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## “WHOSE TRADE ORGANIZATION? The Comprehensive Guide To The WTO”

Excerpts from the *new* book by Lori Wallach and Patrick Woodall of Public Citizen

### The WTO on Agriculture: Food as a Commodity, Not a Right

This chapter examines how WTO rules have led to increased dumping of subsidized agricultural commodities resulting in steep drops in the prices paid to farmers around the world for their crops. Farmers in rich and poor countries have only seen their incomes decline, with many losing farms and livelihoods under the WTO regime. In the developing world, the combination of sharply lower prices and the effects of WTO rules regarding the patenting of seeds and plants under the WTO agreement on Trade-Related Aspects of Intellectual Property (TRIPs) has led to increased hunger in many nations. In a perverse twist—which actually demonstrates how the WTO’s Agreement on Agriculture (AoA) rules are not about “free trade”—while prices paid farmers have plummeted, consumer food prices have not declined and in many instances, have risen. Meanwhile, the WTO has forced the elimination of domestic policies aimed at ensuring food sovereignty and security in developing countries and of policies aimed at supporting small farmers in rich countries. These changes have greatly benefited multinational commodity trading and food processing companies who, in the absence of government price and supply management programs, have been able to manipulate the markets to keep prices paid to farmers low at the same time as they have kept consumer prices for food steady or rising.

The key developments and findings presented in this chapter include:

- **Nearly nine years after the Uruguay Round’s Agreement on Agriculture, agricultural subsidies in developed countries have remained high while elimination of quotas and tariff cuts around the world have facilitated a dramatic increase in the dumping of commodities by trading companies.** The new market access to developing country markets gained under WTO agreements for multinational agribusiness corporations has resulted in dumped imports of commodities sold below the cost of production driving poor, subsistence farmers off their lands in record numbers. This has resulted in major social crises in countries such as Mexico and India. As China implements WTO agriculture rules, officials estimate that 200 million farmers will be displaced.
- **This result conflicts with economic theory which states that displaced farmers will be “liberated” from lives of grinding rural poverty and employed more efficiently in other economic sectors.** In country after country, displaced farmers have had little choice but to join swelling urban workforces where the oversupply of labor suppresses wages and exacerbates the existing crisis of chronic under- and unemployment in the cities of the developing world.
- **A dramatic decline in farm income in developed and developing countries alike has been the norm under the WTO, causing indebtedness and foreclosures in rich countries and loss of livelihoods and hunger in poor countries.** The U.S. lost 38,310 small farms between 1995 and 2002, the era of the WTO. During that period, U.S. net farm income fell 16% below the average annual net farm income of \$43 billion in the five year period before the WTO went into effect (1990-95), versus \$36.2 billion in 2002.

- **Under the AoA, export prices for key U.S. crops have crashed to levels substantially below the cost of production, while consumer prices have increased.** While the volume of food and agricultural trade has increased dramatically over the past decade, low prices mean that the value of exports has not kept up with increases in volume. While the U.S. volume of agricultural exports grew by 16.4% during the era of the WTO between 1994-2002, the value of these exports only increased by 14.8%. A UN report found that the cost of food imports rose substantially in all 14 developing countries that it studied between 1994-1999, and in Mexico, the price of the staple food corn tortillas has only risen since NAFTA, despite a flood of cheap corn imports into Mexico that have collapsed much of Mexico's domestic small-scale corn production.
- **The market distortions facilitated by WTO rules have restricted food access to populations in need and led to increased malnourishment and nutrition-related illnesses.** Between the pre-WTO (1990-1992) period and after (1998-2000), several regions saw the number and percentage of malnourished people increase, including Central Africa, the Near East, Central America and Oceania. This is not the result of a lack of food but of lack of access to food, seeds and land which has led to increased calls among anti-hunger activists for changes in WTO rules to ensure food sovereignty—control of food and farming (seeds, land) by those who will eat the food—in order to guarantee access to food in these regions.
- **By dramatically expanding legal definitions of what can be patented under the TRIPs Agreement, the WTO has endangered food sovereignty and security in poor countries.** In most developing countries, the majority of the population lives on the land and feeds itself by replanting saved seeds. Yet over 150 cases have already been documented of research institutions or businesses applying for patents on naturally-occurring plants, some of which have been widely farmed for generations. After the WTO TRIPs Agreement becomes fully binding for developing countries in 2006, governments that fail to enforce patents on seeds—by pulling up crops or by forcing subsistence farmers who can not afford to do so to pay royalties—will face trade sanctions.
- **The broad scope of patent protections under the TRIPs Agreement has created a serious biopiracy problem that further disadvantages farmers in the developing world.** Biopiracy occurs when foreign corporations take indigenous seeds, herbs or traditional medicinal or pesticidal processes from developing countries and seek to patent them as the property of the company. To get the patent, companies claim that they have slightly altered the plant, even if the alteration does not make any meaningful change to the plant or process. Once a plant is patented, traditional users must pay a fee and any revenue from sales of the good goes to the patent holder, not the community from where it was stolen. Thailand has been particularly hard-hit by biopiracy, losing the rights to a traditional plant-based ulcer cure to a Japanese company, and currently struggling to protect its right to market jasmine rice against a U.S. rice product called “Jasmati.” In the U.S., a Colorado farmer secured a patent for the common Mexican yellow bean, claiming that he had modified the bean he called the enola bean in some way. While the Mexican government has taken the unusual step of spending close to \$250,000 appealing the patent in the U.S., the American patent holder has sued numerous importers, collected thousands of dollars in royalties and caused a massive and abrupt decline in Mexican production of this type of common bean.
- **Like many WTO rules, the AoA does not conform to logical principles of “free” trade.** While developing countries are forced to eliminate the programs that safeguard their small farmers and their population's food security, rich countries have been able to increase support

for large agribusiness. The 2002 U.S. farm bill, for example, increased subsidies to big farms and commodities exporters by \$82.8 billion over the next ten years. Between 1996-2000, 60% of U.S. farm subsidy payments went to the largest ten percent of producers, and while 30% of U.S. “residence” farms received subsidies in 2001, 72% of large-scale commercial farms received such payments.

These findings are illustrated through in-depth examinations of the following key cases:

- **The U.S. has led a global campaign including in the WTO to force broader market access for genetically modified organisms (GMOs), in spite of opposition to GMOs in many developing nations based on the fact that the seeds are patented and thus poor farmers are forbidden to save and replant them--meaning that those most susceptible to hunger would not be able to afford to use GM seeds, even if they were proved to be safe.** There is also emerging evidence of health and environmental risks that has produced deep-seated popular resistance to GMOs in many other countries. By claiming GMOs as substantially equivalent to non-GM foods, and by sabotaging negotiations for a UN Biosafety Protocol to regulate these products, the U.S. and other major exporters of GMOs have even argued that the labeling of GMOs would be an “unfair” barrier to trade. While GMO crops are often touted as way to reduce world hunger, such claims are attempts to favorably recast an issue that is really about large commercial interests. Recent research has shown that there is no significant yield increase using GM crops, only increased environmental risks.
- **The U.S. WTO case that forced India to overturn its laws against the patenting of seeds and adopt the TRIPs agreement.** Even though the Indian parliament initially refused to ratify the TRIPs agreement as part of the Uruguay Round, a U.S. challenge at the WTO forced that country to adopt TRIPs implementing legislation.
- **The aggressive U.S. WTO threats to Thai anti-biopiracy laws and Thailand’s pharmaceutical price control board as violations of TRIPs rules.**