Oxfam Briefing Paper

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Europe's Double Standards

How the EU should reform its trade policies with the developing world

EU double standards on trade policy are a disgrace. The EU forces Third World countries to open their markets at breakneck speed, while maintaining barriers to Third World exports, particularly farm products and textiles. The EU does further damage to livelihoods in the developing world by dumping highly-subsidised agricultural surpluses with which small farmers cannot compete. This paper describes what EU Heads of State must do if they are serious about making trade fair.

Oxfam International

MAKE TRADE FAIR

Executive Summary

Since the new round of WTO trade talks was launched last year in Doha, the European Union has made much of its potential to benefit poor countries and people. But this will not become a reality unless the EU abandons its disgraceful double standards in trade policy.

Oxfam places the EU at the top of its Double Standards league and will present the winner's gold medal to EU leaders at their Seville summit. The EU is a worthy champion, due to its strategy to prise open Third World markets on behalf of big business while excluding Third World exports from its own markets, particularly agricultural products and textiles. Europe's *tour de force* is making developing countries open up their agriculture sectors in the name of free trade, and then pouring in millions of tonnes of highly subsidised products. Sadly, the magisterial hypocrisy of European policy, which so impressed the Oxfam judges, is having a devastating impact on livelihoods in the poor world, particularly those of smallholder farmers.

If the EU is serious about development and less driven by short-term commercial interests, its trade policy should be the exact opposite of what it is at present: it would allow developing-country products into its markets, and it would allow developing-country governments to help their national industries and farmers by offering some protection against competition from the advanced economies. Oxfam had hoped that the European Commission's progress last year in offering improved market access for the poorest countries was an important first step, but it is looking increasingly like an isolated gesture.

The 'free-trading' United States, seemingly reluctant to let Europe occupy the number one position in the Double Standards league, has staged a last minute come-back by massively increasing farm subsidies and steel tariffs. As a result, Oxfam has decided that the USA should be declared joint winner. However, the fact that US trade policies have become markedly more hostile to poverty reduction in developing countries does not relieve EU governments of their responsibilities to make trade fair.

Among the worst features of EU trade policy are the following:

- spending $41 billion a year on agricultural subsidies, including export subsidies, without regard for the disastrous impact on Third World farmers;
- failing to provide full market access for all exports from the 49 least-developed countries, and delays in removing restrictive

quotas from textiles and clothing exports from developing countries;

- pushing for developing countries to liberalise under IMF-World Bank programmes and through the WTO , without regard to the impact on poverty and food security.

Failure to change these policies will leave intact an international trading system which is fundamentally failing the world's poor. Oxfam calls on the EU leaders to agree to the following policy proposals:

- Stop the IMF and World Bank attaching trade-liberalisation conditionalities to their loans.
- Refrain from pressuring developing countries to liberalise services other than in accordance with their own development objectives.
- Stop seeking to extend the WTO mandate to include new liberalising agreements on investment, competition, and government procurement.
- End agricultural dumping and agree a timetable to phase out agricultural export subsidies. Agree to radical reform of the Common Agricultural Policy to achieve social and environmental objectives, rather than increased output.
- Support the right of developing countries to protect and promote their domestic agricultural sectors in the interests of food security and rural development.
- Speed up the phase-out of the Multi-Fibre Arrangement quotas to allow improved market access for textiles and garments exports from developing countries.
- Provide immediate tariff-free and quota-free access for all products exported from the least-developed countries and extend the same deal to all low-income developing countries by 2005.

Advancing this policy agenda should be a priority for European governments between the Seville Summit and the Copenhagen Summit in December 2002. The Johannesburg World Summit on Sustainable Development in August is a crucial opportunity to promote the agenda internationally.

1. Oxfam's Double Standards award

In its recent report on the rigged rules of international trade,[1] Oxfam places the European Union at the head of the Double Standards league. Oxfam will give the gold medal to EU Heads of State at their forthcoming summit in Seville (see annexe for details of the Double Standards Index).

Some of these double standards reach legendary proportions. While developing countries are put under pressure to liberalise at high speed under IMF-World Bank loan programmes, the EU maintains overtly protectionist policies. The poorest countries face the highest trade barriers, and their farmers face unfair competition from heavily subsidised EU agricultural produce dumped in their markets. Meanwhile, instead of focusing on measures which could help poor countries to benefit from trade, the EU is seeking to expand the WTO liberalising agenda to include government policies on investment, competition, and government procurement, which will further distort the benefits of trade towards the already rich and powerful.

