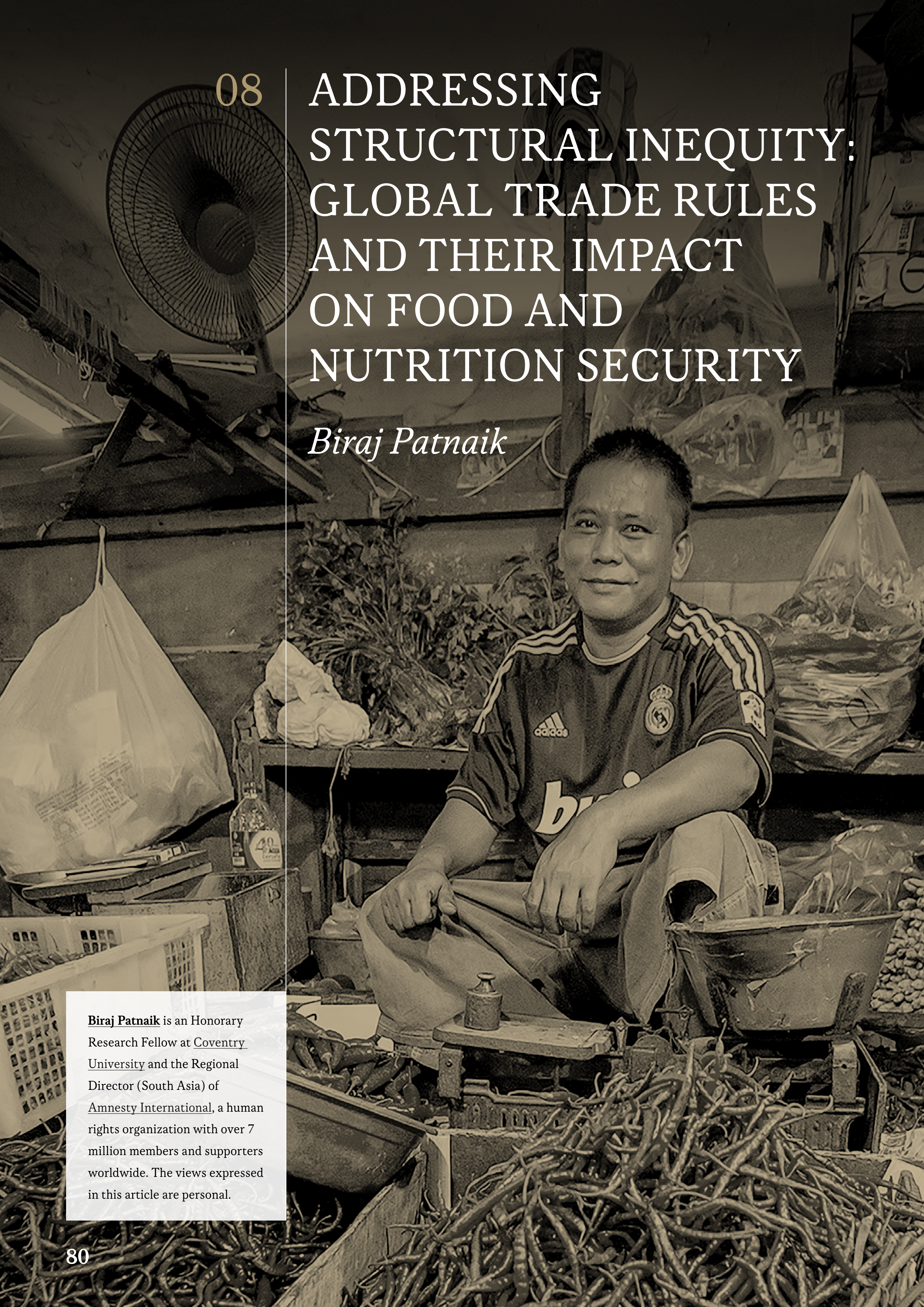

08 ADDRESSING STRUCTURAL INEQUITY: GLOBAL TRADE RULES AND THEIR IMPACT ON FOOD AND NUTRITION SECURITY

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> *"The impacts of unfair trade rules on hunger and undernutrition were relatively well understood and documented. When it comes to malnutrition in all its forms, including obesity, it is only now that the full impact of trade rules—as well as their influence on domestic policy space—is being comprehended."*

