

# The impact of GATS on agriculture

---

## Introduction

Conventional wisdom on the World Trade Organization negotiations has it that there will be a trade-off between concessions made by industrialized countries in agriculture and concessions made by developing countries in services. What is often overlooked are the linkages between the two sectors, especially the impacts on agriculture of the liberalization of crucial services sectors.

At first glance it might seem that the GATS has little to do with agriculture. Its list of 160 service sub-sectors makes little direct reference to agriculture and food: they include just “Services incidental to agriculture, hunting and forestry,” “Services incidental to fishing” and “Veterinary services,” all within the broad category of “Business Services.”

Yet the agriculture and food economy around the world has been massively transformed by services. Farmers are increasingly integrated into global food supply chains that strongly influence their production and marketing decisions. Small land-holding farmers are especially dependent on the efficient and equitable provision of services that enable them to participate in these supply chains on affordable terms. Consequently, the liberalization of those services can have a major impact on agriculture especially in developing countries.

This paper will focus on the services sectors that have the closest link to agriculture:

**Distribution services**, which are of increasing importance for farmers to market their products. Both at the wholesale and the retail level, market power in the distribution sector is increasingly concentrated. This process is already very advanced in most industrialized countries, therefore affecting the export opportunities of farmers in developing countries.

**Financial services**, which are vital for the provision of agricultural credit, especially for smaller farmers who often face major problems in accessing loans from commercial banks on affordable terms—if they get credit at all.

**Infrastructural services, especially water and energy**, which are often more difficult to supply in rural areas. In a liberalized and profit-driven system for the provision of these essential public services rural populations may be neglected. In the longer term, GATS commitments could also extend to the distribution of irrigation water, which is essential especially for farmers in developing countries.

Transportation, tourism, telecommunications and professional services, especially with regards to agricultural extension, bear on agriculture as well.<sup>26</sup> Requests to liberalize these sectors have been tabled and are not surveyed in this paper due to space restrictions.

Of the different ways of “trading” services—referred to as “Modes of supply” in GATS—“Commercial

---

By  
Tobias Reichert  
with  
additional research by  
Tom Lines

---

Presence” (Mode 3) is most relevant for the agricultural sector. In Mode 3 services are provided “by a service supplier of one Member, through commercial presence in the territory of any other Member.” In other words, they’re provided by means of foreign direct investment either by establishing a subsidiary in the “importing” country or by buying a domestic company there.

Unlike other WTO agreements, GATS is structured as a series of negotiations between countries, in which one “requests” the other to open up a sector of its economy to its firms. The second makes related “offers” in response. This is designed as a flexible, “bottom-up” process, enabling every member to liberalize its service sector at the pace it prefers. Unilateral liberalization of services, often a policy condition for developing countries to get loans from the World Bank Group, is much less flexible and is not accounted for when measuring the extent of liberalization (“ambition” in WTO parlance) in developing countries GATS offers. Since market access negotiations take place in bilateral and private meetings, little information is available about what requests have been made of different countries before a final deal is settled and then published.

Parallel to this bilateral request-offer process for market access, there are multilateral negotiations to clarify and expand certain provisions of the GATS agreement that apply to all service sub-sectors. These so-called “horizontal” rules negotiations can have substantial impacts on agriculture as well since they are dealing with:

- ▶ **Subsidies:** Establishing which type of subsidies to services companies are considered trade distorting and therefore have to be disciplined, which are not, and under what conditions.
- ▶ **Domestic regulation:** Establishing categories of regulatory or legislative authority exercised by government or their delegated representatives that can have a trade distorting effect. Such categories, still under negotiation and applicable to bilateral commitments already made, include licensing requirements, commercial zoning requirements and

requirements pertaining to government authority over environmental protection.

- ▶ **Emergency safeguards:** Introducing the option for countries to temporarily remove some of their GATS commitments if these turn out to have unexpected adverse effects in unforeseen situations (e.g., major financial crises).

With the exception of emergency safeguards, all these new rules aim at reducing the policy options of governments in “importing” countries and the multilateral GATS negotiations are about how far this process should go.

The requests and offers made to each other by GATS members as part of the negotiations are not generally made known to the public. In most cases it is not even made known which sectors are under discussion between one member and another, let alone what changes in them have been suggested.

However the initial requests made by the European Union in July 2002 were made public when the Polaris Institute in Canada released them.<sup>27</sup> Therefore, and because of EU importance in GATS negotiations, this paper takes the EU’s requests as an example of what is asked of developing countries.

