



Concept paper for a Round Table Discussion on the Current Food Crisis

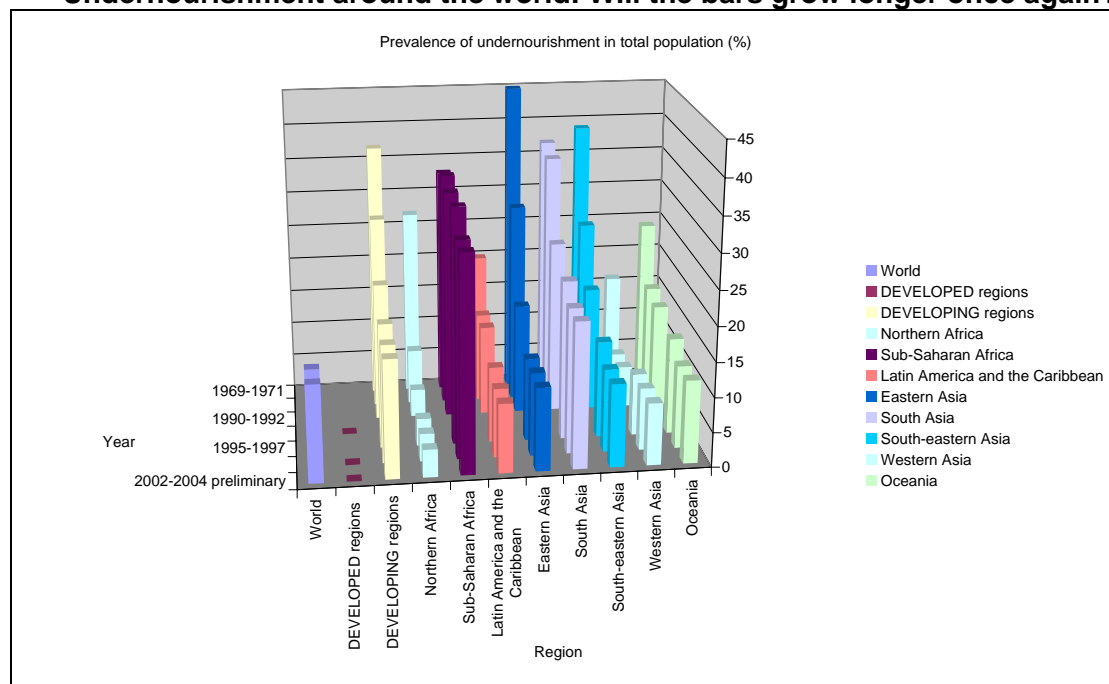
“The implications of trends in food production and of trade rules on agriculture and food security for all”

(Prepared by TPGP/CSEND, 4th May 2008)

In response to the current food crisis, TPGP group of the CSEND proposes to organise a Round Table in Geneva to address the current worldwide food crisis, a topic with pivotal implications for trade and development, but which as yet remains unaddressed by serious analysis or policy dialogue in Geneva. The envisaged Round Table would bring together (1) agricultural economists knowledgeable about global trends in food production, (2) experts in trade rules on agriculture as well as (3) trade negotiators and policymakers from both developed and developing countries.

Significant progress has been made in reducing undernourishment around the world over the past two decades (see chart below). These gains are not entirely surprising when viewed against the backdrop of declining commodity prices and rapid growth in agricultural subsidies in the developed world. Over the past two decades, these two trends have retarded farming activities in many developing countries. They have also made food aid both viable for developed economies to supply and relatively abundant for developing economies.

Undernourishment around the world: Will the bars grow longer once again?



Source: FAO (2008).

Round Table on Food Crisis and WTO Rules

The emerging food crisis threatens hard won gains that have been made in reducing undernourishment around the world over the last two decade. It has also highlighted inadequacies in current trade rules on agriculture – on which negotiations are taking place under the Doha Round of trade negotiations today. WTO rules on agriculture were originally designed as a compact to reduce subsidies for agriculture among rich countries and to enhance market access for trade in agriculture among WTO members. In stark contrast, today's food crisis presents a situation in which many countries face severe challenges in increasing domestic agricultural output, and finding cheap foreign sources of agricultural products to meet growing domestic demand.

Several key unknowns face developing country policymakers in relation to the current food crisis and its implications for trade and development. These unknowns have implications for the sustainability of urgently needed action to increase productivity in poor countries by providing them with necessary aid and support. They also have implications for efforts to complete the Doha negotiations, which would reduce trade barriers and distortions and thus encourage agricultural trade.