The issue of global trade rules and their impact on food and nutrition security has been much debated over the past few years. At the heart of these debates has been the unfair rules set out in the Agreement on Agriculture (AoA) at the World Trade Organization (WTO) that allowed Europe, the USA and other rich countries to retain their subsidy regimes while severely restricting the policy and fiscal space available to Asian and African countries to provide subsidies. This allows rich countries, which provide billions of dollars in subsidies to their farmers, rich and poor, to call out India on domestic legislation, such as the National Food Security Act (2013). They paint it as trade distorting, even though many of the subsidies provided by the Indian government are for small and marginal farmers and poor consumers.

The WTO's Tenth Ministerial Conference held in Nairobi in 2015 also did away with the Doha Development Round (DDR), where all the issues pertaining to agriculture, food security and subsidies were being negotiated.[1] While technically the Doha Round issues could still be discussed at the WTO, the DDR was not just a set of issues, but a set of negotiating principles and a framework, without which it is highly unlikely that most countries can effectively negotiate on the agriculture and food security issues that affect hundreds of millions of farmers and consumers.

The impacts of unfair trade rules on hunger and undernutrition were relatively well understood and documented. When it comes to malnutrition in all its forms, including obesity, it is only now that the full impact of trade rules—as well as their influence on domestic policy space—is being comprehended.

Take for instance the Pacific island nation of Samoa, which has one of the highest rates of obesity in the world. One of the sources of unhealthy diets identified by the government was the unrestricted import of turkey tails into Samoa from the USA.[2] The turkey tails were high in fat content (32%), and were a waste generated from the poultry industry in the USA since they were not consumed there and were consequently dumped in Samoa. This was banned in Samoa in August 2007 and led to a quarter of the population reporting a decrease in meat consumption as a result and another quarter shifting to lower fat meat or sea food. Despite the success of this policy measure, Samoa was forced to lift the ban on turkey tails under pressure from the USA, as it was seen as a barrier to trade. Additionally, the lifting of the ban was made a pre-condition to the accession of Samoa to the WTO. This is a well-documented example of how trade rules negatively impact the nutrition habits of consumers in developing countries and curtail the ability of states to meet their obligations under the human right to adequate food and nutrition. Impairing another state's ability to comply with its obligations under this right is a violation of human rights.[3]

There is now also evidence from Canada on the impact of trade rules on promoting unhealthy diets. A case in point is the recent study[4] published in the

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Photo

A vegetable vendor in *Muara Karang* market (Jakarta, Indonesia, 2013). Photo by Frank Yuwono.

1 For more information on the DDR, please see: Biraj, Patnaik. "Inequity Unlimited: Food on the WTO Table." *Right to Food and Nutrition Watch* (2015): 45–49. Available at: *www.righttofoodandnutrition.org/node/40*.

2 Thow, Anne Marie *et al.*, "Trade and food policy: case studies from three Pacific Island countries". *Food Policy* 35:6 (2010): 556–564. Available at: *www.sciencedirect.com/science/article/pii/S0306919210000771*.

3 ETO Consortium. *Maastricht Principles on Extraterritorial Obligations of States in the Area of Economic, Social and Cultural Rights*. Heidelberg: FIAN International, 2013. Available at: *www.etoconsortium.org/nc/en/mainnavigation/library/maastricht-principles/?tx_drblob_pi1%5BdownloadUid%5D=23*.

4 Barlow, Pepita *et al.*, "Impact of the North American Free Trade Agreement on high-fructose corn syrup supply in Canada: a natural experiment using synthetic control methods". *Canadian Medical Association Journal* 189:26 (2017). Available at: *www.cmaj.ca/content/189/26/E881.abstract*.

