



**FOOD & ENVIRONMENTAL SECURITY; THE ROLE OF
FOOD AND AGRICULTURAL TRADE POLICY
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"Food & Agricultural Trade Policy: the World
Needs a Shared Vision"

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Ladies and Gentlemen,

Thank you for inviting me here tonight, and allowing me to think ahead with you about the future of food and agricultural trade policy. It is key that we all take some "time-out" from our regular day-to-day work and responsibilities to think of the long-run.

Let me start by saying that food and agricultural *trade* policy does not operate in a vacuum. In other words, no matter how sophisticated our trade policies may be, if *domestic* policies do not themselves incentivize agriculture, and internalize negative social and environmental externalities, then we will always have a problem.

I will give you one simple example; the issue of farm-size. In many parts of the world, in particular in the world's poorest corners, land is getting divided through inheritance amongst a growing population, and farm sizes are dwindling.

In India, the average landholding fell from 2.6 hectares in 1960 to 1.4 in 2000, and is still declining. In Bangladesh, the situation is worse. The number of farms has literally doubled in this period, with farm sizes going from 1.4 to 0.6 hectares; with a rise also in landlessness. While small farms have their advantages, yields tend to be higher on larger holdings.

It is also well-documented that some of the world's poorest countries have taxed agriculture the most, and that reinvestment of tax revenue into agriculture has been low. The policy mix at the national level, therefore, must be the starting point for any discussion of food and agricultural policy.

Land management, natural resource management, water availability, property rights, enforcement, storage, transportation and distribution infrastructure, credit systems, and science and technology, are all key elements of the agriculture and food security puzzle.

Trade policy – no doubt – has its place in this landscape. But it cannot and does not, by itself, answer each and every challenge in agriculture. Not least because, at the end of the day, trade is no more than a simple transmission belt between supply and demand. It has to work smoothly, with little friction, but it is simply one element of a much more complex machinery.

I would argue that agricultural trade policy has "stumbled" along quite nicely in the past two decades. But that is as far as I would go in characterizing the situation. Yes, we have only "stumbled" along. We have not taken strong, collective and decisive action. The reason being that until today, the world does not have a shared vision of what global integration should look like and what it can deliver in agriculture.

Let me explain. I believe that we could all agree on what the basic objectives are that we seek from our agricultural systems. We all want *sufficient* food, feed, fiber and some even want fuel. We want *nutritious* food and feed. We want *safe* food and feed. We want a decent and *rising living standard for our farmers*. We want food to be *available and affordable for the consumer*. We want agricultural production systems that are in tune with *local culture and customs*, and that *respect the environment* throughout a product's entire life-cycle.

Where we still disagree is on what global integration could bring to this process. To my mind, global integration allows us to think of efficiency beyond

national boundaries. It allows us to score efficiency gains on a global scale by shifting agricultural production to where it can best take place. As I often say, if a country such as Egypt were to aim for self-sufficiency in agriculture, it would soon need more than one River Nile. Which basically means that global integration must also allow food, feed, and fiber to travel from countries where they are efficiently produced, to countries where there is demand.

We need to remember that national boundaries were defined by none other than a long historical game of musical chairs. All the world's people were asked to stand up, and given some time in which to scramble for land. But then a global whistle blew. While some found themselves sitting on fertile lands, blessed with sunshine and freshwater; others found themselves condemned to arid and inhospitable terrains. Trade therefore imposed itself (*absolute advantage*). But there were other reasons for trade too; such as differences in the *relative efficiency of production* (otherwise known as *comparative advantage*); and *geographical proximity*, which Nobel-Laureate Paul Krugman has told us all about.

Yet, despite this trade reality, in the World Trade Organization, countries continue to disagree on whether agriculture is like shirts, shoes or tyres, and should fall under the same trade regime. Hence, the specificity of agriculture in the WTO rule-book. It made its entry into that rule-book about 50 years after industrial goods, and managed to step-in on a different footing. For example, export subsidies which are completely prohibited for industrial goods, are yet to be phased-out through the Doha Round in the area of agriculture! Moreover, whereas harmful subsidies for industrial goods are actionable in the WTO, many harmful agricultural subsidies found shelter in Amber and Blue Boxes, and a Peace Clause. Whereas the world's trade-weighted average industrial

goods tariff is about 8%, in agriculture it is 25%. Not to mention tariff peaks, which in agriculture still rise up to 1000%!

