



## **Ten Years of the WTO Agreement on Agriculture: Problems and Prospects<sup>1</sup>**

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Ten years ago, governments inked the Beijing Platform for Action and committed among other things to “develop agricultural and fishing sectors in order to ensure household and national food security by allocating the necessary financial, technical and human resources”. (BPFA Government Commitment 58e) They also committed to “formulate and implement policies and programs that enhance the access of women agricultural and fisheries producers to financial, technical, extension and marketing services; provide access to land, appropriate infrastructure and technology in order to increase women’s income and promote household food security...” (BPFA Government Commitment 58n)

Ten years ago, the GATT Uruguay Round also was concluded, creating the World Trade Organization and locking in governments to a global regime of trade liberalization. For the first time, agriculture was included in the GATT disciplines, mandating governments to liberalize agricultural trade by eliminating quantitative import restrictions, binding and lowering agricultural tariffs, reducing domestic support and eliminating export subsidies. This set of rules in the Agreement on Agriculture (AoA) were supposedly intended to level the playing field in agricultural trade which was admittedly recognized in the pre-WTO era to be highly imbalanced, burdened with a decades-long slump in commodity prices and ridden with trade-distorting measures unilaterally practiced by countries.

Ten years after Beijing and the GATT-UR, what have we achieved in leveling the playing field? What have we accomplished in ensuring household and national food security and thus unburdening women who remain primarily responsible for food at household and community levels? What have women agricultural producers gained in terms of increased income, improved livelihoods and access to land and other productive resources?

The answers to these questions are obvious to everyone in this room who has followed the developments in agricultural trade in the last ten years, monitored the progress of AoA implementation, and assessed its impact on the livelihood of small farmers, food security and sovereignty, and women’s economic rights.

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<sup>1</sup> Paper presented at the International Gender and Trade Network (IGTN) panel on “WTO +10 Meets Beijing +10” during the WTO Annual Public Symposium, April 21, Geneva, Switzerland.

## Ten Years of Agricultural Trade under the WTO

Allow me, however, to enumerate some of the main trends that characterize the state of agricultural trade in the last ten years:

1. Contrary to the proclaimed intent of AoA to reduce and eliminate the huge agricultural subsidies of developed countries, both the U.S. and EU have retained and even increased their annual farm subsidies to the tune of USD 70-80 billion each. They were able to do this by classifying their subsidies under the different forms of exemptions allowed by the AoA (*de minimis*, amber box, blue box and the green box).<sup>2</sup>
2. Without reducing or eliminating such huge subsidies, which have not solved but rather exacerbated the problem of overproduction in developed countries, import dumping and import surges continue to threaten many developing and least developed countries which at the same time were compelled to lower tariffs and to dismantle their protective trade walls in compliance with WTO rules and IFIs' loan conditionalities. Between 1990 and 2000, developing countries cut their average applied tariffs on agricultural imports from 30 percent down to 18 percent.
3. And while developing countries complied with liberalization measures, developed countries managed to retain their protectionist walls by using tariff peaks or setting tariffs at a very high level from the base year of implementation, resulting in negligible tariff reduction and insignificant market access for the exports of developing and least developed countries. They have also invoked the Special Safeguards (SSG) provision of the GATT-UR to discriminate against developing country exports.<sup>3</sup> No wonder, under these circumstances, the share of developing country in agricultural exports has remained stagnant at around 36 percent during the past two decades.
4. The so-called special and differential treatment (SDT) given to developing countries in the forms of slightly lower tariff reductions vis a vis those of developed countries, slightly lower targets for subsidy reduction, longer implementation period, and higher *de minimis* values has been insignificant, if not artificial. It should be understood that prior to the Uruguay Round agreements, developing countries had been experiencing trade deficits and negative balance of payments which were only aggravated by the structural adjustment programs implemented by the IFIs. At present, with lower tariff revenues, limited flexibility

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<sup>2</sup> The U.S. Farm Bill of 2002 secured US\$ 189 billion additional support for its domestic producers in the next ten years. Most of U.S. subsidies are hidden in the green box in the form of export credits and food aid. The EU on the other hand utilizes the blue box for its "production-limiting" direct payments to producers.

<sup>3</sup> The QUAD did not refrain from taking advantage of the SSG flexibility. In fact, they did so for a large number of products: the European Union reserved the right to invoke the SSG for 539 tariff items; the U.S. 189 tariff items; Canada 150 tariff items and Japan 121 tariff items. Source: Luisa E. Bernal, CAFOD Developing Country Proposals On Modalities For Further Reform In Agriculture, Geneva, February 2003.

in tariff adjustments and other trade policies that sovereign states once enjoyed, coupled with the unhampered dumping practices and protectionism by the North, developing countries need to assert and put in place more effective SDT measures in multilateral and bilateral trade agreements. In this respect concrete and effective modalities on SSMs and SPs should be pushed forward, including a set of measures that would enhance the capacity of developing and least developed countries to achieve rural development, ensure food security, and improve rural livelihoods.

