Agricultural Trade and the WTO

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In 1994, 124 states from across the world reached a new overall agreement on the rules that would govern the trade of goods and services across borders. This new agreement was notable for many reasons. In my research, two aspects of the new overall agreement were particularly significant. First, the world's leaders agreed to create a new organization called the World Trade Organization (WTO), which would have the responsibility for governing international trade. Although an organization of this type called the International Trade Organization had been on the drawing board when the International Monetary Fund and the International Bank for Reconstruction and Development were created at the end of the Second World War, it never was founded due to political disagreements. Second, within the overall agreement, world leaders signed a new Agreement on Agriculture. For the first time in the history of international economic law, trade in agricultural and food commodities was to be governed by a specific set of rules aimed at liberalizing trade in these commodities. In light of these changes, I was interested in several questions.

1. Does the Agreement on Agriculture mark a significant departure in how trade in agricultural commodities and foods will be governed? Might we describe this agreement as a globalizing moment? If it is a departure, what is it about the agreement that makes it so significant?
2. To answer these first questions, I needed an answer to a second one: how has trade in agricultural commodities been regulated in the past?
3. When it comes to the effects of this agreement, does it enhance or reduce the autonomy of farmers, of each and every one of us as consumers of food products, of governments of wealthier nation-states, of governments of less wealthy states, and of large transnational corporations operating in the agri-food sector?

There are several reasons why these questions are important. First, along with shelter and clothing, food is central to how we live. Any rules that might affect our access to food, how much it might cost, and how it is produced will also help determine how healthy we are and how much pleasure and satisfaction we get from life more generally. Second, in the highly industrialized and increasingly urbanized environments in which more and more of the population of the world live, increasing percentages of the foods we prepare and we eat come from elsewhere, whether far away parts of our own country, or other countries. In wealthier countries, food consumers can get fresh fruits and vegetables year round and processed foods and commodities from virtually all parts of the world. Third, for many years now, leaders of less wealthy countries in the world and some of the farmers living in those countries have argued that trade in agriculture is stacked against them: wealthy countries protect their borders against imports from the less wealthy, all the while subsidizing their own farmers. Accordingly, when the commodities from the wealthy countries are sold into world markets, their prices are below what it cost farmers in the wealthy countries to produce them. These low prices, in turn, put many farmers in poorer countries out of business. Under these conditions, governments of less wealthy countries and their farmers lose autonomy.

In seeking answers to my questions, I focused first on the history of agricultural production and of the rules governing trade in agricultural commodities. In a way, the evolution of agricultural production is an amazing story. If we go back 500 years, the large majority of the people in the world were engaged in farming; cities were small and populations in the countryside were large relative to the cities. In the ensuing period, innovations in mechanical tools, chemicals, and the cross-breeding of plants and animals have permitted farmers to become astonishingly more productive: they produce more commodities on less land using less labour than anytime in human history. Accordingly, whereas one-half of the labour force in European countries and the United States worked on farms to produce the food their populations needed in the late nineteenth century, this figure is now less than three percent in most of these countries. Similar declines are beginning to take place in less wealthy countries in recent years.

As farmers produce more than the populations in their own countries need to feed themselves, they look to export their surpluses to other countries. Over this same period of 500 years, the transportation and communication technologies needed for moving these commodities have improved immensely, whether we speak of shipping, the railroads, refrigerated transport, the telegraph, and the Internet. With these improvements, markets for particular commodities like wheat, rice, cotton, dairy products, and most recently fresh fruits and vegetables have become sufficiently linked that we can speak of world markets. For example, supply and demand for rice in India have an impact on rice growers in Thailand and wheat growers in the US Midwest.