The EU (which comprised 15 countries at the time) made GATS requests to 109 countries, of which 94 are classified as developing countries or economies in transition and 29 as least developed countries (LDCs). Even to LDCs, requests were generally made in three to five of the 12 sectors, while three LDCs (Bangladesh, Madagascar and Mozambique) found six sectors targeted and both Angola and Tanzania, seven.<sup>28</sup> As you go up the income scale, the number of sectors targeted rapidly increases, so that nine are covered in the EU’s requests for Kenya and 12 for South Africa.

## Distribution services

"Supermarkets are now the main gatekeeper to developed country markets for agricultural produce. ... To sell in world markets, especially markets for higher value-added crops, is increasingly to sell to a handful of large supermarket chains."  
—UNDP: *Human Development Report 2005* (p. 142)

## The emergence of retail driven supply chains

Globally operating super- and hypermarket (carrying food, clothes, electronics, etc in one store) companies such as Wal-Mart, Carrefour, Ahold, Metro and Tesco play an increasing role in shaping the global food economy. In 2002, the 30 largest food retailers accounted for one third of global retail sales to consumers.<sup>29</sup> In Europe, the food purchased by its 430 million consumers is channeled through 110 buying desks of the retailing companies.<sup>30</sup> The major retailers exercise an increasingly tight control on their global supplies, often replacing traditional wholesalers and establishing a de facto monopsony<sup>31</sup> on their suppliers. At the same time, they are able to source similar products from a large pool of suppliers in a wide range of countries.

This market power puts retailers not only in a dominant position in price negotiations with suppliers, but also in defining the quality standards the products have to meet and the conditions and timing of delivery. This exercise of market power is especially prevalent for products like fresh fruit and vegetables, for which supply chains need to be short and efficient to ensure that the products arrive to their outlets before quality deteriorates. In addition, supermarkets and their customers tend to judge the quality of fruit and vegetables on criteria like their appearance<sup>32</sup> rather than less visible properties like taste.

At the same time, food safety standards require a strict control of potentially harmful substances such as pesticide residues and nitrites. Food safety regulations and internal company standards also require the ability to trace products back to the farm where they were grown.<sup>33</sup> To ensure the timely delivery to numerous retail outlets, companies prefer to buy large amounts of products meeting uniform standards from a limited

number of suppliers. The contracts are often designed in a way that allows retailers to place orders on very short notice, refuse products for quality reasons and pay only several months after delivery, thereby capturing value while passing business risks to suppliers and farmers.<sup>34</sup>

These factors taken together put producers and especially smaller farms at a disadvantage in supplying these global players. In Kenya, the share of small farmers in horticultural exports decreased from 70 percent to only 18 percent in the late 1990s, while large commercial farms and export companies with their own production make up more than 80 percent.<sup>35</sup>

So far, mainly farmers in developed countries and those farmers in developing countries that export to developed countries markets have been affected by this power concentration in the supply chain. The distribution and retail sector in most developing countries is still to a large extent shaped by small, family owned shops, informal markets and street vendors, providing small farmers a market with less powerful and demanding counterparts. But this has already started to change. The size of the food market in industrialized countries as a whole is limited by the nature of the product. Population in most of these countries is stagnating and people cannot eat and drink more than a certain amount.

Since further expansion of the supermarket companies' home markets is limited, they have started to expand rapidly into other countries around the world. It is reported that, "Now that Tesco sells almost 30 percent of all the groceries sold in large supermarkets in the UK, growth opportunities in its traditional markets are becoming limited. Consequently, international expansion and diversification out of groceries have become central to the group's strategy."<sup>36</sup> While Tesco's sales outside its UK home market were less than 20 percent in 2002, Dutch group Ahold made 85 percent of its total sales in foreign markets that year, and Carrefour of France and German Metro were both just below 50 percent.<sup>37</sup> While most foreign markets are in other developed countries, these transnational firms are looking increas-

ingly to developing countries, especially those with a growing group of better-off urban consumers.

