

WTO on Agriculture: Over a decade of false hopes

The People's Coalition on Food Sovereignty's (PCFS) Critique of the World Trade Organization's (WTO) Agreement on Agriculture and the 'Bali Package'

Around 37.5% of the world's land area is agricultural land while around 48% of the total world population lives in rural areas, mostly concentrated in Latin America, the Caribbean, Sub-Saharan Africa and in Asia and the Pacific. Poverty rates in rural areas are on average more than double the rates in urban areas. On the global scale, two billion people live on less than two dollars a day, and 883 million on less than one dollar a day — most of them depend on agriculture for their livelihoods.

People producing food for the world are, ironically, also the world's most impoverished and hungry. According to the Food and Agriculture Organization (FAO), there are approximately 925 million hungry people in the world. Most of them are in Asia and the Pacific (578 million), while others are in Sub-Saharan Africa (239 million), in Latin America and the Caribbean (53 million) and in Northeast and North Africa (37 million). Meanwhile, in developed countries this figure is at 19 million.

The already high number of undernourished people is also increasing. In developing countries, it is estimated that even if agricultural production doubles by 2050, one person in 20 is still at risk of being undernourished — equivalent to 370 million suffering from hunger, most of whom will again be in Africa and Asia. Exacerbating hunger and malnutrition are cases of food price volatility, as a result of financial speculations as well as unfair trading systems that negatively affect small food producers and subsistence farmers in poverty-stricken areas.

The WTO Agreement on Agriculture (AoA)

One of the primary objectives of the WTO is “to establish a fair and market-oriented agricultural trading system and that a reform process should be initiated through the negotiation of commitments on support and protection and through the establishment of strengthened and more operationally effective GATT rules and disciplines.”ⁱ

WTO commitments in the sector cover:

- market access (disciplines on import restraint or limitations);
- domestic support (government support to domestic producers);
- export subsidy (government support for export)

The Agreement on Agriculture (AoA) is an international treaty of the WTO. It was negotiated during the Uruguay Round of the GATT and entered into force with the establishment of the WTO in 1995. The idea is to reform the global agricultural



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system, shifting from agricultural price support to producer support. AoA basically has three basic pillars: (1) removal of tariff and non-tariff barriers; (2) reduction of domestic subsidy and (3) reduction of export subsidyⁱⁱ.

The AoA also states that “having agreed in implementing commitments on market access, developed country Members would also take fully into account the particular needs and conditions of developing country Members by providing for a greater improvement of opportunities and terms of access for agricultural products of particular interest to these Members, including the fullest liberalization of trade in tropical agricultural products as agreed at the Mid-Term Review, and for products of particular importance to the diversification of production from the growing of illicit narcotic crops.”ⁱⁱⁱ AoA also covers amount of tariff reductions for developed and developing countries – for developed countries, average tariff reductions of 36% (minimum 15%) over 6 years and for developing countries, average of 24% (minimum 10%) over 10 years.

The negative impacts of liberalization in agriculture are evident in developing countries that could not keep up with the competition between rich countries. For example, the policy on export subsidy is still a problem for most developing countries since foreign investors mostly control their agricultural lands. This means that in developing countries where there are none or less local industries, an export subsidy reduces the price paid by foreign importers – implying that domestic consumers would have to pay more than foreign consumers.

Other than these set of commitments, unfair trade practices such as the Agreement on Application of Sanitary and Phytosanitary Standards (SPS), and Agreement on Technical Barriers to Trade (TBT) under the WTO framework have great impacts on developing countries especially in their agricultural sector. These agreements tend to distort trade - removing trade barriers (tariff and non-tariff) as well as reducing and eventually dismantling domestic support systems of export subsidies that distort international trade between nations, which is most conspicuous in the agriculture sector of developing nations.

