

The Likely Impact of Ethiopia's Membership of the World Trade Organization on both its Rural and Urban People¹

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1. Introduction

Those who heard me speak yesterday know that I am not fond of the World Trade Organization. It pays lip-service to the poor and the weak South, and entrenches the might of the rich North. You may have thought that I prefer the Rio Conventions since they highlight the plight of the poor South and prescribe plausible cures for its weakness and poverty. However, they are as weak as the South itself. But then, I pointed out that the mighty WTO has also been paralyzed.

Ethiopia signed the Rio Conventions in Rio in 1992, and ratified them afterwards very quickly. It has not yet got into the WTO. I think that the Ethiopian Government has been wise so far. But it has now applied for membership in the WTO. I think that it is making a mistake by applying to join the WTO. But, it is also possible that I am making a mistake. If the WTO continues paralyzed, maybe it will do no harm. Therefore, joining it may be no more than political socializing. Is it not better to laugh from within than from without? The argument from many Ethiopians is, in fact, that it is better to fight for justice from within than to be marginalized as a mere outsider.

However, the paralysis is only partial. It could fully recover. If so, then the question of whether it is better to be within or without could become important. Let me assume, therefore, that the WTO will fully recover and examine the likely consequences of Ethiopia's membership, should it really become a member.

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2. The Agreements of the World Trade Organization and their Impacts on the South, i.e., including Ethiopia.

The idea of creating a world body to regulate trade so that it becomes rule-based, predictable and as free as possible, was born at the end of the Second World War. In 1947, the United Nations Conference on Trade and Employment was convened in Havana, Cuba. It came up with the Havana Charter. But the United States and the United Kingdom failed to ratify it and the charter lost momentum. Twenty-three countries, however, decided to adopt the part of the Havana Charter that dealt with trade in goods only and the General Agreement on Tariffs and Trade (GATT) was thus created.

The agreement that created GATT at the end of the 2nd World War, now often referred to as GATT 1947, is still a core of the WTO, but the newer agreements added have strengthened it. Article XI of the Marrakech Agreement establishing the WTO gave the special role to the "original members" (i.e. the Members that had joined GATT 1947 and a few more since 1947), which include all Western countries, the then colonial masters, and only some developing countries, to institutionalize the new WTO. It is, therefore, not surprising that it is still largely as they shaped its workings to suit them.

The World Trade Organization operates three major sectoral agreements which are binding on all its members: the Multilateral Agreement on Trade in Goods (including GATT 1947), the General Agreement on Trade in Services, and the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPs). It operates some over-arching agreements as well. In the context of trade and environment, the most important of these over-arching agreements is perhaps the Understanding on Rules and Procedures Governing the Settlement of Disputes.

The Multilateral Agreement on Trade in Goods gives the Most Favoured Nation Treatment to all exporting members. This means that a member country may not discriminate among the member countries from which it imports specified goods. But

it may prohibit the importation of specified goods. However, this is the case only in the rich countries and all poor countries have had their markets forcefully opened to all goods. This was done by conditionalities of loan and aid put in place by the World Bank, IMF and bilaterally by rich countries. Once imported, however, all goods enjoy National Treatment even in rich countries. This means that discrimination between imported and domestically produced goods is prohibited. The other two major sectoral agreements give National Treatment to all service givers and intellectual property owners. This means that they require every state to give the same treatment to them whether they are local firms or they come from other member states. It also requires that local and imported goods and services be taxed equally. Under these conditions it is difficult to build local capacity and a weak and poor country is likely to remain weak and poor, always too small a market for its imports or exports to count for much globally.

The Rio process triggered studies by the Group on Environmental Measures and International Trade, which had previously been formed by the General Agreement on Tariffs and Trade (GATT). The studies were reviewed by the GATT negotiators and on 14 April 1994 the Marrakech Declaration was issued by the Ministerial Meeting which established the World Trade Organization (WTO). This declaration states that there is no reason why both the multilateral trading system and the environment cannot be simultaneously safeguarded. This same Conference authorized that the Committee on Trade and Environment be created as a standing body of the WTO. This Committee was created in January 1995. Unfortunately, its members have to be all specialists on trade issues and not on environmental issues. Its usefulness is, therefore, limited. The pursuing of the sovereign rights of states and the rights of indigenous and local communities to biodiversity and traditional knowledge is not only unfamiliar, but is likely to be also distasteful to them.

This Multilateral Agreement on Trade in Goods covers trade in agricultural and industrial goods. It has many distinct component parts which have provisions that invoke or provoke concerns for trade and environment.

