

What is the GATT-WTO?

The World Trade Organization (WTO) describes itself as “the only international organization dealing with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible.”

The WTO came into being in 1995 and is the successor to the General Agreement on Tariffs and Trade (GATT). Although the WTO is one of the youngest of the international organizations, the multilateral trading system that was originally set up under GATT is well over 50 years old. The GATT was established in 1948 shortly after the Second World War.

The GATT is a multilateral agreement among countries that provides for a system for the conduct of international trade. The said multilateral trading system was developed through a series, or rounds, of trade negotiations held under the GATT. The first rounds dealt mainly with tariff reductions but later negotiations included other areas such as anti-dumping and non-tariff measures. The last round-the 1986-94 Uruguay Round (which was launched in Punta del Este, a sea resort in Uruguay, in end 1986 and was finally concluded in the middle of 1994 with a Ministerial Meeting in Marrakesh, Morocco)-led to the creation of the WTO.

The old GATT and the new Understandings reached during the Ministerial Meeting in Marrakesh are now collectively called GATT-UR 1994 and form part of the WTO Agreements that came into effect on January 1, 1995.



GATT-WTO- AoA: Asian farmers struggle for life



At present, the WTO Agreements are composed of the following:

1. Multilateral Agreements on Trade in Goods, including
 - a. GATT 1994 (old GATT Agreements plus new Understandings)
 - b. Other agreements in the area of goods – Agriculture (AoA), Sanitary and Phytosanitary Measures, Textiles and Clothing, Technical Barriers to Trade, Trade-related Investment Measures, Anti-dumping, Customs Valuations, Pre-shipment Inspection, rules of Origin, Import Licensing, Subsidies, and Safeguard
2. Agreement on Trade in Services (GATS)
3. Agreement on Trade-related Intellectual Property Rights (TRIPS)
4. Trade Policy Review Mechanism
5. Understanding on the Settlement of Disputes
6. Plurilateral agreements in four sectors – Civil Aircraft, Government Procurement, Dairy, and Bovine Meat

After the Uruguay Round, negotiations continued. In February 1997, 69 governments reached an agreement on wide-ranging liberalization measures on telecommunications services. In the same year, 40 governments concluded negotiations for tariff-free trade in information technology products, and 70 members concluded a financial services deal covering more than 95% of trade in banking, insurance, securities and financial information.

In 2000, new talks have started on agriculture and services. These have now been incorporated into a broader work program, the Doha Development Agenda (DDA), launched at the 4th WTO Ministerial Conference in Doha, Qatar, in November 2001.

The DDA adds negotiations on non-agricultural tariffs, trade and environment, WTO rules such as anti-dumping and subsidies, investment, competition policy, trade facilitation, transparency in government procurement, intellectual property, and a range of issues raised by developing countries as difficulties they face in implementing the present WTO agreements.

What is the AoA or Agreements on Agriculture?

The Agreements on Agriculture (AoA) is one of the most contentious issues in the Uruguay Round of negotiation as it was the first time that agriculture was included into the GATT.

The AOA were the agreements reached under the Uruguay Round for the establishment of a “leveled” playing field or “a fair and market-oriented” global agricultural trading system. Supposedly, this “leveled” playing field was to be achieved through the elimination of so-called “trade barriers” and “trade-distorting” support in agriculture. Specifically, these were outlined in the provisions under the AoA in the areas of Market Access, Domestic Support and Export Subsidies.

The provisions on Market Access call for the tariffication of all non-tariff barriers (including the conversion of Quantitative Restrictions into tariffs) and the progressive reduction of tariffs over the years. On the other hand, the provisions on Domestic Support and Export Subsidies require member states to reduce agriculture subsidies that distort trade.



Green Box, Blue Box, Amber Box, de minimis?

With regard to the provisions on Domestic Support, the AoA introduced the concepts of green box, blue box, amber box and de minimis.

To simplify, all forms of domestic support/subsidies were categorized under the following:

Green Box refers to all forms of subsidies that are not based on production and are not considered trade-distorting (ex. budget support for research & development, irrigation, farm-to-market roads, direct payments, etc.). Subsidies under this category can be provided by countries without limit.