Examples of food retail market penetration by transnational corporations can be found in Asia and Latin America. Without specifically committing itself under the GATS, Thailand has placed few restrictions on foreign investment in this sector. The Thai government recently found that “modern” large retailing outlets rapidly expanded, as European companies took advantage of the East Asian financial crisis in the late 1990s. In four of the five years from 1997 to 2001, trade (particularly retail) was the sector with the largest flows of investment in Thailand. Large European companies such as Carrefour, Ahold and Tesco rapidly expanded their hypermarkets, supermarkets and cash-and-carry stores. Thailand became Tesco’s third largest foreign market, accounting for 14 percent of the company’s international sales in 2004.

A similar picture emerged in China upon its accession to the WTO, after which foreign chain stores accounted for 23 percent of all big new supermarkets. In Malaysia hypermarkets and large supermarkets account for more than half of retail sales and are mainly owned by foreign companies including Carrefour, Tesco, Jusco and Giant.<sup>38</sup> In China, Malaysia and Thailand traditional small and family owned shops are put under strong pressure from this new competition. According to a report submitted by Thailand to the WTO: “acute political outcry against retail service liberalisation” became “a very hot potato for the current administration” and had “given rise to serious thoughts on having appropriate and sound regulatory framework set before liberalisation is unleashed in a fast and uncontrolled manner.”<sup>39</sup> India, on the other hand, does not allow foreign direct investment in the retail sector and consequently, less than 2 percent of the sales are channeled through supermarkets.<sup>40</sup>

In Latin America, supermarkets control 50-60 percent of the food retail sector, up from 10-20 percent only 10 years ago. In Brazil, which has fully opened its distribution sector to foreign direct investment and bound this commitment in the GATS, four of the five biggest

retail companies were totally or mainly owned by foreign companies in 2000.<sup>41</sup> The consequent supply chain requirements of these food retailers for red meat pushed dozens of small slaughterhouses, traders and truckers out of business.<sup>42</sup> Similarly, price competition and consolidation of dairy companies cut off markets for smaller Brazilian dairy farmers. The number of farmers delivering milk to the top 12 dairy companies decreased by 35 percent between 1997 and 2000.<sup>43</sup>

The emergence of super- and hypermarkets in developing countries means that farmers there face conditions that increasingly take on the characteristics of export markets.<sup>44</sup> Small and poor farmers may be locked into subsistence production and able to sell only through informal distribution channels supplying poor consumers, thereby reinforcing the “dual” economies that already exist in many developing countries.

### **Regulations and restrictions in the distribution sector and the impact of GATS**

Until now, few developing countries have introduced regulations to ensure a more equitable relationship between producers and distribution companies. However, a number of countries have limited the expansion of super- and hypermarkets to protect the traditional small-scale shops and give them more time for adjustment. Malaysia has banned the establishment of new hypermarkets in certain areas until 2009.<sup>45</sup> This can have indirect benefits for farmers and other suppliers, since alternative marketing channels to the supermarkets buying desks are maintained.

A minority of WTO members have made commitments for the distribution and retail sectors in the GATS. Only 29 members made specific commitments for the retailing sector,<sup>46</sup> and only 13 of these are developing countries—including the advanced developing countries South Korea and Hong Kong—and four African LDCs (Burundi, Gambia, Lesotho and Senegal). Amongst the larger developing countries, only Argentina, Brazil, China and South Africa have made commitments in retailing, the Chinese commitments being a result of its accession negotiations.

The EU has requested<sup>47</sup> a large number of developing countries to make commitments in the distribution sector. It requested full market access and national treatment for its wholesale and retail companies from a total of 36 developing countries: Argentina, Bahrain, Bolivia, Brazil, China, Colombia, Ecuador, Egypt, El Salvador, Honduras, Hong Kong, India, Indonesia, Korea, Kuwait, Malaysia, Mauritius, Mexico (clarification of scheduled exemptions), Morocco, Oman, Pakistan, Panama, Paraguay, Peru, Philippines, Qatar, Singapore, South Africa, Sri Lanka, Taiwan, Thailand, Tunisia, United Arab Emirates, Uruguay, Venezuela and Zimbabwe.

For another 16 countries, the EU requested to “consider making commitments” without specifying what these should entail: Antigua, Barbados, Belize, Brunei, Costa Rica, Côte d’Ivoire, Cuba, Dominican Republic, Guatemala, Jamaica, Kenya, Macao, Nigeria, St. Kitts and Nevis, St. Lucia, Trinidad and Tobago.

The EU has made no requests to LDCs in the distribution sector.