The USA's current trade-policy record on farm subsidies and steel tariffs has persuaded Oxfam to appoint it joint winner with the EU in the Double Standards League. But this does not relieve EU governments of their responsibilities to make trade fair.

If European governments wish to put development before short-term commercial interests, their trade policy should be the mirror image of what it is at present: they should allow Third World exports into their markets, and allow developing-country governments to help their national industries and farmers by offering some protection against international competition. Some EU governments, such as the UK, are prepared to let in more Third World goods, but they still insist that developing countries liberalise trade rapidly. This position displays an apparent consistency, but to treat unequals in the same way invariably leads to unequal outcomes. Free trade between countries at completely different stages of economic development magnifies rather than diminishes disadvantage. The Asian Tigers, and the United States a hundred years before them, would not have industrialised so successfully had they followed EU advice.

Oxfam is calling on the EU Heads of State to take significant steps to redress the injustices of European trade policy in the six months between their Seville and Copenhagen summits. Since world agricultural trade and the Common Agricultural Policy (CAP) are high on the political agenda in this period, the first priority is to agree that the interests of poor Third World farmers will be taken

into account in CAP reform, and to agree a clear timetable to end EU dumping through export subsidies. The EU leaders should also ensure that neither World Bank-IMF programmes nor WTO negotiations undermine the ability of developing countries to protect smallholders from unfettered and often unfair international competition.

2. One rule for the poor…

The EU's fervour to liberalise everyone else is evident in four policy areas. First, there is the hasty, ill-considered, across-the-board trade liberalisation forced on developing countries by the IMF and World Bank - in which EU member states, as the largest shareholders, are fully complicit. Then there is the EU's drive to open up Third World transport, utilities, finance, and energy sectors to its corporations. For this, the EU uses two additional instruments: the General Agreement on Trade in Services (GATS) negotiations at the WTO, and regional agreements, such as those under negotiation with Mercosur and the Africa, Caribbean, Pacific (ACP) countries. Third, there is the EU's obsession to push foreign-investment rules, competition policy, and government purchasing into the deregulating, free-market embrace of the WTO. As with services, the EU pursues these goals simultaneously at regional level. Finally, the EU proposes opening Third World agriculture to greater international competition, even though this could be ruinous for rural poverty reduction and food security, as the current food shortages in southern Africa demonstrate.

Europe's liberalising zeal is presented as a benefit to the world's poor, a claim backed by two simple assumptions: what is good for European big business is good for developing countries, and free trade is good for everyone. In reality, European governments are turning a collective blind eye to any negative impacts of these policies on local income and employment, on poor people's access to essential services, and on national development processes.

IMF and the World Bank

In stark contrast to the industrialised world, many developing countries have been liberalising trade at breakneck speed. This has often been a requirement of IMF-World Bank lending, particularly in poorer countries. Although the World Bank reduced trade conditionalities during the 1990s, the reverse is true of the Fund. One recent IMF internal review found that seven of its programmes in low-income countries had a total of 51 trade conditions attached.

Cambodia, one of the world's poorest countries, is a pilot country for the Integrated Framework for Trade-Related Technical Assistance, a programme supported by six donor organisations, including the World Bank and IMF. A range of trade-liberalisation recommendations is included in the Integrated Framework documents produced for Cambodia, but these are not backed by evidence of how they will promote poverty reduction.

EU member states are directly responsible for these IMF-World Bank policies, because of their power in the two organisations. Currently, no fewer than 11 of the 24 executive directors of the World Bank are from EU countries. Even though the Europeans do not work as a bloc, their combined weight is substantial. In the case of the IMF, EU member states control 30 per cent of the voting power, and seven out of 24 directors are European. EU members on the two boards consistently support the use of trade conditionalities. Moreover, since the mid-1990s, the European Commission and the World Bank have co-operated over structural adjustment programmes; they have joint missions, joint analyses, and complementary funding strategies, particularly in Africa.