TRIPS

Aside from the AoA, the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) has made it mandatory for all member countries to accord protective intellectual property rights, which are internationally acceptable to the inventors of new seeds and plant varieties. For centuries, farmers had been saving, exchanging, using and selling farm-saved seeds. Multinational seed companies have now started claiming patent rights over the seed produced through their research by introducing new gene sequences. Developing countries, on the other hand, fear that this will threaten their centuries' old farm practices and make their agriculture dependent on these companies.^{iv}

Instead of development, WTO policies on agriculture have pushed small food producers backward and thwarted prospects in achieving food sovereignty. As TNCs freely exploit developing countries as sources of cheap raw materials and labor, more and more people are getting hungry, peasants becoming landless and environments being destroyed.

Impact on Agriculture

The importance of agriculture in economic and social life of developing countries is much more important than that in the developed countries wherein agriculture contributes 3% to GDP and employs only 4% of the population in developed countries. The corresponding figures for developing countries are 26% and 70% respectively.^v

Trade and agricultural liberalization set an uneven playing field between developed and developing countries. Countries with backward agriculture were the ones affected and burdened with the implementation and the negative effects of trade in agricultural commodities with rich countries and world monopolies in global trade in agricultural inputs and products.^{vi} This trading system is inherently unfair for developing countries as transnational corporations are engaged in two-thirds of the world trade and one third of it is being conducted in the form of intra-TNC transactions.^{vii}

One concrete example of unfair trade is the case of cotton. Fair-trade Foundation revealed in 2010 how the \$47 billion in subsidies paid to rich-country producers in the past several years has created barriers for the 15 million cotton farmers across west Africa trying to trade their way out of poverty, and how five million of the world's poorest farming families have been forced out of business and into deeper poverty because of such subsidies.

In the case of India, the government is prevented from providing subsidies to industries that are necessary for the expansion of its share of world export markets because of the export commitment requirements implemented. The reduction in custom duties and non-tariff barriers as well as guaranteed minimum market share for imports will force Indian farmers to compete against large Transnational Corporations which have excessive financial power resulting from their oligopolistic control over world food markets. Indian farmers cannot compete on equal terms against the enormous financial and technological clout of the transnational giants, particularly when custom duties and other import barriers are reduced, and these companies are guaranteed a share of Indian market. Compliance with market access requirements will devastate domestic food production and India will become dependent on foreign food grains. As a result, the country will be compelled to import at least 3% of the domestic demand for agricultural products. The government will be forced to reduce subsidies to farmers.^{viii}

History shows us that ascension to WTO worsens the state of key sectors of developing economies, particularly their agricultural industries. Conditional ties have made national governments dependent on TNCs and developed countries' demands on tariffs. Liberalization of agriculture has led to massive food insecurity and has posed a major obstacle to even laying the ground for the achievement of food sovereignty.

Current Discussions on Agriculture in the WTO and the Bali Package

Twenty years ago, the WTO has promised to reform the agriculture sector through the Agreement on Agriculture. The AoA was agreed upon supposedly to close agricultural loopholes in WTO agreements by binding and cutting tariffs, removing import bans or restrictions, and cutting subsidies that distort trade, both in domestic markets and on exports. Since then, monitoring became an area of work of the WTO.^{ix}

Further developments in the reform started in 2001 in the creation of the Doha Development Agenda – which is the latest round of trade negotiations among the WTO membership. The Doha Development Agenda aims to achieve major reform of the international trading system through the introduction of lower trade barriers, revised trade rules and improve the trading prospects of developing countries. This new round of negotiations was officially launched at the WTO's Fourth Ministerial Meeting in Doha, Qatar, in November 2001. The Fourth Ministerial Declaration provided the mandate for the negotiations on agriculture under Article 20 of the Agreement on Agriculture – which states the continuation of the agriculture reform process agreed upon in the AoA.^x

WTO claims that the reform strikes a balance between agricultural trade liberalization and government's desire to pursue legitimate agricultural policy goals including non-trade concerns, i.e. food security, environment, structural adjustments, rural development, poverty alleviation and so on.^{xi}

With all the current discussions on agriculture, WTO posits that such policies are made to improve people's lives in the agriculture sector but the reality that is the result of these trade concessions shows otherwise. Such reforms do not reflect development, and instead, has worsened poverty and heavily distorted agricultural trade.