If all countries requested were to commit their distribution as asked for by the EU, the rapid expansion of super- and hypermarket driven supply chains would be very likely, including in countries with a large population of small farmers who rely on domestic markets for the sale of their products. Regulations that would require, for example, retail companies to purchase at least part of their supplies from small producers and farmers and/or assist them to meet higher product standards, could be challenged through the WTO dispute settlement process as a trade distorting domestic regulation. This challenge could occur even, if the respective requirements were to apply to all large retail companies, since the GATS bans de facto discrimination between domestic and foreign companies. If all or most large retailers were owned by foreign companies, which is not an unlikely scenario, the companies could lobby their Members to launch a WTO dispute by arguing the foreign headquartered companies have to meet requirements of which domestic retailers are exempt.

The full commitment to market access and national treatment in the GATS would therefore stop developing countries from moderating the emergence of retail driven supply chains in their domestic markets and at the same time seriously restrict regulations aimed at enhancing the capacity and power of small farmers to supply them on favorable terms.

### Financial services

“In meeting the demands of international markets, farmers will need to produce commodities according to international standards and qualities. ... Significant changes in the production structure may be required in terms of enterprise choice and the degree of specialization, adjustments in farm size and integration of farm production with farm input supply, agro-processing and marketing in the same commodity chain. ... Agricultural credit can play an important and sometimes crucial role in facilitating these required structural transformations in production and marketing.”  
—FAO, *GTZ, 1998: Agricultural credit revisited* (p. 23)

### The importance of rural credit for small farmers

The quote above highlights the important role of agricultural credit in enabling farmers to meet the quality and marketing requirements of modern supply chains. As shown above, transnational firms increasingly import their requirements into the domestic markets of many developing countries, a process that may be accelerated by the liberalization of distribution and retailing services in the GATS. Smaller farms need access to sufficient financial resources to adapt their production to these fundamental changes. Even if they want to improve productivity and production only in their traditional activities, they are usually not able to finance the necessary investments from their own resources. At the same time, small farmers are often “unattractive” as clients to commercial banks due to low volumes of loans and high transaction costs. In the 1970s and ’80s, many developing countries tried to address the difficulties faced by the agricultural sector through the establishment of state owned or controlled agricultural banks

that provided credit at subsidized interest rates. The impact of most of these banks was considered disappointing, however, due to a number of factors, including the de facto preference to lend to larger farms, low regulated prices for farm products, high default rates and consequently a continued reliance on government funds to cover losses.<sup>48</sup> As a result, many of these banks and programs were closed or significantly scaled down—resulting in a much lower availability of agricultural credit overall.

In Mozambique, liberalization of the rural banking network led to a reduction in the number of rural branches. Farmers heavily dependent on seasonal income, in a country where transport is difficult, were left with no access to credit.<sup>49</sup> In Malawi, the World Bank prescribed privatization of the Smallholder Agricultural Credit Administration, which had indeed been focused on small farmers. It operated successfully with a good loan recovery before it ran into difficulties during a very bad drought in 1992. The renamed and privatized Malawi Rural Finance Company tended to disqualify the poorest farmers by only lending to farmers who also produced a cash crop in addition to maize, the main staple crop.<sup>50</sup>

These examples underline the view, held by many analysts, that public support to rural finance institutions in developing countries is necessary due to inherent problems that make investments risky and costly:<sup>51</sup>

- ▶ Clients are scattered geographically, making service delivery expensive and information on potential borrowers difficult to obtain and evaluate.
- ▶ Most farmers tend to borrow at the same time, e.g., in the pre-harvest season and save immediately after harvest. This makes it difficult for rural financial institutions to diversify their portfolios.
- ▶ Poor farmers own few assets, making it infeasible to secure loans with collateral.

Because of the difficulties faced by commercial banks in servicing smaller farms, many governments and/or development agencies continue to provide support to

reformed rural credit institutions, including those focusing on the poorest like the Grameen World Bank in Bangladesh. The link of grassroots organizations of this type with the formal banking sector continues to pose a challenge that may require public interventions.<sup>52</sup> While there is broad agreement among the majority of rural development experts that some form of government assistance to rural finance institutions in developing countries is necessary, there is also agreement that there is no uniform approach among or even within countries and their different farm communities. Consequently, developing countries need a sufficient amount of flexibility to develop, test and implement support measures tailored to the specific needs of their rural poor.

