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Juxtaposing SDG 2 on food security and sustainable agriculture with WTO trade negotiations

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The 2030 Agenda for Sustainable Development, adopted by United Nations member states in September 2015, lays down Sustainable Development Goal (SDG) 2 – "End hunger, achieve food security and improved nutrition and promote sustainable agriculture" – as a key component of achieving sustainable development in all countries, especially developing and least developed countries. Goal 2 targets relate to, among others, ensuring access to food for all groups especially the poor and marginalised, improving nutrition, doubling productivity of small farmers, maintaining biodiversity, and use of genetic resources.

Under the 2030 Agenda, trade is noted as a crucial means of implementation (MOI),[1] included in Goal 17 as well as in the goal-specific MOI parts of Goal 2 (2.a, 2.b and 2.c) and other SDGs.

It is thus imperative that an analysis is carried out on the SDG targets under Goal 2 and how the current trade rules, especially in the World Trade Organisation (WTO), will help or hinder the achievement of these agreed targets. The current discussion in the WTO on key issues including agricultural subsidies, both domestic subsidies and (progress on) export subsidies, market access, trade-related aspects of intellectual property rights (TRIPS), investment and electronic commerce can be linked clearly to the attainment of the SDG targets.

The key questions that need to be addressed are:

- Do WTO trade rules and current negotiations comply with the mandate of SDG 2?
- Do WTO rules help small farmers in developing countries continue to produce and maintain their and others' food security?
- What is the implication of WTO negotiations on genetic resources under TRIPS for agricultural technology use in

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developing countries?

- Do new proposals on new issues such as investment and e-commerce meet or obstruct the needs of targets related to SDG 2?
- Are the SDG 2 trade targets themselves (under MOI) and associated targets on trade in the 2030 Agenda enough to meet the broad aim of the Goal to achieve food security and adequate nutrition in the developing world, or do we need to look for more trade policy space to ensure the objective is met?

Here is a quick look at each of the targets under SDG 2, how they compare with existing WTO rules and how the negotiation outcomes in the WTO are likely to impact them.

Target 2.1: ***By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.***

and

Target 2.2: ***By 2030, end all forms of malnutrition, including achieving, by 2025, the internationally agreed targets on stunting and wasting in children under 5 years of age, and address the nutritional needs of adolescent girls, pregnant and lactating women and older persons.***

For developing countries to maintain long-term food security and access to food, it is important to maintain and increase domestic productive capacity. First of all, farmers are also consumers and most small producers are net consumers and need to continue to produce in order to maintain their own food security. Second, the global market is extremely volatile and controlled by a few giant food corporations that dominate the market. Almost no developing-country government has the resources to be able to fully depend on food imports from a volatile global market to feed its population. Third, the experience of the food crisis has shown how countries tend to curtail food exports to ensure food security for their own population. This means food-importing countries, even if they possess sufficient resources, cannot continue to depend on global markets for supplies in times of a crisis. Fourth, over time it is clear that food produced and imported from abroad may not be the best for meeting domestic nutritional needs; instead, local food is better suited for both production and consumption in the context of the country's agro-climatic conditions. While it is recognised that some countries must necessarily import food as they cannot produce enough for their needs, import of food remains an inferior option to producing it domestically. For these reasons, those countries that have the productive capacity must continue to produce food for their consumption.

However, unfair WTO agriculture rules are effectively constraining developing countries from doing so. Rich countries are allowed to continue and even increase subsidies to their agro-corporations in different ways, such as through extra Aggregate Measurement of Support (AMS) entitlements and through "box-shifting" their subsidies to the Green Box category which is exempted from reduction. Such subsidisation distorts world markets to the detriment of developing-country producers, depressing global prices and promoting dumping of the subsidised agricultural products into developing-country markets.

For the record, many developed countries enjoy extra AMS entitlements over the 5% of VOP (value of production) to the tune of $19 billion, $37.5 billion and $95 billion for the US, Japan and the European Union respectively. Between 1995-2013, domestic agricultural subsidies (including the Green Box) in the US increased from $65 billion to $146.8 billion, while those of the EU, with some fluctuations, remained at around $130.4 billion. Of these figures, EU Green Box subsidies stood at €68.7 billion while those of the US amounted to $124.5 billion in 2014. Overall subsidies in the OECD club of rich countries increased from $350 billion to $400 billion over this period.

In addition to the imbalance in the area of subsidies, the agriculture market access negotiations in the WTO seek to get developing countries to cap and reduce their agricultural import tariffs, thus reducing their policy space to use the major instrument to protect their farmers from (most often unfair) foreign competition and to develop their agriculture. While the negotiations have not made too much headway, the current discussions expect developing countries to cut bound tariffs by 36% and seek to impose higher commitments on those which have higher duties.