Blue Box refers to subsidies that aims to limit a country's production of a particular crop (ex. payment made by governments to their farmers so that they would no longer have to plant on their land). This is usually done to control the price or supply of a commodity. Countries are encouraged to practice "restraint" in using subsidies under this category.

Amber Box refers to subsidies that are considered trade-distorting and are programmed for reduction (ex. commodity price support, etc.).

De minimis refers to the level or amount of amber box subsidy/ support that governments can provide to their agricultural sectors. Developed countries can only provide subsidy not greater than 5% of its total value of agricultural production while developing countries can provide up to 10%.

Special & Differential Treatment?

The AoA also introduced the concept of special and differential (S&D) treatment for developing countries. Developed countries should be able to fully implement AoA by year 2000, the developing countries by year 2004. Developed countries are also required to make bigger cuts in their subsidies and tariffs over a shorter period of time.

With the S&D, developing countries are given more time to liberalize their agriculture sector and at a slower rate in tariff cuts. In essence, they are given more time to develop the competitiveness of their agricultural sectors to prepare them for a fully liberalized global agricultural trading system.

What has been the impact of the WTO-AoA on farmers and agriculture?

Actual implementation of the rules set under the AoA has failed to produce the promised "level and fair playing field". The WTO-AoA has been successful in opening the domestic markets of developing countries. But it has failed to curb the agricultural subsidies of developed countries. Consequently, this has significantly undermined agricultural activities and livelihoods of farmers in developing countries.

Easy entry of highly subsidized, thus, cheaper, agricultural products/surplus from developed (and even other developing countries) into highly liberalized domestic markets of developing countries have resulted in massive displacement of local farmers and even the "death" of entire agricultural sectors



in developing countries. In the Philippines, for example, the garlic and onion industry have almost been wiped out by cheap imports.

As observed by FAO, AoA implementation has led to the “general trend towards the consolidation of farms as competitive pressures began to build up following trade liberalization.” The FAO further states that “while this has generally contributed to increased productivity and competitiveness, it led to the displacement and marginalization of farm labourers, creating hardship that involved typically small farmers and food insecure population groups, and this in a situation where there are few safety nets.”

What has been the response and proposals to the WTO-AoA?

Small farmers and fishers groups, civil society organizations (CSOs) and even governments of developing countries, have strongly protested against and opposed the WTO-AoA.

The first and most significant expression of civil society protest against WTO happened during the “war in Seattle” in 1999, wherein CSO mass protest actions literally disrupted the 3rd Ministerial Meeting of the WTO resulting in no major discussions and agreements being reached.

The 5th Ministerial Meeting in Cancun, Mexico also collapsed due to protests from outside (in the streets) and inside the halls of the WTO. A Korean farmer held a hunger strike and then stabbed himself to death during a rally in Cancun. Governments of developing countries

grouped as G-20 refused to enter into any new agreements without first addressing their issues on the AoA.

Many CSOs and governments from the developing countries and CSOs, have proposed the following:

1. Outright rejection of the WTO and the removal of agriculture from the WTO agreements;
2. The inclusion into the AoA of a “Food Security/Development Box” that would include policies that allow governments the flexibility to support domestic agricultural production and food security;
3. Total or drastic cuts in subsidies given by developed countries to their agriculture sector;
4. Calibration of market access and tariff reforms in consideration of the people’s agricultural conditions
5. Review of the rules on sanitary and phytosanitary measures so as to ensure that these are not used as disguised trade barriers against developing country exports
6. Special Safeguard Mechanisms (SSM) that developing countries can use to address or mitigate adverse effects of liberalization;
7. The introduction of the concept of “Special Products” (SP) which would be exempted from the AoA or provided with more flexibility in its liberalization. SPs would include agricultural products that play crucial roles in a developing country’s food security and rural development; and
8. The Philippines’ proposal for a Rebalancing or Interlinkaging Mechanism which will ensure that the provisions on Market Access, Export Competiiton and Domestic Support are treated as interconnected rather than



as separate concerns. For example, if developed countries refuse to remove their subsidies then developing countries should be allowed to increase their tariffs on the product that is being given the subsidy.