#### **GATS commitments in financial services limit policy instruments to support rural finance institutions**

The main pressure for the global liberalization of services has come from the financial sector—particularly that of the United States and the United Kingdom. The idea of creating a counterpart to GATT for services came from U.S. banking executives, who formed the U.S. Coalition of Service Industries. It remains the most powerful business lobby behind the GATS. A counterpart, the European Services Forum, was set up on the specific initiative of Sir Leon Brittan, the EU's Trade Commissioner in the 1990s.<sup>53</sup>

It is unlikely that commercial banks from industrialized countries making foreign investments will start providing services in rural areas, particularly for the rural poor in developing countries. In fact, they are even less likely to do so than domestic banks. What they are more likely to focus on are “high end consumers,” i.e., rich clients, leaving domestic banks with less profitable clients.<sup>54</sup> This client focus could contribute to a further segmentation of financial markets, making it more difficult for rural finance institutions to diversify from rural clients with their seasonally uniform credit and savings needs. It is an open question whether foreign owned banks are more likely to channel the savings deposited with them to investments in other countries, thereby increasing “capital flight” from developing countries.

Certain targeted support measures for rural finance institutions may also be considered as trade-distorting and therefore illegal, subsidies under the GATS. Since the negotiations on specific subsidies under the GATS have been inconclusive so far, it is not possible to spell out the possible impacts in detail. But for example, the long term support for operation costs for institutions serving small farmers will likely be seen as a subsidy, which might be challenged in the WTO, if it is not generally allowed as legitimate in the GATS disciplines on subsidies or treated as a special and differential treatment measure for developing countries.

Experience in the European Union, which has a much more liberal domestic financial market than is so far envisaged in the GATS, shows that even much more indirect public involvement in financial institutions can be ruled as market distorting. In Germany, local authorities, such as cities and counties, guarantee the deposits in local savings banks. Initially this guarantee was to provide clients with a safer opportunity to deposit their savings, allowing many working class households to access these services for the first time. Although none of these savings banks ever defaulted<sup>55</sup> and therefore no actual transfer of resources from state authorities to the savings banks took place, the EC ruled that the public guarantees amounted to an unfair advantage, since they allowed the savings banks to get a higher credit rating than, for example, the German government. A higher credit rating results in lower borrowing rates on capital markets. Developing countries may want to establish some form of guarantees for local and rural financial institutions. Strict GATS disciplines on government support for financial institutions may make this impossible.

The EC has made initial requests to liberalize financial services to a total of 75 developing countries. These requests include 24 LDCs: Angola, Bangladesh, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Democratic Republic of Congo, Republic of Congo, Djibouti, Gabon, Guinea, Guinea-Bissau, Madagascar, Mali, Mauritania, Niger, Rwanda, Senegal, Tanzania, Togo, Uganda and Zambia.

The requests to LDCs seem to have been made in a “copy and paste” mode because all LDC requests<sup>56</sup> for banking and other financial services ask to:

- ▶ Commit acceptance of deposits, lending of all types, financial leasing, all payment and money transmission services, and guarantees and commitments in Mode 3.
- ▶ Commit provision and transfer of financial information and advisory and other auxiliary financial services in Mode 1.

To “commit acceptance” of deposits and lending of all types doesn’t necessarily mean that no conditions can be applied to these commitments. However, as becomes clear from looking at the requests to other developed countries, any restriction, regulation or conditionality scheduled, is highly likely to be targeted in the next round of negotiations. In the current negotiations, the EC has basically done this with all non-LDC developing countries, including for measures that are relevant for agriculture through :

- ▶ A request to Korea to remove mandatory lending to small- and medium-sized Enterprises.
- ▶ A request to Mexico to permit foreign investment in credit unions, savings and loans companies and development banks, a request to the Philippines to “clarify” why specific requirements on lending to small and medium enterprises and agro-business have not been scheduled in its commitments.

The requests of the EU to liberate financial services in developing countries and LDCs poses risks for poor farmers. As the example of Malawi described above has shown, the consequent loss of access to credit can be disastrous for food security and rural employment.

## **Infrastructural services**

### **Environmental services**

Friends of the Earth International calls this GATS sector a “misnomer” since it mainly concerns water supplies and waste disposal, not the fight against pollution.<sup>57</sup> Although water distribution is not contained in the

original GATS classification of environmental services, the EU has requested the liberalization of water distribution for human consumption under this category. So far, there have been no attempts to include the distribution of water for irrigation in agriculture into the environmental services category. In fact, irrigation is not explicitly covered by any of the services categories used for GATS negotiations. It is therefore unlikely that requests for the liberalization of irrigation water are or will be made during the current round of negotiations.