This ignores the fact that while developed countries have lower duties, they protect their markets much more effectively through subsidies (so far largely undisciplined) and non-tariff barriers in the form of technical standards and sanitary and phytosanitary measures. The WTO Agreement on Agriculture (AoA) provides much more flexible rules on standards and sanitary and phytosanitary measures, allowing a lot of policy space for countries. But since it is mandatory for countries to meet their own standards, developing countries are obviously unable to impose very strict standards or technical processes on imports to the extent that rich countries are doing. Therefore any tariff cuts in such a context would create an uneven playing field and undermine prospects for achieving food security in developing countries.

Target 2.3: ***By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.***

Interestingly, the developed countries, while continuing and even increasing their own subsidies, are preventing actual farmers in the developing world from getting much-needed subsidies. By the AoA rules, developing countries are allowed to give their farmers subsidy of only 10% of the value of production, which is calculated based on an outdated fixed price from 1986-88 (when global prices were very low due to massive dumping by the US and the EU) and does not take inflation into account. This artificial and incorrect calculation method makes governments increasingly unable to subsidise their farmers, even for procuring through an administered price (involving a production subsidy) for public food programmes.

For comparison, we should look at per-farmer subsidies, which clearly show the disparity in total domestic subsidies between many rich countries and developing countries which are being pushed by the former to reduce their subsidies. For example, the EU gives $12,384 per farmer, Canada $16,562, Japan $14,136 and the US $68,910. Compared with that, China gives $348, India $228, Brazil $468 and Indonesia $73 per farmer.[2] Even when we look at per-farmer figures for domestic support excluding Green Box, the EU gives $1,231, Japan $4,335, the US $6,698 and Canada $9,260, compared with $39, $65 and $177 for Indonesia, China and India respectively.

Before the WTO's 2013 Ministerial Conference in Bali, the developing-country G-33 grouping tabled a proposal calling for greater leeway to maintain public food stockholding programmes. But since then, all developing countries have got is an ineffective "peace clause" and the promise of a permanent solution to be agreed by 2017, which was never met. In recent negotiations, developed countries have been asking why a permanent solution is even needed, totally contravening the agreement reached in the 2015 Nairobi Ministerial Conference to negotiate a permanent solution.

Many developing countries are facing challenges from rich countries such as the US on their public food programmes and subsidies. This has created a downward pressure on such subsidies and put at risk the ability of small farmers – many of whom belong to marginalised sections specifically mentioned under target 2.3 – to continue to produce. This is also compromising the overall objective of SDG 2 itself.

Further, the Development Box (AoA Article 6.2) input subsidies being given legally by developing countries to their farmers are also being challenged by several developed countries in the current negotiations. The Development Box was the only form of special and differential treatment for developing countries that was realised in the AoA, but even this is now being challenged while rich-country subsidies continue to increase. The recent negotiations have seen this heightened to a pitch.

On the issue of cotton, the commitment at the Nairobi Ministerial Conference to provide duty-free, quota-free market access to cotton exports from least developed countries (LDCs), as well as the promise to fully remove export subsidies on cotton, remain weak and, needless to say, unfulfilled. Again the most critical issue is Western (mainly US and EU) domestic subsidies, which have led to their control of world cotton markets and a crash in global prices that has hurt producers in developing and least developed countries, mostly in Africa. A lot of these domestic subsidies are not subject to AoA discipline; for example, two-thirds of EU subsidies remain in the Blue and Green Boxes. Meanwhile the countries in the Cotton 4 grouping calling for cotton trade reform – Benin, Burkina Faso, Chad and Mali – rank among the poorest in the world.

In the WTO agriculture market access negotiations, import tariffs are supposed to be reduced. On this front, the proposal to exempt certain Special Products from tariff cuts has been repeatedly challenged during the negotiations. The Special Products provision is meant to protect small and resource-poor farmers, precisely the target group mentioned under target 2.3.

