



ORGANIC AGRICULTURE AND GLOBALIZATION

BACKGROUND PAPER





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Please Note:

The opinions expressed in this publication do not necessarily represent an approved IFOAM position

Published in Germany by IFOAM

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Die Deutsche Bibliothek – CIP Cataloguing-in-Publication-Data

Detailed bibliographic data is available in the Internet at <http://dnb.ddb.de>

ISBN 3-934055-77-X

This publication was commissioned by IFOAM and funded through its program “IFOAM – Growing Organic II” (I-GO II) which aims to strengthen the Organic Movement in Developing Countries. I-GO II is funded by HIVOS, Netherlands and the “Fund for Sustainable Biodiversity Management” of the Dutch Government, managed by HIVOS and NOVIB.

Price: Free for download

IFOAM Background Paper - Organic Agriculture and Globalization

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LIST OF ABBREVIATIONS

CAP	Common Agricultural Policy
CSP	Cereal Substitution Products
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FTAA	Free Trade Area of the Americas
GATT	General Agreement on Tariffs and Trade
IFAD	International Fund for Agriculture Development
IFOAM	International Federation of Organic Agriculture Movements
IMF	International Monetary Fund
IPCC	Inter-Governmental Panel on Climate Change
IPR	Intellectual Property Rights
ITO	International Trade Organization
NAFTA	North American Free Trade Agreement
PBR	Plant Breeders' Rights
TRIPS	The Agreement on Trade-Related Aspects of Intellectual Property Rights
SAP	Structural Adjustment Programs
SPS	Sanitary and Phytosanitary Measures
TBT	Technical Barriers to Trade
TNCs	Transnational Corporations
TRIPS	The Agreement on Trade-Related Aspects of Intellectual Property Rights
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UR	The Uruguay Round
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

INTRODUCTION

This paper has been written as a general introduction to globalization from the perspective of the organic agriculture movement. The intention has primarily been to provide an overview as background for a decision on whether IFOAM should engage more seriously with the issue in some way. Little detail is therefore given on either agricultural trade fundamentals or WTO and other trade agreements, although some references are included for those wanting to investigate these issues further.

Although this paper has been through a few drafts, this final version can well be regarded as a draft too, in the sense that it is a highly subjective review of a large subject, written in a relatively short time, and not in any way a balanced or thoroughly edited statement. On this basis, the authors accept and welcome comments and criticism.

WHAT IS GLOBALIZATION?

Globalization has become an extremely popular term in the media and in everyday language, often loosely used to describe increasing international contacts of any kind – by travel, trade, internet, cultural exchanges, etc.

In a more serious economic and political analysis, the term globalization is normally reserved for a more specific phenomenon – the trend toward reduction or elimination of barriers between national economies, with a view of creating one unified global market.

For example, the International Monetary Fund (IMF) describes globalization as “the increasing integration of economies around the world, particularly through trade and financial flows”¹, while the economist Arthur MacEwan, writing in the US journal *Radical Teacher*, speaks about “homogenization of the world economy”². Their choice of words indicates their very different valuations of the phenomenon, yet they more or less agree on the description.

It is important to highlight the fact that globalization is something more and different than simply increased trade. Supporting or agreeing with globalization is not equivalent to supporting or agreeing with trade. Trade is perfectly feasible without globalization. Historically, there are plenty of examples where very high volumes of trade have been generated by highly regulated and very “un-globalized” economies. The rise of Japan, and then many other East Asian exporters, is one of the most obvious cases in point.

It must also be pointed out that globalization is not an inevitable process. It is often argued that technical developments, in particular computerized communications will make a globalized market necessary, but there is little to support this argument. It is certainly true that the internet and other information technologies have facilitated the creation of a global market. Today, however, global economic operations can be both remote and controlled to an extent that was not even thinkable only two decades ago. But, just because it is easily done does not

mean that it is necessary. It could equally be argued that information technologies make it easier to handle complex systems of regulation and therefore reduce the need to integrate and harmonize national economies. In the same way, the availability of cheap, fossil energy driven transport is obviously a necessary precondition for a globalized economy, but it does not follow that increasing global transports have become a necessity.

A political project

Far from an inevitable process, globalization is a very specific political project with its roots in neo-liberal thinking which has dominated international politics from the 1980s onwards. The central neo-liberal idea is to reduce government intervention in all spheres of society and leave markets – private economic actors – maximum freedom to operate. Globalization is the application of this idea to international economic relations.

Historically, national governments have had almost unlimited rights to control economic activity within or across their borders. National legislation has defined what economic actors can and cannot do. Consequently, national markets have been more or less insulated from each other – depending on the political choices made by each national government.

Globalization happens when national governments increasingly surrender this control over economic activities. The effect is that, instead of separate national markets with some exchanges between them and regulation by legislation, a global market emerges which puts economic actors in direct competition regardless of their physical location. The consequences are that the market forces, which previously acted within the national market, now act on a global scale, and price levels are defined, not by the lowest production cost in one country, but by the lowest cost worldwide. This creates exactly the same economic dynamics globally as the development of national markets previously did in each country. Economic development is concentrated to certain regions, while others stagnate and depopulate.