This fundamental divide took on a different dimension in last year's Food Crisis. In response to the crisis, some started looking further inwards, and we saw a whole host of export restrictions flourish. While others started looking outwards more than they had ever done before; seeing their food security endangered since they were dependent on imports. Unique to this situation was that countries sitting on opposite sides of the export barriers all complained of the same thing – hunger. And hence the phenomenon of the purchase of agricultural land abroad – dubbed "land grabs" by some, that we now witness.

As the crisis was unfolding, we also saw the *United Nations Rapporteur on the Right to Food* deliver the stark conclusion that we need (I quote): "To limit excessive reliance on international trade in the pursuit of food security." A conclusion which I will be addressing in my first public debate with him tomorrow in Geneva. Various farmers groups have also called for "food sovereignty," by which they mean greater self-sufficiency like Mr De Schutter.

Ladies and gentlemen, international trade was not the source of last year's food crisis. If anything, international trade has reduced the price of food over the years through greater competition, and enhanced consumer purchasing power.

International trade in agriculture is less than 10% of world trade. Whereas 50% of the world's production of industrial goods enters international trade, it is important that you know that only 25% of the world's food production is traded globally. In addition, of that 25%, the vast majority is processed food, and not rice, wheat, and soya as some would like to claim. To

suggest that less trade, and greater self-sufficiency, are the solutions to food security, would be to argue that trade was itself to blame for the crisis. A proposition that would be difficult to sustain in light of the figures I just gave you.

Just recently, Yemen's Minister of Trade was in office complaining of the "starve-thy-neighbour" policies that followed from the food crisis; as Yemen was being starved of its staple rice food. Do we answer Yemen by recommending self-sufficiency; by recommending the same experiment that Saudi Arabia went through in growing its own wheat, and which it has called-off just this year because of its heavy toll on water? Or do we answer Yemen by strengthening global interdependence, and enhancing the reliability of international trade.

Despite the absence of a shared vision on agricultural trade policy, I would nevertheless argue that the world is moving in the right direction. Although this does not mean of course that our job is done. Between 2000 and 2007, the agricultural exports of developing countries to the developed grew by 11% per year; faster than the 9% growth in trade flows in the opposite direction. This means that we are finally beginning to redress historical imbalances, and to level the international trade playing field.

The developing world's international competitiveness in agriculture is becoming an undeniable reality. To those who argue that the developing world suffers of much lower agricultural productivity, I would ask them to look at FAO charts on yields. The developing world tops the charts in kg/hectare of sugar cane, sugar beet, rice, wheat, maize and other commodities too.

Despite the food crisis, long-term trends also show that we are gradually making food more affordable. Although I do not mean to belittle in any way the hunger that millions around the world continue to experience. Whereas in 1990, Peruvians spent 60% of their income on food, today they only spend 32%. This picture is matched in other continents as well. For instance, whereas Bangladeshis also spent 60% of their income on food then, today they spend only 50%. These are important long-term trends.

While we must agree on a common vision for agricultural trade policy, the progress that the world has made is important. Global integration that has fuelled economic growth and led to efficiency gains must continue to be pursued. However, we must ask ourselves, why then is there such widespread resentment to trade opening. To me the answer is clear. It is because we have yet to build robust safety-nets for the world's poor. Each and every government must turn its attention to this issue, urgently, in my view. In the absence of such safety nets, there will always be resentment at a time of crisis to a country's food supply going abroad.

We will also have to act together, and responsibly, in addressing what has become one of the world's most serious environmental challenges; climate change. The droughts and other turbulences that climate change may lead to, leave me convinced that international trade will be an even greater must in the future. While agriculture accounts for some 14% of total anthropogenic GHG emissions, in some countries it represents about half of all emissions, such as in New Zealand, Australia or Argentina.

I have been following closely the efforts that some countries are making to bring agricultural emissions under control. I would argue that these efforts too would be easier to pursue under a shared vision of global integration.

Having said, they would still have my every encouragement – we clearly need a starting point!

I thank you for your attention.