The Fund and the Bank are the weapons of choice in the rich countries' hunt for new markets because, unlike normal trade negotiations, nothing has to be given away in return. And it seems that no market is too small to bother about. Under an IMF adjustment programme, Haiti reduced its rice tariff from 35 per cent to 3 per cent in one year, which led to an influx of US rice, wiping out the livelihoods of tens of thousands of small producers in the Artibonite region. In Jamaica, the World Bank pushed trade liberalisation as part of a structural adjustment package; before long, dumped EU milk powder was forcing women dairy farmers out of business.

On this issue, Oxfam's proposition is simple. At the October annual meetings of the IMF-World Bank, the executive boards should agree to stop imposing trade-liberalisation conditions in loan agreements.

Services

The EU has long been the driving force behind multilateral liberalisation of services and now accounts for 25 per cent of world services exports. The sheer scale of EU ambition to conquer new markets was fully revealed in April 2002, when the European Commission's draft demands for the GATS liberalisation talks were leaked to the press by NGOs. Although only an initial bargaining ploy, the proposal makes clear that Europe will press developing countries to lift all controls on foreign ownership in sectors such as banking and insurance, to remove limits on profit repatriation, and to

privatise public services, such as the Colombian and Thai water utilities. The intellectual author of Brussels' shopping list is the European Services Network, chaired by Barclay's Bank, which represents fifty large corporations and enjoys an intimate relationship with the drafting committee.

The Commission argues that, in the GATS negotiating format, developing countries freely choose which sectors to liberalise. However, reality is a little more complicated. Political pressures aside, there is a real risk that the EU will grant improved access for developing countries' agricultural exports only in return for the EU's free entry to their service sectors, even though improved access is an undelivered promise from the Uruguay Round. In developing countries which are desperate for foreign exchange, or where agro-exporting elites determine trade policy, this grossly unfair deal will often be accepted.

There may be grounds for careful, well-regulated liberalisation in specific service sectors, depending on the institutional capacities, resources, and needs of particular countries. However, the type of one-size-fits-all, 'big bang' liberalisation advocated by the EU is entirely inappropriate, not least given the unhappy experience of liberalisation in countries which lack effective regulatory capacity. Nowhere are the threats posed by the EU strategy more marked than in the provision of water supplies. The case of water privatisation in Bolivia illustrates the issue (see box).

Once liberalisation takes place, developing countries will then be prevented under GATS rules from discriminating against foreign water providers, including the European giants such as Vivendi, Suez, and Thames Water. Governments which choose to cross-subsidise public water supplies by taxing commercial providers could end up in the dock at the WTO trade 'court'.

Water privatisation in Bolivia

Lack of access to clean water is a major problem in Bolivia, affecting one-third of the population, some 2.5 million people. Like other countries, Bolivia has privatised water provision with mixed success.

Access to piped water in Bolivia's urban departmental capitals increased after privatisation by 15 per cent in the second half of the 1990s. The problem was that prices also rose, creating new pressures on the poor. In the city of Cochabamba, particularly steep price increases, the product of a mismanaged privatisation arrangement, led to riots. Meanwhile, little has been done to improve access to clean water in rural areas.

The Bolivian government's efforts to extend water provision could be compromised by GATS rules. One of the ways in which the government is attempting to provide water to poor consumers is to divide the water market into two zones. Concessions are provided to private operators in regions deemed commercially viable, subject to tariff regulations. In areas that are not commercially viable, local government has retained responsibility. Central government has the option of financing universal access in non-commercial zones, either through consumer subsidies or through transfers to local government.

Either option could be deemed discriminatory under the GATS. Similarly, the Bolivian government's tariff regulations could be prohibited by the WTO if applied only to foreign water companies.

Parallel to the GATS talks, the EU pursues services liberalisation through regional agreements. The European Commission has recently announced the conclusion of a free-trade accord with Chile, which will include full access to Chilean service markets. Similar goals are evident in the Commission's plans for the post-Lomé Economic Partnership Agreements (EPAs) with the ACP group, which includes 39 least-developed countries.

New issues

Europe's passion for liberalising other countries' economies is perhaps most fully revealed in its compulsion to negotiate new WTO agreements on foreign direct investment (FDI), competition policy, and government purchasing, even though developing countries have consistently complained that the WTO agenda is already impossibly demanding. Although the European Commission insists otherwise, the underlying danger is that agreements on investment, like the ill-fated Multilateral Agreement on Investment (MAI), would mean a wide-open door for foreign companies – with their rights and market access maximised, and with the ability of governments to steer and regulate investment to achieve development goals curtailed or abrogated. This would exacerbate the trend towards poor-quality FDI, which can destroy more jobs than it creates, aggravate balance-

of-payments deficits, deter national technological development, and damage the environment. Ever consistent in their inconsistency, the EU states refuse to countenance negotiation of real limits to their own ability to use subsidies to attract FDI to their countries.