The 9th WTO Ministerial Meeting that will be held on 3-6 December 2013 in Bali, Indonesia under the leadership of Roberto Azevêdo of Brazil as the new director general of the organization, is expected to renew and rejuvenate policies that would further liberalize the trade system. It is expected that the Doha Round of negotiations (whose objective is to lower trade barriers around the world to increase global trade) will be renewed in the discussion through the "Bali Package". This Bali Package was the result of the January 2013 meeting of trade ministers from the most powerful countries, including the United States (US), European Union

(EU), Canada, Australia, Brazil, and India during the World Economic Forum in Davos, Switzerland. The ministerial discussed the progress of the WTO negotiations and thus came up with the Bali Package. The Bali Package is a set of smaller Doha Round deliverables which is expected to be finalized, signed and sealed at the Ministerial Meeting in Bali. The deal consists of three key issues: trade facilitation, some issues of the Least Developed Countries (LDCs), and agriculture^{xii}.

Agriculture is one of the main issues that have emerged as the basis for the 9th Ministerial along with trade facilitation. The G33 is proposing to give developing countries more freedom to spend public money on grain reserves, and two other proposals are on tariff rate quotas and export subsidies. According to the WTO, the proposal seeks to supposedly address the need to safeguard food security, rural livelihoods and rural employment by intensifying food production by the developing countries. WTO justifies this intensification in food production by pointing a finger to the high and volatile world food prices along with uncertainty in supplies in the international market due to production variation as a result of climate change and financial speculation.

The other two main items in the WTO 9th Ministerial agenda are trade facilitation and the issues of LDCs (least developed countries). The 9th Ministerial aims to address some issues of the LDCs that were raised in the 2011 Ministerial, namely, Duty-Free Quota-Free (DFQF) market access for LDC exports, which means LDCs can export their products to developed countries without importing corporations having to pay taxes; rules of origin that would allow LDCs to increase their exports, focusing on the criteria used to determine the national source of a product; major reduction in subsidies of the US to its cotton industry; and LDC services and TRIPS waiver.^{xiii}

However, the third and primary aspect of the Bali proposal is the consolidation of a new agreement on Trade Facilitation, which would undermine whatever perceived benefits may be gained from the first two agenda items, to such an extent as to render the deal a 'net negative' for development. Trade facilitation here refers to a broad range of reforms (in policies, operating procedures, physical infrastructure) to reduce the complexity and costs of procedures involved in international trade: from placing orders to moving goods and services from the seller (exporter) to the buyer (importer), and to making the payments.^{xiv}

As the 9th Ministerial Meeting of the WTO this year aims to "rejuvenate and renew the constructive spirit of the Doha Development Agenda negotiations" – CSOs must be prepared to expose and oppose the neo-liberal agenda behind such 'development' promises of the multilateral trading giant.

Food Sovereignty as a Framework

Since the establishment of WTO in 1995, social movements and civil society organizations have already been at the forefront of exposing and opposing the neo-liberal instrument that is WTO. In this year's MC9 in Bali, Indonesia, hundreds of CSOs and social movements will again flock parallel activities to highlight and expose almost half a century of broken promises, false hopes and distorted trade practices.

