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WTO FOOD AND AGRICULTURE RULES: BRIEFING ON CRITICAL ISSUES

The World Trade Organization (WTO) Agreement on Agriculture (AOA) was signed in Marrakesh in 1994 (therefore, the AOA is sometimes referred to as the Marrakesh accord). The AOA is probably the most contentious agreement within the WTO. The WTO Ministerial in Seattle in 1999 all but collapsed largely due to disputes on food and agriculture issues. The main disagreement was between the U.S. and the European Union on the issue of domestic supports. Already this year, agriculture negotiations at the WTO have ceased to come to any consensus. As the U.S. and European Union continue their historical dispute, along with the additional conflict over the EU's moratorium on genetically modified crops and foods, developing nations are also expressing great discontent with the WTO's food and agriculture policies.

AOA BASICS

Like all WTO agreements, the AOA is based on the firm ideological conviction that more trade will produce benefits for all. Therefore, the AOA is aimed at eliminating a nation's "barriers" to imports and providing the ability and access for a nation or corporation wanting to export.

The AOA consists of three major areas:
1) Market Access
2) Domestic Support
3) Export Competition

The AOA also includes sections on phytosanitary, or food handling and health, issues.

Market Access:

Mandatory Minimum Market Access: Under the WTO, countries are now required to accept a minimum amount of imports of certain foods. For example, under AOA rules, the Philippines is required to import 59,000 metric tons of rice (since the late 1990s, rice imports have leaped tenfold). The result has been the displacement of thousands of farmers and their families in a country that has been self-sufficient in rice production for centuries.

Reduce or Eliminate Border Control Mechanisms on Imports (in WTO terms—Elimination of Quantitative Restrictions and Other Non-Tariff Barriers): The AOA requires that import control mechanisms such as quantitative restrictions or quotas must be eliminated. Historically, these restrictions or quotas allowed a nation to control what amount of certain food commodities would be allowed across its border. This was a way of ensuring that domestic farmers were protected from imports of food already produced in the country, and ensured that a local food supply was maintained rather than building a reliance on a cash-based food supply thousands of miles away.

Domestic Support:

The AOA calls for countries to significantly reduce subsidies to its farm producers; however, many domestic support systems, such as direct payments/subsidies to farmers, are still allowed under the agreement. In fact, since the WTO was established, developed nations have increased their farm subsidies (according to data from the Organization for Economic Cooperation and Development (OECD)). These direct payments and subsidies in the North mean that industrial countries are dumping food exports into developing countries at alarming rates *(see WTO Key Issue #1 below)*.

Export Competition:
These can be thought of as indirect subsidies—marketing costs to promote exports; research and development; subsidization of water, energy, and land; and other such payments. WTO trade liberalization proponents speak about the need to "level the playing field;" however, the AOA rules in export competition give a distinct advantage to large exporters. Many of the indirect subsidies that developed nations employ are still legal under the WTO. For example, the 1996 U.S. Farm Bill mandated $5.5 billion for export promotion (which went to large agribusinesses not to U.S. farmers). Developing countries have no funds to compete with this, and even if they were able to provide such subsidies in the future, the AOA does not allow new introduction of export supports in countries that currently have none.

AOA KEY ISSUE #1: CONTROL EXPORT DUMPING

Developing countries cannot afford to pay direct subsidies to their farmers and therefore argue that they are at a tremendous disadvantage in the open market place due to the export dumping of commodities from industrial nations into developing nations.

Export dumping is the practice of selling products at prices below the cost of production. The U.S. is one of the prime offenders in export dumping of food. Levels of U.S. dumping are approximately 40 percent for wheat, 25 to 30 percent for corn, and nearly 30 percent for soybeans.

As a result millions of farmers and families in developing countries are the losers as artificially cheap food coming from industrial countries flood into their countries. The cycle is repeated in country after country—artificially cheap food is dumped into a country putting domestic farmers and farm communities out of business. People then are forced to leave their land and migrate to already overcrowded cities to hope to find a low wage factory job; rural communities and cultures are decimated; and massive hunger increases as people who used to grow and consume local food must now have cash to pay for food from distant lands.

Proposed Solutions and Rule Changes:

1) Allow Border Controls—e.g., Quantitative Restrictions: If the WTO continues to allow subsidies and domestic supports for developed countries, it must allow developing nations to regulate whether or how much foreign food can be imported. Implementing border protections is the only tool that developing countries have to protect their food sovereignty.

