

THIRD WORLD *Economics*

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Ahead of Bali, WTO faces challenges within and without

Agreement on a package of trade reforms to be adopted by the WTO Ministerial Conference in Bali in December remains elusive, with issues of interest to developing countries making little headway, according to panellists from a session at the recent WTO Public Forum. Beyond the negotiating deadlock, the WTO must also contend with broader challenges to the international system thrown up by the NSA spying revelations and the government shutdown in the US.

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Elephants on rampage on the way to Bali

Even as trade diplomats are seeking to remove barriers to a successful outcome for the WTO's upcoming Ministerial Conference in Bali, the NSA spying scandal and the government shutdown in the US pose potentially a broader threat to the very international system of which the WTO is a part.

by Chakravarthi Raghavan

GENEVA: As trade negotiators in Geneva, and trade ministers, senior officials and trade establishments in capitals focus their minds on this December's Bali Ministerial Conference and its so-called "deliverables", they can no longer ignore the "two elephants" on the road ahead – National Security Agency (NSA) spying and the US government "shutdown".

Both of these, individually and more so together as now, indicate the fundamental breakdown of the postwar UN-Charter-based international system, which provides legitimacy to the World Trade Organization which, despite its early pretensions, is just a part that cannot exist without the overall international system (more on this below).

On 30 September, WTO Director-General Roberto Azevedo appraised the Trade Negotiations Committee (TNC) of progress in his consultations the previous week with a limited group of countries on the "Bali deliverables."

These "potential deliverables" are said to be an agreement on trade facilitation, some elements of agriculture (tariff-rate quotas and their administration, export competition and "public stockholding" for food security) and the development/least developed country (LDC) issues.

In reporting to the TNC on progress in the negotiations on these, Azevedo underscored the large amount of ground to be covered in the then 20 working days remaining (before Bali), the need for political engagement of capitals (senior officials and ministers) and the substance of the letter he was addressing to all trade ministers in this regard (see *TWE* No. 554).

On 1 October, he opened the WTO Public Forum, with US Trade Representative (USTR) Michael Froman delivering a keynote speech at the opening (but not staying after the speech to take questions).

Froman brought a whiff of the current Washington atmospherics – "hostage taking" as a way of negotiation that his boss back home was refusing to engage in – merely presenting the US positions (and the need for Bali to deliver on trade facilitation, failing which the US could walk away from the WTO and seek bilateral and plurilateral trade accords).

True, the USTR was not at a negotiating session, though his officials at the negotiations behave no better, as trade diplomats have been privately commenting, with so-called "concessions" on the US part being laced with more demands.

After opening the Public Forum, Azevedo was to travel to Indonesia for talks and to attend the Asia-Pacific Economic Cooperation (APEC) summit, and then to India for meetings with the Minister of Commerce and Industry, trade and industry groups, and the Institute of Foreign Trade. At all these meetings, he would be exploring the scope for and seeking compromises from India.

With the US standing pat on its positions, the Bali "deliverables" appear now to depend on India and other developing countries giving ground by agreeing to an obligatory trade facilitation accord to satisfy the US and yielding further ground on the food security issue – merely accepting a temporary "peace clause" which, as the US has so far indicated, will be a "political" and not "legal" commitment, and for no more than 3-5 years, while a permanent solution to the food security problem is sought to be negotiated.

From India, Azevedo would return to Geneva for the WTO General Council meeting on 9 October, before going on to Washington for the IMF-World Bank annual meetings. In the run-up to those meetings, however, all focus in Washington would be on the "soap opera of sorts" that can become more serious: the US government shutdown for lack of a bud-

get and appropriations, and the even starker deadline for the US, of the debt limit for borrowings that the US Treasury will face from 17 October.

Surveillance and shutdown

It is against this background that the disclosures about the surveillance activities of the US NSA and the British GCHQ (Government Communications Headquarters) as well as the US government shutdown and what these imply for other nations in terms of agreements with the US, are to be assessed.