The most visible part of the globalization process has been the reduction or removal of barriers to trade, such as tariffs and import quotas. But there are several other components of equal importance. One is the liberalization of financial markets, which allows capital to move freely across national borders – aided by information technology. Another is the removal of restrictions on foreign investments – facilitating the establishment of transnational corporations. Yet another is the harmonization of intellectual property rights such as patents, trademarks and copyrights – so that companies can have equal protection of products and processes worldwide.

Multilateral, regional and bilateral negotiations

A primary arena for the promotion of globalization has been the multilateral trade negotiations in the World Trade Organization (WTO) and its predecessor, the General Agreement on Tariffs and Trade (GATT). The Uruguay Round (UR) of negotiations, which started in 1986 and ended in 1994, can be described as the launching pad for the globalization agenda. It expanded the remit of the GATT/WTO well beyond the traditional subject matter of tariffs, and other Barriers to trade. Most spectacularly, the UR included a whole new agreement about global harmonization of intellectual property rights (IPR) legislation, the Agreement on Trade-Related

Aspects of Intellectual Property Rights (TRIPS).

But simultaneously and equally important, globalization has been advanced through the negotiation of a number of regional economic agreements, most of which, like the WTO UR, extend far beyond the traditional free trade provisions into various other aspects of economic integration. The European Union (EU), with its origins in the 1950s, is the most long-standing and also most ambitious example. From its beginning as a traditional free-trade agreement in the 1950s, it has developed a very high degree of economic integration, including a common currency. Many other regions pursue a similar agenda. The United States, after concluding the North American Free Trade Agreement (NAFTA) with Canada and Mexico in 1994 – a very broad economic integration project – has been aggressively seeking to expand it into a Free Trade Area of the Americas (FTAA). Many existing, smaller free trade agreements, for example in West Africa, Southern Africa, South America, and South East Asia, are considering deepening their economic integration.

In addition, bilateral economic cooperation agreements have also been proliferating in recent years, partly as a result of growing political resistance in many countries against regional integration projects. For example, after widespread resistance in South America brought the FTAA negotiations to a standstill, the US has initiated bilateral agreements with a number of individual countries (Chile, Peru, Colombia) or smaller regions (Central America). But bilateral agreements are common in all parts of the world. Most of them are initiated by the US or the EU, involve one or more developing countries, and typically cover a very wide range of issues, from trade and investment to IPRs and development assistance. Moreover, they usually try to establish a high level of economic integration and often include clauses which did not gather a consensus in the WTO UR negotiations.³

Another mechanism which has been widely used to introduce globalization policies in developing countries is the Structural Adjustment Programs (SAP) required by the IMF and the World Bank (WB) as conditions for loans to developing country governments from the 1980s onwards. SAPs typically required reductions in tariffs and other forms of border protection, combined with currency devaluation, tax breaks for private capital, deregulation of the labor market, and privatization of state-owned businesses and institutions.

Transnational corporations

When governments decide to reduce their control over the economy to allow increased globalization – or are forced to do so, as in the case of the SAPs – the power they give up is passed instead to private economic actors. In theory, the unregulated space opened up by reduced government intervention is equally available to any economic actor, large or small, national or foreign. In practice, the only economic actors who are fully able to benefit are the large transnational corporations (TNCs). Few smaller companies are equipped to move into foreign countries and establish themselves there. TNCs, in contrast, are specialists at this. They combine huge financial strength – enabling them to sustain losses over long establishment periods – with specialized competence in international economic transactions and in handling different cultural and economic environments.

Compared to the wealth of statistics produced by national governments on the development of national economies, there is remarkably little hard data on the increasing dominance of transnational corporations in the world economy. Perhaps this is not surprising, as there are simply no international bodies with comparable powers or capacity to collect and analyze data on a global scale. But estimates made by the UN Conference on Trade and Development (UNCTAD) indicate that one third of world trade is now intra-firm transactions within TNCs, while another third is inter-firm transactions between TNCs.⁴ Yet these figures likely underestimate the importance of TNCs, as they apparently do not include the exports of nationally-based companies to foreign TNCs – for example when components are sourced from nationally-based subcontractors in various countries.

Add to this the sheer size of TNCs. The largest transnational corporations dwarf not only most developing country economies, but also many smaller developed countries. According to UNCTAD, 29 of the 100 largest economic entities in the world in 2000 were not states but corporations.⁵

The essence of globalization is, therefore, a transfer of power from national governments to transnational corporations. It is not primarily about increasing trade or other contacts between nation states, but about reducing the political importance of nation states. Increasingly, TNCs can operate as if nation states and national borders did not exist (which is why they are more properly called “transnational” than “multinational”). Although to a certain extent TNC still need to take nation states into account, they relate to them more as equals or business relations, rather than as governing powers.

Globalization has therefore drastically changed the world’s political landscape. The emerging new political world order has been characterized as a “network society”⁶, where power resides not in clear-cut hierarchical structures but in the ability to bring together broad alliances involving both governments and corporations, together with media and sometimes other political or economic actors such as academia, organized labor or various social movements.

By virtue of their global nature, TNCs have a very strong position in this new world order, rivaled only by the very largest governments or economic blocs, such as the US, the EU, China, or Brazil. The promotion of globalization as an idea is, in itself, an excellent example. From its origins among a few corporate lobbyists and neo-liberal academics in the 1970s, it has been a remarkable success story, advancing to a status of more or less unchallenged political and economic orthodoxy by the late 1980s.

