 2005, p.45.

⁵⁶ South Bulletin 100, 30 March 2005.

⁵⁷ Sharma, R, "Quantifying appropriate levels of the WTO Bound tariffs on basic food products in the context of the development Box proposals", FAO, Rome, 2004.

⁵⁸ UNCTAD XI, Sao Paulo Consensus, para. 8, page 3

⁵⁹ In *Trade and Solidarity: A statement of the Catholic bishop's conference of England and Wales and the Catholic Bishop's Conference of Scotland 2003* (http://www.cafod.org.uk/policy/trade_solidarity_2003.shtml) it was stated that: ". *Despite all the efforts made to transform the situation, the economic and trade relationships between the wealthy and the poor countries of the world remain deeply unjust. If trade rules are to take account of the needs of the poorest and most vulnerable sectors of society, the process of liberalisation must not override such primary development goals as poverty reduction, health and education*"

The challenge is to develop models for agriculture that strengthen public goods (including food security), resilient ecosystems, vibrant economies and genetic diversity. To some extent, this is already happening. Researchers at the University of Essex found that 9 million farmers around the developing world now use sustainable agricultural practices and technologies, up from 0.5 million in 1990. The new approaches, which account for about 3 per cent of all agricultural land, have systematically improved yields:

- when 45,000 families in Guatemala, Nicaragua and Honduras introduced the nitrogen-fixing velvet bean into their maize fields, the natural fertiliser produced by ploughing the bean back into the soil led to a rise in yields from 400-600kg/ha to 2,000-2,500 kg/ha.
- Kenyan farmers who used double-dug beds with composting, green and animal manures found that after four to six seasons, their land had better water holding capacity and was able to sustain vegetable growth into the dry season. The number of households free from hunger rose from 43 per cent to 75 per cent, the number of households buying vegetables during the year fell from 85 per cent to 11 per cent and the number of maize self-sufficient households more than doubled from 22 per cent to 48 per cent.

The current WTO Agreement on Agriculture embodies one of several different models of agriculture. It favours large-scale, industrial farming, and – for the South in particular – significantly narrows the choices that each country can make about its own economic development. Local communities and the domestic private sector should be allowed to protect and promote some of these practices, while recognising the role of accountable national governments and international institutions in moving towards better models.

5. Summary of policy recommendations

CIDSE and Caritas Internationalis call on the Sixth WTO Ministerial Conference to reach a pro-poor perspective in integrating in its conclusions the following proposals:

Give a clear priority to progress on agriculture

Given the development objectives of the Doha Round, a clear political priority must be given to reaching conclusions on pro-development rules in international agricultural trade.

Progress on agriculture must not be linked to any condition of reaching sufficient outcomes in the others pillars of the negotiations. The Ministerial should narrow its work to reaching outcomes on the core issues already under negotiation in agriculture and should avoid any new "issue of interest but not agreed".

Stop trade distortion that generates poverty

Stop trade liberalisation denying the liberties of the poor - The WTO should fully embrace the concept underwritten in the Monterrey Consensus of trade as an engine for development. The WTO should endorse the UN Millennium Development Goals (MDGs) as its overarching objective. The negotiating process must be more transparent and more inclusive.

Stop making the poor pay the cost of trade liberalisation – Loss of revenue by developing countries due to tariff cuts and preferences erosion in agriculture should be compensated by trade concessions or development support from the developed countries.

Stop dumping on developing countries' markets - Northern countries should substantially reform their agricultural subsidy regimes to ensure an end to the dumping of products on global markets. Through a balancing measure, the

importing developing countries should have the flexibility to impose additional duties on subsidised imports by calculating a subsidy-equivalent tariff.