What is the July Framework?

To appease complaints of developing countries, the General Council of the WTO issued last July 31, 2004 a document called the "new framework agreement on agriculture" or commonly called the "July Framework." However, the July Framework does not veer away much from the original principles and objectives of the AoA. The July Framework still works within the three (3) basic principles of (1) Domestic Support, (2) Export Subsidy, and (3) Market Access.

With regards to Domestic Support, the new framework has expanded the Blue Box to include Direct Payments (that are not linked to production). The new framework also now allows every country to provide subsidies under the Blue Box up to five (5) percent of its total value of production for agriculture. In essence, every country received an additional de minimis.

The concept of a Total Trade Distorting Domestic Support (TDDS) was also introduced under the July Framework. The TDDS shall be the total of all trade-distorting subsidies being provided by each country. It shall include all subsidies a country provides under the Amber Box, the new and expanded Blue Box, and the de minimis.

Under the new arrangement, every country shall be obligated to reduce their TDDS by 20% on the first year of implementation. However, there are no clear provisions under the new framework regarding the reduction of the remaining subsidies. Apparently, the said schedule shall be taken up in future negotiations.

However, with these changes, it is expected that the TDDS will be much bigger than the current levels of subsidies that are allowed and actually provided.

Below is a table showing the schedule of subsidies that the US, EU and Japan will be allowed under the new framework:

Schedule of Subsidies Under the July Framework (in \$ Billion)

Country	Actual Subsidy for Agriculture in 2000	Subsidy Allowed Under the July Framework	Subsidy Allowed after the Initial 20% Cut
US	24.6	47.6	38.1
EU	73.2	113.9	91.1
Japan	6.8	45.8	36.7

Sources: IPC at WTO (G/AG/NG/S/1 and G/AG/NG/S/12)

Under Export Subsidies, the only provision that is considered a clear victory for the developing countries is the setting of an end date for the removal of all forms of Export Subsidies.

Discipline in the use of Export Credits were also included under the new framework. Export Credits refer to loan programs that are provided by a country to other countries who wish to import from it.

However, the July Framework also introduced the Special Circumstance Provision which allows countries to enter into financing arrangements which will allow exporting countries to provide



loans to countries importing from them. The said provision clearly contradicts or negates the establishment of discipline on Export Credits.

The new arrangements did not also have clear provisions on the discipline on the use of Food Aid. Developed countries usually maintains domestic prices of agricultural products by dumping surpluses to other countries in the form of Food Aid.

On Market Access, the new framework introduced the Tiered Approach wherein there will be different levels of tariff reductions for every country based on their respective tariff levels and structures. Although, there are yet no details on the said concept (these are to be taken up in the next negotiations), what is clear is the principle that every member of the WTO, except for the least developed countries, will have to make a “contribution” or further cuts in their current tariff levels.

The provisions on Market Access under the new framework also introduces the Sensitive Products, which are products that countries will be given flexibility in choosing the combinations of mechanisms for the liberalization of the domestic market for said product. For example, a country may opt to impose very little cuts on the tariff of a Sensitive Product but, in exchange, will have to allow a Tariff Quota Expansion or importation of another product at higher volume and lower tariff. This is also called the Substantial Improvement Principle. Further details on this will also be the subject of the next negotiations.

Special Products (SP) and Special Safeguard Mechanisms (SSM), concepts that were strongly pushed for by

developing countries in Cancun, were also mentioned in the July Framework but did not have any clear provisions and will still be subjected to further negotiations within the WTO.

Overall assessment by most CSO groups on the July Framework is that it clearly leans towards the interests of developed countries in sustaining high subsidies for their agriculture sectors (as made evident in the details of the provisions covering these issues) and offers very little in adopting the “demands” (i.e. SP, SSM, removal of subsidies for developed countries) of developing countries (as made evident in the lack of details in the implementation of the said concepts).

Clearly, the July Framework offers very little change in the current arrangements under the WTO and, subsequently, very little hope in addressing the current problems and difficulties being experienced by small farmers due to implementation of the AoA.