The NSA and GCHQ spying activities and their ramifications – which have made their way into the media based on the Edward Snowden files made available in June to the *Guardian* columnist Glenn Greenwald and, through him, into several global media outlets – suggest at a minimum a lawless, out-of-control US surveillance apparatus. (For an earlier story on the NSA, see Chakravarthi Raghavan, “Snowden, NSA and ever-changing US narrative”, *South-North Development Monitor (SUNS)*, No. 7624, 11 July 2013.)

The directors and senior officials have been caught repeatedly misleading, if not lying to, the US Congress and the secret federal courts and their judges. Though under oath to speak “the truth, the whole truth and nothing but the truth”, they have been repeatedly caught acting otherwise, but have not been called to account or paid any penalty for it. Given their publicly known conduct so far, it is not certain that they are telling the whole truth even to the US President.

Even if other countries are not publicly feuding with the US over this – and perhaps sub rosa their own security apparatuses are secretly collaborating in this global “surveillance state” and ignoring the obvious security interests of other countries – the NSA activities at a minimum raise several systemic issues involving basic violations of the UN Charter; unauthorized and blatantly illegal invasions and/or intrusions into national space; WTO agreements, in particular those on intellectual property rights and trade in services; International Telecommunication Union (ITU) accords; the Universal Declaration of Human Rights; and the Vienna diplomatic conventions and codes of behaviour among civilized nations. All this deals a

serious blow to the very basics of international law and international public law.

Meanwhile the Washington scene of government shutdown, apart from the domestic political and other problems for the US, also throws into stark relief the dysfunctional governance in the US, bringing up a whole gamut of similar issues and raising questions over the credibility of any negotiations and agreements with the US.

But if some of the posts on some serious weblogs are to be believed, the shutdown itself is “farcical” and such a “non-event” that even referring to it as a “partial government shutdown” would really be overstating what is actually happening. According to one post by Tyler Durden on 3 October on the Zero Hedge website, “63 percent of all federal workers are still working, and 85 percent of all government activities are still being funded during this ‘shutdown’”. Over the years, the post says, the definition of “essential personnel” has expanded so much that almost everyone is considered “essential” at this point. (See <http://www.zerohedge.com/news/2013-10-03/government-shutdown-36-facts-which-prove-almost-everything-still-running>)

The real crunch though could come on or after 17 October, the date the US Treasury has advised Congress when, absent Congressional action to raise the debt limit for borrowings, government funds will run out and the US will default, potentially plunging the US and the rest of the world into severe recession.

The WTO standing apart?

While the US is engaged in these “domestic battles and discourse”, governments in the rest of the world, understanding much better the contours of the impending crisis, are refraining from any public comments.

The WTO and its trade representatives may ignore it or keep silent for the same reasons, but they should not for a moment think they stood apart from basic challenges to the international system.

Soon after the entry into force of the WTO in 1995, its leadership and trade officials, as well as the members, really believed they stood apart, and declined to be part of the UN system.

The leadership and the officials identified themselves with the Bretton Woods twins, viz. the International Monetary Fund (IMF) and the World Bank, though both had by then lost their legitimacy after the 1971 repudiation by the US (under President Richard Nixon) of its obligations and the dollar-gold convertibility at \$35 an ounce. (The 1973 Jamaica agreement on amending the IMF charter was merely a patch-up that resolved nothing.)

Nevertheless, the WTO and its officials preened themselves in the Bretton Woods aura, hoping by that they would get an equivalent rise in emoluments. But soon, the US and others put them wise.

The WTO, whose treaty was so drafted that there was no “continuity” (in terms of international law) with its predecessor, the General Agreement on Tariffs and Trade (GATT 1947), and which had refused to be part of the UN system (as mandated on its members by the UN Charter which binds them all), has still been trying to pretend it is a continuity and part of the postwar order, and somehow more legitimate than the United Nations.

Towards this end, in 1998, the WTO sought to claim international legitimacy and lineage from the 1947 Havana Charter and the General Agreement brought into force then, by holding a 50th anniversary celebration of the beginnings of the GATT.

This celebratory meeting, held inside the UN complex in Geneva, did not see the UN Secretary-General invited even for the opening ceremonies. However, at the last moment, when it was learned that developing countries would show their displeasure in the meeting, the UN Conference on Trade and Development (UNCTAD), a UN General Assembly organ and WTO observer, was invited to speak.