Its Agreement on Agriculture has the aim of immediate reduction in, and quick elimination of, subsidies on agricultural products. In practice, it has only entrenched subsidies in North America, Japan, and the European Union and prevented subsidies in developing countries. As a consequence, agriculture in the less energy-intensive South is depressed, and that in the energy-intensive North artificially maintained¹. This does not only perpetuate poverty in the South, but it has contributed substantially to climate change. We are now used to famines in Africa, but I do not know if we realize that the links between it and trade are now mediated by the WTO agreements. We are also getting used to erratic weather in Europe. We could easily reach a point where subsidies will not offset agricultural disruption owing to climate change even in the now rich North.

The Agreement on the Application of Sanitary and Phytosanitary Measures (SPS), which is a component of the Multilateral Agreement in Goods, deals with one of the main interfaces between environment and trade. Article 2.1 in combination with Paragraph 1 of Annex A of SPS delimits the basic rights and obligations of Members. The rights it gives to Members include those to protect: (a) animals, plants and humans from pests and diseases; (b) humans and animals from risks posed by additives, contaminants, toxins, or disease causing agents in food or drink; (c) humans from diseases caused by animals, plants, or their products; (d) agriculture and environment from pests. As I pointed out earlier, the nature of the environment here is only as perceived by trade specialists.

The worry of the developing countries is that these rights would be used unfairly for arbitrarily restricting market access to their products. It is to reduce this fear that Article 2.2 stipulates that concerns regarding the risks to human, animal or plant life and health have to be scientifically valid, and Article 2.3 stipulates that SPS measures shall not constitute a disguised restriction of international trade. However, the determination of the scientific basis for a risk is not as objective as it may at first sound. This is because, as shown in the hormone treated beef dispute between the United States and the European Union, it is possible for 2 sides to claim to be

scientifically correct and yet to differ. The likelihood of such a divergence of opinions is higher when the dispute is between a developing and a developed country, both because their environments are dissimilar, and because developed countries, on the whole, take the scientific capacity of developing countries to be inferior and thus their science as defective.

The Agreement on Technical Barriers to Trade (TBT) component of the Multilateral Agreement on Trade in Goods covers the standardization of the preparation, adoption and application of (a) technical regulations by governmental and government authorized non-governmental bodies and (b) standards by governmental or non-governmental bodies. It also provides to governments procedures for assessing conformity with technical regulations and standards.

The objective of a technical regulation may be, among other things, the fulfilling of "national security requirements; the prevention of deceptive practices; protection of human health or safety, animal or plant life or health, or the environment" (Article 2.2). A technical regulation is defined in Annex 1 as a "document which lays down product characteristics or their related processes and production methods, ...terminology, symbols, packing, marking or labelling requirements as they apply to a product, process or production method". According to Annex 1 and Articles 2 and 3, implementation of a technical regulation is mandatory. A standard is defined in Annex 1 similarly to a technical regulation; but the implementation of a standard is voluntary. It helps avoid confusion to note that the use of the term "standard" in the TBT is unusual, and that, when used by many other documents, compliance with a standard is legally mandatory, i.e. that a "standard" is the same as a "technical regulation".

Articles 5-9 of the TBT require that a conformity assessment procedure, defined as "any procedure used, directly or indirectly, to determine that relevant requirements in technical regulations or standards are fulfilled", be put in place.

Complex issues of importance in trade and environment that can be used to distort trade, which we cannot pursue now owing to shortage of time, emerge from these provisions of the TBT.

The second major agreement of the WTO, the General Agreement in Services, forces developing countries to open their markets to Northern corporations through its compulsory "National Treatment" and "Most Favoured Nation" treatment provisions. It should be noted that service-giving companies (e.g. banks, insurance companies shipping lines, airlines) are very weak or non-existent in developing countries. This agreement, therefore, entrenches the existing poverty in the South, resulting in land degradation in search of subsistence survival.

The third major agreement, that on Trade-related Aspects of Intellectual Property Rights (TRIPs) forces member states to provide legal protection for copyrights, trademarks, geographical indications, industrial designs, patents, integrated circuits, and undisclosed information (industrial secrets), and to grant all member countries "Most Favoured Nation" and "National" treatments (Article 3 & 4). Member countries cannot refuse to handle requests for the registration of any of the 7 categories of intellectual property rights (see Articles 1.1 and 1.2). These and many other provisions of TRIPs have serious negative implications for the South, which has only 2% of patents of domestic origin². With the re-emergence of malaria and the expansion of HIV in the poorest of countries, especially in Africa including Ethiopia, the compulsory adoption of patenting makes many medicines very expensive and out of reach of the middle class let alone the poor. Diseases, therefore, become devastating, reducing productivity further and exacerbating poverty. Perhaps the most damaging aspect of TRIPs is the compulsory patenting of microorganisms and microbiological processes. Genetic resources developed in the South are thus patented in the North. This relatively impoverishes the South. It is particularly invidious in genetic engineering. When a farmer has her/his non-genetically engineered crop in the field contaminated by natural cross-pollination, the farmer becomes an infringer of the patent. This is certainly going to exacerbate Southern

poverty and cause a consequent mining of destruction of land resources and environmental catastrophes as the planting of genetically engineered crops, each of which usually carries tens of patented genes, expands globally.

The Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU), which is an overarching agreement, describes the dispute settlement mechanism which makes the WTO agreements very powerful instruments of international regulation. Dispute Settlement Panels (Article 6-16) and the Appellate Body (Article 17) rule on disputes. What they rule is enforced through trade embargo (Article 22). A publication by the Centre for Science and Environment³ summarized the eight cases on trade and environment which had been decided upon until 12 October 1998. The DSU is a formidable instrument when seen from the vantage point of developing countries.

3. Likely Impacts on the Rural Ethiopian Population

Ethiopia is at the bottom of the poorest countries. But at least it produces most of its food most of the time. This local ability will be jeopardized by the forced introduction of industrial agriculture besides the dumping of subsidized agricultural produce from the North. Therefore, I want to have a close look at industrial agriculture.

3.1 Industrial agriculture: creating the ecosystem market

Industrial agriculture started after the First World War. In 1940, Sir Albert Howard⁴, a British agricultural scientist of the time, described its origins thus: "Since the Great War the factories then engaged in the fixation of atmospheric nitrogen for the manufacture of the vast quantities of explosives needed to defend and to destroy armies well entrenched, have had to find a new market. This was provided by the large area of land impoverished by the over-cropping of the war period.

Industrial agriculture tries to produce a homogenous environment irrespective of the distinctiveness of the pre-existing ecosystem. Therefore, it uses irrigation extensively. It thus creates a captive market for its pumping and irrigation equipment. It also creates contracts for building dams and irrigation and drainage canals. In this way, it geographically extends the age-old problems associated with irrigation. It divorces animal production from crop production. It plants single variety monocultures as a continuum over very extensive areas. Ecosystem disruption thus becomes inevitable. One indicator of such a disruption is the regular and quick collapse of crop varieties owing to emerging vulnerabilities to diseases and pests⁵. This keeps breeders specially trained to breed out diversity and produce uniform monocultures employed. It also gives chemical companies that produce and supply pesticides and herbicides a captive market.

Both the breeders and suppliers of agrochemicals are now increasingly the same North-based transnational corporations. This is understandable since combining both sectors enables the breeding of varieties that can be relied upon to need the agrochemicals. To enable the corporations to dictate how farmers use the seed and the agrochemicals, they patent both. The aggressive push of the patented package results in extensive monocultures and erodes biodiversity. By so doing, it marginalizes the farming community breeders who maximize diversity and have thus given humanity the various crops and the thousands of varieties of each crop as well as the ecological methods of using diversity to forestall diseases and pests. Thus marginalized, they lose confidence in their proven and customarily acquired systems and become dependent on the monocultures and helpless when confronted by the diseases and pests they used to prevent effectively.

Nutrients are leached out and washed away so that they have to be externally supplied at regular intervals. This gives chemical companies that produce and supply fertilizers a captive market. Soil structure deteriorates and compaction becomes a serious problem. This gives agricultural machinery companies a captive market.

The natural components of the ecosystem are thus replaced by tradable artificial components that are bought and sold in the market. The farming communities lose their confidence in their proven and customarily acquired ecological methods of restoring and maintaining soil quality and fertility. In Ethiopia, they state: "The land is corrupted; it has acquired the taste for bribery. We have to bribe it with chemical fertilizer in order to produce anything." This is the way that globalisation is entering into the farming community through agriculture.

3.2 Food Security and Food Sovereignty

With the few exceptions in which industrial agriculture for the export market dominates, the South, and in particular Ethiopia, depends for its food production on its rural small-holder farmers organized in their farming communities which are governed by their customary norms. The South's food security and sovereignty are, therefore, dependent on these farming communities.

The indispensable role of farming communities in the conservation and sustainable use of agricultural biodiversity has been recognized and emphasized by the Convention on Biological Diversity (CBD) in its provisions (e.g. Article 8(j)) and decisions of its Conferences of the Parties (COPs). The International Treaty on Plant Genetic Resources for Food And Agriculture has been negotiated to make it consistent with the CBD. The negotiations have made the provisions of the CBD that deal with indigenous and local communities as a whole, and the relevant decisions of its COPs, specifically applicable to farming communities. Some of these decisions are already specific to agrobiodiversity and to farming communities. Article 9 of the International Treaty, recognizes Farmers' Rights.

Based on these thus now internationally recognized rights, Africa has developed its Model Law on Farmers' Rights as part of a bigger "Model Law on the Rights of Local Communities, Farmers, Breeders and on the Regulation of Access to Biological Resources." This is a badly needed move because, in the face of

globalisation, Africa's farming communities are being buffeted and the continent faces the great risk of losing control of its food security, and thus losing its food sovereignty, to external forces. Since in terms of global trade Africa is not very significant to these external forces, it can be concluded that they will be insensitive even to its continent-wide issues, let alone to local community-wide issues. Africa is, therefore, correct in deciding to legally protect Farmers' Rights.

