

Saturday December 7, 2013



WTO's Future

T. K. JAYARAMAN

“Food security is the elephant in the room, which World Trade Organization (WTO) must address.”

That was the message from a report two years ago by Olivier de Schutter, UN Human Rights Council's Special Rapporteur on the Right to Food.

The rich member countries of the 159-strong WTO have yet to decide the issue.

The elephant is still sitting.

This time it is in Bali, where WTO has been meeting for the past four days, December 3 to 6.

Besides food security, there are other issues. These include trade facilitation and related customs procedures and transparency; tariff rate and quota administration and rules of origin and similar beneficial provisions for least developed countries.

Most contentious issue

The hurdle faced by WTO related to the disputed Agreement on Agriculture, under which food security falls. It relates to subsidies to farmers (domestic price support) for procurement and distribution to the poorer sections at low prices. These are trade-distorting measures, which are marked in “amber colour”.

The draft refers to “green colour” distortions, which are not subject to penalties. The rich member nations have been resorting to them for long, to protect the grain farmers, cotton growers and soya bean producers in USA, and beet farmers and the dairy industry in Europe.

India is the second most populous nation, implementing a public stockholding system under which the government offers minimum support price and procures food grains from farmers.

These prices are known as administered prices since they are not determined by market forces.

WTO wants to impose limits on duration of the procurement scheme and subsidy quantum. The duration limit specifies a period of four years and the subsidy limit at 10 percent of the total value of the output.

Any violation would attract penalty.

The advanced countries reeling under world recession for some time are affected by stagnant growth in their exports of manufactured consumer goods and machinery and transport to developing economies. For those with agricultural surplus, free trade in exports of food grains and cooking oil presents a promising source of recovery. With superior technology and capital intensive approach unlike those of poor countries with small farmers, food surplus nations eagerly look forward to tariff- and quota-free food exports as a way out of recession.

Rising world food demand

Developing countries' food needs are increasing due to rising population and increase in per capita incomes in Asia and Africa.

David Tilman of University of Minnesota says food demand would double by 2050. By then cereals production must increase by 940 million tonnes to reach 3 billion tonnes; meat production must increase by 196 million tonnes to reach 455 million tonnes; and oil crops must increase by 133 million tonnes to reach 282 million tonnes to meet the needs of world population of 9.6 billion by 2050 increasing from 7.2 billion in 2012.

India will be the most populous nation at 1.45 billion rising from 1.2 billion, beating China to second place.

The phenomenon of switching on to finer food grains including rice and wheat is now resulting in steep increase in demand for rice and wheat imports. Further, weather related events such as droughts and floods have also pushed up prices. Two price pushing factors, known as high income elasticity of demand and high price inelasticity of demand are not in developing countries' favour. The result is rise in food prices.

Countries, including Papua New Guinea, which are dependent on mineral exports, are hit by fall in their demand. The mineral price boom has ended. Foreign exchange inflows are less compared to outgoings. The economies with flexible exchange rates have their currencies depreciated, rendering their food import bill more expensive than before.

India's problems

Elections are scheduled in May 2014. Political survival of ruling coalition is the priority. One of the populist measures is the recent enactment of National Food Security Act, under which 820 million (67 percent of population) are entitled to 5 kg of food grains per person a month at one rupee to three rupees per kg. The country needs 62 million tonnes of food grains a year to implement the law. The cost is US\$ 20 billion per annum.

The scheme involves procurement of food grains from small farmers at minimum support price and selling to poor people at cheap rates through public distribution system. The Indian trade minister invoked the Millennium Development Goals while defending it at Bali. "A trade agreement must be in harmony with our shared commitments of eliminating hunger and ensuring the right to food," he said.

"Agriculture sustains millions of subsistence farmers. Their interests must be secured. Food security is essential for over four billion people of the world. For India, food security is non-negotiable. Need of public stock-holding of food grains to ensure food security must be respected. The dated WTO rules need to be corrected," he added.

The rich nations are not happy. They threaten if Bali talks fail, it will be the end of WTO and the blame will be laid on India.

The human rights experts stress the need for policy changes. "Trade rules must be shaped around the food security policies that developing countries need, rather than policies having to tiptoe around WTO rules," says Olivier De Schutter, UN Human Rights Council's Special Rapporteur on the Right to Food.

India's trade minister says: "No deal is better than a bad deal."

So, one more year will be added to 12-years of fruitless negotiations on global free trade

In the meanwhile, the spaghetti bowl and the noodle cup will be filled to the brim with fresh top ups of new regional and bilateral trade agreements!

As I write this on Friday morning, there is no news yet from Bali.
The elephant is still sitting pretty.

This article appeared in *Fiji Sun* on December 7, 2013.