Farmers, farm workers and the rural population in general will be affected, if the supply of potable water is liberalized under GATS. There is a long history of privatizing water supplies in developing countries and it is not a happy one. Water charges to the public have increased, water quality has often worsened and it has become harder for poorer people to have access to clean water. In countries as diverse as Bolivia, Ghana, Panama, Tanzania and Trinidad, privatization was either reversed because it failed in its own terms, public protest made sure water distribution was brought back into the public sector, or civil society prevented privatization altogether. If these sectors had been “committed” under GATS, most such reverses would have been impossible because of the “compensation” that has to be granted and accepted by other WTO members if GATS commitments are revoked.

In GATS negotiations, the EU’s initial requests targeted environmental services—including water—in 63 developing countries, including seven LDCs and 14 low-income countries. The EU describes its main category for water as referring only to urban main supplies “for human use.” The focus on urban supplies implies another type of “cherry-picking”: Areas with higher population density and higher income are potentially more profitable since they can be supplied with less investment in infrastructure, for example pipes to individual households, than the infrastructure required for more sparsely populated rural areas. If water multinationals take away the wealthier urban clients of publicly owned water services, those services will be unable to use profits from the wealthier clients to invest in rural water distribu-

tion, where public water services are unlikely to recover their costs in the short or even medium term. Regulations that require private companies to supply water in both urban and rural areas might come under attack in subsequent GATS negotiations, as are requirements to lend to the rural sector and small and medium sized enterprises.

If the EU is successful in including the distribution of water for human consumption under the category of environmental services, it may use this as a “foot in the door” to also include irrigation water at a later stage. By far the largest part of freshwater use is for irrigation: 70 percent on a global average and well beyond 80 percent in many developing countries.<sup>58</sup> The supply of irrigation water is likely to become more attractive commercially, if the trends towards larger and more market oriented farms in developing countries continues. As shown above, liberalization in other services sectors, most notably distribution, is likely to accelerate this process.

### Energy

As with freshwater distribution, the official list of service sectors used in the GATS negotiations does not include energy as such. The only reference to it is to “Services incidental to energy distribution” under the heading of “Business Services.” Only six countries have committed themselves to GATS rules in that area. Yet both the EU and the U.S.—and several other countries—have made detailed proposals to extend GATS into many areas of energy production and distribution and made numerous requests in this field to others. The EC has made initial requests to 38 developing countries, including two LDC (Angola and Cameroon) countries.

The European Commission states that, “As far as the more vulnerable countries are concerned, the revised requests have only been addressed to a limited number of countries with important energy resources.”<sup>59</sup>

A particularly large and detailed request on energy services is made to India. Much of the EC request refers to the electricity sector—despite the possible implications in higher charges for electricity to run irrigation pumps,

and despite the hard lessons learned from the failed U.S. company Enron's investment in a large, debt-financed power plant in Maharashtra state in the 1990s—which, among other things, provoked widespread local protests.<sup>60</sup> That experience alone should be a warning signal against entering into GATS commitments since they make most liberalization efforts effectively irreversible. Overall, liberalization of the energy sector entails similar risks for the rural population as does the liberalization of freshwater distribution. Private companies are likely to focus on more profitable urban clients and neglect poorer rural clients which are more difficult to supply. In fact, one of the more successful examples of rural electrification has occurred in South Africa where a publicly owned company extended its services into rural areas.<sup>61</sup>

### Conclusions

The analysis shows the tremendous potential impact of services liberalization on agriculture in general and on small farmers in developing countries in particular. Against this background, it becomes obvious that safeguards to protect and support small farmers are insufficient if they are based in the Agreement on Agriculture alone. Even if special products and a special safeguard mechanism could be introduced on a meaningful scale

(a question that is completely open at the current stage of negotiations) and unfair competition from low priced imports controlled, small farmers can still face serious problems in accessing their domestic markets. The combination of supermarket power, the cost of infrastructure investment to comply with standards and the unavailability of affordable rural credits may leave small-scale farmers with just two choices: limit themselves to subsistence production or give up agriculture altogether.

