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THE WTO, AGRICULTURE, AND DEVELOPING COUNTRIES: THE NEED FOR TRADE REFORMS

by Melissa Blue Sky*

The most recent collapse of World Trade Organization (“WTO”) negotiations occurred in July 2008 because countries were unable to reach an agreement on how to protect farmers in developing countries from the negative effects of greater trade liberalization.¹ Although an attempt was made to restart talks in September 2008, little progress was made, and if talks are to continue, it will not likely be until 2009.² The current round of negotiations, titled the Doha Development Agenda (“DDA”), began in 2001 and included an emphasis on the needs of developing countries.³ However, subsequent negotiations have raised many questions about the commitment of developed countries to the DDA goals and highlighted the increasingly central role of agriculture in the WTO.

The Uruguay Round of negotiations, which continued from 1986 until 1994, created both the WTO and the Agreement on Agriculture (“AoA”). Prior to the Uruguay Round, it was commonly believed that the international trade regime did not include agriculture. This can be traced to a 1955 waiver on agricultural import restrictions granted to the United States, which resulted in global disregard of trade rules.⁴

The AoA firmly returned agriculture to the WTO trade regime with specific binding commitments regarding market access, domestic support, and export competition.⁵ Yet it does not take into consideration non-market aspects of agriculture and food markets, such as the relatively inelastic supply and demand in agriculture, the lack of political and economic power of farmers, and the fact that corporations rather than countries or farmers are the actors who engage in agricultural trade.⁶

The agricultural trade rules of the WTO have required liberalization of developed country access to developing countries’ markets, but developed countries have not reciprocated by opening their markets to agricultural products from developing countries. Tariffs levied by developed countries on products from developing countries increase the final product price, making it more difficult for developing countries to sell their agricultural products.⁷ Nor have developed countries sufficiently decreased their trade-distorting agricultural subsidies, which provide additional income to agricultural producers and allow them to sell their products for a lower price.⁸ As a result of these types of policies, developing country farmers are forced to compete with subsidized, larger foreign producers who may cause local producers to go out of business, increasing urban emigration, vulnerability of food-importing nations to swings in global commodity markets, and food insecurity.⁹

Commodity prices, which were quite low until relatively recently, coupled with the AoA’s unfair trade rules, have significantly affected the ninety-six percent of the world’s farmers who live in developing countries and approximately 2.5 billion people who are dependent on agriculture as their main source of income.¹⁰

Farmers in developing countries are negatively impacted when prices for their crops decline, which can result from trade liberalization.¹¹ Conversely, consumers in developing countries generally benefit from lower food prices, because a large percentage of their income is spent on food.¹² However, in many developing countries, households are both producers and consumers of agricultural products and lower prices simultaneously lead to negative and positive effects.¹³ In subsistence farming households, the benefits of reduced food prices for consumption may not outweigh the losses of decreased profits from sale of their crops.¹⁴

Increased food prices have the greatest negative effects on people who spend a substantial portion of their incomes on food. When prices in staple food crops go up these people are forced to reduce either their food consumption or their purchases of other essentials. The recent food crisis has increased the number of people living in poverty by an estimated 100 million and led to widespread food riots.¹⁵ The number of people suffering from malnutrition increased by 119 million in 2007 and 2008, bringing the worldwide total to nearly one billion.¹⁶ Although increased food prices should lead to increased incomes for farmers in developing countries, for the most part this has not occurred because of increases in input prices, limited access to markets, and the fact that the minority of household producers are net sellers.¹⁷

At the July 2008 WTO negotiations, parties reached an impasse because developing countries refused to move forward with an agreement that would deepen the inequities exacerbated by agricultural trade. Developing countries want to protect their farmers and their populations from poverty and hunger. The agricultural sector within developing countries is important for ensuring food security and for employment. In India, for example, two-thirds of the population is supported by agriculture.¹⁸

At the July negotiations, Susan C. Schwab, the U.S. Trade Representative, stated that the developing countries wanted an agreement that would take the global trading system back thirty

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years.¹⁹ While this may be true in some respects, it ignores the fact that developing countries are not now industrialized to the degree that the United States was thirty years ago. Developed countries, like the United States, have demonstrated a continued unwillingness to recognize the role that protection played in their own economic development and to extend similar protections to developing countries.