Given this global setting, impoverished Southern countries find it difficult to stimulate their agricultural production. Even when food is produced, they find it difficult to raise the money to buy off surplus production in good years to use in bad years; and to store it, and to afford the roads, lorries and fuel to transport it to the places where it is needed. Their peoples have no income other than from agriculture, and when droughts or other vagaries of nature hit them, they have no money to buy food even if it is in the market. This is the situation in Ethiopia.

We need to understand the dimensions of what this loss of food sovereignty would mean to Ethiopia.

4. What should be done?

A large part of these excesses arises from the global imposition of the Northern values that recognise individual property rights, but not community rights. Africa has developed its own model law for recognizing the rights of local communities. But Northern pressure against it is a serious problem. We cannot stop the North from recognising only the individual as having rights. But, please let us have our community rights, at least among ourselves.

My belief is that if our farming communities, agronomists, soil scientists, ecologists, economists, sociologists, political scientists, and others got together and reviewed what is known in each discipline, they can devise a better system of economic analysis and a sustainable method of increasing agricultural production than industrial agriculture offers. This discussion should include all aspects of

sustainability, i.e. environmental, economic, social and political, and define the minimum structure of the overall sustainable module of rural development.

Development ideas pushed on the South are based on the "Best Case" scenarios of the future of the world. It is assumed that the people living in a given country will produce those goods for which they have comparative advantages. This "best case" scenario would work if "comparative advantages" were evenly distributed round the world. It would also require that a just commercial and financial system was established in the world. Neither of these requirements holds true.

The world is not good for us, therefore, we should prepare for the "worst case" scenario. This could be done by identifying those activities that must carry on if humans are to survive irrespective of the condition of the state, and entrenching them at the community level and at successively higher levels, keeping the hierarchy as short as possible. This would give the minimum survival module at the community level or, in cases in which this may not be possible, at a higher level as little removed from the community as possible. It would also give a minimum development module at the lowest aggregation of communities.

I believe that a debate should start to define these modules. As a very rough starting idea, I would suggest the following Community Module. Each community should:

- Produce all the vegetables it needs;
- Produce at least 10% of its food requirements, and be always ready to abandon cash crop production and concentrate all its efforts on cereals, legumes and oil crops for local food;
- Produce all its animal feed requirements;
- Have enough stock of woody biomass to last 5 years and, in case of need to start using that stock, should be ready to start planting replacement trees immediately;
- Develop its own organic fertilizer production system;

- Have its own water supply system maintained and managed by it;
- Have its own supply of the most basic proven traditional medicinal plants;
- Be in charge of its own elementary school, government support being made available to the community, but government not directly running the school. Post-elementary institutions of education will probably have to be run by higher level modules, with the understanding that, in the case of the worst case scenario occurring, they will probably close down

Higher Level Modules would include the production of more specialized crops, like cotton, in the communities best suited for them. Education above elementary level and more specialized health care facilities would also need to be made available to clusters of communities.

Am I being unacceptably pessimistic? I hope that I am. Blame it on my culture, which has been at the receiving end for half a millennium. It is up to you in Europe to lead the way to discrediting me and the thousands of millions of other pessimists in the South. We would love nothing better.

Thank you for hearing me out. This is a good beginning in the process of discrediting us.

I see this as the only way to democratize globalization. Otherwise it will remain oligarchic. White bosses of a small number of corporations will, otherwise, control the world; control our daily lives. This would be no better than the past era of slavery. Whether you will accept to become slaves is up to you. I am 65 years old, and I have lived free. Of course my wish is that you also live free.

Thank you all.

Endnotes

- 1) Beets, Willem C., 1990. *Raising and Sustaining Productivity of Small holder Farming Systems in the Tropics*. AgBé Publishing: Alkmaar, Holland, pp. 139-142.
- 2) Tewolde Berhan Gebre Egziabher, 2001 unpublished. *The Agreement on Trade-related Aspects of Intellectual Property Rights, report prepared for the Economic Commission for Africa: Addis Ababa*.
- 3) Agarwal, Anil, Sunita Narain and Anju Sharma (ed) 1999. *Green Politics*. Centre for Science and Environment: New Delhi. p. 249-298
- 4) Howard, Albert, 1940. *An Agricultural Testament*. Reprinted by The Other India Press: Goa, India, p. 188.
- 5) Fowler, C. & P. Mooney, 1990. *Shattering: Food, Politics and the Loss of Genetic Diversity*. The University of Arizona Press: Tucson, Arizona, p. 135, report that between 1974 and 1977, new barley varieties in the UK were losing their resistance about every three years.