

## Seven Reasons Why the Doha Round Will Not Solve the Food Crisis

Leaders of the world's trade and financial institutions—the World Trade Organization (WTO), World Bank, the International Monetary Fund (IMF) and the Organization for Economic Cooperation and Development (OECD)—are pushing for the completion of the WTO's Doha Round of trade agreements as a way to solve the current food crisis. Below are seven reasons why they are wrong and three concrete steps trade policy-makers should take to help ensure people around the world get the food they need.

### First, Why the Crisis?

The food crisis is the result of a series of circumstances. They all matter. The list of causes includes, on the supply side: alarmingly low stocks for staple foods—wheat, rice, and corn; high oil prices; poor climatic conditions in major food producing areas (in particular Australia, but also Argentina, the United States, Canada and elsewhere); and natural resources—particularly water and soil—which are being over-exploited to the point of collapse. Demand-side factors include: more and more people around the world can afford dairy products and meat; and, rich countries have started to use food crops for biofuels to supplement oil consumption. Against this backdrop, unprecedented levels of investment and speculation on commodity markets are making prices both much more volatile and much higher than real supply and demand would warrant.

### Why the Doha Round Will Not Solve the Food Crisis

#### 1. The Doha Round Will Increase Dependence of Poor Countries on Food Imports

Two-thirds of developing countries are net importers of food. The number is even higher among the poorest countries. In the past two decades, the rush to liberalize agricultural markets in developing countries left poorer producers without government support. A massive increase in imports, in many cases heavily subsidized imports, discouraged local production and investment in agriculture. The trade liberalization proposals under the Doha Round would further increase countries' dependence on food imports instead of encouraging governments to increase domestic production and rebuild local food systems.

#### 2. The Doha Round Will Increase Volatility of Food and Agriculture Prices

Measures previously available to governments to soften the effects of price volatility (by controlling import and export volumes, managing domestic stocks, using price controls and price support tools, creating consumer subsidies through rationing systems, etc.) are either banned or discouraged under existing trade and investment agreements. The Doha Round proposals will further restrict the tools governments might use to ensure trade supports food security objectives.

#### 3. The Doha Round Will Strengthen the Power of Transnational Agribusiness

Since 2006, three of the world's dominant grain traders, Cargill, Archer Daniel Midlands (ADM), and Bunge, have increased their profits by 36 percent, 67 percent and 49 percent respectively.<sup>1</sup> Deregulated trade has left big gaps in competition law and created enormous opportunities for transnational agribusinesses. Since the creation of the WTO, multilateral trade rules have reinforced the position of dominant players in the food system at the expense of farmers and local business in developing countries. The Doha Round will further consolidate their power.

#### **4. The Doha Round Will Not Discipline Financial Speculation**

Financial speculation in commodity markets has increased significantly since 2000. Both FAO and UNCTAD identify this new level of financial investment in commodities as a major cause for the increasing volatility on commodity markets. There are no proposals under the Doha Agenda to control speculative investment in food markets.

#### **5. The Doha Round Will Not Address the Environmental Crisis/Climate Change**

Bad weather conditions have contributed to the food crisis. According the Intergovernmental Panel on Climate Change, extreme weather will continue to disrupt food production. Fourteen years after the WTO was established, governments are no closer to developing ways to account for the costs of pollution or the depletion of natural resources that are linked to trade. The WTO is at odds with the UN's environmental agreements, including the Convention on Climate Change, in its insistence on "least-trade restricting" and its disregard for environmental obligations.

#### **6. The Doha Round Will Not Reduce Oil Prices**

On April 30, 2008, prices reached US\$119 a barrel. Prices are 74 percent higher than they were one year ago and almost five times higher than the average price over the past 100 years. Oil is a vital component of industrial agriculture. It is used for fertilizers, pesticides, irrigation pumps, farm machinery and transport. The price of oil has a huge affect on food prices. The oil supply is largely controlled by an oligopoly of suppliers, the Organization of the Petroleum Exporting Countries, or OPEC. The Doha Agenda has no proposal for addressing the market distortions created by the oligopoly.

#### **7. The Doha Round Will Not Regulate International Trade in Biofuels**

In the past few years, investment in biofuels has expanded exponentially, not least because of the rapid rise in the price of oil. This expansion has created direct conflicts in some countries between the use of land and water for biofuels rather than for food. The Doha Agenda aims to expand trade in all agricultural goods, irrespective of their use, and will do nothing to help governments prioritize food production.

### **Three Trade Measures Governments Should Take**

#### **1. Review the Uruguay Round Agreement on Agriculture (AoA) and Doha mandate**

The AoA must be reviewed and governments must be allowed to implement policies that strengthen domestic food and agricultural systems. Governments need tools to protect against subsidized food imports. Multilateral trade rules should prevent harm to other countries' food security and livelihoods. Governments should be able to use trade as a tool, not as a substitute for investing in local markets. Local production and jobs are necessary for development.

#### **2. Address Volatility in Food and Agricultural Prices**

Governments need to re-establish public stocks at national and regional levels. Stocks provide an important buffer against price volatility and food insecurity. Addressing volatility also requires coordinated action to manage supply at the international level. Better coordination of global commodity markets provides a way to ensure a fairer deal for producers and a more reliable supply of higher quality agricultural goods for consumers. Transparently held stocks will also discourage hoarding and speculation on commodity markets. At the WTO, the group of African countries has made a proposal on how to stabilize commodity prices. The proposal deserves further attention.

#### **3. Create Global Competition Rules**

International trade rules can no longer ignore the distorting levels of market power held by a few transnational companies in global commodity and food markets. It is time to discipline the market power of agribusiness companies. As a first step, these firms' influence needs to be better documented. Countries should also consider developing competition rules—at the national and international levels—that prevent firms from abusing their market power. UNCTAD's code on restrictive business practices could be used as a starting point.

<sup>1</sup> GRAIN, "Making a Killing from Hunger." April 2008. <http://www.grain.org/articles/?id=39>