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**Twenty-first century trade rules for inclusive agricultural
commodity trade**

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Twenty-first century trade rules for inclusive agricultural commodity trade

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(Please contact the author for more information on her research on this topic)

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Talk Outline

1. Inclusive trade rules: in what sense are smallholders and agricultural farm workers excluded?
2. What trade rules do we have now?
3. What has changed in the context of agricultural commodity trade?
4. What kind of rules would respond to that context – rules for the 21st century

1. How are smallholders and agricultural farm workers excluded?

First and above all, smallholders and agricultural farmworkers are excluded from fair remuneration, whether by the state in the past (when commodity boards were the dominant marketing mechanism) or by the market today (markets in which oligopolies dominate international commodity trade).

In addition:

- They lack information.
- They lack good credit (there is always credit, but most of what is available to smallholders is very expensive – even extortionate – making unsustainable debt levels very common)
- They lack access and control of productive assets – especially land and water, which have come under pressure from demand by outside investors, whether domestic or foreign.
- They lack social and legal standing. This is especially true for women, and for migrant workers, who are commonly employed in commodity production and processing in both relatively rich and poorer countries.

- They lack a political voice, which is part of what catalyzed the food sovereignty movement—it began as a political mobilization of peasant and farmer organizations from the global North and South that had in common their marginalization from both the economic gains of their work and from their political systems.
- They lack attention; for decades development economists treated agriculture like a backwater that required too much labour and generated too little return to capital to merit investment. In agricultural economist Peter Timmer’s words, the ideal future would be “a world without agriculture”; a world in which agriculture is just a tiny share percent of the economy and total employment while providing all the food a country needs. Historically, this ideal was (somewhat paradoxically) achieved through investment in agriculture but for decades many developing country governments and donors ignored agriculture, hoping to skip to industrialization directly.
- They lack a voice in international decision-making, especially in trade rules. The associations of peasants, farmers and farm workers affiliated with La Via Campesina (LVC) rejected the vision for agriculture and globalization envisaged in the World Trade Organization (WTO) rules. They refused to interact with the WTO and made “WTO out of agriculture” their slogan. For its part, the WTO has no place for NGOs in its procedures (by government decision) and LVC has rejected the other channels created by the WTO secretariat, such as public conferences, press briefings or invitations to submit commentary.

2. What trade rules do we have now?

The WTO Agreement on Agriculture (AoA) codifies agriculture’s exceptional status. Under GATT, agriculture was assumed to be a good like any other. The US and then the EU secured waivers to exempt their agriculture from GATT rules. The AoA was signed in Marrakesh in 1994, together with the other Uruguay Round Agreements. Since then, agriculture is formally recognized as a sector apart, with its own rules.

The AoA rules reflect international agricultural commodity markets as they were in 1995. The EU was the largest importer. It was also an important source of instability on international markets because its policies generated more supply than domestic demand could absorb and then allowed the excess to be dumped on international markets.

In 1995, the US was anxious to open EU markets, especially for animal feed, and wanted to end the expensive “subsidy war” that it had waged with the EU in order to find export markets for its own production.

US and EU programmes were quite different in conception and structure. For decades, the US operated a price floor for eight commodity grains, creating a form of competition for private grain traders by buying for public granaries as an alternative when market prices were low, giving farmers some protection in the face of concentrated market power. But US programmes did not manage supply and, again, the over-production that resulted was sold in international markets at less than cost of production prices, leading to yet more dumping. A number of low income food importing countries had slowly grown dependent on international markets for some share of their food supply, in part because they had neglected their domestic production and also because their import markets were flooded with subsidized exports. In 1990, the value of the global South's agricultural commodity imports grew larger than the value of exports.

In this context, the AoA was widely welcomed by many governments and trade experts as a way to impose some transparency and discipline on agricultural commodity markets. These disciplines included limits on the use of export subsidies and domestic support, as well tariff reductions.