Speaking on behalf of the UN then, then UNCTAD Secretary-General Rubens Ricupero, another distinguished Brazilian, sharply reminded WTO members: “The United Nations is not just one among many observers: it is the major source of legitimacy in the international system, and the cornerstone of the system of international organizations.”

Referring to the tumultuous demonstrations outside protesting the celebrations amidst the recession and unemployment at that time, and the barricades

preventing entry manned by the Swiss military who had been called in to protect the UN complex, Ricupero told the WTO celebrants inside: "Trade is certainly not to blame for the failure of the 20th century to solve this burning problem. But, at a time of global trade liberalization, the existence of mass unemployment, job insecurity and acute inequality undoubtedly has had something to do with the malaise – even backlash in places – against trade and investment liberalization that we have noted in various quarters. Such preoccupations have shown their face in such diverse fora as the US Congress' debate on 'fast track', the OECD negotiations on a plurilateral investment agreement, and the protests and demonstrations of recent days here in Geneva..."

"No one should be fooled by the festive atmosphere of these celebrations ... Outside there is anguish and fear, insecurity about jobs and what Thoreau described as a 'life of quiet desperation'. That is also part of the reality as much as the impressive achievements of global liberalization. It is the sacred duty of the United Nations system, the WTO and the Bretton Woods institutions to create reasons to believe in the future and to give people back sound reasons to hope."

These words can easily be transposed to fit today's circumstances in the 21st century.

Violations of international law

The US "surveillance state" raises several issues regarding international law and systemic violations that can be teased out. Their elaboration and analysis of their implications would be beyond the scope of this article.

To begin with, the UN Charter, proclaimed in 1945 in the name of "We the peoples of the United Nations...", makes clear that the rights and obligations under the Charter supervene any other treaty rights and obligations, both before and after the Charter.

Article 2 of the Charter proclaims the basis of the UN (and of international law), namely, the "sovereign equality" of nations. In Article 2.2, it lays out the basis of international law and obligation of all to "fulfill in good faith the obligations assumed ... in accordance with the present Charter". This also means the obligation to carry out in good faith (which means in letter and spirit) the obligations of treaties voluntarily agreed to.

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Selectivity and Neutrality of Trade Policy Incentives: Implications for Industrialization and the NAMA Negotiations

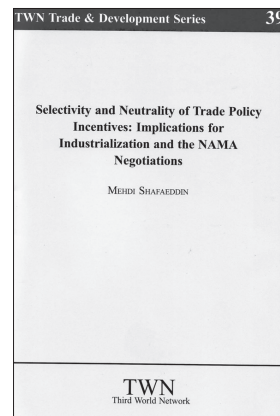
By *Mehdi Shafaeddin*

The need for selectivity in trade and industrial policies has long been the subject of debate in academic and policy-making circles. Selectivity (as against neutrality) entails the differential application of tariff rates, other trade measures and incentives to different industries over the course of industrialization. This paper examines the need for selective trade policy for spurring industrial development in developing countries and its implications for the World Trade Organization (WTO) negotiations on "non-agricultural market access" (NAMA).

The author discusses the principal theoretical arguments for and against selective trade policy. He then goes on to survey the actual historical experience of the Republic of Korea and other East Asian countries. He shows that selective government intervention has contributed significantly to their industrialization. Subsequently, studying the performance of 32 developing economies over the 1980-87 period, when many countries still applied discriminatory trade measures, the author finds that selectivity is associated with higher export and, particularly, output growth.

He argues that the need for selectivity in promoting industrialization has increased in recent decades due to rapid changes in technology and the emergence of new forms of production and competition in the globalized economy. Yet, developing countries' ability to use selective trade policy measures is increasingly constrained by international trade rules, loan conditionalities and, if adopted, proposals for across-the-board liberalization of the manufacturing sector put forward by developed countries in the ongoing NAMA negotiations.

This paper thus makes the case for reforming the international trade regime to allow developing countries to pursue dynamic, flexible and selective trade policies tailored to their own development needs.



