

# World Trade Organisation and Food Security

UK Food Group and Sustain paper

The UK Food Group and Sustain are networks of Non-Governmental Organisations from a broad range of development, farming, consumer and environment groups, based in the UK with strong international links especially with partners in the South.

## The Problem

Public confidence in the World Trade Organisation (WTO) has fallen as legitimate concerns for development, the environment, food security and public health are ignored in the pursuit of increasing free trade. Reform of international trade rules under the Uruguay Round has had significant negative environmental and social impacts. WTO disputes, settled in favour of free trade involving bananas and beef hormones have illustrated that free trade rules are prevailing over public and consumer concerns.

The WTO Agreement on Agriculture (AOA) does not currently include the World Food Summit commitments to halving world hunger by 2015. In promoting an industrial model of agriculture worldwide the AOA has jeopardised food security in developing countries. AoA rules (together with structural adjustment programmes) have pressurised Southern countries to intensify their agriculture, producing a bias against small farmers in favour of larger producers, agri-business and export crop production. Most of the gains from trade liberalisation has gone to the transnational agri-

business corporations (TNCs). The sector has seen an increasing trend of mergers and take-overs concentrating even more power and influence with TNCs. Trade reform has thus been accompanied by growing land alienation, declining food entitlements, a growing number of hungry people, greater intensive farming and erosion of agricultural biodiversity.

## How the WTO rules are stacked against developing countries:

- Some Northern countries advocate free trade while maintaining high protection and subsidies for their own agricultural and food sectors.
- they deny developing countries the use of the very support measures (import controls and producer subsidies) which enabled the EU and US to develop their farming sectors;
- developed countries have exploited the ambiguous nature of commitments in the AoA, such as the changes in tariff levels on sensitive commodities. <sup>1</sup> Some developed countries base tariffs on rice are up to 207 per cent higher than the actual tariff equivalents of all border measures which existed in 1986-88;
- most of the allowable agricultural support measures are beyond the financial or technical resources of many developing countries ( for example, direct payments to farmers that do not directly affect market prices or public stockholding for food security);

- special and differential treatment provisions for developing countries, meant to recognise their particular problems, are currently mostly non-binding and amount to little more than longer transition periods;
- the Marrakech Decision to provide for compensation to net food importing developing countries (NFIDCs) has never been implemented despite a 68 per cent increase in the cost of their cereal imports in 1995;
- the Trade-Related Intellectual Property Rights (TRIPs) agreement does not specifically recognise the rights of local communities to their traditional and indigenous knowledge and this could lead to the unjustified patenting of their agro-biodiversity by foreign corporations.
- Demands for the launch of a new comprehensive WTO round introducing new issues, such as investment and competition policy, in the face of repeated opposition from many developing countries and especially the least developed countries.

**Measures that should be taken at the 4th Ministerial Conference of the WTO** As WTO members prepare to meet in Qatar in November 2001, the UK Food Group and Sustain are calling for a greater recognition of the importance of food security and sustainable agriculture within the

WTO's agreements. Central to the AoA must be the World Food Summit's commitments to tackle world hunger. This and sustainable development should be mentioned in the preamble of the agreement as central objectives. This requires addressing a number of broad areas, including reducing the impact of Northern subsidies on Southern agriculture and world markets, the creation of a 'Development Box', improving market access for small and poor farmers, meaningful special and differential treatment for developing countries and implementation of the Marrakech Decision.

The UK Food Group and Sustain are also calling on governments to address the lack of accountability and transparency in the current WTO system and to act to balance trade liberalisation with the principles of sustainable development and poverty eradication.

#### **Governments should:**

##### **1. Undertake meaningful official review of the Agreement on Agriculture**

Under Article 20 members agreed to take into account the experience of the reduction commitments, the effects of these commitments on world trade in agriculture, non-trade concerns, special and differential treatment for developing countries and the objective of establishing a fair and market-orientated agricultural trading system.

To ensure compliance with Article 20, there should be a comprehensive impact assessment of the AoA, with a view to removing its imbalances and unfair provisions, as well as implementing the specifications in Article 20, to be carried out with support from the WTO secretariat, FAO and UNCTAD.

The review should include:

- impacts on food security at the local level;
- participation of civil society;
- the costs of implementing the agreements by developing countries, many of whom simply cannot afford to put the systems and institutions in place.

As a contribution to the review a high-level meeting under the joint auspices of WTO, FAO, and the UN High Commissioner for Human Rights should be held. Attended by governments, civil society and intergovernmental organisations, this should discuss the impact assessment of the AoA. The meeting should be preceded by a series of national debates involving government and civil society.

## **2. Support the Creation of a Development Box.**

The measures in a Development Box, available only to developing countries, would target low income and resource poor farmers as part of a country's national poverty reduction strategy. The Development Box, like other existing exemptions (such as the Green Box), would be a series of exemptions to the AoA

for developing countries whose agriculture was not meeting basic food security needs. Measures would focus on 'food security crops' which are either staple food in the country concerned, or other crops which are the main source of livelihood for low-income and resource poor farmers. A Development Box would allow developing countries to further their food security by protecting their own agricultural sector and markets, exempt them from the WTO demands of minimum market access and tariffication/reduction of tariffs, and allow them to increase domestic support for agriculture until they have achieved a greater level of food security.