What globalization is not

It is also important to clarify what globalization is not. Despite much rhetoric to the contrary, globalization is strictly selective: it only applies to capital, goods and services. There has been no globalization for people. Corporations are free to use Chinese workers at Chinese labor prices, and sell the products they make at high prices in other markets with many times the Chinese buying power. But Chinese workers are not free to move to those places and profit from the

higher labor prices. On the contrary, restrictions on migration have tended to become stricter as travel has become cheaper and easier.

It is very possible that over time, improved communications, as well as the mutual interdependence between different parts of the world will tend to equalize wage levels and lead to less restrictive migration policies. But for the time being, it is precisely the difference in labor costs which is the main driving force behind globalization. While other factors – such as more relaxed environmental legislation, tax breaks or lower real estate cost – may also influence the localization of production to China and other developing countries, cheap labor is obviously the primary factor.

Likewise, it is probable that in the long run, access to information will strengthen democratic social movements and hasten the breakdown of dictatorships. As of yet, however, there is no evidence that globalization as such is having this effect. In fact, there are many reports from China and elsewhere that corporations are instead helping dictatorships to uphold restrictions on, for example, internet access to preserve a good business relationship with those governments.

There are also economists and social scientists who question if globalization is in effect so very new, or whether it is rather a cyclic phenomenon returning a new form. It has been shown that trade flows, measured as the percentage of exports in the GNP of major economies, were equally large in the decades around the turn of the century as they are today⁷. That period was also characterized by very liberal trade policies, and by a very high degree of economic integration through the colonial empires. In the late 19th century there were only a little over 20 independent nation states in the world, while Britain and France controlled most of world trade, partly by government-owned trading corporations, but also through close cooperation with the first emerging private TNCs.

With the 1930s depression, trade flows dried up and did not return to their previous levels until the last few decades. The globalization of the colonial empires, while it did not end with decolonization, was reduced and carried over into regular trade flows, although considerable integration remains, for example by the EU ACP agreements (preferential trade with former European colonies in Africa, the Caribbean and the Pacific).

AGRICULTURE AND GLOBALIZATION

In comparison with the manufacturing sector, agriculture has been only moderately affected by globalization. Agricultural production, and food production in particular, still takes place very close to the point of consumption. Food trade flows are relatively small, government regulation and trade barriers remain substantial, and TNC's influence is limited. Globalization has mainly occurred in the input industries, which exhibit a structure comparable to the manufacturing sector.

However, there are two sectors where agricultural production as such has been extensively globalized. The first is tropical commodities, where globalization was introduced by the colonial

empires. Production patterns in the colonies were built up to supply markets in Europe. Both trade and production were directly controlled by the colonial powers or private companies based there. While primary production partly has passed into local ownership, little has changed in terms of trade flows, and almost all trade in tropical commodities is now controlled by TNCs. All are produced to a large extent for export, a few almost exclusively (coffee, cocoa, rubber). Together with sugar, tea, palm oil, bananas and other tropical crops, they remain a very large part of total agricultural trade (even though it may not appear so from trade statistics because of the unprecedented fall in commodity prices by more than one half since the 1980s⁸).

The other sector of agricultural production where globalization has really taken hold is feedstuffs. Especially after the agreement between the US and the EU during the GATT Dillon Round in 1962, which established duty-free status for most protein feedstuffs (see below), the feed sector has globalized rapidly under the control of a handful of TNCs who are present in both exporter and importer countries – a major factor behind the industrialization of animal production. Soybeans are the key crop for the feed industry. Around 30 percent of the global soy crop is now exported, up from 15 percent in the 1960s. Trade is substantial also in other oilseed derivatives, and in maize and its byproducts. Cassava had a brief boom as feedstuff ingredient in the early 1990s but now less than 10 percent of the crop is traded.

In the main food products –major food cereals and animal products – world trade remains marginal. Wheat is the only food that approaches the 20 percent level, a figure that has remained constant since the 1960s. Of maize, around 10 percent of the annual crop is traded, and of rice around 5 percent. For animal products, the figures are lower, from a few percentage points up to around 10 percent.⁹

Food trade is limited partly for obvious reasons. Most foods are perishable and do not travel well. In addition, in poor countries – where most of the world population lives – both cost and lack of reliable infrastructure are additional reasons to base food provisioning on local supplies as far as possible. But also in rich countries, there is usually a very strong consumer preference for local or at least national produce, which limits the market for long-distance foods. The result is that most food trade falls in either one of two quite different categories. The first: luxury foods which cannot be produced nationally, have a special quality, or are out of season. The second: basic foodstuffs to supplement national production where there are temporary or structural food deficits, mainly in poor countries but also in some rich countries which do not have the land area or the climate to entirely provide for themselves.

Another major reason why trade in food is limited is that most governments have policies that protect or give preference to national food products and producers and aim to ensure a high level of food self-sufficiency. The reasons are often complex, but usually involve both a food security argument and an economic argument relating to rural development. This is true for developed as well as for developing countries, even though the details vary, with more emphasis on securing basic nutrition in poor countries and more on rural landscapes and the farm economy in rich countries. In both cases, these policies typically enjoy broad popular support.