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Expert panel voices its views on Bali package

Assessing the state of play of WTO talks to craft an outcome for the Bali ministerial meeting, a panel of trade officials and experts convened as part of the recent WTO Public Forum decried the lack of progress on issues of interest to developing countries.

by Kanaga Raja

GENEVA: None of the issues of importance to developing countries have seen any traction in the consultations and negotiations at the WTO on any of the three pillars of a potential Bali outcome, according to panellists at a WTO Public Forum session here.

The potential outcomes or "deliverables" for the Bali Ministerial Conference taking place this December have been identified as a trade facilitation accord (being pushed by the US); tariff rate quota (TRQ) administration, food security and export competition issues in agriculture; and development/least developed country (LDC) issues.

The panel session, held on the last day of the 1-3 October Public Forum and titled "WTO at a Crossroads: Bali Outcomes for Development", was organized by the Our World Is Not for Sale (OWINFS) network of civil society organizations and the Third World Network.

The panellists included Ambassador Faizel Ismail of South Africa, Ambassador Jayant Dasgupta of India and Vice Yu of the Global Governance for Development Programme at the Geneva-based South Centre. The session was moderated by Deborah James of the Washington-based Centre for Economic and Policy Research (CEPR) and coordinator of the OWINFS network.

Deliverable or not?

Ambassador Faizel provided at the outset an overview of the Bali package, the underlying issues for the Bali Ministerial Conference – the future of the Doha Round and the future of the multilateral trading system itself – and the "new narrative" on trade.

On the Bali "deliverables" in agriculture, he said that after many discussions, members arrived at three possible deliverables: TRQ administration, agricultural export subsidies, and food security.

The TRQ in agriculture, he underlined, is not about market access per se but on increased transparency on agri-

cultural import quotas that was reached in the Uruguay Round Agreement on Agriculture. On this, he said, the G20 developing-country grouping had put forward a proposal to make (the administration of) these quotas more transparent because they are not very transparent in many developed countries and consequently limit the extent to which countries are able to export to those markets.

"This [issue of TRQ] was seen as the easy one because in the last few months, everyone said 'well this can be done'," he said. There were a few voices of concern and dissent but the majority of countries felt they could do it.

In the last few weeks though, according to Ambassador Faizel, the United States suddenly said "well we are willing to do this provided the developing countries, particularly the big emerging countries like China and others, also implement this provision and ensure that they not only make it transparent but pay attention to the extent to which they fill these quotas – the so-called underfill mechanism."

And the US wanted to ensure that the so-called special and differential treatment (S&D) provision of the proposal put forward by the G20 changes its nature.

According to the South African trade envoy, China has taken the view that it does not want to be excluded from S&D, and the G20 agreed that it should maintain its position that there should be S&D on TRQ administration.

This TRQ issue was a rather simple proposal, Ambassador Faizel said, adding that WTO Director-General Roberto Azevedo had sent a letter a few days earlier to trade ministers in which he said he was very troubled by the differences that members had on this issue because this was supposed to be an easy one in the negotiations.

On the much more important question of (agricultural) export subsidies, Ambassador Faizel told the participants in the panel session that the G20 had put

forward some very "modest" proposals. He recalled that in 2005 all members had agreed at the Hong Kong Ministerial Conference that they shall eliminate export subsidies by 2013, which is this year, "but of course, there has been no traction on this" and the G20 decided instead to ask for subsidies to be at least reduced by half.

"And on this proposal, there has been no traction at all because all the major providers of export subsidies in the developed world say that this will be very difficult politically for them to accomplish. So, that's not going anywhere," stressed Ambassador Faizel.

On the issue of food security, he said that here too there is a big debate. "Fortunately, we have focused the debate on one issue, which is the possible 'peace clause' [for] those countries who fall foul of the current Agreement on Agriculture (AoA) that does not cater sufficiently for developing countries who have public food stocks and procure [for stocking] food grains from small farmers."

There is recognition that there is a problem with the current Agreement and that something needs to be done, "but many countries are reluctant to provide any permanent solution and so the peace clause is a temporary solution – an interim solution – that is being discussed at the moment, but we still have a long way to go on this."

"So, on the agriculture pillar, we don't seem at this stage to be able to fulfill all three of the deliverables; and whether we will be able to deliver at least one of the three is not very clear at this stage," Ambassador Faizel asserted.