Stop trade-distorting supports – Member States have to commit on a short deadline to eliminate, through a tiered formula, all Amber Box supports (trade-distorting subsidies). A clear frontloaded schedule should be set up for eliminating export subsidies and support. Product-specific caps and reduction commitments should be introduced by establishing criteria to disaggregate Blue Box payments at a product-specific level. A thorough review of the Green Box (de-coupled and "minimally trade-distorting" subsidies) is needed to ensure that any remaining domestic support has minimal trade-distorting effects and contributes to public goods such as environmental protection and securing the livelihoods of small farmers. The Green Box should accommodate development programmes in developing countries. Disciplines are needed on the Blue Box and Green Box, in order to thwart "box shifting". Developed countries should commit to develop standard harmonisation and to significantly reduce all non-tariff trade barriers.

Promote agriculture and rural development working for poor people

Mainstream differential treatment to protect people in poverty – Special and Differential Treatment for developing countries must constitute an integral part of all elements of the Agreement on Agriculture. The tariff reduction formula for developing countries must contain progressivity, proportionality and flexibility. The coefficients for rich and poor countries should be differentiated in the final tariff reduction formula. The WTO Agreement on agriculture should be rebalanced by



guaranteeing developing countries the right to protect their borders via quotas and/or quantitative restrictions as long as Northern subsidies remain. Given the remaining unbalanced nature of the AoA, developing countries should have the right to determine the nature and extent of their tariff commitments in this round of negotiations (including not cutting their agricultural tariffs, or raising them to secure development objectives). Any attempt to reduce *de minimis* support in developing countries should be avoided, as this would negatively affect the programmes benefiting subsistence and resource poor farmers. Least Developed Countries need special treatment, including duty-free, quota-free access to richer countries' markets and exemption from any reduction commitments.

Protect rural development with Special Products - In accordance with its own needs for food and livelihood security and rural development, each developing country should be allowed to self-designate Special Products based on an appropriate number of domestically-produced agricultural products. Special products provision should especially protect women as producers and as those responsible for household nutrition. Special products should be exempt from further tariff reductions and must not be excluded from the coverage of the Special Safeguard Measure.

Protect food security with Special Safeguard Mechanisms - In case of a drop in prices or a significant increase in the volume of imports, a Special Safeguard Mechanism

should provide flexibility to developing countries to protect small farmers, including removing any food security crops from tariff reduction commitments, raising tariffs or non tariff measures such as quantitative restrictions.

Open policy space for sustainable agricultural development - Flexibility should be given to the developing countries to develop national policies (price stabilisation, supply management...) that address the challenges of poor countries' agriculture. Local communities and the domestic private sector should be

allowed to protect and promote some of the sustainable agriculture practices, while recognising the role of accountable national governments and international institutions in moving towards better models.

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- Caritas Botswana
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BURUNDI - CED - Caritas Burundi
CAMEROON - BASC - Bureau des Activités Socio-Caritatives - Caritas Cameroun
CAPE VERDE - Caritas Caboverdeana
CENTRAL AFRICAN REPUBLIC - Caritas Centrafrique
CHAD - UNAD - Union Nationale des Associations Diocésaines de Secours et de Développement - Caritas Tchad
COMOROS - Caritas Comores
CONGO REPUBLIC - Caritas République du Congo
DEMOCRATIC REPUBLIC OF CONGO - Commission Episcopale Caritas / Développement - Caritas République Démocratique du Congo
EQUATORIAL GUINEA - Caritas Guinea Ecuatorial
ERITREA - Eritrean Catholic Secretariat
ETHIOPIA - Ethiopian Catholic Secretariat
GABON - Caritas Gabon
GAMBIA - Catholic Development Office
GHANA - SED - Department of Socio-Economic Development - Caritas Ghana
GUINEA - OCPH - Organisation Catholique pour la Promotion Humaine - Caritas Rép. de Guinée
GUINEA-BISSAU - Caritas Guinée-Bissau