If competition policy enters the WTO remit, the goal of the rich-country governments is likely to be increasing private-sector competition with state companies or services, rather than a global trust-busting agreement capable of dealing with the giant transnationals. In the case of procurement rules, developing countries fear that the EU's real intention is not so much efficiency gains and the control of corruption as stopping governments from using their purchasing power to favour national companies – an essential strategy for national economic development. Even World Bank procurement rules allow it to give preferential treatment to developing-country tenders. If competition and procurement agreements are not designed to promote market liberalisation, as some European trade officials claim, why insist so firmly that they are part of the WTO?

The European campaign to expand the WTO mandate in this way was the most contentious issue at the WTO Ministerial Conference held in Doha in November 2001. To save the Conference from collapse, a formal consensus was improvised in which the 'new issues' would be placed on the negotiating table after 2003, but only if all countries agreed a format, which in effect gives any country the power to keep them off the agenda indefinitely. The reality is that other wealthy countries are not as keen to extend the WTO's scope, while the views among developing-world governments range from lukewarm support (a minority) to clear opposition (a majority). Even senior World Bank staff question it - yet Europe is relentless. Oxfam is convinced that these proposed WTO agreements pose a threat to developing-country interests, and will campaign vigorously against them.

Agriculture

The EU, despite decades of intervention in agriculture, is not supporting developing-country initiatives to protect their smallholder farmers from international competition. Since 70 per cent of the world's poor still live in rural areas, it is vitally important that agricultural import policies safeguard food security, rural employment, and environmental sustainability. FAO research into post-liberalisation import trends in 14 countries found import surges across a wide range of product groups, with all countries facing rising import bills and the displacement of local produce. In countries such as the Philippines, Mexico, and Jamaica, Oxfam has

witnessed at first hand the impact on rural poverty and vulnerability. For this reason, many developing countries want to avoid making inappropriate liberalisation commitments in the agriculture talks at the WTO by creating a 'development box' - a set of allowable support measures for smallholder production, including the use of protective import tariffs. Regrettably, both EU member states and the Commission are sceptical about such proposals and are not engaging constructively in a debate on the subject. The EU has hinted that it might agree to the use of subsidies by developing countries, but this is a cynical move, firstly because it takes pressure off the EU to reform its own system of subsidies, and secondly because the EU knows perfectly well that developing countries cannot afford to pay subsidies.

EU 'Partnerships' with the Africa, Caribbean, Pacific group

The EU's enthusiasm for open markets is evident in the draft mandate recently drawn up by the European Commission for negotiating new Economic Partnership Agreements with the 77 ACP countries. In the EU's grand plan, the EPAs, which will replace the old Lomé Treaty, will essentially be free-trade agreements with regional clusters of ACP countries. WTO rules require that these agreements cover 'substantially all trade', which is commonly taken to mean at least 90 per cent. The Commission's mandate places great stress on liberalisation of services as well as goods, and proposes the inclusion of government procurement and competition policy in the agreements.

The document makes only passing reference to the CAP, even though CAP reform would affect the ACP more than any other measure. The EU has no intention of negotiating away the CAP through the EPAs, but at the same time does not seem to accept that the EPAs should allow the ACP countries to protect their agriculture too.

The danger is that the ACP countries, when dealing bilaterally with the EU, will be in a weaker bargaining position than when negotiating multilaterally at the WTO, and will thus end up having 'WTO plus' terms foisted on them. Whatever the scope of the agreements, the idea that free trade between Europe and countries at a very different level of economic development will bring equal benefits is surreal, particularly in the case of the 39 LDC members of the ACP. The Commission goes a tiny way towards recognising this when it proposes longer timelines for LDC liberalisation, but it is thinking of an arbitrary period like ten years, rather than linking liberalisation to economic advancement.

