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Ending Injustices That Cause Hunger and Environmental Destruction

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The Doha Collapse: Time to get agriculture out of the WTO

by Rick Jonasse

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About the Author

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The recent collapse of the Doha “development” round of WTO negotiations means that they are going into low (or no) gear until a new U.S. President and Congress swing into action sometime next year. The talks were almost certainly dead in the water from the start due to the 2008 U.S. Farm Bill that was passed earlier this year by veto-busting majorities in the House and Senate. The bill was loaded with \$40 billion in subsidies for agribusinesses, many of which are not only in violation of the WTO’s nominal principles but also contravene the agricultural support restrictions that G7 trade representatives force on weaker economies. The fact that U.S. domestic law trumps WTO rulings at home suggests that anyone expecting the champions of global trade to give up their advantage will surely be disappointed. There are however good reasons to view the collapse of the DOHA round as an opportunity to press forward with some much needed reforms. These can be gleaned on the one hand from some issues that were never tabled and may yet be recast, and on the other hand from the solidarity displayed by the developing countries in the wake of the breakdown. Perhaps this solidarity, spurred by the global food crisis, can be a springboard for real change.

What Happened? China and India Blamed for the collapse

The first wave of stories about the collapse of the talks had to do with China’s and India’s unreasonable demands. The Washington Post painted a picture of these intransigent upstarts. Sadly, this was the first (and last) impression many people would get:

“High-level delegations from the United States and the European Union showed fresh willingness at the World Trade Organization talks to make concessions that would have gradually curbed the subsidies and tariffs they have long employed to protect First-World farmers. But India and China dug in their heels, insisting on the right to keep protecting their farmers while accusing the United States and other rich countries of exaggerating the generosity of their concessions.”

The Post’s story threw in a dismayed quote from the president of the U.S. Chamber of Commerce chastising India and China for missing an “opportunity to show leadership as key players in the global trading system.”ⁱ The New York Times surmised that China and India felt secure enough in the global economy to negotiate bilateral agreements, where they could apply more pressure.

As is often the case they got part of the story right, and another part exactly backwards. The U.S. was indeed exaggerating the generosity of their concessions, but India was showing global leadership, just not the type of leadership the U.S. wanted to see. The ‘unreasonable position’ that India took to meetings with the G-7 was supported by the 40 countries in the G-33, as well as nearly 60 other developing countries. Theirs was the simple proposition that fragile economies should be allowed a special safeguard mechanism (SSM) in agriculture. Briefly, the SSM as proposed allows countries impose duties higher than the agreed ceiling level on farm imports if import volumes rise above their three-year average by an agreed percentage. The goal is to protect poor farmers against rapid commodity price declines.

U.S. Trade Representative Susan Schwab argued that the SSM might be used in non-emergency situations, as a de facto import tariff. But given that developing countries have made spare use of the similar Special Agricultural Safeguard (SSG) from the Uruguay round, and the hard thresholds required to invoke the SSM, there is little evidence to back this claim.

Schwab initially proposed an astronomical 150% volume surge trigger before duties could be imposed. WTO Director Pascal Lamy offered a 140% trigger. According to historical models the 140% figure means that the SSM would only be invoked in one half of the cases of volume surges.ⁱⁱ This would cause tremendous harm to poor farmers in the global south. Both of these figures would allow significant commodities dumping from wealthy industrial countries with no legal remedy (which may just be the point). Speaking on behalf of the G-33 and other developing countries India's Kamal Nath, proposed a 110% volume trigger, leaving the sides far apart. The U.S. representative later "compromised" by endorsing Lamy's position.ⁱⁱⁱ When Nath proposed compromise positions the U.S. refused budge from the 140% figure. The U.S. used China and India as the scapegoats, but as mentioned Nash represented a coalition of nearly 100 countries. The reason India was pushed to the forefront in negotiations, and the reason both countries drew U.S. ire was that they were indeed using their growing global economic presence to change the balance of power in the trade negotiations. When asked recently how concerned he was to be called a "villain," in the press Nath replied, "If they call me a villain ... so it be."^{iv}

