

Food Insecurity—the Roots

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There is broad agreement that the system of protection for agriculture in advanced countries that has grown over the past 40 years has been detrimental to agricultural development in many developing countries, and is one of many factors that have contributed to food insecurity in some of these countries, the United Nations has said.

In expressing this view and stressing the need for the advanced countries to continue the long-term process of agricultural reform envisaged in the Marrakesh Treaty, the UN, in its "World Economic and Social Survey 2008", has said that as a *quid pro quo* for these reforms, the developing countries have already paid a price in advance at Marrakesh, and no new market access concessions by them in services or trade in industrial goods is called for.

The report said that for much of that time (over the past 40 years), the agriculture sector and international agricultural trade remained outside the normal rules and disciplines of the old multilateral trading system under the General Agreement on Tariffs and Trade (GATT).

The Declaration of Punta del Isle of 1986 launching the Uruguay Round of multilateral trade negotiations resulted in the 1994 Agreement 1 establishing the World Trade Organization; the Agreement on Agriculture provided for a change of course and fundamental reforms directed towards market-oriented agricultural trade and related subsidy and support programmes.

Towards this end, said the report, the Agreement on Agriculture had provided for quantifying in monetary terms all kinds of agriculture support measures—domestic, border measures and exports—and reducing such support over a period of years.

After an initial agreed quantum/percentage of reduction commitments (on domestic support, border protection and export subsidies) over an initial six-year period (1995-2000), the Agreement on Agriculture envisaged a continuation of the reform process, for which negotiations were initiated in 2000.

The parameters for the negotiations for continuing the process of long-term reforms as set out in article 20 of the Agreement are:

- Experience from implementing the reduction commitments (from 1995-2000);
- Effects of the reduction commitments on world trade in agricultural trade;
- Non-trade concerns, special and differentiated treatment to developing-country members, and the objective to establish a fair and market-oriented agricultural trading system, and other objectives and concerns mentioned in the preamble to the Agreement;
- What further commitments are necessary to achieve the above mentioned long-term objectives.

The report said that as a *quid pro quo* for the developed countries to continue their long-term reform process in agriculture, developing countries have already paid an advance price by undertaking new commitments (GATT disciplines, the agreement on Trade-related Aspects of Intellectual Property Rights, the General Agreement on Trade in Services, etc).

"The parameters and conditions for negotiations on further agriculture reforms do not call for any new market access concessions from the developing countries whether on services or on non-agricultural (industrial) goods trade."

The likely impact on food security of any multilateral agreements to further liberalize agricultural trade is uncertain in the short and medium term, given the fact that the likely upward impact on world market prices would have a negative impact on net food importers, and the fact that the small scale of agricultural production in most developing countries limits their prospects for competing in global markets.

In both respects, very significant increases in aid, compensatory finance and development support will be needed to ensure that there are widespread gains, said the report.

Moreover, the report noted, the reforms to the current system of protection for agriculture in the United States, in countries of Europe and in other developed countries are being carried out for their own benefit and in response to domestic political considerations and budgetary factors, with the aim of enhancing economic efficiency and competitiveness and generating domestic welfare gains. These can be carried out independently of what happens in the multilateral negotiations.

Turning to the issue of agricultural development policies, the report noted that of the developing world's 5.5 billion people, about 3 billion live in rural areas with half in small-holder (agricultural) households. The food crisis that has emerged in 2008 demonstrates yet again the vulnerability of this population to adverse long-term trends and unexpected shocks.

Cross-country analyses show that growth originating in the agricultural sector is often times much more effective in reducing poverty and insecurity than growth originating in non-agricultural sectors. In the case of China, for example, it has been found that growth originating in agriculture was 3.5 times more successful in reducing poverty than growth in non-agricultural sectors; and the figure has been found to be even higher for South Asia. In Latin America, this ratio was found to be 2.7.

In fact, said the report, reduction of rural poverty from 37% to 29% between 1993 and 2002 (while the rate of urban poverty remained constant at 13%) has been the main factor behind the recent decline in overall poverty from 28% to 22% over the same period. It is also important to note that about 80% of the reduction in rural poverty was due to improvement in rural areas themselves rather than to out-migration.

It is unfortunate, therefore, that many developing countries have neglected the agricultural sector in recent years. The adoption of adjustment programmes imposed on many countries, particularly in sub-Saharan Africa, after the debt crisis of the early 1980s has not corrected this bias, and in many cases may have actually made it even worse, said the report.

There are no quick policy fixes, but an effective set of incentives must be in place to provide farmers with a predictable financial surplus and encourage them to invest some of it so as to raise productivity and diversify output. Extension services need to focus on specific supply-side problems, improving the technical knowledge of farmers, and making it easier to obtain inputs as well as credit.

Such specific measures to strengthen productivity and extend markets can be greatly enhanced by infrastructure investment and greater research and development, said the report.

A shift in the ratio of public spending to gross domestic product (GDP) in the agriculture sector is an urgent priority in many developing countries. This ratio currently stands at just 4% for "agriculture-based" economies (those with 30% or more of their GDP originating from agriculture) compared with 12% for more "urbanized" economies (which derive less than 10% of their GDP from agriculture).

Developed countries also need to consider reducing subsidies offered to their farmers so as to improve access to their markets by agricultural producers of developing countries, as well as reducing the wasteful use of their own agro-ecological resources, the report stressed. □□□

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