Negotiations on a Special Safeguard Mechanism (SSM) have seen a similar fate. The proposed SSM would allow developing countries to increase tariffs above the bound rate in order to protect their farmers from a sudden and significant surge in imports. This instrument is seen as essential to protect farmers' livelihoods, rural development and food security. However, it has also been sought to be limited by conditionalities (like the peace clause for the public stockholding proposal) and tied to increased market access concessions. Meanwhile there have already been several instances of import surges, triggered by an asymmetric and distorted global market, destroying farmers' livelihoods in many parts of the world.[3]

Target 2.4: ***By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.***

and

Target 2.5: ***By 2020, maintain the genetic diversity of seeds, cultivated plants and farmed and domesticated animals and their related wild species, including through soundly managed and diversified seed and plant banks at the national, regional and international levels, and ensure access to and fair and equitable sharing of benefits arising from the utilisation of genetic resources and associated traditional knowledge, as internationally agreed.***

The UN Convention on Biological Diversity (CBD) mandates access to and fair and equitable sharing of benefits arising from the utilisation of genetic resources and associated traditional knowledge (TK). But the WTO TRIPS Agreement has been running counter to this stated objective. Several loopholes in the TRIPS Agreement allow genetic resources and associated traditional knowledge (which is largely undocumented) to be patented as new inventions by pharmaceutical companies producing drugs and cosmetics. The Agreement does not impose a requirement for patent applications to specify the contribution of community knowledge and TK. This has led to wide-scale biopiracy by multinational corporations (MNCs) of both genetic resources and associated TK from developing countries, mainly from farming and indigenous communities.

In this context, many developing countries have made submissions to the WTO's TRIPS Council to amend the TRIPS Agreement in order to provide adequate protection against misappropriation and biopiracy of genetic material and TK. Attempts have been made by many developing countries, most notably the African Group, to reform the TRIPS Agreement so that patents based on TK are granted based on prior informed consent from and equitable benefit sharing by the communities holding such TK.

In particular, the African Group has proposed a modification of Article 29 of the TRIPS Agreement that asks for disclosure of the country and area of origin of any biological resources and TK involved in the invention, as well as compliance with all access regulations in the country of origin. The African Group has also suggested that the TRIPS Council consider adopting a Decision on Protecting Traditional Knowledge, which would provide for rights relating to protection of TK in cases involving commercialisation of such knowledge; prior and informed consent by the relevant local community or traditional practitioner for any access and any intended use of their knowledge; and full and equitable remuneration for their knowledge. The proposed Decision also sought to address the issue of wrongfully granted patents.

These proposed amendments would go a long way towards meeting SDG target 2.5. But they continue to meet with major resistance from developed countries. In spite of a recent resurgence of interest in this TRIPS-CBD compatibility issue, it has not moved forward. It is clear that massive biopiracy from the world's poorest countries has not only increased and perpetuated poverty in these countries, but also contributed to inequality of wealth and knowledge in the world by allowing Western MNCs to make excessive profits from genetic resources and TK without sharing the benefits with the actual holders of these resources and knowledge systems.

Similarly targets 2.4 and 2.5 continue to face challenges from the misuse of the TRIPS Agreement by global seed companies that are pushing monocultures, controlling the supply and use of seeds, and promoting technologies that have adverse consequences for land, water and use of other natural resources, leading in turn to unsustainable and environmentally damaging results.

The proposed agreement on investment facilitation (read: investment liberalisation in the near future) in the WTO would exacerbate these tendencies. The adverse impacts of such an agreement can be gauged from the experience with existing bilateral investment treaties (BITs) and free trade agreements (FTAs). The WTO investment facilitation agreement seeks to ultimately multilateralise the same process.

The liberalisation of electronic commerce, another new issue in the WTO being advocated mainly by developed countries, will tend to promote digitised technology in all areas of our lives, and not just in trading. In agriculture, the impact of digitisation can be partly beneficial in helping to target input use, matching producers and consumers, giving price signals etc. However, there is significant risk that production by farmers in developing countries may soon be taken over by machines. There are many examples of this already, such as production of food by Panasonic in Singapore. Digitisation and corporate control of data will finally wrest control over agricultural production and distribution away from farming communities on the one hand and food consumers on the other (as already signalled in Monsanto's new e-platform). Such technologies are controlled by a few MNCs. That this control will be perpetuated by the proposed e-commerce rules in the WTO indicates the imminent threats to SDG 2.

Means of implementation under SDG 2

MOI target 2.a: ***Increase investment, including through enhanced international cooperation, in rural infrastructure, agricultural research and extension services, technology development and plant and livestock gene banks in order to enhance agricultural productive capacity in developing countries, in particular least developed countries.***

While this target is apparently well-meaning, care must be taken in its implementation so that it does not actually lead to corporate control over agricultural technology, research and extension, and to intellectual property rights over plant and livestock genes, at the cost of farmers and domestic players in developing countries.