Canadian Medical Association Journal that documents how the North American Free Trade Agreement (NAFTA) led to an increase in the consumption of high fructose corn syrup (HFCS) in Canada,[5] which is leading to higher obesity rates and Type 2 diabetes. After NAFTA was implemented, the import of HFCS saw an increase in obesity from 5.6% (1985) to 14.8% (1998). Similarly, diabetes rates rose from 3.3% to 5.6% between 1998–99 to 2008–09.

Emerging evidence around the impact of trade rules now shows that trade rules threaten the nutritional status in many countries across the board. There should therefore be a much greater urgency from all countries to address this. Instead, by way of response, the FAO has once again, in collaboration with the WTO, published a new study[6] on trade and food standards that proffers gratuitous advice to African, Asian and Latin American countries to respect the current rules, but invest in the capacity and skills to achieve effective engagement in institutions and multilateral bodies such as the WTO and Codex Alimentarius—the world's primary food standard setting body.[7]

Unless member states at the UN Committee on World Food Security (CFS) play a more active role in reframing the global governance architecture of food and nutrition security, by including in their mandate the unfair global trade rules that exacerbate the double burden of malnutrition, there is little hope that things will change. The case study from Indonesia below highlights this problem of shrinking domestic policy space.

INSIGHT 8.1 An Experience From Indonesia: Trade Agreement Preys on Peasants and Food Sovereignty

Rachmi Hertanti[8]

On December 22, 2016, Indonesian farmers received news that they had lost their protection for domestic food security on the panel session at the Dispute Settlement Body (DSB). The World Trade Organization (WTO) ruled in favor of New Zealand and the United States of America (USA) in regard to food import policies.

The ruling has now prompted Indonesia to review its food policy in line with the WTO ruling. This is yet another example that highlights the unfair global trade rules, which pose a polarity to the spirit of food sovereignty. The ruling will no doubt affect peasants' rights and wellbeing.[9]

BACKGROUND TO THE FOOD IMPORT POLICY

In May 2014, New Zealand and the USA requested a consultation process with Indonesia at the DSB due to their objections towards Indonesia's food policies, which allowed the importation of horticultural products, animals and animal products only on the grounds of insufficient domestic supply. Accordingly, national food necessities were to be supplied from domestic production, as underpinned by two policies: The Food Act 18 (2012)[10] and the *Law on the Protection and Empowerment of Farmers 19* (2013).[11] These two regulations emerged as a result of the mobilization of peasant organizations to combat the devastating impact of opening up the domestic market to imports, especially within the food sector.

5 Alina, Erica. "NAFTA is making Canadians fat, new study suggests". *Global News*, July 5, 2017. Available at: globalnews.ca/news/3577044/nafta-obesity-canada/.

6 FAO and WTO. *Trade and Food Standards*. FAO and WTO, 2017. Available at: www.fao.org/3/a-i7407e.pdf.

7 FAO. "Countries urged to reap benefits of food trade by engaging in standards setting". *Thomson Reuters Foundation News*, July 12, 2017. Available at: news.trust.org/item/20170712142924-m0c46/.

8 Rachmi Hertanti is the Executive Director of Indonesia for Global Justice (IGJ). Established in 2001, IGJ works towards a just trade system by developing critical awareness and empowering strategic groups of civil society. Special thanks to Laura Michéle (FIAN International) and Biraj Patnaik (Coventry University and Amnesty International) for their support in reviewing this insight box.

9 IGJ. *Notes from Dispute Investment and International Trade: From Churchill Mining to Import Cases in WTO in Protectionism Era.* IGJ: Jakarta, 2016. Available in Indonesian at: igj.or.id/catatan-akhir-awal-tahun-2017-indonesia-for-global-justice/.