The result is that the globalization of the food chain has not been nearly as successful as the globalization of manufacturing. Both individuals and governments may be content to import branded TNC products – clothing for example – produced by low-wage labor in an unspecified country under unspecified circumstances, but they will be reluctant to import food with a similar background. It is probably no coincidence that the few globalized foods which enjoy a growing market tend to be sold primarily to the food service sector, where individual consumers usually do not get to make an active choice. The poultry industry is the most obvious example. Already deeply rooted in an industrial mode of production, it can easily be relocated to low-wage countries, which makes a huge difference in labor costs, both for the actual rearing of the birds, and even more for the labor-intensive processing into semi-manufactured products for the fast food industry – the main explanation for the recent upsurge of poultry exports from countries like Brazil and Thailand, all controlled by TNCs of regional or global origin.

AGRICULTURE IN TRADE AGREEMENTS

The fact that globalized foods do not have the immediate market appeal of globalized cars, garments, or electronics is probably the reason why agriculture has not figured so prominently in trade negotiations over the past two decades. The globalization of manufacturing has enjoyed considerable support not only among consumers in rich countries who benefit from inexpensive products (by their standards), but also in poor countries, where both governments and at least partly the general population have welcomed foreign investment and relocated industries as a stepping stone to economic development.

The globalization of agriculture has not been met with any comparable enthusiasm either among governments, citizens, or even farmers, except perhaps when portrayed as an opportunity to increase exports without having to open up one's own borders. Consequently, trade negotiations have been used by pro-globalization forces as a means of persuasion toward reluctant governments. By packaging agricultural trade liberalization measures as a “take-it-or-leave-it” offer together with the manufacturing agreements that most countries have been eager to get, a number of relatively far-reaching agreements have been concluded.

GATT/WTO

The public discussion about agriculture and trade has been almost exclusively focused on the GATT/WTO. In some ways this focus has been inappropriate. As already mentioned, there exist a lot of other agreements and processes – regional trade deals, bilateral agreements, and structural adjustment plans – which have been at least equally important as the WTO process. In other ways, however, the focus on the GATT/WTO has been quite necessary. The Uruguay Round negotiation was a high-profile event which established the discussion about a whole range of agriculture-related issues, many of which have since been taken up and sometimes taken further by other negotiations. So in effect, by describing the WTO process, one does in fact cover the main content of those other processes as well.

The General Agreement on Tariffs and Trade (GATT) dates back to 1947. With the war recently

ended, an ambitious attempt was underway to create an International Trade Organization (ITO), which would not only address trade issues but also employment, investment, commodity agreements and services. This failed in an early North/South confrontation, and a smaller group of countries (23) joined together in the GATT, an agreement which was purely about increasing trade, “to give an early boost to trade liberalization, and to begin to correct the legacy of protectionist measures which remained in place from the early 1930s” – according to the official WTO history¹⁰.

Agriculture excluded

During its first 30 years the GATT almost exclusively dealt with reducing tariffs on manufactured goods, through a series of negotiation “rounds”. Although agriculture was also covered in principle, a few small but important exceptions were introduced that, in practice made the GATT ineffectual for agricultural products. These exceptions allowed members to support their own farmers financially, to use any kind of border protection for agricultural products – also import quotas which were otherwise restricted – and to export surpluses with the help of export subsidies.

At the time, it was the US that demanded the above exceptions (although the US later criticized the EU when they became the largest user of these exceptions). The agricultural support system built up by the US from the 1930s used these forms of support and protection. The exceptions – in particular the permission to use export subsidies – were the root cause behind most of the world market problems which culminated with the “subsidy war” between the EU and the US during the 1980s, when the two economic giants fought over agricultural export markets with tax payers’ money, causing massive dumping and depression of world market prices.¹¹

When the EU introduced its Common Agricultural Policy (CAP) in the early 1960s, it was able to use the US-drafted exceptions in the GATT to legitimize an even higher level of domestic support, border protection and export subsidies – so high that the US only agreed to it after negotiating a compensation (in the Dillon Round, 1961).. This compensation consisted in completely duty-free access to the EU market for protein feedstuffs, so called Cereal Substitution Products (CSP). At the time, the EU was a net importer both of food and feedstuffs, and happy to concede the feedstuff imports in return for being able to fully protect its food production, in particular wheat and other cereals, against US competition. This choice would have a profound effect on the structure of European agriculture, which soon replaced homegrown fodder with inexpensive imported protein feed, not only from the US but also from many other GATT member states. This was an effect of the Most Favored Nation principle, fundamental to GATT, which says that a concession granted to one member state automatically applies to all others.¹²

The duty-free EU feedstuff imports became an important impetus for what is today a highly globalized feed industry, dominated by TNCs with vertical control over the whole feedstuff trading chain. It also contributed greatly to the enormous agricultural surpluses plaguing the EU from the 1970s onwards, when domestic production both of animal products and field crops grew to levels far above consumption. This in turn was one of the main factors leading to the inclusion of agriculture in the Uruguay Round, and the negotiation of the first WTO

Agreement on Agriculture. Indirectly, the EU example has also led to similar developments in animal production in many other parts of the world.

Agriculture included

The starting point for the UR agriculture negotiation was precisely the three exceptions for agriculture in the original GATT. The US, which originally had argued that exceptions were necessary because agriculture was a sector of special importance for national food security, and thus could not be treated in the same way as manufactured goods, had now turned 180 degrees and advocated a complete removal of all support systems. This was entirely in line with the neo-liberal policies then in force, which would also lead, a few years later, to the agricultural reform policy dubbed “Freedom to Farm”, designed to entirely eliminate US agricultural support.