In many developing countries, the loss of small-scale farmers access to domestic markets has already started to take place, especially with the liberalization of the retailing sector. A commitment to full liberalization of this sector under the GATS agreement would make it incredibly difficult to limit and control the dominant position of retailers and introduce regulations in favor of small farmers and businesses. Therefore it is essential to take a comprehensive look at the impacts of all aspects of the WTO-negotiations on farmers and farm workers, especially the poorest amongst them and to ensure that no commitments are made in sectors linked to agriculture that would seriously limit the policy space necessary to protect and support family farmers in a rapidly changing economic environment.

## References

26. For a discussion of the potential effects of GATS on agricultural extension services, see: IATP, 2003: The WTO services agreement: Possible Impacts on agriculture.
27. The EU's initial GATS requests of 2002 can be found at [www.gatswatch.org/requests-offers.html#outgoing](http://www.gatswatch.org/requests-offers.html#outgoing).
28. World Development Movement, Media Briefing: A preliminary analysis of the EU's leaked GATS requests to 109 WTO member states (London, 2003).
29. Vorley, Bill, 2002: Food Inc.; UK food group, IIED; London, p. 28
30. Arkell Julian and Johnson, Michael, 2005: Final Report for the Distribution Services Study; Sustainability Impact Assessment of Proposed WTO negotiations, p. 27
31. That is, being the sole or dominant buyer of the products in a given market
32. Kjell, Petra: The Retail Giants Global Expansion and Local Concerns; Corporate Breakdown Edition 5—February 2003
33. Vorley, 2002: p. 69f
34. Arkell and Johnston, 2005: p. 26
35. Vorley, 2002: p. 69
36. "Financial Times, 2005: Tesco faces an international expansion challenge," London, June 3.
37. Vorley, 2002, p.29
38. Arkell and Johnson, 2005, p. 34
39. "Communication from Thailand: Assessment of Trade in Services," WTO document TN/S/W/4, Geneva 2002, p. 12.
40. Mukherjee, Arpita, 2002: Distribution Services, India and the GATS 2000 Negotiations; Indian Council for Research on International Economic Relations, Delhi
41. Stens, Rejane and Lima, Maria 2005: Country Study Brazil; Sustainability Impact Assessment of WTO Negotiations Liberalisation of Distribution Services, Annex D, p.42
42. Vorley, 2002, p.31
43. *Ibid.*, p. 58
44. *Ibid.*, p. 30
45. Arkell and Johnson, 2005: p.35
46. Not including new EU members which made individual commitments before joining the EU.
47. See EU initial requests, above.
48. FAO and GTZ, 1998: Agricultural Credit revisited: Why?, p. 2f
49. Jessica Woodroffe, *GATS: A Disservice to the Poor, World Development Movement* (London, 2002), p. 48.
50. Mosley, 1999: The impact of financial liberalisation on access to rural credit in four African Countries, p.13
51. Zeller and Sharma, 1998: Rural Finance and Poverty Alleviation; International Food Policy Research Institute, p. 15
52. FAO and GTZ, 1998: Agricultural Credit revisited: Why?, p. 50
53. See [www.esf.be](http://www.esf.be) for details.
54. SOMO, chapter 6.
55. Those in financial difficulties are supported by a safety mechanism established and financed by the savings banks themselves.
56. With the exception of Senegal, of which the EC doesn't only request a kind of commitment but full market access and national treatment in Mode 3.
57. David Waskow and Vicente Paolo B. Yu III, "A Disservice to the Earth: the environmental impact of the WTO General Agreement on Trade in Services (GATS)" (Friends of the Earth United States, undated), p. 15.
58. UN: Water Development Report 2003, quoted in: IUF: The GATS threat to food and agriculture.
59. "Summary of the EC's Revised Requests to Third Countries in the Services Negotiations under the DDA," European Commission (Brussels, 2005), p. 8.
60. For further information see Sylvie Choukroun, "Enron in Maharashtra: power sector development and national identity in modern India" (MA thesis at the University of Pennsylvania, 2002, available in July 2005 at [www.lauder.wharton.upenn.edu/pdf/SylvieChoukroun\\_Thesis.pdf](http://www.lauder.wharton.upenn.edu/pdf/SylvieChoukroun_Thesis.pdf)) and Amnesty International, "The 'Enron project' in Maharashtra—protests suppressed in the name of development" (1997; available in July 2005 at [web.amnesty.org/library/Index/engASA200311997](http://web.amnesty.org/library/Index/engASA200311997)).
61. Public Services International Research Unit, 2002: Resistance and Alternatives to Energy Privatisation