

Policy Pennings by Dr. Daryll E. Ray

WTO and the fate of peasant farmers

As the Hong Kong Ministerial meeting of the World Trade Organization (WTO) gets closer, the rhetoric ratchets up. Some argue that if the US and EU (European Union) do not make concessions on agricultural subsidies they will have to pay the penalty of an increased number of trade issues being submitted to the disputes body like Brazil's recent cotton case against the US.

Considerable pressure is being put on the European Union to make further concessions on agricultural support while others argue that the US has not offered enough and that the real impact on US subsidies are much less than is being suggested. The bottom line of most of those supporting a successful round of negotiations at Hong Kong is the argument that if the rich farmers of the global North are not willing to give up their subsidies, the rural poor in the global South will suffer.

While that argument is the conventional wisdom in trade circles, it runs counter to a recent study we have done in our office. Using Ethiopia as a case study we found that the "pro-poor" policies of the current round of trade negotiations (the Doha Development Agenda) has the potential to increase the number of impoverished people in Ethiopia, particularly among the Oromo, the people traditionally occupying most of the agricultural lands of Ethiopia.

Ethiopia produces 19.5 million tonnes (metric tons) of agricultural products on 10.8 million hectares. Over 97 percent of this production is consumed in Ethiopia and the country imports an additional 400 thousand tonnes of agricultural products over what it exports. In 2002, the daily per capita calorie consumption was 1,857 calories and 50 percent of the population experienced undernutrition.

For Ethiopia to be able to benefit from increased agricultural trade, some small peasant landholdings would have to be consolidated into larger plots capable of producing crops for export. This could result in the displacement of 2.5 million farmers. In the absence of significant humanitarian intervention this process could result in the displacement of a significant number of people and a decrease in per capita calorie consumption due to exportable crops being grown on land that at present is being used to produce food for domestic consumption. The very people who are supposed to be the beneficiaries of trade liberalization may end up being worse off than before.

The concern raised by this research is supported by other studies that have noted that the gains promised by studies like the World Bank's Global Economic Prospects 2004 (GEP2004) that

showed over \$350 billion in trade liberalization gains for the poor of the world will not be evenly distributed and some countries may be worse off after trade liberalization. In recent months the World Bank has responded to criticisms, like those our office made, of their GEP2004 model and admitted that its projections in that study were off the mark.

On December 3 and 4, at a conference in Kathmandu Nepal, small-scale producers - not trade negotiators or governmental officials - from India, Bangladesh, Philippines, European countries, Indonesia, and Nepal issued a declaration demanding that agriculture be removed from trade negotiations. They argue that the current round of trade negotiations "will have a devastating effect on millions of peasants, small-scale farmers, workers and indigenous people around the world," a conclusion consistent with our study of Ethiopia.

Filipino garlic and onion farmers saw their earnings fall by 60 percent and 80 percent respectively when WTO membership resulted in skyrocketing imports in those products. As of 2004, some 1.8 million Filipino rural agriculturalists have lost their livelihood since the Philippines joined the WTO.

As these events continue to unfold we repeat an argument we have been made before: The implication is that, at a minimum, a different tactic may be needed for agricultural negotiations within the WTO framework because negotiations is because food is not like any other consumer product.

First, it is a necessity for life. We can live without DVD players and sports shoes, but we cannot live without food. Many countries treat food in the same way that we treat national defense.

Second, crop markets do not respond in a timely way to price changes so the mechanisms that work to balance production and trade in consumer goods do not work in agriculture - people do not eat five meals a day in response to lower prices.

Third, agricultural production resources, unlike factory buildings, have few alternate uses and once converted cannot be brought back into production when prices rise.

We should not dismiss the possibility that peasant farmers around the world have it right.

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