IVORY COAST - Caritas Côte d'Ivoire
KENYA - Caritas Kenya
LESOTHO - Department of Development - Caritas Lesotho
LIBERIA - Caritas Liberia
MADAGASCAR - Caritas Madagascar
MALAWI - CADECOM - Catholic Development Commission in Malawi - Caritas Malawi
MALI - Commission Nationale de Pastorale Sociale - Caritas Mali
MAURITIUS - Caritas Ile Maurice
MOZAMBIQUE - Caritas Moçambicana
NAMIBIA - NACADEC - Namibian Catholic Development Commission
NIGER - Caritas Niger
NIGERIA - Caritas Nigeria
RWANDA - Caritas Rwanda
SAO TOME & PRINCIPE - Caritas Sao Tome & Principe
SENEGAL - Caritas Senegal
SEYCHELLES - Caritas Seychelles
SIERRA LEONE - NCDCO - National Catholic Development and Caritas Office
SOUTH AFRICA - Caritas South Africa
SUDAN - SUDANAID - Caritas Sudan
SWAZILAND - Caritas Swaziland
TANZANIA - Caritas Tanzania
TOGO - OCDI - Organisation de la Charité pour un Développement Intégral - Caritas Togo
UGANDA - Uganda Catholic Secretariat - Caritas Uganda
ZAMBIA - Catholic Commission for Development (CCD)
ZIMBABWE - Catholic Development Commission - Caritas Zimbabwe

AMERICA LATINA & CARIBBEAN

ANTILLES - Antilles Episcopal Conference - Caritas Antilles
ARGENTINA - Caritas Argentina

BOLIVIA - Pastoral Social - Caritas Boliviana
BRAZIL - Caritas Brasileira
CHILE - Caritas Chile
COLOMBIA - SNPS - Secretariado Nacional
de Pastoral Social - Caritas Colombia
COSTA RICA - Pastoral Social Caritas Costa
Rica
CUBA - Caritas Cuba
DOMINICAN REPUBLIC - Caritas Dominicana
ECUADOR - SENAPS - Secretariado Nacional
de Pastoral Social - Caritas Ecuador
EL SALVADOR - Caritas El Salvador
GUATEMALA - Caritas de Guatemala
HAITÍ - Caritas Haiti
HONDURAS - Caritas de Honduras
MÉXICO - CEPS - Caritas Mexicana
NICARAGUA - Caritas Nicaragua
PANAMA - Pastoral Social - Caritas Panamá
PARAGUAY - Pastoral Social Nacional -
Caritas Paraguay
PERU - Caritas del Peru
PUERTO RICO - Servicios Sociales Catolicos -
Caritas Puerto Rico
URUGUAY - Caritas Uruguaya
VENEZUELA - Caritas de Venezuela

ASIA

BANGLADESH - Caritas Bangladesh
CAMBODIA - Caritas Cambodia
EAST TIMOR - Caritas East Timor
HONG KONG - Caritas Hong Kong
INDIA - Caritas India
INDONESIA - Caritas Indonesia
JAPAN - Caritas Japan
KAZAKHSTAN - Caritas Kazakhstan
KOREA - Caritas Coreana
MACAU - Caritas Macau
MALAYSIA - NOHD - National Office for
Human Development
MONGOLIA - Caritas Mongolia
MYANMAR - Karuna Myanmar Social
Services - Caritas Myanmar
NEPAL - Caritas Nepal
PAKISTAN - Caritas Pakistan
PHILIPPINES - NASSA - National Secretariat
of Social Action - Caritas Philippines
SINGAPORE - Catholic Welfare Services -
Caritas Singapore

SRI LANKA - SEDEC - Social Economic
Development Centre - Caritas Sri Lanka
TAIWAN-R.O.C. - Commission for Social
Development - Caritas Taiwan
TAJIKISTAN - Caritas Tajikistan
THAILAND - CCHD - Catholic Commission
for Human Development - Caritas
Thailand
UZBEKISTAN - Caritas Uzbekistan