The US had teamed up with the so-called Cairns group, consisting of agricultural exporter countries which either had already undergone this type of neo-liberal reform (like Australia, New Zealand, and Canada) or had never had much farm support (like Argentina and Brazil). Most developing countries also lent at least passive support to the US-Cairns agenda, convinced by their arguments – supported by most leading economists – that the opening-up of the protected EU market in particular would create enormous export opportunities for the developing world. This, by the way, was an argument already familiar for many of them from the IMF structural adjustment programs. How strong this conviction was is perhaps best illustrated by the fact that even a few net food importing developing countries (such as Indonesia and the Philippines) joined the Cairns group.

The outcome of the AoA soon proved to be a great disappointment for developing countries. On paper, the agreement meant major changes for all member states.

- Domestic support via price guarantees was to be greatly reduced.
- Border protection was to be reduced and no other means other than tariffs were allowed.
- A minimum market access requirement was introduced (4-5% of consumption for each agricultural product).
- Export subsidies were also to be reduced.

In reality, most of the reforms had little effect on agricultural support levels in the US and EU, where it was supposed to have the greatest effect. The main result instead was an opening-up of developing country markets to imports, including to subsidized exports from the US and EU. There are several explanations for this. The most important is that the countries were allowed to compensate farmers for the cuts in domestic price support by direct payments from government budgets (the so-called green and blue boxes). This possibility was formally open to all members, but in practice, was only available to rich countries that could afford the payments.

In contrast, the price support which was outlawed by the AoA did not depend on tax money. It was achieved through a combination of border protection and administrative means which cost little to implement. In fact, price support systems usually generated some income via tariffs. The extra money that farmers received was paid directly by consumers. At the same time, this mechanism served to keep out subsidized imports. This option, now closed to all members,

allowed rich countries to compensate with direct payments, while poor countries were left more vulnerable than before.

In addition, border protection in rich countries was in reality not reduced nearly as much as foreseen, due to advanced manipulations with the base periods for the reductions. On top of this, rich countries had also secured access to a special safeguard measure against sudden import surges, which was not available to poor countries. Export subsidies, used mainly by the EU, were already being phased out because the new direct payments fulfilled the same purpose – to reduce export prices. Instead of paying a specific subsidy to the exported volumes, the EU now pays a similar amount to all production, whether it is for export or domestic consumption. While this brings prices down well below the cost of production, it no longer counts as an export subsidy under the WTO because the domestic price is now the same. For EU consumers it makes no difference: The new direct payment is financed out of their taxes, for which in return they profit from cheap food.

The only measure which seems to have had full effect on all members is the minimum market access requirement which forces everyone to import a certain proportion of every product – including products where they are fully self-sufficient.

In sum, the UR AoA can perhaps be described as an agreement drafted along orthodox neo-liberal lines to reduce government intervention in agricultural trade and open markets for globalization of food production - but where rich countries built in so many hurdles on their own borders, the opening of markets was really effective only toward developing countries.¹³

Current round

After the Uruguay Round experience – and the general political shift away from extreme neo-liberalism after Seattle 1999 – developing countries came into the new Doha negotiation with entirely different aims. The widespread naive belief in large-scale agricultural exports as a possibility had vanished for almost everyone. Instead the large majority – with the exception only of established food exporters – had given priority to creating safeguards for domestic production, in particular against export dumping or other low-price competition.

More surprisingly, the US came to the negotiation with demands for increased support allowances. After its neo-liberal agricultural reform utterly failed in the late 1990s, causing agricultural support budgets instead to reach record highs, the US no longer had any chance to meet the support cuts required under the existing agreement, much less the more ambitious new plan.

The result – obvious already in the “July framework” agreement reached in 2004 – is that the US, if and when an agreement is reached, will get a greatly expanded and redefined “blue box”, in which to fit its new agricultural support system. In return, developing countries will have access to a food security-related exception from tariff reductions, “special products” (another exception originally designed for the EU), and a new version of the “special safeguard” against sudden import surges. The EU, for once, can pride itself on being in line with the trade liberalization

rhetoric – because it’s latest agricultural policy reform fulfils the criteria for “green” support and cannot be challenged. At the same time, the Cairns group keeps arguing, apparently in vain, for more radical cuts in other members’ support systems. In everywhere but the language, the neo-liberal agenda has been put on hold.

One important explanation for the standstill of the neo-liberal agenda, apart from the general shift in world politics, is that, for the first time, developing countries are participating with an equal footing in negotiations. Admittedly, during the first UR negotiations, many developing countries were new members and had great difficulty understanding the process, never mind influencing it. Moreover, the final agreement in the agriculture negotiation was in effect a bilateral one anyway – the infamous Blair House agreement between the US and the EU was presented as a take-it-or-leave-option to the full membership. This time around, however, a key group of developing countries succeeded, despite important internal differences, in maintaining a united front as the G20, forcing a revolutionary change in the power structure of the WTO.

TRIPS

The agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) was probably the single most important victory for the pro-globalization forces in the UR negotiation. Despite its name, it covers more than just trade-related aspects of IPRs. It introduces a far-reaching harmonization of IPR protection (patents, trademarks, copyright and other similar rights) which is extremely important for the ability of TNCs to keep control over economic empires spanning a number of different national legal systems.