Despite their claims it was the U.S. that dug in its heels and shut down the negotiations, and it all comes down to cotton. In 2004, Brazil won a W.T.O. ruling against the \$3 billion in subsidies the U.S. pays its cotton farmers, saying that it distorts global prices and violates international trade rules. The U.S. eliminated long-term export credits and removed a 1% cap on loan origination fees, but did little to curb subsidies. In 2005-06, the U.S. provided \$4.7 billion in subsidies to cotton farmers that produced a crop worth \$3.9 billion.^v The consensus that has emerged is that the collapse of talks was less about SSMs than the fact that the U.S. wanted to shut down negotiations to avoid addressing their cotton subsidies, which were next on the WTO's agenda. The SSM standoff—which both the EU and the G33 countries say was workable—were a convenient excuse to scuttle the talks and place the blame elsewhere.

At the front lines in the cotton dispute was the African Cotton-4 group, which includes Burkina Faso, Benin, Chad and Mali. Burkina Faso's Mamdou Sanou, who chairs the group was incensed that this important issue did not come up:

After 10 days we have not discussed the issue we were invited here to discuss. The invitation said it wanted me to come to negotiate on cotton. You will agree it is very discouraging. The impact is very grave on our cotton farmers. Because of the subsidies to US and EU cotton growers, our farmers are in a very negative position, suffering severe deficits, there is a risk the whole system will collapse in our countries. The cotton system is threatened with extinction in the short term. We are faced with imminent threat and we cannot control our anger when we see the situation in our countries. We are disappointed the big countries that ask us to liberalize our trade and economy ... are afraid to trade with us on a level playing field, on a fair basis.^{vi}

The Cotton-4 group was also part of the coalition of countries that backed India's minister in the SSM negotiations. Rather than give up subsidies, the U.S. has offered to provide development aid to, in the words of United States Director for African Affairs, "help West African farmers to improve production, transformation, and marketing of cotton in the region."^{vii} Translation: more free market reforms of the type that have destroyed Africa's food systems, and possibly aid money going into BT cotton.

What's Next?

Protecting subsistence farmers from the goliath of global trade is literally a matter of life and death for hundreds of millions of families trying to compete with subsidized, industrial agriculture. In an ideal world the function of the WTO would be to prevent unfair trading practices like dumping and monopoly control over markets. Instead it is part of the triumvirate, which includes the World Bank and the IMF, that forces Free Trade Agreements (FTAs) on poor countries. FTAs keep multinational commodity traders (such as ADM, Bunge, and Cargill) in control of the global food chain. Protectionist policies and subsidies on the part of developed countries add fuel to the fire by allowing brokers to purchase commodities at less than the cost of production and dump them on countries that have had their agricultural supports kicked away.

As long as agricultural commodities remain ensnared in WTO negotiations, developed countries will hold their advantage when times are difficult for poor farmers (supplying loans and direct food aid, which mask the real crisis) and press for more reforms when harvests are good. This will lead to the continued ratcheting up of free trade policies that pit farmers around the globe against one another in a struggle that only benefits agribusinesses.

Representative Schwab's 140% SSM trigger and the U.S. cotton subsidies are just the most current examples of gaming a system that has been set up to by the powerful to serve the powerful. The evidence from thirty years of these policies is in: farmers, peasants, fishers, migrant workers, urban poor, women, and indigenous people around the world are worse off than they were 40 years ago, and the Global South as a whole is less food secure. We are experiencing a global food crisis. Inevitably, without protection from global price shocks and poor harvests, people will continue to be shaken out of their livelihoods, and industrial agriculture and commodities brokers will continue to propagate a destructive and inequitable global food system.

The food crisis is one of the factors that brought together the coalition of developing countries that challenged the U.S. in the WTO negotiations: it doesn't hurt when trade representatives have hungry and restive populations waiting at home. In this sense, the food crisis and the collapse of the WTO talks may have a positive effect by spurring resolve for real change in the way agricultural markets are treated, and by demonstrating that the Global South can speak with one voice.