The People's Coalition on Food Sovereignty (PCFS) is a network of various grassroots groups of small food producers particularly of peasant-farmer organizations and their support NGOs that works towards a People's Convention on Food Sovereignty. Using food sovereignty as the framework to expose and oppose such anti-people policies, Food Sovereignty is defined in the following words:

Food Sovereignty is the power of people and their communities to assert and realize the right to food and to produce food, and fight the power of corporations and other forces that destroy the people's food production systems and deny them food and life. Nations and states must exercise food sovereignty to protect, promote and develop the people's food sovereignty from which it draws power (AP-PCFS, Preamble, 117).^{xv}

Trade and agricultural liberalization have undermined the people's capacity to produce their own food. People lose their homes and their livelihoods; they become cheap laborers inlandlord-owned farmlands; contracted to plant pineapples or cotton or any crop for export and never for their own needs. They lose their right to food sovereignty – the right to safe, nutritious, adequate and culturally appropriate food. Instead of producing for their own, they produce for export – paid with the cheapest amount possible—just enough to buy food for a day and to go back again to work the next day. Liberalization has led to land and water grabbing, worsening exploitation of peasants and other small food producers as lands are taken away leaving peasants displaced.

By membership in the WTO, governments are pledged to unilaterally implement neo-liberal policies at the local level in the form of promoting foreign ownership of land and the promulgation of non-tariff agreements among others.

WTO has promised to reform the world trade system to bring development; however, it worsens the people's lives instead. WTO's liberalization has also brought strong political conflicts between the North and the South as well as spawned social unrest as a result of the negative impact of trade liberalization on various economic and social sectors.^{xvi} The AoA has worsened the state of agriculture sector of many developing countries that has also resulted in the increase of people suffering from hunger and extreme poverty. In effect, agricultural cradles have failed to feed the world because of the wrong policies driving it to the wrong path of development.

As social movements and people's organizations, it is imperative to pose an alternative pathway to development. Upholding food sovereignty entails the promotion of the people's right to own the land they cultivate, and the freedom to choose the food they need to grow—appropriate and suitable to their culture and varying ways of living.

The path to sustainable development is food sovereignty.

JUNK WTO! SCRAP AOA! FOOD SOVEREIGNTY NOW!

In the upcoming 9th WTO Ministerial Meeting in Bali, Indonesia, PCFS will join organizations of peasants, fisherfolk, women, indigenous peoples and other small food producers to expose and oppose the almost half a century anti-people policies of GATT and WTO. There is no alternative to WTO Agreement on Agriculture but the people's ownership of production.

Together with peasant organizations all over Asia, PCFS will call to junk WTO, scrap the Agreement on Agriculture and uphold food sovereignty. WTO has no right to continue its anti-people policies and TNCs do not have the right to own the people's lands. The poor and the marginalized who have been silently shaping history will now take a stand to shape their own future.

**JUNK WTO! SCRAP AOA!
FOOD SOVEREIGNTY NOW!**

For inquiries, please contact:

Ms. April Porteria
PCFS-Asia Regional Coordinator
secretariat-pcfs-asia@foodsover.org

ⁱ Uruguay Round Agreement Articles 1-7

ⁱⁱ IBON: The Impact of the WTO Agreement on Agriculture 2000 (page 9)

ⁱⁱⁱ Uruguay Round Agreement Articles 1-7

^{iv} APRN Briefer on WTO AoA 2013

^v APRN Briefer on WTO AoA 2013

^{vi} IBON: The Impact of the WTO Agreement on Agriculture 2000 (page 27)

^{vii} APRN: Trade Liberalization 2006 (page x)

^{viii} APRN Briefer on WTO AoA 2013

^{ix} WTO Data (http://www.wto.org/english/tratop_e/agric_e/ag_issues_e.htm)

^x WTO Data (http://www.wto.org/english/tratop_e/dda_e/dda_e.htm)

^{xi} WTO Data (http://www.wto.org/english/tratop_e/agric_e/negs_bkgrnd05_intro_e.htm#presentreform)

^{xii} (Unpublished) IBON International Primer on the Bali Package, November 2013

^{xiii} IBON Primer on the WTO 'Bali Package' 2013 (page 17-18)

^{xiv} IBON Primer on the WTO 'Bali Package' 2013 (page 8 & 23)

^{xv} IBON Primer on Food Sovereignty and the Food Crisis 2012 (page 65)

^{xvi} APRN: Trade Liberalization (page vii)