There were also critics of the agreement, however. These focused on several points:

- **Inconsistent rules and broken promises:** The rules allowed a number of trade-distorting practices to continue where these were already in place (particularly in OECD states) while forbidding their introduction by other countries. This made sense given the objective to reduce overall trade distortions in international markets. Politically, it was possible to get agreement because OECD countries committed to “continuing the reform process”. It left developing countries, however, at some real – and very much at a perceived – disadvantage. With time, and the failure of the OECD to continue the reform process as they had promised (the 2002 U.S. Farm Bill was a particularly big blow), this sense of injustice grew; it continues to mar negotiations.
- **The rules allowed spending but curtailed the use of regulatory measures.** This had the effect of giving countries with large public budgets the right to spend on programmes to compensate those actors, particularly producers, who were adversely affected by the implementation of the WTO rules. But the rules limited the ability of countries that lacked spending power to choose less efficient but also cheaper tools to smooth adjustment costs, such as limits on import flows.
- **The argument over “policy space”:** developing countries do not think the rules provide sufficient flexibility for them to govern their commodity markets as they would like, though developing countries do not agree among themselves on how much more space—and what kind of space—should be available. Developed countries are reluctant to allow developing countries the same space they have had for fear of the subsequent trade distortions that are likely to ensue (had they continued their own reform process more

assiduously, these concerns would likely raise fewer sceptical eyebrows among the negotiators). Negotiations on agriculture under the Doha Agenda came to be dominated by a series of proposals from developing countries (the G33) that were designed to provide more policy space to governments for the management of imports of foods considered sensitive either because of their importance in the food supply or because domestic production provides significant income for “resource poor low income” farmers.

- The AoA rules left out a swath of important commodity market issues. One of the most concerning is the dominance of private oligopolies in a number of commodity markets. Their power is unchecked by competition or investment rules, and even newly enhanced by the curtailment of state trading under WTO rules and the restriction of price floor policies in several of the major producer countries, especially the U.S. and EU.
- While the AoA addressed tariffs, it failed to address standards. Private standards are a determining factor in market access for food, and have only grown in importance since the AoA was signed. Many commodity growers face an expensive and complicated mix of standards and compliance structures.

In addition to the WTO rules, there is the question of the WTO as a governance forum.

The WTO is above all focused on negotiation and disputes. Yet these objectives are particularly elusive in a context of low trust and profound disagreement about the fundamental purpose and orientation of multilateral trade rules and their relationship to development. Negotiations and disputes are both expensive, too; in terms of time, money and human resources. They rely on rigid and formal procedures, and crowd out more experimental and tentative approaches. This is unfortunate given the contested nature of the relationship between trade and food security, and thereby also with agriculture.

Finally, developed and developing country government have given trade a kind of special status within multilateral organizations. Discussion and debate on trade is deferred to the WTO. Yet trade is much larger than trade policy, and trade policy is much more than trade rules. There is no reason to turn all mention of trade in the UN context into (an arguably pointless) reiteration of the need and desirability of concluding negotiations on the WTO Doha Agenda. Indeed, to make good on the ensemble of Sustainable Development Goals, governments are going to have to do much – much – more on trade than negotiated multilateral rules. The challenges of inequality, climate change, degraded natural resources, ending hunger, protecting the oceans are all challenges with big implications for trade rules. The WTO should be encouraged to play a more active, and more attentive, role in the multilateral system, while governments to cease to treat trade in isolation from other aspects of their foreign and economic policies.

3. What has changed in the context of agricultural commodity trade?

There are many painfully familiar aspects to agricultural commodity markets but there is also much that has changed in the 20 years of the AoA's operation.

The markets are still concentrated but governments are much less present. There are fewer STEs and commodity boards and almost no attempt to coordinate commodity markets at the international level. The rollback of the state has left a very similar cast of private actors with greater power than before, but also greater responsibility. Traders and food processors are now involved in such activities as forming cooperatives of agricultural producers and workers; working on training programmes to introduce new technologies and improve quality standards; taking donor money in public private partnerships intended to try and meet both market and public policy goals simultaneously; developing agreements on standards for both the environment and working conditions; and more.