10 Available at: extwprlegs1.fao.org/docs/pdf/ins139381E.pdf.

11 Available at: www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=95245&p_classification=22.01.

TRADE AGREEMENTS AND THEIR IMPACT

Indonesia entered into the WTO Agreement on Agriculture and into other similar 'free' trade agreements, such as the Association of Southeast Asian Nations' (ASEAN) Economic Community, and was forced to open up its domestic food market. As a result, subsidies to peasants were reduced. Food production has thus become a trading commodity, and is no longer the source of domestic food supply, which ensures the country's food security.

The opening up of market access has increased food imports into Indonesia, which has in turn damaged farmers' livelihoods and destroyed their local food systems. These impacts are exacerbated by the removal of subsidies for farmers due to a WTO rule, following an increase in production costs and a reduction in the competitiveness of small-scale farmers. Of the total 26.14 million farmers in Indonesia, 55.33% (i.e. 14.62 million) are small-scale farmers who control only 0.5 h.[12] Moreover, a survey on living costs carried out by the Central Statistics Bureau (BPS) in 2012 stated that the average monthly income of farmers is only IDR 1.4 million per h (US $105). This value is way below the average monthly household consumption value of IDR 5.58 million (US $419).[13]

Added to this, the number of peasants affected by poverty has risen, as they cannot compete with imports. This can be seen in the pressure exerted on the Farmers Exchange Rate (NTP) and the decline in people employed in the agricultural sector, which dropped from 36.39% in 2011 to 33.2% in 2014.[14]

In response, in 2012, Indonesia passed the Food Act 18.[15] Its aim was to limit food imports into Indonesia and to give priority to domestic food production obligations. Thus, imports were only to be considered as a last resort rather than as a strategy employed to fulfill domestic food security needs. This is one of the two acts that New Zealand and the USA contested through the WTO.

THE DETRIMENTAL EFFECTS OF AGRICULTURAL LIBERALIZATION

Agricultural liberalization has strengthened the dominance of transnational corporations in controlling food supply and prices. The cartelization of large players in the food sector is therefore inevitable. For instance, between November 2012 and February 2013 there was a fluctuation in garlic prices due to its scarcity and prices more than doubled from IDR 40.000/kg (US$ 3) to IDR 90.000/kg (US$ 6.75). An investigation was conducted by the Commission for the Supervision of Business Competition (KPPU), and they reported that there were 19 importing companies which had cartelized by controlling over 56.68% of the garlic supplied to the markets.[16]

Public officials are often involved in the cartelization as a means to legalize food imports and this frequently leads to corruption. This can be seen in the case of Luthfi Hasan, a politician from the Welfare and Justice Party (PKS), who was sentenced to 16 years of imprisonment for accepting a bribe of IDR 1.3 billion from PT Indoguna Utama, an importing company. The company's bribe aimed to influence officials in the Ministry of Agriculture so as to recommend an increase of the beef import quota by as much as 8000 tons.[17]

12 BPS. *Agricultural Census Report*. Indonesia, 2013.

13 BPS. *Cost of Living Survey.* Indonesia, 2012

14 This is the equivalent of 1.53 million affected people. BPS. *Social and Economic Statistics Data*. Indonesia, 2015.

15 For more information on provisions on national food production to fulfill national consumption needs, please see Articles 14 and 15 of the *Food Act 18*, *supra* note 3; and Article 15 of the *Law on the Protection and Empowerment of Farmers 19, supra note* 4.

16 Hertanti, Rachmi, and Rika Febriani. *The Path to Food Sovereignty In Indonesia: Between WTO G33 and National Food Policy*. IGJ: Jakarta, 2014. p. 5.

17 For more information, please see: Maharani, Dian. "Luthfi Hasan Ishaaq Divonis 16 Tahun Penjara." *Kompas*, September 12, 2013. Available in Indonesian at; *nasional.kompas.com/read/2013/12/09/2106550/Luthfi.Hasan.Ishaaq.Divonis.16.Tahun.Penjara*.