Developing countries' concerns regarding unfair rules of trade in agriculture must be incorporated into any future WTO negotiations in order to contribute to rather than detract from progress on long-term development goals. Developed countries should reduce the subsidies given to domestic agricultural producers, as well as the tariffs on agricultural imports from developing countries. It is also essential that countries recognize that trade may lead to food insecurity in developing countries and take measures to support both subsistence farmers and consumers there.²⁰

Since the Doha Round began, developed countries have proposed some reductions in their subsidies and to allow some of the poorest developing countries to maintain tariffs on a limited number of products.²¹ However, the developing country proposals do not go far enough to fulfill the objectives outlined by the Doha Ministerial Declaration, such as taking into account the development needs of non-industrialized nations, including food security and rural development.²² Developing countries should continue to work together to build agreements and power blocks to ensure that any future trade agreement embodies the original intent of the Doha Development Agenda.



Endnotes:

¹ Stephen Castle & Mark Lander, *After 7 Years, Talks Collapse on World Trade*, N.Y. TIMES (July 30, 2008), available at www.nytimes.com (search for article title) (last visited Nov. 5, 2008).

² See Anne-Laure Constantin, Institute for Agriculture and Trade Policy, October 01, 2008: WHERE NEXT? Questions and answers about Doha after the July collapse (Sept. 29, 2008), <http://www.tradeobservatory.org/geneva/update.cfm> (last visited Nov. 5, 2008).

³ Ved. P. Nanda, *Selected Aspects of International Trade and the World Trade Organization's Doha Round: Overview and Introduction*, 36 DENV. J. INT'L L. & POL'Y 255, 257 (2008).

⁴ JOHN H. JACKSON, *THE WORLD TRADING SYSTEM: LAW AND POLICY OF INTERNATIONAL ECONOMIC RELATIONS* 57-58 (2d ed. 1997).

⁵ *Id.* at 315-16.

⁶ SOPHIA MURPHY, INSTITUTE FOR AGRICULTURE AND TRADE POLICY *MANAGING THE INVISIBLE HAND: MARKETS, FARMERS AND INTERNATIONAL TRADE* 2-3 (April 2002), available at <http://www.tradeobservatory.org/library.cfm?RefID=25497> (last visited Nov. 5, 2008).

⁷ Nanda, *supra* note 3, at 259-60.

⁸ *Id.* at 258.

⁹ FRANCES MOORE LAPPÉ ET AL., *WORLD HUNGER: TWELVE MYTHS* 120 (2d ed. 1998).

¹⁰ CELINE CHARVERIAT & RIAN FOKKER, OXFAM, *BOXING MATCH IN AGRICULTURAL TRADE: WILL WTO NEGOTIATIONS KNOCK OUT THE WORLD'S POOREST FARMERS?* 7 (Nov. 2002) available at http://www.oxfam.org.uk/resources/policy/trade/downloads/bp32_agric_trade.pdf (last visited Nov. 5, 2008).

¹¹ Jacinto F. Fabiosa, *Effect of Free Trade in Agriculture on Developing Countries*, 16 MICH. ST. J. INT'L L. 677, 687.

¹² *Id.* at 685.

¹³ *Id.* at 687.

¹⁴ *Id.* at 690.

¹⁵ TERESA CAVERO & CARLOS GALIAN, OXFAM, *DOUBLE-EDGED PRICES, LESSONS FROM THE FOOD PRICE CRISIS* 9 available at <http://www.oxfam.org/files/bp121-double-edged-prices-lessons-from-food-price-crisis-0810.pdf> (last visited Oct. 21, 2008).

¹⁶ *Id.* at 6.

¹⁷ *Id.* at 10-11.

¹⁸ Heather Timmons, *A Voice of Developing Nations Asks the West for Compromise on Trade*, N.Y. TIMES (July 13, 2007), available at www.nytimes.com (search for article title) (last visited Nov. 5, 2008).

¹⁹ Castle, *supra* note 1.

²⁰ Carmen G. Gonzalez, *Institutionalizing Inequality: The WTO Agreement on Agriculture, Food Security, and Developing Countries*, 27 COLUM. J. ENVTL. L. 433, 490 (2002).

²¹ Press Release, Oxfam, *Outline WTO Deal Has Major Flaws for Poor Countries* (July 26, 2008), available at <http://www.oxfam.org/en/pressroom/pressrelease/2008-07-26/outline-wto-deal-has-major-flaws-poor-countries> (last visited Nov. 5, 2008).

²² Gonzalez, *supra* note 20 at 490.