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WTO Agreement on Agriculture: Threat to Food Security and Sustainability

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THE CANCUN MINISTERIAL is poised to become a failure for the WTO en par with the 1999 Seattle debacle due to in large part to impenetrable disagreements over agricultural trade rules. The Agreement on Agriculture (AOA) has emerged as the most contentious issue at the WTO because of two basic facts: (1) agriculture is still the primary source of livelihood for roughly half of humanity; and (2) tremendous wealth and political control are derived from agricultural production and trade. Thus, the AOA pits many of the poorest people in the world against many of the wealthiest and most powerful.

World-wide opposition from peoples' movements, civil society organizations and developing country governments stems from the AOA's imposition of an unequal system of global competition on the domestic farm sector, undermining the viability of small farmers around the world who are unable to compete with cheaper subsidized imports. As a result, it is driving millions of small farmers off the land and increasing the concentration of control over agriculture in the hands of a shrinking number of global corporations.

The AOA is fundamentally incompatible with the sustained existence of rural farm communities. It requires that countries stop subsidizing their rural communities, and open their economies to industrialized, corporate farming practices. Simultaneously, it allows for the mass subsidization of multinational corporate farms, mainly in the U.S. and European Union, through billions of dollars in "hidden" subsidies such as those for exports.

The European Union and the U.S. are committed to the preservation of their subsidies and their protections for domestic farmers, while the developing countries are committed to seeing these powerful nations adhere to the commitments they have already made at the WTO. At this point, the end result is most likely to be a stalemate.

We agree with peoples' movements and governments the world over that the answer to this impasse is to remove agriculture from the WTO altogether. We question the wisdom of pushing for further market access given that the export model has proven its destructiveness to basic self-sufficient, traditional farming and has increased poverty, hunger and economic inequality world-wide. The WTO's 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.

The Agreement on Agriculture has Three Main Components

1. Market Access
2. Domestic Support
3. Export Competition

Market Access

Mandatory Minimum Market Access: the AOA requires nations 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.

Elimination of Quantitative Restrictions and Other Non-Tariff Barriers: The AOA requires that border control mechanisms on imports and quantitative restrictions be significantly reduced or eliminated. Such restrictions or quotas are designed to protect domestic farmers from foreign competition in order to ensure both the livelihood of rural communities and the sustainability of the local food supply by reducing dependence on less reliable cash-based food supplies coming from thousands of miles away.

Domestic Support

The clauses on "Domestic Support" demand that developed and developing countries significantly reduce subsidies to producers. There is a false assumption that this will make small farmers and the Third World more competitive and lead to prices that reflect the true cost of production. However, the articles on Domestic Support target only a small fraction of agricultural subsidies. What are ignored are the subsidies enjoyed by global agribusiness and trading interests, such as subsidies for investment, fertilizer, marketing, and infrastructure.

Also exempted are direct payments to support the incomes of farmers. This allowed the U.S. government, for instance, to announce in June 2000, a $7.1 billion increase in direct payments to U.S. farmers. In contrast, the incomes of Third World farmers are derived from production and trade, not from direct support from governments. Third World farmers, therefore, are at a real disadvantage as they are vulnerable to changes in global trade patterns and international prices of agricultural commodities.

Today the United States and the European Union subsidize their agriculture to the combined tune of almost $1 billion a day. The 2002 U.S. Farm Bill continues this trend, with $180 billion in new subsidies for the next ten years for the largest U.S. agricultural corporations. This support goes mainly to large-scale export-oriented agriculture at the expense of family farm based food produced for the domestic market.

Export Competition

This is the "official justification" for the AOA, namely the removal of export subsidies that have facilitated the sale of large European Union and U.S. surpluses on the world market. While the liberalization of exports was justified by the argument that northern agricultural markets would open up to southern nations, India's exports to Europe, for example, have declined from 13 to 6 percent. One reason is that high subsidies and protectionist barriers are still largely maintained in the North. The export subsidies that are allowed to developed countries (to cover the costs of marketing agricultural exports, including handling, processing and international transport and freight) do not apply to Third World farmers because these small farmers do not export—big companies do.

Thus, WTO supporters speak of the need to "level the playing field;" however, the AOA rules in export competition give a distinct advantage to large exports. While developing countries subsidies are outlawed by the WTO, the "indirect" subsidies employed by the developed nations are still allowed. Since the WTO was established, the U.S. has expanded export credit and marketing promotion programs. The 1996 U.S. Farm Bill mandated $5.5 billion for export promotion. An additional $1 billion was granted for promoting sales to "emerging markets."

AOA Key Issue #1: 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 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.

Alternatives

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.

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.

AOA Key Issue #2: 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. Over the past few years, levels of U.S. dumping were 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.

Alternatives

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 denigrate 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 destabilizing 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. ▲