Yet, reality of the current Doha Round agricultural negotiations serves only to underscore the inadequate analytical capacities among developing countries to effectively assess the implications of multilateral trade rules in relation to the crises. Little if any text is contained in the current draft agreement on agriculture clearly addresses the implications of the current food crisis or its potential long-run implications. The unknowns facing developing country negotiators can be considered under the rubrics of (1) economic trends in food production and consumption, as well as (2) policy implications and instruments that may be employed to address the current food crisis. This proposed Round Table seeks to address this gap in knowledge based on the best information available.

Analysis of economic trends in food production and consumption around the world

- 1) How long is the current food crisis projected to last?
 - How much latent food production capacity/arable land is available in the short and medium term?
- 2) If the food crisis is to last, how long and in what manner is it likely to develop?
 - To what extent will food prices be ameliorated by increased production in response in higher prices over the short- and medium-term?
 - Which geographic areas will be most severely affected and what are the best estimates of the timelines and magnitudes of their impact?

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- 3) What economic trends (or combinations thereof) are at the root of the current food crisis?
 - Increased demand from large and increasingly wealthy developing countries?
 - Diversion of arable land from food to biofuel production?
 - Short- and long-term implications of changing climactic conditions?
 - Trends in agricultural policies in developed countries? In developing countries?
 - Continued oil price increases?

Policy implications and instruments to address the current food crisis and the potential for a sustained period of higher food prices around the world

- 1) What mix of policy initiatives is required to deal not only with the present crisis, but also to develop resilience to such shocks in developing and least developed countries?
- 2) Will supplemental facilities be made for net food importing developing countries to meet the fiscal implications of the current food crisis?
- 3) To what extent will support for higher food prices be consistent? Can they be protected against interruptions unrelated to need?
- 4) Is the current framework of international trade rules on agriculture adequate to address the current food crisis? Should new rules be considered in light of unfolding circumstances?
- 5) If new rules are necessary, what subjects and mechanisms should be considered? What are the potential applications of each and what are likely to be their relative strengths and weaknesses in practice given historical experience?

Ideas for discussion may include:

- How is increased development aid for food by the World Bank likely to take shape? Are there lessons from past experience that should inform its implementation design?
- What is the potential for food production technology transfer under the current Doha Round?
- How can or should food aid flows or aid to support food production be implemented from a sustainable development perspective?
- Jeffrey Sachs recently suggested that the international community should provide farmers in LDCs and DCs with fertilizers and better seeds to increase crop yields. He highlighted Malawi as a country whose farmers have dramatically improved their agricultural output threefold and are even exporting agricultural output. He also criticized the World Bank, DFID, USAID and other development agencies for not supporting his

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initiatives and for relying on inefficient food aid based on highly subsidized agricultural products produced in developed countries. His initiative deserves attention but should also be questioned in regard to intended and unintended consequences. For instance, the following questions should be addressed:

- Who should provide fertilizers and better yield crops to LDCs and DCs under what conditions (loans, grants, etc)? What solutions can be envisaged for future cyclical downturns when LDC/DCs farmers saddled with loans face bankruptcy due to significant drops in world food prices? Would this mean a new instalment of debt forgiveness (eg Paris Club negotiations, IMF emergency lending etc)?
- If LDC/DC farmers become exporters due to increased agricultural productivity, which countries would absorb new surpluses in food products (OECD countries with highly protected agricultural sectors)?
- LDCs/DC may compete with each other and in defence block food imports from neighbouring LDC/DCs. What options within and beyond the existing WTO legal framework should be considered?
- What would be the potential implications of emerging policy frameworks in terms of coordination among international institutions (IFIs, EIF institutions, FAO and IFAD) and international donors (bilaterals)? What policy incoherencies would need to be addressed?
- What policy roles should RTAs and EPAs play?
- What are the long-term consequences of such increased agricultural productivity for environmental sustainability (eg use of scarce water resources and related salinization of water sources, pollution of environment due to increased use of fertilizers)?

CSEND's TPGP team would like to open a session of brainstorming on this vital issue for which technological solutions have existed for more than half a century. Until the world is rid of hunger and malnutrition, the entire development community cannot rest. Lessons learned must be continuously renewed through ongoing dialogue, innovative thinking and concrete action by national governments, international organisations, civil society and the business sector.

About CSEND

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