Being cowed by cows
(and their owners)

Will the G8 deliver on agricultural subsidies in consummating the WTO Doha round? Maxi Schoeman argues this is unlikely but it could occur in such a way that access to European markets (and others) will still be severely limited for African products.

Critics of EU agricultural subsidies usually point to the fact that EU cows (meaning of course their owners) receive a daily subsidy of $2 each. Roughly half the population of sub-Saharan Africa subsides on less than $1 per day and that part of the explanation for this situation of poverty and deprivation is the provision of agricultural subsidies to EU farmers.

Subsidies to American farmers further reinforce African poverty. US cotton farmers receive $4-billion in subsidies per annum – more than their crop is worth, whilst thousands of cotton growers in West and Central Africa are impoverished in the wake of the fall in world cotton prices since the mid-1990s. Cotton prices are currently at their lowest level since the great depression of the 1930s. Large sugar beet-growers in the EU receive three times the value of their crops on the world sugar market in the form of subsidies. The crux of the problem surrounding EU and other developed world agricultural subsidies and the difficulty of and resistance to the dismantling of the subsidy system has to do with those who benefit from these subsidies. As the late Susan Strange used to say: always ask qui bono? (no pun intended) – who benefits?

EU agricultural subsidies – accounting for 40% of EU spending – are often defended on the basis that European farmers (who constitute 4% of Europe's workforce) should be supported and that farmers need assistance in caring for the environment and animal welfare. There is an almost quaint touch to such justifications that purport to be based on caring about and for 'the small person' and on sentiments of solidarity and equality.

In actual fact, though, several studies provide evidence that large chunks of these subsidies are paid to agribusinesses, not small farmers. In the UK, for instance, the largest 2.5% of cereal-growing holdings receive 20% of CAP cereal payments to the UK; the smallest 30% receive less than 6%. While small dairy farmers in the UK are increasingly leaving the sector, a few big producers, such as Nestlé receives the bulk of CAP dairy subsidies. Much the same goes for American agribusiness. It is therefore difficult to envisage an end to the unfair farm subsidies and trade barriers – there might just be too many vested interests involved.

Agricultural subsidies do not only prevent access of developing world products to world markets. Often the subsidised produce of the developed world is dumped on the developing world, thereby even inhibiting local consumption of locally produced food. A case in point is Ghana, where rice production has all but come to a standstill due to the dumping of cheap American produced rice on the local market. It is estimated that the value of African food exports would double should the US and EU remove their agricultural subsidies. Developed world protectionism costs the developing world $120-billion a year.

There are several other reasons for doubting that the end of agricultural subsidies is in sight. First, and as has been pointed out by countless commentators, no date has been set. In fact, the G8 sent little more than a signal of intent – nothing new in that. Prevarication is a time-honoured strategy for those who do not want to give up benefits. In April 2004 the WTO ruled that the US cotton subsidy regime was a case of unfair practice and ordered it's dismantling within six months. The US appealed, the case lingered on and eventually the US was given until 1 July 2005 as d-day. On 6 July, it was announced that the matter would be put to the vote in Congress. The end to cotton subsidies is still not in sight.

Furthermore, the G8 countries have in the past reneged on promises and commitments. At the 2003 G8 Evian Summit a promise was made of $100-million debt relief to a small number of countries, but nothing came of it. The G8 also do not necessarily speak for other developed nations. As John Pilger noted: 'In summit after summit, not a single significant "promise" of the G8 has been kept.' Hardly had the world leaders returned home, when Belgium apparently suggested a change to the debt deal in terms of the IMF's part of it, and Germany is known to have been opposed to the debt relief deal even before it was announced at Gleneagles. Thinking back to the negotiations between South Africa and the EU on a free trade agreement several years ago, one cannot but remember the pressure brought to bear on SA by Spain and Portugal on the issue of using the words port and sherry: soon we will be drinking only fortified wine. The developed nations are tough negotiators and will demand their pound of flesh in return for trade concessions.

An end to subsidies will be negotiated through the WTO and such negotiations will form part of the Doha meeting in Hong Kong in December where it is hoped that a decision will be made on phasing out these subsidies by 2010. The word 'negotiated' is crucial, though – what will be demanded in return for phasing out agricultural subsidies?