3. ... and another rule for the rich

The EU's fervour to liberalise other countries' markets is matched only by its determination not to liberalise itself, which is most evident in agriculture, textiles, and clothing, precisely the sectors where the developing world is competitive. Europe continues to spend $41bn a year to subsidise its own agriculture, with the lion's share of the benefits going to agri-business. [2] These policies generate surpluses, which then flood world markets with the added help of export subsidies. This is a double blow for poor countries – their smallholders are driven to bankruptcy, and their exporters can't compete in third-country markets. And then there are the endless hurdles facing developing-country exports into Europe: high tariffs and low quotas, labyrinthine rules of origin, and excessively restrictive health standards – barriers which EU governments promise to remove, but always tomorrow, never today. In the case of textiles and clothing liberalisation, the EU has turned delaying tactics into an art form.

Common Agricultural Policy and export subsidies

Although some of the worst excesses of the CAP have been curbed, it continues to inflict enormous damage on developing countries, depressing and destabilising markets worldwide and, by permitting exports at prices far below the costs of production, destroying smallholder livelihoods throughout the developing world. How can farmers with an income of a few hundred dollars a year compete with farmers who get an average annual subsidy of $14,000?[3] Latin America is the worst-affected region, losing $4bn annually from EU farm policies. EU support to agriculture is equivalent to double the combined aid budgets of the European Commission and all 15 member states. Half the spending goes to the biggest 17 per cent of farm enterprises, belying the manufactured myth that the CAP is all about keeping small farmers in jobs. Oxfam is calling for a reformed system of support for European agriculture which would be directed towards achieving genuine domestic social and environmental goals, and which would be compatible with the development and food-security needs of poorer countries. Nowhere is the need for change more apparent than in the CAP sugar regime, a model of structural oversupply which rewards a few agribusinesses at the expense of the majority of the developing world.

Europe's sweet-toothed dinosaur: the CAP sugar regime

Europe's sugar-production costs are among the world's highest but, paradoxically, the EU is the world's second biggest sugar exporter.[4] This is made possible by setting the domestic sugar price at three times international prices, and subsidizing exports of excess production onto the world market. EU consumers and taxpayers are forced to pay the hefty bill of €1.6bn, but the impact falls hardest on developing countries. This is because the EU sugar regime has the following effects:

- It blocks developing-country exporters, including some of the world's poorest countries like Mozambique, from European markets,
- It undercuts developing countries in valuable third markets, such as the Middle East, by subsidising exports to prices below international costs of production,
- It depresses world prices by dumping subsidised and surplus production, so damaging foreign-exchange earnings for low-cost exporters such as Brazil, Thailand, and southern Africa.

Europe argues that developing countries are insulated from negative impacts of the regime by the preferential access that it gives to ACP countries under the Cotonou Agreement, but this claim is not borne out by the facts. Seventeen ACP countries supply under ten per cent of Europe's sugar, and only four of those are LDCs - while other competitive LDC producers are left to rely on the depressed world market. A part of European arable sugar farmers are dependent on the sugar regime for their livelihood, but the real winners are a few European sugar processors, and large farmers, who together form a powerful lobby which has blocked change for decades.

EU milk floods destroy farmer livelihoods

Consider the Indian dairy sector, now one of the largest milk producers in the world and a potential exporter. Even if it could overcome EU tariffs of 144 per cent on butter and 76 per cent on milk powder, it could hardly compete in Europe with domestic producers, half of whose income is derived from subsidies.[5] Nor can it compete with EU milk-powder exports, sold at about half the cost of production in third markets such as the Middle East and southern Mediterranean. It not surprising that Europe is the world's largest exporter of skimmed milk powder. Ironically, the EU was one of the aid donors that supported the development of the Indian industry in the first place.

In Jamaica, some 3,000 poor dairy farmers are being put out of business because of unfair competition from heavily subsidised European milk dumped on their market. The subsidies on the 5,500 tonnes shipped annually cost the European taxpayer $3m. Many of the farmers are women running their own small businesses. They are literally throwing away thousands of litres of milk from overflowing coolers. Many are leaving the industry that has supported their families for decades.

The EU is the world's dominant user of agricultural export subsidies, accounting for 90% of all export subsidies (as defined by the WTO)

between 1994 and 1997. Developing countries are adamantly opposed to this practice. The USA is the world's dominant user of export credit subsidies, accounting for 97 per cent of these, according to the OECD. Countries should agree a short timetable at the WTO for phasing out both types of export support.