2) Remove Minimum Access Requirements: No country should be forced to open its borders to food commodities, especially to foods that a nation already provides for itself. Each nation should have the right to give prior consent to incoming food commodities. Minimum access serves only the interests of the exporter, specifically agribusiness, as it forces open new markets further expanding the control of corporations.

3) Allow For Domestic Supports But Eliminate Indirect (export competition) and Direct (domestic support) Subsidies for Export Commodities: Current rules in the WTO remove the right to self-determination and denegrate democracy. Most nations' domestic agriculture and food policies (e.g., the U.S. Farm Bill, the European Union's Common Agricultural Policy) are driven by recent trade agreements, which favor huge corporations at the expense of farmers and global food security. A nation should maintain its sovereign right to determine its own domestic policy in food and agriculture. Domestic supports/payments should be allowed and should not be regulated by an international body. However, no country should be able to claim its right to violate food security of other nations by systematically destabalizing world markets through exports that are highly subsidized. Therefore, exported food should not be allowed to be subsidized by direct or indirect supports.

There are several proposals as to how to ensure that export pricing is not distorted or manipulated—export taxing is one solution that is gaining currency.

AOA Key Issue #2: Equal Market Access

As farmers in developing countries are converting to growing crops for export under the WTO's promise that the industrial nations would open up their markets and under encouragement of loans and financial incentives from institutions such as the International Monetary Fund and the World Bank, they are not receiving the price of production for these export crops and have no choice but to sell or leave their lands.

One reason that export farmers in developing countries are especially hurting is because northern countries have not opened up their markets to food imports as promised when the AOA was signed. For example, the Bush administration recently announced that it will protect U.S. orange growers from imports from, mainly, Brazil. Some WTO-member countries note that the U.S. continues to use border controls to protect some of its food markets, while pushing for more "equal" market access in the AOA.

Another reason that small export farmers are losing is because WTO rules give large corporations free reign of access and investment into any member country, which aids and abets the scope and control of giant multinational corporations. Farmers are compelled to sell to an increasingly centralized monopoly of food corporations that play both the domestic and world markets using one group of farmers against another in international pricing games.

Mid- and small-sized farms in the U.S. are also hurt by these unregulated monopolies, or oligopolies. Over half of U.S. farmers are not eligible for any government programs (mainly fruit and vegetable growers) and many that are receiving government payments are still pawns in the shrinking buyers market and the vertical consolidation of large corporations—typically, an agribusiness firm owns the seeds and chemicals it sells to the farmer; the processing plants where the farmer delivers his food; agriculture transport lines and vehicles; and now even the supermarkets.

Proposed Solutions and Policy Changes:

1) Create a Moratorium on Further Market Access: There is a growing debate among developing nations in the WTO about how to approach the issue of market access. All developing nations agree that until the AOA rules seriously address and eliminate export dumping, unlimited market access would provide developing nations little if any benefit, and would in fact further harm these countries. Therefore, there is a call for a moratorium on further market access until the export dumping issue is realistically addressed.

2) Remove Agriculture Issues from the WTO: Many nations question the wisdom of pushing for further market access maintaining that an export model is destructive to basic self-sufficient, traditional farming and that the WTO food ideology is missing a fundamental point—for millennia, most nations have produced enough food to feed their own populations without cash. A stable food system, or food security, requires that local natural resources are preserved and that traditional knowledge of how to grow food is maintained.

While exports may produce foreign currency earnings for a nation, this doesn't guarantee that food will be available and affordable for people. Indeed many countries report increasing poverty and hunger at exactly the same time as they experience vigorous growth in agricultural exports. In Thailand, for example, agricultural exports were up by 65 percent between 1985 and 1995, but the percent of population below the poverty line increased during that period to 43 percent (for further examples, see enclosed Agriculture and Food Trade Fact Sheet).

3) Special and Differential Treatment for Developing Countries: Some developing countries have requested the use of temporary safeguard measures, such as implementing quantitative restrictions, when there are import surges or price drops that could devastate food supplies or domestic farm communities. Nations in the South are typically hurt more than industrial nations by the tremendous and increasing instability of world market prices since the implementation of WTO rules because they do not have the capital or market infrastructure to "ride out" the hard times.