5. Gross imbalances that are built-in the AoA rules and actual practice of developed countries to further circumvent these rules to their advantage have undoubtedly undermined the food security and rural livelihoods of developing and least developed countries. Evidence abounds. Food imports by developing countries grew by 115 per cent between 1970 and 2001, transforming their combined food trade surplus of \$1bn into a deficit of more than \$11bn. A case in point is rice, which is the staple food for 3 billion people or half of the world's population and the source of livelihood for 2 billion people - mainly smallholders in the South. Tariff cuts on rice imports were forced upon rice-producing developing countries through a combination of IMF and World Bank loan conditionalities and WTO and bilateral trade deals, transforming many of these countries from self-reliant rice producers to net food importers. While most developing countries could barely provide domestic support to their farmers even lower than the 10% de minimis ceiling provided by the AoA, the combined subsidies poured in by the U.S., Japan and EU for their rice sector in 2002 reached US\$16 billion. The U.S., the third largest rice exporter, is subsidizing its rice sector to an amount equivalent to 72% of its cost of production, something that is very obscene because U.S. rice production cost is more than twice the production costs of the two other leading rice exporters, Thailand and Vietnam.<sup>4</sup>
6. As far as women's economic rights are concerned, the new trade rules are claimed to be either beneficial to women or "gender-neutral". This is a fallacy. Gender inequality still persists especially in rural areas where women's work both in the productive and social reproductive spheres are not adequately recognized, much less remunerated. Women represent 66% of the economically active population in the agricultural sector and are identified as major providers of food and income for their families and communities. Yet women tend to be disproportionately poor and disadvantaged representing 70% of the poorest global population with low levels of ownership, control and access to productive and economic resources, assets and markets.<sup>5</sup> Loss of livelihoods, decreased farm incomes and withdrawal of government support to production and social services as a result of trade liberalization has had a disproportionate impact on women and rural household food security. Despite government commitments in the Beijing Platform for Action, the macro-economic policies of trade, investment and finance liberalization resulting from multilateral or bilateral impositions by trade and financial superpowers tend to nullify or restrict government efforts to

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<sup>4</sup> Oxfam briefing paper 72, "Kicking down the door: How upcoming WTO talks threaten small farmers", April 2005.

<sup>5</sup> Maria Pia Hernandez, "Incorporating Gender Considerations for the Designation of Special Products in WTO Agriculture Negotiations", IGTN-Geneva, Switzerland, March 2005.

implement the Beijing commitments (provided there is political will to do so!). Although in recent decades, women have increased their participation in market activities as a result of export intensification and donor-driven projects on micro-finance, whatever small benefit women have gained from these has already been reversed by rural bankruptcies, increased pressure on out-of-pocket expense linked to the expansion of the market, or eroded by the ravages of lopsided trade liberalization.

### **State of play in the WTO negotiations on agriculture**

In Cancun, one of the biggest factors that led to the collapse of the WTO ministerial meeting was the disagreement on agriculture. In order to move the Doha Round of negotiations forward, the General Council came up in 2004 with the “July Framework” outlining among other things the framework of modalities on agriculture (Annex A of the GC Decision).

Some quarters argue that the GC, by coming out with such a decision on the framework of modalities, has usurped the plenary powers of the ministerial meeting which is the proper body to agree and decide on modalities. But beyond the issue of usurpation or otherwise, there is much in the substance of the “July Framework” that is more dangerous and objectionable.

In agriculture, the most controversial is the expansion of the Blue Box exemption on domestic support reduction which would give developed countries, particularly the U.S., the flexibility to transfer its amber box trade-distorting subsidies to the blue box. Originally intended in the GATT-UR to accommodate the EU's exemption of production-limiting direct payments, the expanded blue box would now allow the U.S. to shield from reduction its 2002-2007 Farm Act countercyclical payments. Despite the 5% cap (5% of the total value of agricultural production) on blue box exemptions, a report made by the Australian Bureau of Agricultural and Resource Economics asserts that the U.S. could even increase its annual countercyclical payments from the current \$ 7 billion levels to \$10 billion. The EU, on the other hand, as a result of the 5% cap, would have to reduce its direct payments from the current level of \$29 billion to \$16 billion a year. But before this reduction could even be implemented, the EU has put in place the recent CAP reforms (“decoupling” of direct payments from production) that would enable it to shift most of its subsidies from the blue box to the green box, which is not capped in the July framework.<sup>6</sup>