When TNCs move manufacturing to low-cost countries, it is crucial for them that the IPR systems in those countries recognize the rights to the intellectual content of their products – designs, constructions, computer programs or simply songs or movies on a CD or DVD. Without harmonized IPR protection, the whole globalization setup would be very risky, as intellectual content could be copied and reused completely legally. Thus, the goal of TRIPS is to raise the global level of IPR protection to that of the major developed countries – the US, EU and Japan. It is interesting to note that the TRIPS agreement – in total contrast to the agriculture agreement and most other WTO agreements – is in no way about reducing government intervention, but about imposing a whole new set of laws and regulations.

Prior to TRIPS, the UN body responsible for IPR issues, the World Intellectual Property Organization (WIPO) had repeatedly failed to negotiate a broad harmonization agreement. This was the reason why industry representatives started lobbying the US government to instead bring the issue to the UR negotiation. While the first initiative came from the copyright-based industries – music and other entertainment – there was also an important agricultural connection. One of the primary aims of TRIPS was to extend IPR protection to living beings – or “biological inventions” as the terminology states. In particular, it was the biotechnology industry which wanted industrial patent protection over genetically engineered plants, animals and microorganisms. But, the conventional plant breeding industry also wanted its special form of IPR, termed Plant Breeders’ Rights (PBR) and regulated by the UPOV convention, made

mandatory on a global scale.

While this plan did not completely succeed, TRIPS does include clauses that make patent protection mandatory for microorganisms, plants, and some forms of IPR. While most developed countries offered a similar level of IPR protection before TRIPS, very few developing countries did.¹⁴

SPS AND TBT

The agreements on Sanitary and Phytosanitary Measures (SPS) and on Technical Barriers to Trade (TBT) are similar in the sense that they limit the regulatory measures that governments are allowed to take in the field of health and plant protection (SPS) and any other technical standards and regulations (TBT). In both cases, national government regulations can be challenged and subject to a WTO dispute resolution. Even in cases where domestic and foreign products/producers are treated exactly the same, the regulations as such can be challenged, and be made to show that they serve the purposes allowed in the agreements and do not cause unnecessary restrictions to trade.

The SPS agreement has been invoked by the US in its dispute with the EU over GMO regulations, which the US claims are overly restrictive because they require labeling and traceability without reference to any known health risk.

The TBT agreement has some specific relevance to organic agriculture as it contains rules about voluntary international standards for processes and production methods, such as organic standards. The interpretation of these provisions remains contested. Some governments claim that voluntary standards are forbidden trade barriers, while others claim that they are explicitly allowed.

OTHER TRADE AGREEMENTS

After the conclusion of the UR and the establishment of the WTO, a whole range of regional or bilateral trade agreements were concluded, mainly between the US and the EU on the one hand, and one or more developing countries on the other. Many of these trade agreements go further in a pro-globalization direction than the WTO agreement. In agricultural trade, many establish duty-free quotas, such as the large quota for import of US maize granted by Mexico under NAFTA, which has entirely changed the Mexican maize market and driven most small producers out of business. Regarding IPRs, many agreements require full patent protection for plants and animals, instead of the more flexible requirements of TRIPS.

The structural adjustment programs imposed by the IMF as conditions for loans have followed very similar lines. In agriculture, emphasis has been put on opening domestic markets for imports, while stimulating domestic producers to convert to various forms of export production, which are often luxury items such as cut flowers or vegetables for off-season markets in Europe and the US.

POLITICAL RESPONSES TO THE GLOBALIZATION PROJECT

Globalization, being essentially a political project, has drawn political responses. It is fair to say that the aggressive push for globalization during the 1980s and 1990s created a political counter-alliance which would not have existed otherwise.

The WTO meeting in Seattle in 1999 – called to launch a new “Seattle Round” of negotiations – became instead the symbol of successful resistance to globalization. Although the reasons for its failure are quite complex, it is clear that the very diverse movement of globalization critics who gathered there contributed decisively. They came from very different backgrounds – farmers, labor organizations, churches, development aid organizations and many others – and had quite different agendas. But there was a strong consensus on one point: the opposition to turning even more economic and political power over to transnational corporations.

Since Seattle, there has been an evident shift in global politics away from the most extreme neo-liberal policies underlying the globalization offensive. The new WTO round could finally be launched in Doha in 2001 but only at the price of reducing its globalization ambitions very drastically, excluding for example most of the “new issues”, such as foreign investment, that were planned to be added to the WTO remit. Developing countries in particular have clearly moved their emphasis toward defending their right to independent, endogenous development – as shown above for the agriculture negotiations. While the round definitely does not merit its official name – The Doha Development Agenda – the total neo-liberal hegemony is definitely a thing of the past.

Agriculture was an important focus of the anti-globalization movement already in Seattle, and remains so, despite its relatively minor importance in the world economy. One obvious reason for this is its importance for developing countries, both in an immediate sense for food and livelihoods, but even more for their future development. The choice between an endogenous agricultural development geared to strengthening both food security and local economies, and a TNC-controlled integration into a global production system designed after industrial manufacturing models, will have profound importance for the future of the developing world. Another reason, already mentioned, is the fact that food and agriculture thus far have resisted globalization, which has led to a very strong focus on agriculture both in the WTO and other trade negotiations – to the extent that the present round now (February 2006) is on the brink of breakdown due to lack of progress on agriculture.