US Farm Act vs CAP

We now have the unedifying spectacle of two economic giants locked in a war of words and numbers over agricultural trade policies, each one accusing the other of being more protectionist,[6] while the developing countries are trampled underfoot.

On 13 May 2002, it was the turn of the USA to bring the boot down on developing-country agriculture, when it agreed a Farm Bill which will dole out up to $190bn to US agri-business over the next ten years – an enormous increase of 70 per cent in payments. Before the Bill passed, White House officials admitted that it would greatly encourage overproduction, fail to help US farmers most in need, and jeopardise markets abroad.[7] According to the European Commission, 'there is no doubt that the vast bulk of payments under the Farm Bill will go to the largest agri-businesses'. Third World producers will find it harder to sell to the US market and, since the USA exports 25 per cent of its farm production, they will find it harder to sell in other international markets or to resist competition from US products in their home markets. The disposal of increased US surpluses as 'food aid' is likely to compound the loss of livelihoods.

EU Commissioner for Agriculture, Franz Fischler, describes the US Farm Bill as a 'flunk bill'.[8] A key question is, will Europe's leaders flunk it when they try and stop the hand-outs to their own big agricultural concerns, which are already using the US measures as an excuse to maintain the status quo? Commissioner Fischler's recent announcement that the EU has no plans to phase out export refunds for the dairy sector does not augur well for the future.

Market access

For many developing-country producers, reaching an EU customer involves running a marathon with hurdles. First there are the tariff barriers, averaging 20 per cent on agricultural products, with peaks rising to 250 per cent. For example, Brazilian chickens cross the Atlantic with a 46 per cent surcharge; the corresponding surcharge for orange juice is 34 per cent. In the case of textiles and clothing, the EU maintains quotas on most important product lines, while liberalising marginal items such as parachutes and umbrellas. But

when quotas cease, as they eventually all must under existing multilateral commitments, high tariffs will remain, further deferring genuine access.

The EU does have a complex array of trade arrangements granting certain developing countries preferential access to its markets, the most important being the Cotonou Agreement with ACP countries. But some of the poorest countries are excluded from the EU's preferential schemes for precisely those products in which they are most competitive. For example, India and Pakistan are excluded for leather, leather goods, and textiles. The sheer complexity of the EU's tariff regime may be considered to be a barrier in itself, particularly for those poor countries with weak market intelligence: there may be nine or more different rates that apply to the same product, depending on where it was produced.

The EU's promise in 2001 to remove tariffs and quotas on 'everything but arms' exported by the 49 least-developed countries (LDCs) was a welcome step forward, led by the Commissioner for Trade, Pascal Lamy. However, it is regrettable that powerful corporate lobbies were able to delay full market access for sugar, rice, and bananas until 2008, and worrying that they almost managed to torpedo the whole deal, despite its insignificance for the European economy as a whole.

The problem of tariffs is exacerbated by the EU's complex and arcane rules of origin, which stipulate how much of an export must be made from locally sourced inputs in order to qualify for lower tariffs. As a recent report by the Centre for European Policy Studies highlighted, only one third of imports from developing countries eligible for tariff preferences actually enter the EU market with reduced duties, because the rest are unable to meet the criteria or demonstrate compliance with rules of origin.[9]

The developing-country exporter who has not given up already now faces the EU's health and safety standards, some of which are legitimate and some of which are simply protectionist. The smaller dairy farmers in India, for example, complain that EU standards requiring that cows be machine-milked are unjustified and discriminate against them. A World Bank study has shown that EU measures against aflatoxins in food products, which are not justifiable on health grounds, cost African exporters of nuts, cereals, and dried fruit an estimated $670m a year.

The exhausted exporter who has overcome the standards hurdle can now start selling to EU customers, but, if too successful, will find that a new barrier magically appears – the threat of penal tariffs applied in the guise of anti-dumping safeguards. The trigger is the alleged

sale of products at less than production price, but the fact that a high proportion of the investigations do not lead to the imposition of duties suggests that the measures are used largely for harassment. EU action against imports of Indian bed-linen illustrates the problem. From 1997, anti-dumping duties as high as 25 per cent prevented the company Anglo-French Textiles, among others, from selling bed-linen to the UK. As a result, the company's turnover fell by more than 60 per cent, causing the loss of 1,000 jobs. In 2001, the WTO ruled that the anti-dumping measures had been unjustified, but there is no provision under WTO rules for compensation for losses. 60 per cent of EU anti-dumping operations in July-December 2001 were targeted at developing-country exporters (compared with 50 per cent in the case of similar US measures), and their use may become more frequent as textile quotas are phased out.