The G20 group of developing countries, in its recent meeting in New Delhi, is battling for additional criteria on blue box and green box exemptions (such as product-specific spending caps and disciplines on price linkages) to prohibit developed countries from transferring existing domestic support from one category to another in order to circumvent the rule on reduction. The G20 is also looking to a 5 year deadline on the elimination of export subsidies and would push for a tariff reduction formula that would

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<sup>6</sup> “Agriculture report warns WTO farm disciplines will be undermined by new blue box”, BNA Monitoring Service, International Trade Daily, March 9, 2005.

transform non-*ad valorem* duties to their *ad valorem* equivalents (AVEs), another contentious issue in the recent meeting of the Committee on Agriculture given the fact that most non-*ad valorem* duties (i.e. straight tariffs not based on actual value of imports) are found in the tariff structures of developed countries.

While successful in outlining detailed modalities on subsidy exemptions, the “July framework” paid lip service to Special and Differential Treatment by failing to flesh out and incorporate the proposed modalities of the G33 on Special Products (SP) and Special Safeguard Measures (SSM). The paragraphs on SP and SSM simply stated that these are issues for further negotiation, in the same manner that the deadline for the elimination of export subsidies was also dismissed for further negotiation.

By all indications, the General Council seems hell-bent on pushing the Doha Round to its substantive conclusion in the lead-up to the Hong Kong 6<sup>th</sup> ministerial meeting in December. Since it cannot afford another Cancun or Seattle in Hong Kong, The General Council is rushing some sort of “first approximations” in its next meeting in July. However, the contentious issues in agriculture negotiations alone, not to mention those in NAMA and services, reflect the serious contradictions and inherent flaws in the current multilateral trading regime of the WTO. Whether or not agreements could be reached would largely depend on what and how many concessions would be exchanged between developed countries on one hand and developing and least developed countries on the other.

### **Advocacy positions**

Yet many civil society groups argue that “no deal is better than a bad deal” which is the WTO per se. Their strategy of derailing the ministerial meetings is reflective of such a political position that no amount of reforms in the WTO would actually be beneficial for the South. For them, the Doha Round of further liberalization, despite its rhetoric on development, should be stopped. In harmony with this position are those of farmers’ associations, coming mainly from the South, whose call is to get agriculture out of the WTO. Although these groups share a common slogan and basic political position, they also differ in many respects. An example is the degree of engagement or focus one devotes to lobbying inside the WTO versus street actions and mobilizations.<sup>7</sup>

There is another view that the consensual and multilateral nature of the WTO provides a better forum or avenue for the South in terms of collective action compared to bilateral trade deals with the North. Hence, it is logical to exert primary effort on lobbying governments for effective reforms in the WTO, whether these be in the form of increased market access for developing country exports, effective reduction and elimination of subsidies by the North, or protection for the South through SDT, SSMs and SPs.<sup>8</sup>

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<sup>7</sup> Most of these groups belong to the “Our World is Not for Sale” coalition which in Cancun put forth the slogan “Derail the WTO ministerial meeting”. Farmers’ groups mentioned here are those affiliated with Via Campesina. Although these groups share a common slogan and basic political position, they also differ in the degree of engagement or focus one has to devote on lobbying tactics versus street actions and mobilizations.

<sup>8</sup> This view is most often reflected in the advocacies of aid agencies such as Oxfam International.

Although these two positions vary in analytical perspectives and strategies, they tend to complement each other in practical terms, oftentimes operationally cooperating with each other during specific junctures of engagement with the WTO.

The IGTN provides a distinct advocacy in its articulation of a gender perspective on trade and macro-economic issues. Asserting the differential impact of trade liberalization on women and the care economy in general, IGTN puts forth a gendered analysis and a strong critique of trade and macro-economics in conjunction with or integral to the whole matrix of class, ethnicity and national sovereignty.

Given the fact that the WTO is gender-blind, a lot of work has to be done to at least influence the South in terms of integrating women's economic rights in their negotiating position. An example is the technical paper prepared by IGTN's office in Geneva on how to incorporate gender considerations in the designation of SPs in the WTO agriculture negotiations.

Although "gender-mainstreaming" has so often been abused, diluted and made complicated, that many women's groups now find it hard to assert ownership of the concept, introducing gender into the negotiations language of the WTO at the minimum may be the first step or a good opening to demand from the multilateral trading system more concrete measures on women's economic rights. A critical site for raising gender issues in the trade agenda, thus, rests at the country level where the negotiators need to be accountable to their women constituencies. An inter-linked strategy is to bring local level gender and trade concerns into the global negotiating arena where governments need to be watched on the deals they make. Governments have committed themselves to the Beijing Platform of Action; they should be held accountable to their commitments not only in United Nations Commission on the Status of Women forums but also in more powerful entities such as the WTO.###