A Development Box would also build in safeguards developing countries can use against cheap imports. Revising the Special Safeguards Clauses (SSC) would allow developing countries to take measures against import surges in a nominated list of staple food security crops which are important for a developing country's food security.

Measures under a Development Box would also allow developing country governments to purchase food security crops for public distribution at stable, not, world prices.

## **3. Improve Market Access**

The link between improved market access to the industrialised world and benefits to the livelihoods of poor producers is complex. The environmental

impacts of increased export production, and the knock-on effects on the poor, are also complicated. It is therefore important to develop market access mechanisms that target the poor, small farmers and producers and to promote sustainable agriculture.

Governments should therefore:

- Remove tariff escalation.
- Explore mechanisms for giving preferential access to products supplied by small, poor farmers and producers in developing countries
- Explore mechanisms for giving preferential access to products grown more sustainably.
- End abuses of anti-dumping measures.
- Seek greater transparency in the allocation of Tariff Rate Quotas with special preference being given to the least developed countries.

#### **4. Eliminate Exports Subsidies,**

##### **Export Guarantee and Insurance Programmes**

The provision of export subsidies and other forms of agricultural export support by some developed countries has resulted in situations where developed country products offered for sale in the markets of some of the poorest countries, have been sold below the cost of production and significantly cheaper than agricultural produce of the host country. The net effect is to undermine domestic agriculture production in developing countries, reduce world prices and increase dependency on a cheap, but subsidised and often unsustainable food system.

#### **5. Reform the Marrakech Decision**

According to the Marrakech Decision in 1994, WTO members recognised that the net food importing

developing countries and least developed countries (LDCs) would need assistance during the liberalisation process for adjustment purposes. The decision promised financial support to ensure adequate food imports could be maintained and to improve agricultural productivity and infrastructure, together with food aid so that the NFIDCs and LDCs were

compensated for the fluctuations in market price and also to build up their self-reliance. However, the Marrakech Decision has never been implemented despite significant fluctuations in international prices, reduction of public stockholding by some 60 per cent and a 47 per cent increase in NFIDC cereal import bills between 1993-94 and 1997-98<sup>2</sup>.

The Marrakech Decision should be revised to incorporate:

- use of market-based mechanisms to automatically trigger assistance at times of high prices or low domestic production;
- assistance subject to regular WTO notifications and remedial action within the WTO framework and subject to the dispute settlement process;
- commitments for the provision of technical and financial assistance to improve agricultural productivity, facilitate agricultural development and avoid long-term dependency in LDCs and NFIDCs;
- establishment of a fund based on contributions from the major agricultural exporters to pay for

the supply of staple food items to NFIDCs at concessional prices at times of high prices.

## **6. Promote Sustainable Agriculture**

The AoA in its current form presupposes an industrial model for agriculture and reinforces that model through the rules it establishes pushing countries away from more sustainable options. The WTO rules should instead promote sustainable forms of agriculture that strengthen public goods (including food security), resilient ecosystems, farmer's rights, vibrant economies and genetic diversity.

## **7. Address anti-dumping and corporate concentration**

Dumping —the sale of goods on world markets at less than the cost of production, is increasingly a problem for developing countries, and the development of agriculture and related industries in those countries. For example, US-based grain companies pay US farmers less than the cost of production for their crops which is then sold on the international market at below the US domestic price, competing unfairly with developing countries' exports.

Dumping by private corporations is unregulated by international agreements. The situation is made worse by the current trend in agricultural trade of commodity companies merging with agricultural input companies (seed and chemical) creating the

existence of a few multi-national companies which buy, store, ship and process the products. The potential for abuse of their market position through monopolies and oligopolies is obvious.

Corporate concentration and dumping in agriculture must be addressed in any discussions on agriculture at the WTO.

## **8. Exclude agricultural resources from patentability within the Trade Related Intellectual Property Rights Agreement (TRIPs).**

Patents and other intellectual property rights protection on genetic resources for food and agriculture decrease farmers' access to seed, reduce efforts in public plant breeding, increase genetic erosion, prevent seed and plant sharing, and put poor farmers out of business.

Governments should:

- support an amendment to the TRIPs agreement (Article 27.3(b)) that would enable WTO members to exclude all genetic resources for food and agriculture from the TRIPs agreement;
- recognise traditional knowledge, bio-innovations and practices of indigenous people and farming communities;
- ensure that the Convention on Biological Diversity takes precedence over the WTO TRIPs agreement in provisions relating to the requirement for prior informed consent of peoples

and communities be sought before use of their knowledge or plants and that benefits from any commercial exploitation is equitably shared with these communities (Article 15).

### **9. Focus on existing WTO issues for developing and least developed countries**

Key agricultural priorities can be addressed within the context of the built-in agenda, negotiations on the AoA and implementation issues. They do not require the launch of a comprehensive round of negotiations introducing new issue. The least developed country governments who are members of the WTO issued a joint statement that they do not have the capacity to participate in negotiations on a broad agenda and implement new WTO obligations.

### **10. Capacity Building.**

Governments should review the impact of technical assistance and capacity building

Financial provision should be binding at the WTO, especially with regard to the implementation of AoA provisions.

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<sup>1</sup> World Bank (1995) *Agricultural Trade Liberalisation in the Uruguay Round*, Policy Research Working Paper.

<sup>2</sup> FAO (1998) *Assessment of the Impact of the Uruguay Round on Agricultural Markets*, CCP 99/12.