The international peasant movement, La Via Campesina and their U.S. affiliate, the National Family Farm Coalition (NFFC) have proposed going further than endlessly negotiating SSMs and other market solutions. They are pressing to get agriculture taken off the WTO's trade agenda altogether. Via Campesina's Sago Indra, from Indonesia, said: "Pretending to solve the food crisis with the WTO is like calling the wrong doctor and taking the wrong remedies."^{viii} NFFC member George Naylor had this to say:

Farmers don't export. Archer Daniels Midland and Cargill do. The corporate commodity groups ... scheme to keep in place a broken U.S. subsidy system that allows U.S. farmers to be paid below cost of production and agribusiness to dump cheap commodities into overseas markets, displacing farmers from Mexico to Indonesia to Ghana to Haiti, with no benefit to U.S. farmers.^{ix}

Food Sovereignty is the right to make democratic choices about what to eat, grow, and what to export. This solidarity between U.S. farmers and those in the Global South has been forged in the struggles of small and

medium farmers around the world to compete with the unfettered corporations that control global food systems.

Corporate actors are not elected. They have no constituents other than their shareholders and no vision other than to seek the highest return on investment. Their perspective is short term. To the extent possible they externalize environmental and social costs. These costs are borne by peasants who are not shareholders; who do not have a seat on the board or a voice in global affairs. Intentionally or not, the WTO promotes these undemocratic and destructive values when it forces open market reforms on poor countries. Taking agriculture out of the WTO would mean bringing local control of food systems back to the Global South. If they make poor choices, fine, let the market be an arbiter. But let the choices about food be made at home, not in the boardrooms of global agribusinesses who most certainly do not have the best interests of poor farmers and peasants in mind.

*Food is not a commodity!
We defend the right to farm, the right to feed, the right to eat!
WTO out of agriculture!*

La Via Campesina^x

ⁱ Faiola, Anthony and Rama Lakshmi. July 30, 2008. Bitter rift halts free-trade talks: Emerging nations India, China insist on right to tariffs. Washington Post. accessed 08/13/08 <http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/07/30/MNN3121GAP.DTL&hw=WTO&sn=001&sc=1000>

ⁱⁱ International Centre for Trade and Sustainable Development. August 7th, 2008. Agricultural Safeguard Controversy Triggers Breakdown in Doha Round Talks. ICTSD Accessed 08/14/08 <http://ictsd.net/i/news/bridgesweekly/18034/>

ⁱⁱⁱ International Centre for Trade and Sustainable Development. July 29th 2008. G-7 Talks on Special Safeguard Mechanism Inconclusive as Blame Game Heats Up. ICTSD Accessed 08/15/08: <http://ictsd.net/i/wto/englishupdates/15018/>

^{iv} Times of India. August 14, 2008. WTO important for growing India, says Kamal Nath. Accessed 08/14/08: <http://timesofindia.indiatimes.com/articleshow/msid-3366415,prtpage-1.cms>

^v Prism Webcast News. August 7, 2008. What Caused WTO Collapse? It Was Cotton Subsidies, Stupid. Accessed 08/19/08 <http://prismwebcastnews.com/2008/08/07/what-caused-wto-collapse-it-was-cotton-subsidies-stupid/>

^{vi} Khor, Martin. August 5, 2008. Africans played pivotal role at turning point of WTO talks. SUNS: South-North Development Monitor. Accessed 08/15/08: <http://www.twinside.org.sg/title2/wto.info/twninfo20080806.htm>

^{vii} Jackson, William. November 23, 2005. Statement by the United States at the African Ministerial on WTO Issues. U.S. Department of State. Accessed 01/18/08: <http://www.state.gov/e/eeb/rls/rm/2005/57438.htm>

^{viii} Ibid.

^{ix} National Family Farm Coalition. 08/13/08. U.S. Family Farmers Applaud Demise of Doha Negotiations: American Farmers Support India and Developing Countries Right to Food Sovereignty. NFFC. Accessed 08/14/08: <http://www.foodfirst.org/en/node/2208>

^x La Via Campesina. July, 27, 2008. La Via Campesina release regarding the WTO bilateral and mini Ministerial Meeting. Accessed 08/24/08:

http://www.viacampesina.org/main_en/index.php?option=com_content&task=view&id=586&Itemid=35