

IATP Press Release

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Contact: Sophia Murphy, 612-870-3454, smurphy@iatp.org
Ben Lilliston, 612-870-3416, blilliston@iatp.org

New Report Finds Flaws in WTO Agriculture Agreement

Agreement Ignores Power of Transnational Corporations

Minneapolis – The current global agriculture trade agreement will not succeed in helping farmers and broad-based economic development until it addresses market power by transnational corporations, finds a new report released today by the Institute for Agriculture and Trade Policy.

The report, *Managing the Invisible Hand: Markets, Farmers and International Trade*, is by the Institute's Trade Director Sophia Murphy. The report was produced by IATP for the Canadian Foodgrains Bank.

The report examines the World Trade Organization's (WTO) Agreement on Agriculture, which is the primary trade agreement governing global agricultural trade. Between now and March 31, 2003, governments will draft revisions to the current agriculture trade rules. Government delegates at the WTO will discuss issues such as export subsidies, market access, domestic support programs, food security, and special treatment for developing countries.

The report examines the weaknesses in the Agreement on Agriculture and argues that the agreement itself, whose structure is reflected in the negotiations, is fundamentally flawed. The Agreement ignores:

- the inelastic nature of demand in agriculture;
- the relatively inelastic nature of supply in agriculture;
- the political and economic weakness of most farmers;
- the vertical integration of the agricultural system;
- the fact that countries do not trade; farmers do not trade; transnational agri-business trades.

"Until multilateral trade rules take account of the concentration of market power in transnational agricultural trade, they cannot manage an open and fair trading system," Murphy writes in the report. "Agricultural trade rules need to take into account the rapidity of change in the whole agricultural sector, from seed production to food processing to retailing. These rules must allow countries, particularly developing countries, the flexibility to block dumped agricultural products, protect food security and preserve the livelihoods of low-income farmers."

The paper proposes several revisions to the WTO Agreement on Agriculture including:

1. Investigating and publishing the scale and scope of transnational agri-business activities in member states;
2. Evaluating the sources of market distortion, public and private, and discussing how best to address them;
3. Creating a WTO working group to discuss competition issues specifically related to agriculture.

Murphy will present the paper at the "World Trade Organization Symposium: The Doha Development Agenda and Beyond," being held from April 29-May 1 in Geneva, Switzerland. IATP is one of half a dozen Non-Governmental Organizations sponsoring an April 30th workshop in Geneva titled: "Dumping and the WTO Agreement on Agriculture: The Food Security Implications."

Sophia Murphy is the director of IATP's Trade and Agriculture Program, which focuses on multilateral institutions and food security. She is a former Policy Officer at the United Nations in Geneva, Switzerland, and Policy Officer at the Canadian Council for International Co-operation in Ottawa. She is a graduate of Oxford University and the

London School of Economics. She has written frequently on food and trade issues and has spoken to many international panels on these topics – most recently at the United Nations Financing for Development meeting in Monterrey, Mexico.

The Institute for Agriculture and Trade Policy promotes resilient family farms, rural communities and ecosystems around the world through research and education, science and technology, and advocacy.

The full report and executive summary can be viewed at: www.tradeobservatory.org