Major differences

On the issue of trade facilitation (TF), he said that while this is a controversial negotiation, all members are working on this, and there have been intense processes of textual negotiation. There is a Rev.17 of the text which is heavily bracketed (brackets indicate areas on which there is no consensus) – about 400 brackets still – but there is a potential agreement on the table which members are negotiating.

According to the trade envoy, the basic issue here is that there are two sections in the draft agreement. In Section I (on commitments), members are trying to agree to some new disciplines to add value to existing World Customs Organization (WCO) guidelines on how countries should manage their customs systems.

Of course, he said, the disciplines that are being proposed, mainly by developed countries, are to encourage developing countries to modernize their customs systems to facilitate trade, and there are many proposals on the table that are being negotiated. Some are quite complex and they envisage very sophisticated mechanisms for import and export of goods through customs. Some of these will require additional support and technical assistance for those countries which are at a lesser level of development.

He also pointed to a Section II which provides for S&D and some flexibilities for developing countries, allowing them to implement over a longer period, and it does hold the promise, in Category C of Section II, of technical assistance and capacity to those countries that need it.

"However, there are a number of problems at the moment," said Ambassador Faizel. In Section I, there are a number of proposals that are "still wide open".

Some of them have to do with differences among some of the major developed countries over their different respective systems – for example, an authorized operator scheme of the European Union, where it has proposed to provide special favours and special transit measures for those traders who are frequent traders. The US and many other advanced countries like Singapore have a different system.

"So, we have been discussing even up to last week how to find a way of accommodating among the advanced countries the differences in their systems. So, we've not yet agreed on that and that has little to do with many of the poorer developing countries."

Similarly, he added, there are major differences among the developed countries on issues like advance rulings. The US has a very ambitious proposal on the table and the EU can't meet the high expectations of the US on that, and many other countries as well.

There is also another proposal like this by the US on expedited shipments to provide special services for companies like FedEx, UPS and others, and some major developed countries have difficulties with this proposal, "not to speak of many of the poorer developing countries who will have to raise substantially their current level of customs modernization to meet this very high standard", he said.

On Section II, Ambassador Faizel said that the main dispute that is on the table, which is not resolved and on which

there are a number of brackets, relates to the promise made in the mandate.

In this context, he referred to the mandate on TF in Annex D of the outcome of the Hong Kong Ministerial Conference. In that document, there was a provision agreed by the ministers that those countries that require assistance will only be required to implement any of the agreements in Section I if the necessary capacity and technical assistance is provided to them.

"Currently, the United States and many of the other developed countries are unwilling to sign on to such a provision because they say that the current policies on aid and technical assistance [don't] allow them to commit to some recurring financial commitment and they feel also that this will provide a loophole for countries who don't want to or are unwilling to implement some of the provisions to put these implementation obligations into section C," Ambassador Faizel underlined.

Development and LDC issues

On the so-called development issue, he said, two major questions have been discussed. One is to implement the so-called (28) S&D proposals that have been on the table since 2001. On this, developing countries, particularly from the African Group, took a view that many of the proposals that were agreed to by developed countries in the past were of a low economic value, and they were reluctant to sign on to this. But even these 28 proposals were being reopened by many developed countries and "at this stage, these are unlikely to be in the Bali package."

He noted that there is another S&D proposal that could be of value to developing countries – the monitoring mechanism. This is a mechanism that would allow developing countries to review existing S&D provisions with a view to strengthening them, making them more effective and, if necessary, revising them. But negotiations are going on at the technical level on this, he said, adding that "it's very slow and we don't have much time. So, we're not sure whether there will be a substantial outcome on this."

On the LDC issues, he drew attention to the four issues that are on the table. On DFQF (duty-free, quota-free market access for LDC products), he said, "We've heard from the biggest country, the United States, that this is not doable. We heard that many months ago and there have been many statements on

it. So, there hasn't been any traction on it."

On the issue of cotton, he said that these are the poorest countries in Africa whose economies rely on cotton, and that the cotton market has been highly distorted, undermining their production. "There has been no movement," he said.

He noted that there has been a little bit of movement and some discussion on rules of origin, "but again this is not substantial."