US tariffs

The Bush administration infuriated its trading partners in March 2002 when it imposed tariffs of up to 30 per cent on most imported steel products for a three-year period. This was widely regarded as a breach of WTO rules, and a number of countries have formally requested that a Dispute Settlement panel investigate the matter. Although Brazil was not targeted directly by the measure, Maria Silvia Bastos Marques, president of Brazil's steel-industry association, said that the sector stood to lose $1bn. Union leaders claimed that up to 5,000 jobs would be affected.[10] Brazil's orange-juice exporters claim that they too lose $1bn every year as a result of US market barriers.[11] Many smaller countries complain bitterly about US tariffs on a wide range of products, notably textiles. Of the $18.6bn collected in the USA on merchandise imports, fully 42 per cent was derived from textiles and clothing, the biggest single manufactured export from developing countries.[12] The dramatic decision on steel tariffs suggests that poor producers' concerns will fall on deaf ears.

Oxfam believes that the EU Heads of State should demonstrate much stronger leadership in the effort to reduce unfair protectionist barriers facing the Third World. By the time of the Copenhagen summit in December 2002, they should agree to accelerate the removal of tariff barriers to all exports from the poorest countries, to offer the same deal for low-income developing countries within three years, including textiles, and to ensure that rules of origin and health standards are not used as surrogate protectionist shields.

4. What should the EU heads of government do?

What should EU leaders do in the next six months, between their Seville and Copenhagen summits, if they are serious about

promoting sustainable development in poor countries? Since CAP reform is squarely on the political agenda, their first priority should be to agree the following measures:

- The interests of poor Third World producers should be taken into account in a radical reform of the Common Agricultural Policy.
- A clear timetable should be agreed for phasing out export subsidies and ending dumping.
- Developing countries should be able to protect their smallholders from unfettered and often unfair international competition.

Secondly, EU leaders should reduce the protectionist barriers facing the Third World by agreeing:

- to speed up the removal of tariff barriers to all exports from the least-developed countries;
- to offer the same deal for low-income developing countries by 2005, including textiles;
- to ensure that rules of origin and health standards are not used as protectionist devices.

Thirdly, in regard to developing-country trade policy, EU leaders should agree:

- not to demand that poor countries liberalise in return for reductions in the current high and unfair level of EU protectionism;
- to stop the World Bank and IMF attaching trade liberalisation conditions to their loans;
- to stop trying to extend the WTO agenda to include new liberalising agreements on investment, competition, and procurement.

Finally, EU leaders should ensure that these policies are incorporated into the European strategy for the Johannesburg World Summit on Sustainable Development in August.

Notes

[1] *Rigged Rules and Double Standards*, Oxfam International, Oxford, 2002. Also available at www.maketradefair.com

[2] $41 billion is the annual CAP budget. According to the OECD Producer Support Estimate for 2000, the total value of EU farm subsidies rises to $90 billion a year.

[3] OECD figures, Producer Support Estimate, per full-time farmer, quoted in *Questions and Answers – US Farm Bill*, European Commission, Brussels, 15 May 2002.

[4] For details on this issue, see 'Europe's Sweet-toothed Dinosaur: the EU sugar regime', Oxfam forthcoming.

[5] According to OECD figures, in the EU milk sector in 1999, transfers from government made up 58 per cent of gross farm income, up from 56 per cent in 1986-88.

[6] The USA claims that EU farm support in 2000 of $90bn puts US spending of $49bn in the shade, especially bearing in mind that their output is similar. Europe's response is: (a) according to the broader Total Support Estimate, the EU and USA were spending $103bn and $92bn respectively – a much narrower gap - and that was before the new US Farm Act; (b) Europe has more than three times as many farmers as the USA; and (c) even using the Producer Support Estimate, which understates US spending, the US subsidy per farmer in 2000 was $20,000 p.a., compared with $14,000 p.a. in Europe, and the annual cost per citizen was $338 compared with $276 in Europe. Whatever the chosen measure, the consistent loser is the developing world.

[7] Oxford Analytica, 22 May 2002.

[8] *Fischler slams US for 'flunking farm policy reform',* European Commission press release, 1 May 2002.