With these changes in productivity of agriculture and the increase in the numbers and amounts of commodities traded, nation-states took an increasing interest in regulating this trade. The pattern was established long ago, but became entrenched in the nineteenth century: the wealthier states set high tariffs and used other policies like import quotas to control how much agricultural commodities and foods entered their economies. For reasons of national defense, they wanted to be self-sufficient in food; they also sought to ensure that farmers stayed on the land and received adequate incomes. Over the course of the nineteenth century and ever more strongly in the twentieth century, states increased the levels of protection and the sophistication of the policies designed to close borders. These political practices continued into the late twentieth century even while trade in industrial goods was becoming liberalized under the General Agreement on Tariffs and Trade (GATT), which took effect in 1948.

In short, agricultural trade was an exception to the trend towards more liberalized trade that gained momentum again after the end of the Second World War and the highly protectionist practices during the Great Depression. Whereas states agreed on rules and principles that opened up world markets for manufactured goods such that tariffs on these goods fell on average to below 10 percent, these same states relentlessly continued to protect many of their domestic markets for agricultural commodities and foods.

The Agreement on Agriculture of the WTO was expected to reverse this exceptional protected status of agricultural commodities in the world trading system. The Agreement contains rules for reducing the amounts that countries subsidize their own farmers, it puts limits on subsidies of exports, with those limits increasing over time, and it guarantees minimum access to domestic markets. Such specific rules did not exist before this agreement. This Agreement is globalizing because these rules now bind all members of the WTO, 149 states in all in 2006. The rules are sufficiently important that each member of the WTO has had to reconsider aspects of its agricultural policies and to adjust them to conform to the rules. Moreover, the Agreement builds in a regular process of meetings where states review one another's policies and challenge them if they do not conform sufficiently to the rules. If the discussions in these meetings fail to reach an agreement on such cases, the countries concerned can take the problem to the WTO's "court," its Disputes Settlement Understanding, whose decisions are binding on the parties in a dispute. The WTO thus has a measure of transnational authority that puts some limits on what states can and cannot do when it comes to agricultural trade.

Whenever there is acceleration in globalization, our research directs us to ask about the impact on autonomy. In my research, I was interested in the collective autonomy of wealthier states and less wealthy states and of transnational agribusiness corporations and in the personal autonomy of farmers. I also recognized that no trade agreement ever completely and utterly liberalizes trade. Governments, businesses, and individuals all know that any extension of market relations in a given sphere of activity is profoundly destabilizing: some individuals and collective actors make significant gains, others may lose their very livelihood. Hence, any trade agreement will contain attempts to cushion the effects of liberalization. The Agreement on Agriculture is no different in this respect and this property of trade agreements makes it difficult for researchers to draw firm conclusions.

In evaluating the various aspects of the Agreement and of the powers and authority of the WTO, I conclude that there is one clear winner: transnational agribusiness corporations are able to operate more freely in global markets and are less easily influenced by states. The autonomy of these corporations has increased. There is some prospect that the governments of wealthier countries will lose some of their capacity to protect their farmers and their agriculture and food markets, and thus some of their autonomy. At present, however, the changes to their autonomy are small because the Agreement leaves them sufficient "wiggle room" that they can continue to subsidize domestic production and exports and offer only limited access to their markets.

Whether this room for manoeuvre will decrease over time depends on the results of further negotiations. It also rests upon whether less wealthy countries, particularly those heavily engaged in exports like Brazil and Thailand, are able to challenge the subsidies of the wealthier countries at the Disputes Settlement process of the WTO. Already, some of these countries have won cases over subsidies to cotton producers in the United States and sugar producers in the European Union. These victories indicate some potential for more autonomy for less wealthy countries, particularly those with strong agricultural economies. Other less wealthy countries with less industrialized agricultural economies will experience further weakening of already low levels of autonomy. Finally, in giving some impetus to export-oriented, industrial approaches to agriculture, the Agreement will reduce the personal autonomy of farmers everywhere as the power of transnational corporations increases over how they farm and what they produce. In this regard, the Agreement may also reduce over the longer term the opportunities for consumers to exercise autonomy if they wish to eat foods produced in less industrial, less chemically intensive, and less biologically engineered ways.