As on most other issues, the various parts of the anti-globalization movement differ considerably in their analysis of agriculture. Two major strands can be distinguished, although hybrids between them are probably more common in real life. On the one extreme, there are those who do not fundamentally question trade liberalization as a goal, only how it is implemented. They usually apply a North-South perspective and focus on how to strengthen the position of developing countries, both in terms of improving their influence on the WTO negotiation process – traditionally very biased and controlled by the EU and the US – and by introducing various forms of “special and differential treatment” (lower tariff reductions, longer implementation

periods, and various exemptions). At least during the UR negotiation, they also often supported very radical proposals for reduction of tariffs and domestic support in developed countries, in the interests of developing country exporters. They take little interest in the effects of liberalized trade on agriculture in rich countries.

At the other extreme, there are the radical critics who oppose both the content and the form of agricultural trade negotiations. In the forefront are small-farmers' organizations such as Via Campesina, and some environmental organizations such as Friends of the Earth International. Their high-profile issue has been the demand to remove agriculture from the WTO altogether, but they have also made a serious effort to formulate a coherent alternative, called food sovereignty. This concept is defined as "the right of peoples, communities, and countries to define their own agricultural, labor, fishing, food and land policies"¹⁵. While the food sovereignty movement gives a very clear priority to strengthening domestic and local food production, community control over productive resources, and protection from low price imports, it is "not contrary to trade but to the priority given to exports"¹⁶. Although most visible in developing countries, the food sovereignty movement explicitly rejects the North/South perspective and emphasizes the common interest of farmers everywhere, in opposition to increased TNC control over food systems via globalization.

THE POTENTIAL ROLE OF ORGANIC AGRICULTURE MOVEMENTS

Most organic agriculture organizations have been involved in the anti-globalization movement. So far, however, no attempts have been made to reach a common position on the matter at the international level – something that could perhaps have been expected of IFOAM, given its global character and the growing involvement of organic producers in agricultural trade.

On the other hand, it is probably fair to say that the organic movement inherently rejects much of what the globalization project stands for. Organic agriculture grew out of a fundamental criticism of the industrial mode of food production. In particular, it was established in direct conflict with the agricultural input industries which promoted the total disconnection of farming from its ecological context by way of synthetic chemicals, mechanization, irrigation, and standardized commercial seed. These industries were also the pioneers of globalized agriculture. The input end was where globalization of agriculture began. By now, most of this industry has consolidated into a handful of transnational corporations, which between them control much of the seed, feed, and agrochemical businesses. There is no doubt that organic agriculture remains opposed to their expansion – and expansion of TNC power over world economies is, as we have seen, the essence of globalization.

Despite such formidable adversaries, organic agriculture has been quite successful in establishing a different mode of agricultural production, far less dependent on external inputs and thus relatively independent of the transnational input industries. There are some exceptions, notably seed, where TNC dominance has become almost complete. It is interesting to note that it is exactly in this field that IFOAM has been most politically visible over the last few years, systematically campaigning against genetic engineering – the key technology now promoted by

the global seed industry – and seed patenting, a necessary means for its economic viability. This perhaps suggests that the organic movement primarily expresses itself by action – by creating alternatives – and resorts to political means only when alternatives are difficult to sustain.

At the processing and marketing end however, the differences between organic and conventional food production are much less pronounced. While there is no doubt that local marketing and farmyard sales are more common in organic production, much organic production goes into mainstream handling systems where it is equally exposed to the globalization tendencies of conventional production. The trend toward anonymous brand-name products sourced from wherever they can be had at the lowest price, and sold to the final consumer without any clues as to geographical origin, appears almost equally strong in the organic sector. Industrial food processing, while limited compared to the conventional sector, is increasingly applied to organic produce. And the rapidly growing market power of the large retail conglomerates is impacting organic producers no less than conventional ones.¹⁷

To a large extent, the weaker influence on the downstream industry can be explained by the history of the movement. Organic agriculture was conceived primarily by farmers, and developed first and most strongly in primary production. It is remarkable how the movement already by the early 1980s had formulated a very distinct and sophisticated set of guiding principles for sustainability in agriculture¹⁸ - a no-nonsense approach that compares very favorably with the plethora of sustainable agriculture manifestoes produced in the intervening 25 years. It focused on what are still the essentials in the design of primary agricultural production: closed systems and local resources, long-term fertility of soils, minimal use of fossil energy, and appropriate technology based on an understanding of biological systems. It was notably weaker on the downstream handling, mentioned only in one of eleven main points.

Perhaps, this does not matter so much to overall sustainability. Maybe the crucial factor is how primary production is organized, not if processing and marketing are increasingly controlled by globalized industries. In a limited perspective, this may be true. Primary production methods no doubt have a direct impact on the health of ecosystems, quality of soil, etc, that downstream industries have not. But seen in context, it appears very difficult to divorce the two aspects from each other.

To begin with, some of the principles on which primary organic production is based are equally valid for downstream handling. For example, the fossil energy use in transport, processing and packaging of food products is now often higher than in the primary production of the raw materials. This is a logical consequence of applying industrial economic principles – fossil energy is so cheap that even very long transports make sense from a purely economic point of view, if they make it possible to utilize cheaper sources of raw materials or labor. This is the very essence of globalization – so important that it can indeed be questioned whether globalization as an economic strategy will survive the end of the fossil energy economy at all.