What is TRIPS and what is its Implication on Agriculture and Food Security?

The Agreements on Trade-related Intellectual Property Rights (TRIPS) basically protects intellectual property rights and sets minimum standards of protection which all members are required to have.

A product, design or technology invented by a person or company is considered “intellectual property”, while “rights” is the recognition to the inventor to have exclusive right to use or to earn royalties for its use by others.



TRIPS covers patents, copyright patents, copyright and related rights, trademarks, geographical indications, industrial designs, lay-out-designs of integrated circuits and undisclosed information.

However, Article 27.3 (b) of TRIPS, which deals with biotech patents and plant variety protection, has raised concerns and opposition from developing countries over its possible impact and implications on food security, conservation of biodiversity, equitable benefit sharing, traditional knowledge and farmers rights. Ethical issues on the “patentability of life” has also been raised against the said provision of the TRIPS.

The developing countries and in particular the African Group have put forward a proposal to clarify “that plants and animals as well as micro-organisms and all other living organisms and their parts cannot be patented, and that natural processes that produce plants, animals and other living organisms should not be patentable.”

What is GATS and what is its Impact on Agriculture?

The General Agreement on Trade in Services (GATS) sets down disciplines and provides a framework for negotiations on the liberalization of services. It dismantles traditional restrictions and allows the free entry of investments and professionals in the service sectors. The agreement covers services in banking, education, healthcare, insurance, rubbish collection, tourism and transport.

The most important agreement under GATS is the application of “most favored nation treatment” on all member countries. This means that there shall be

no discrimination of services and service-suppliers of various WTO members.

Currently, the WTO seeks to expand the GATS to include all services sectors and for full commitments with a specific commitment to increasingly higher levels of liberalization with no prior exclusion of any services sector or mode of supply. This means that all sectors – including water, health and education – must be opened up to foreign corporations and once opened there can be no reversal to re-regulate these sectors or impose restrictive government measures.

Five (5) major issues have been raised against the GATS as an issue for agriculture:

1. By encouraging and enforcing the commercialization of water and supply distribution, the GATS threatens the viability of agriculture – the largest single use of fresh water;
2. The privatization and commercialization of environmental services under the GATS, including waste management, treatment and disposal by private corporations, further diminishes the responsibility and capacity of national governments to protect the environment and the occupational safety and health of workers, including workers engaged in agriculture and food processing;
3. The GATS also opens up to foreign companies the provision of agricultural extension services provided by governments to rural communities;
4. The GATS is also used to consolidate and prevent the reversal of corporate concentration in the food retail sector; and
5. Through its provision for the right of foreign corporations to establish a “commercial presence” in all WTO



member-states and related protection of the rights of investors, the GATS realizes key elements of a multilateral agreement on investments in the WTO. It is in effect a MAI by other means.

What should small farmers do?

Engagement and advocacy by farmers groups on the issue of trade liberalization in the agriculture sector through the WTO-AoA, TRIPS and GATS can and should be done at two major fronts –foremost with their respective governments and at the WTO level.

Farmers groups should also continue to communicate and inform their respective governments the problems they are experiencing with regards to liberalization of the agriculture sector and their demands for protection, support and safety nets against excessive imports. Farmers groups should also continue to demand and pressure their respective governments to keep their stand against further liberalization of global trade on agriculture.

Farmers groups and CSOs should continue building and documenting alternatives and models on economic globalization, sustainable development and sustainable agriculture which should then be widely shared for replicability and mainstreaming.

Continued advocacy through media and direct actions against the WTO should be sustained and intensified at the international level, and in solidarity with other like-minded groups. Credible studies concerning the ill-effects of liberalization to small farmers, marginalized sectors and agriculture in general should be conducted and communicated to the world through media.

WTO events, such as the coming Ministerial Meeting to be held in Hong Kong in December this year, should also be maximized to air anti-WTO and anti-liberalization sentiments. Mass actions and advocacy initiatives on the on-going negotiations to flesh out the details of the July Framework should also be organized and undertaken.

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