[9] *Making EU Trade Preferences Work: the role of rules of origin,* Centre for European Policy Studies, 2002.

[10] *New York Times*, 14 May 2002.

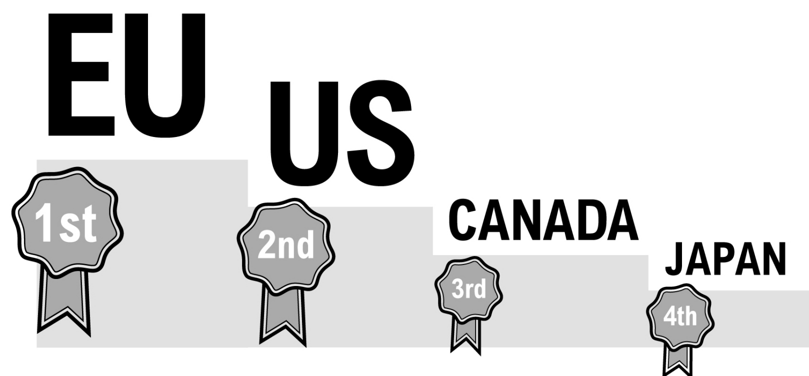
[11] Brazilian Ministry of Foreign Affairs, briefing prepared for the WTO Ministerial Conference in Doha, 2001.

[12] *Textiles and Clothing in Doha Work Programme. The issue of tariffs,* International Textiles and Clothing Bureau, April 2002.

Annexe - The Oxfam Double Standards Index. April 2002

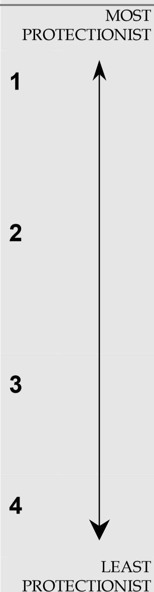
Free trade rhetoric versus protectionist practice in rich countries: ten indicators of trade barriers facing poor countries in the European Union, the United States, Canada and Japan.

One of the problems with assessing trade barriers is that they assume so many different shapes and sizes. This makes it difficult to compare the damage inflicted on developing countries by individual industrialised countries, whose policy makers are adept at arguing that problems in one area are counterbalanced by generosity in another. In an effort to develop a comprehensive comparative indicator, Oxfam has produced a **'Double Standards Index'** (DSI). Reduced to its essentials, this compares the level of protectionist trade policies employed by the richest and most powerful trading nations against exports from developing countries. We refer to it as a Double Standards Index because it highlights the gap between free-trade principle and protectionist practice. The Index ranks the four major industrialised-country (or 'Quad') markets on ten indicators. These range from standard measurements of tariffs (including the average tariff rates applied to developing countries), the extent of tariff peaks in excess of 15 per cent, tariff escalation, agricultural subsidies, the pace at which restrictions on textile imports are being phased out, and anti-dumping actions.



Oxfam awards for double standards in trade policy

	Percentage share of imports from developing countries (non-LDCs) subject to tariffs over 15%	Percentage share of imports from LDCs subject to tariffs over 15%	Average MFN tariff rates applied to products subject to tariff peaks over 15%	Highest tariff peak 1999 (percentage)	Producer Support Estimate (PSE) as a % of farm income, 1998 – 2000	Extent of tariff escalation on agricultural products post-UR (average tariff on processed products as a multiple of average tariff on unprocessed products)	Average agricultural tariff – simple average post-UR bound rate	MFA phase-out: % restrained imports liberalised by 2002 compared to ATC target	Average tariff on textiles and clothing. Simple average post-UR bound rate	Number of antidumping investigations initiated against developing countries 1 July 1995 – 30 June 2000	**Overall ranking based on protectionist policies**
EU	4.9	2.8	40.3	252 (meat products)	40	2.75	20.0	24	7.9	145	**1** (MOST PROTECTIONIST)
US	6.6	15.0	20.8	121 (groundnuts)	23	1.25	9.0	23	8.9	89	**2**
CANADA	4.8	30.2	30.5	120 (meat products)	18	3.00	8.8	not available	12.4	22	**3**
JAPAN	2.8	2.6	27.8	170 (raw cane sugar)	63	3.75	29.7	–	6.8	0	**4** (LEAST PROTECTIONIST)



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