But there are also important feedback effects from downstream industries to primary production which cannot be overlooked. Even on a superficial level, there is an obvious problem

with the market image of organic goods when they are delivered at a very high energy cost or by corporations otherwise known for their systematic disregard of food quality or ecological sustainability. The effects can already be observed in many developed country markets, where the more conscious consumers tend to opt for conventional products of known local or regional origin in preference to organic products with unknown origin and transport history. More seriously, another key characteristic of large globalized economic actors – their capacity to pressure suppliers for constantly lower prices and better deals – is forcing primary producers also in the organic sector to look for cost-cutting opportunities rather than sustainability improvements. The market belongs not to the best implementation of the organic principles, but to the cheapest – in other words, to the producer who manages to just barely fulfill organic standards, not to the one who is in the forefront of improving them.

Another perverse economic mechanism is also at play. When globalized corporations pitch primary producers everywhere against each other, it also translates into extreme insecurity. Contracts are short and regularly put out for bidding. Yesterday's winner is today's loser, leading to frequent and unsystematic shifts in production, from one monoculture to another, rather than the stable and mixed crop rotation that is key to a sustainable organic production.

It would be unfair to say that organic movements have missed out on these developments. Already ten years ago, organic pioneers Lawrence Woodward and Hardy Vogtmann raised the issue in a very critical presentation at the IFOAM Conference in Copenhagen.¹⁹ They noted, among other things, how later versions of the IFOAM Principles had tended to muddle the clear guidelines they originally contained, and they ascribed this to the influence of a growing, global “organic industry” more concerned with catering to mainstream markets than with developing the original vision of the organic movement. Instead they argued for building on the successful implementation in primary organic production of the principle of self-limitation – of consciously choosing not to use harmful technologies or an excess of resources – and working to expand its application into the food system as a whole, and beyond.

But by and large, it is organizations outside the organic movement that have picked up this challenge during the past ten years – to the extent that it has been done at all. The Slow Food movement has done important work on the connections between sustainability, cultural diversity, health and quality of life. Via Campesina and other small-farmers' movements have developed the food sovereignty vision. Environment and development organizations have exposed many of the perverse effects of liberalized trade on developing country food systems. Granted, there is plenty of personal and organizational links between these initiatives and the organic movement, but it is still a fact that neither IFOAM nor other organic bodies have taken any major part in the political discussions about the future shape of the world food system – except in some limited aspects, such as fair trade.

Given its origins and accumulated experience, it makes little sense for the organic movement to stay on the sidelines in this debate. It has a special position in at least two respects: its solid base as practical development of sustainable local agricultural economies, and its actual presence as an economic actor in international trade. This background will give a unique weight

to any initiative the movement takes. The special position of the organic movement creates an expectation that it should have an opinion. Therefore, silence risks being interpreted as tacit acceptance of globalized food.

One reason for the relative silence of the organic movement appears to be the notion that criticism of globalization would equal an anti-trade stance, and imply a criticism of companies, certifying bodies and others involved in international organic trade. As already discussed, this is at least partly a misconception. Globalization is about giving absolute primacy to trade, and transferring power from governments to corporations. Unless organic traders defend this, they need not feel targeted when globalization is criticized.

On the contrary, there would seem to be an obvious role for organic traders in helping to develop an appropriate implementation of basic organic principles to food trade patterns. Even from a strictly commercial point of view, it should be interesting for anyone selling organic products to be able to show that they approach their own activity in a way consistent with the self-limitation principle fundamental to organic agriculture.

Not much has been done in this respect so far. It would involve looking at food trade with the same critical eye as organic farmers look at the methods used in conventional agriculture, and finding workable principles for distinguishing what is acceptable from what is not – and for implementing gradual improvement in line with the well-established practice of organic standard-setting. A cursory attempt at approaching this task was done in a policy paper from the IFOAM EU Group in 2002, which mainly dealt with the EU Common Agricultural Policy, but also contained a short section on international trade, which mainly argued for applying resource efficiency and cost-benefit criteria:

Trade is a necessity in some cases, in particular to handle temporary or structural food shortages. It is a reasonable luxury in many other cases, providing for better nutrition and a wider selection of foods. But increasingly, agricultural trade is driven by very narrow economic considerations, aiming to reorganize world food production on a highly questionable industrial model, entirely disregarding resource efficiency.²⁰

Although brief, this passage provides a starting point which could usefully be explored further. With its long experience in building alternatives based on self-limitation and its considerable expertise in setting and implementing voluntary standards, the organic movement is well placed to take a lead in looking at food trade patterns from this perspective. It would constitute an original contribution to the globalization and food trade discussion, which usually stays on a purely economic level – just like the discussion about production methods in agriculture did before organic farmers came along. If backed up by a number of companies actually engaged in organic food trade, it would also have considerable credibility both on the market and as a political statement.

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IFOAM'S MISSION IS LEADING, UNITING
AND ASSISTING THE ORGANIC MOVEMENT
IN ITS FULL DIVERSITY.

OUR GOAL IS THE WORLDWIDE ADOPTION
OF ECOLOGICALLY, SOCIALLY AND
ECONOMICALLY SOUND SYSTEMS THAT
ARE BASED ON THE PRINCIPLES OF
ORGANIC AGRICULTURE.



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