Investment by foreign corporations in agricultural land, water and other natural resources, as well as in technology development, is already promoted by BITs and the investment chapters in FTAs. This has led to massive corporate control in agriculture. Now the WTO is discussing whether to bring onto its agenda new issues in the form of investment facilitation and e-commerce. Both issues have the ability to exacerbate trends towards resource and technology grabbing, which can push out small and even large farmers in developing countries, threaten the survival of indigenous communities, and work against women farmers who work with and preserve traditional seeds and technologies. All these impacts will directly challenge targets 2.3, 2.4 and 2.5.

MOI target 2.b: ***Correct and prevent trade restrictions and distortions in world agricultural markets, including through the parallel elimination of all forms of agricultural export subsidies and all export measures with equivalent effect, in accordance with the mandate of the Doha Development Round.***

In spite of attempts since the 2005 Hong Kong Ministerial Conference, and agreed in the 2015 Nairobi Ministerial Conference, to eliminate agricultural export subsidies, negotiations are still going on as this commitment remains unmet. Moreover, the US managed to secure major concessions on export credits – its major instrument for supporting exports – in the Nairobi decision, while developing countries lost a lot of policy space to use even meagre and often inconsequential export subsidies.

In any case though, target 2.b itself falls massively short of what is needed. Export subsidies have been coming down to a large extent, with some having been shifted to the Green Box category, and have lost part of their relevance in terms of the effort to correct distortions in global agricultural markets. The key issue of domestic subsidies, however, remains largely undisciplined in the AoA – whether with regard to AMS entitlements of rich countries, artificially determined *de minimis* rules for developing countries, or exemption of the Green Box – thus creating massive inequality in the global trading system. Though this was too political an issue to be agreed in the SDG negotiations, it lies at the core of sustainable development and in particular Goal 2. The 2030 Agenda enables governments to use any means to implement the Agenda and the WTO should be able to deliver this critical MOI to meet SDG 2.

MOI target 2.c: ***Adopt measures to ensure the proper functioning of food commodity markets and their derivatives and facilitate timely access to market information, including on food reserves, in order to help limit extreme food price volatility.***

As speculative finance has moved from financial to commodity derivatives markets, trading in food markets has resulted in major volatility in global food prices and has been a significant factor behind the somewhat continuing food crises. This has hurt both poor consumers and producers in developing countries and posed a major challenge to many governments seeking to ensure food security. While the WTO has attempted to open up the food market to "free" global trade, it has not provided any mechanism to control such speculation. Moreover, service sector liberalisation under FTAs has actually brought further financial deregulation and stimulated speculative trading.

Finally, it is important to note that the 2030 Agenda also provides for several other trade instruments to help implement the whole Agenda, including SDG 2. For example, target 17.10 talks about a universal, rules-based, open, non-discriminatory and equitable multilateral trading system, but the current functioning of the WTO does not conform to that. In addition, trends show the reality is way off compared with target 17.11 (to significantly increase the exports of developing countries, in particular with a view to doubling the LDCs' share of global exports by 2020) and target 17.12 (to realise timely implementation of duty-free and quota-free market access on a lasting basis for all LDCs, consistent with WTO decisions). The "LDC package" of concessions for the poorest countries in the WTO has been languishing in "best endeavour" status and exports from LDCs have actually come down. Meanwhile target 10.a under SDG 10 on reducing inequality talks about special and differential treatment (S&DT) for developing and least developed countries in the WTO. However, S&DT has faced serious challenges in recent times given the attack on the Doha Round as well as attempts to redefine S&DT (e.g., by having a case-by-case approach) or replace it with horizontal preferences. Finally, targets 17.14 and 17.15 ask for policy coherence and policy space for poverty eradication and sustainable development, but both are being thwarted in the WTO by not only the overall negotiations but also the foray into new issues.

The recent trends and existential threats to the WTO also bring the risk of the trade body being "reformed" not towards meeting the SDGs in favour of equity and justice and working for those who are left behind, but rather in the opposite direction of more benefits for the strong and powerful. If that happens, the WTO will definitely be an institution that works against the global commitment on the SDGs.

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Notes

1. Means of implementation or MOI are instruments that will help meet the SDGs and associated targets. They include finance, trade, technology, capacity building, and systemic issues related to global economic governance.

2. Ranja Sengupta (2017), "The road to Buenos Aires, December 2017: Agriculture remains key", TWN Briefing Paper 95, November.

3. Ghana, Cameroon, Cote d'Ivoire, Mozambique, Jamaica, Sri Lanka, Senegal are among the developing countries to have seen import surges ("WTO's MC10: Agriculture Negotiations – Special Safeguard in Agriculture for Developing Countries", South Centre Analytical Note SC/TDP/AN/MC10/2, December 2015).