EUROPE

ALBANIA - Caritas Shqiptar - Albania
ANDORRA - Caritas Andorrana
ARMENIA - Caritas Armenia
AUSTRIA - Oesterreichische Caritaszentrale
AZERBAIJAN - Caritas Azerbaijan
BELARUS - Caritas Belarus
BELGIUM - Caritas Secours International
Belgique
BELGIUM - Caritas Catholica Belgica
BELGIUM - Caritas en Communauté
Française et Germanophone
BELGIUM - Caritas Vlaanderen - Belgium
BOSNIA – HERZEGOVINA - Caritas Bosnia-
Herzegovina
BULGARIA - Caritas Bulgaria
CROATIA - Caritas Croatia
CZECH REPUBLIC - Ceska Katolicka Charita -
Caritas Ceska
DENMARK - Caritas Danmark
ENGLAND – WALES - CAFOD - Catholic Fund
for Overseas Development - Caritas
England and Wales
ENGLAND – WALES - Caritas - Social Action
ESTONIA - Eesti Caritas - Caritas Estonia
FINLAND - Caritas Finland
FRANCE - Secours Catholique - Caritas
France
GEORGIA - Caritas Georgia
GERMANY - Deutscher Caritasverband
GREECE - Caritas Hellas
HUNGARY - Caritas Hungarica
ICELAND - Caritas Island
IRELAND - TROCAIRE - Caritas Ireland
ITALY - Caritas Italiana
LATVIA - Caritas Latvia
LITHUANIA - Caritas Lithuania
LUXEMBOURG - Caritas Luxembourg

MACEDONIA - Caritas Macedonia
MALTA - Caritas Malta
MOLDOVA - Caritas Moldova
MONACO - Caritas Monaco
NETHERLANDS - CORDAID
NORWAY - Caritas Norge
POLAND - Caritas Polska
PORTUGAL - Caritas Portuguesa
ROMANIA - Confederatia Caritas Romania
RUSSIA - Federal Caritas of Russia
RUSSIA - Caritas of the Asian Part of Russia
RUSSIA - Caritas of the European Part of Russia
SCOTLAND - SCIAF - Scottish Catholic International Aid Fund - Caritas Scotland
SERBIA – MONTENEGRO - Caritas Serbia - Montenegro
SLOVAKIA - Slovenská Katolícka Charita / Caritas Slovakia
SLOVENIA - Slovenska Karitas
SPAIN - Caritas Española
SWEDEN - Caritas Sverige
SWITZERLAND - Caritas Schweiz
TURKEY - Caritas Turquie
UKRAINE - Caritas Spes - Caritas of Roman Catholic Church in Ukraine
UKRAINE - Caritas Ukraine - Caritas of Greek Catholic Church in Ukraine

MIDDLE EAST / NORTH AFRICA

ALGERIA - Services Caritas des Diocèses d'Algérie - Caritas Algérie
CYPRUS - Koinonia Caritas
DJIBOUTI - Caritas Djibouti
EGYPT - Caritas Egypte
IRAN - Caritas Iran
IRAQ - Caritas Iraq
JORDAN - Caritas Jordan
LEBANON - Caritas Liban
LIBYA - Caritas Libie
MAURITANIA - Caritas Mauritanie
MOROCCO - Caritas Maroc
SOMALIA - Caritas Somalia
SYRIA - Caritas Syrie - Commission Commune de Bienfaisance - C.C.B. Syrie
TUNISIA - Services Caritas de la Préature - Caritas Tunisie
LEBANON - Caritas Internationalis

NORTH AMERICA

Canada - Développement et Paix / Development and Peace - Caritas Canada
UNITED STATES OF AMERICA - Catholic Charities USA - Caritas USA
UNITED STATES OF AMERICA - Catholic Relief Services - Caritas USA
UNITED STATES OF AMERICA - Catholic Campaign for Human Development (USCC-CCHD)

OCEANIA

AUSTRALIA - Caritas Australia
NEW ZEALAND - Caritas Aotearoa - New Zealand
PACIFIC ISLANDS - CEPAC - Comm. for Justice and Development - Caritas Pacific Islands
PAPUA NEW GUINEA - Caritas Papua New Guinea
SOLOMON ISLANDS - Caritas Solomon Islands
TONGA - Caritas Tonga (CCJD)