The markets are no longer dominated by a North-South dynamic. The North's share of world markets is shrinking as their share of both global population and global wealth shrinks.

There are new consumers—hundreds of millions of them. Some are the less poor, especially in Asia, and their diets are changing towards more animal sourced foods and processed foods (which thereby increases demand for sugar and edible oils). Another growing group of consumers are very poor and food insecure, most of them living in regions where agricultural productivity has not kept up with population growth, above all in parts of sub-Saharan Africa. Yet another growing demand has been created by the mandates and subsidies used by a number of OECD countries to increase biofuel use, despite the economic, ecological and efficiency arguments against adoption of most of these fuels, in particular corn ethanol.

There are new risks, too. These include the advent of financialization, which has opened the agricultural commodity sector to new kinds of systemic risk and volatility tied to new risk management tools, and the vagaries of currency and energy markets. There are risks associated with unequal demand in international markets, which, during the 2007-2008 food price crisis, led to some LDCs being bought out of contracts and left without food deliveries because they were not rich enough to pay higher prevailing prices. This inequality is an issue within countries as well as among them. Climate change is another growing risk for agriculture and food security. Weather has always been one of the biggest risks for food producers; with climate change, weather has already become both less predictable and more extreme. And the biggest effects are predicted to occur in some of the poorest regions of the world.

The politics of multilateral negotiations are also new. The U.S. and EU can no longer decide the shape of trade rules on behalf of the trade world. The emergence of the BRICs countries and the importance of South-South trade has changed negotiating dynamics irrevocably and left many unanswered questions in its wake, including the question of how developing countries should best relate and negotiate with each other.

Trade is very much in the news—perhaps more than ever in some countries, such as the United States. But it is also unpopular. Not one of the four US Presidential candidates is openly supportive of trade liberalization. Many governments are pursuing greater trade openness, whether at the WTO or in regional and plurilateral trade deals. But the deals are not politically popular, and the policies are often contradicted by, for example, public investment in greater self-sufficiency in food production.

La Via Campesina and many civil society organizations openly reject the WTO and its model of agricultural commodity distribution through open and integrated markets. A number of countries have seen a resurgence of investment and interest in local foods and smaller supply chains that has challenged industrial agriculture and global value chains, whether in the United States or European Union, or in developing countries using public procurement to support both small-scale producers and low income consumers (for example in Brazil). A number of local governments have used their public procurement policies to experiment with sourcing food from small-scale local producers for use in public programmes at schools and hospitals. The political voice of producers has strengthened, in some countries because the space for political engagement has increased, and also in part because higher commodity prices have given producers a (somewhat) larger economic importance (though still far less than the dominant traders enjoy).

The constituency of people interested in agricultural commodity markets in some way has also grown enormously. They include those working for gender equality and women's rights trying to improve the lives of rural women (many of them working in the production and processing of agricultural commodities); the public health community worried about malnutrition linked to poor diet rather than insufficient calories; environmentalists; animal welfare activists; and people working on migrants' rights. The question of competition and regulation for private trader oligopolies is also a continuing interest, not new but active in new ways as staple foods have become a larger share of traded food.

4. What rules for the new context – rules for the 21st century?

We need 21st century rules for the 21st century.

They need to address oligopoly power.

There needs to be more acceptance of the “disputed narratives” and more willingness to debate the merits of fitting trade policies to specific contexts and objectives.

The mega-regionals are inherently exclusive, marginalizing the countries that most depend on trade for their wellbeing. They undermine the multilateral system.

LDCs need to engage. SDT that excludes them from obligations also excludes them from a voice at the negotiating table. This is a mistake. They have a huge investment in Geneva and should use it.

The SDGs are a transformative agenda, but only if the agenda is understood as interdependent and is tackled as a whole. No one goal can be achieved in isolation.

It is essential to provide smallholders with choices. Rather than “inserting them into global value chains” it is necessary to create more markets for them to work with, whether local, sub-national, national, regional or global—or all of the above.