With respect to the services waiver for LDCs, he said that "at this stage, we don't see any substantial outcome that would provide any real additional market access to LDCs in services."

"So, on the LDC issues, there is not likely to be much traction and deliverables in Bali," Ambassador Faizel stressed, adding that "overall, it looks like many of the issues are still wide open..."

Underlying questions

On the underlying issues at Bali, he was of the view that there are two such issues. One is the question of what happens to the Doha Round. There was a discussion on this at the last WTO Ministerial Conference in 2011.

On this, he said, there were two views. One view could be summed up as: "Well, too much time has passed. The [Doha] Round is obsolete and it's not doable anymore." The dominant view amongst many of the thinkers and writers in the developed countries is that the Round is dead.

However, he noted that if one reads the outcomes of 2008, it will be seen that the majority of the developing countries had an opposite view, highlighting in particular the development dimension of the Round which included many of the concerns of the developing countries arising from the weaknesses and imbalances of the Uruguay Round.

"Those concerns still remain valid," he said, further highlighting the concern that the last agreement on agriculture in the Uruguay Round remains highly imbalanced and that many implementation problems of the Uruguay Round still remain on the table.

He noted that these are mandated in the current Doha Round and that many of these issues are of concern. Many promises were also made in the Doha Round, for example, to provide DFQF to LDCs.

"And many of these things will be lost if the Round is simply allowed to

sink into the sand," Ambassador Faizel said, adding that it remains a big debate and there is a huge difference between members about the future of the Round.

The second issue is about the future of multilateralism itself, he said. He noted that US Trade Representative Michael Froman indicated that members had agreed at the 2011 Ministerial Conference that "we shall move on and discuss fresh and new approaches".

However, Ambassador Faizel countered, actually that had not been agreed, but was only one view. And there were other views by more than 100 countries that insisted "we should retain and strengthen multilateralism as we know it".

But the new fresh view (of some) says that the single undertaking as we know it is *passee*, and that it doesn't work anymore because there are too many countries, agreement cannot be reached, there are too many issues on the table, and what should be tried is to agree to one thing at a time. And the first thing on which agreement should be sought is trade facilitation. Ambassador Faizel also mentioned in this context the issue of environmental goods and services, which is of interest to developed countries.

The second thing that the new approach says is that there are too many members in the WTO – 159 – and they cannot come to an agreement among themselves. On this view, what really needs to be done is to bring together a group of like-minded countries first in a so-called plurilateral setting because a "high-standard" agreement is more likely to be attained this way; once an agreement is reached, it can then be multilateralized by getting others on board. Ambassador Faizel noted that in the area of services, there is a plurilateral process going on at the moment (negotiations on the so-called Trade in Services Agreement).

"Global value chains"

Commenting on the "new narrative" on trade, Ambassador Faizel said it is linked to a new idea that has been germinating over the last three or four years – the idea that the world has changed and is now dominated by what are called "global value chains", where multinationals like Apple, Walmart and others operate across borders and nothing is produced in one country anymore but produced across many countries. And for any country to develop, so the theory

goes, they need to link up to these value chains, and if they want to link up and benefit from it, they have to remove all barriers between countries that are involved in this chain so that they can facilitate greater efficiency of trade and investment, and then they will improve their welfare.

Further citing the new narrative, he said that one of the key instruments to achieve this is trade facilitation, because trade facilitation will help improve the flow and increase the efficiency of trade. Also, the new narrative says that tariffs are less important – it's all about trade facilitation – and services are more important than goods, so let's not worry about agriculture and all that. Let's look at services and improve services and remove all the barriers to services trade.

According to Ambassador Faizel, the new narrative also says that plurilaterals are the way to go, because multilateralism as we know it today – 159 countries – doesn't work anymore. The narrative also points to a number of new issues that are more important like investment (and services) – because in this "global value chains world", investment needs to flow across and services need to flow across – and state-owned enterprises should all be abolished.

He noted that in the ongoing negotiations on a Trans-Pacific Partnership Agreement, many of these ideas are germinating on the new gold standard on each of these issues – intellectual property, services and state-owned enterprises. After there is agreement on this – as well as in the new mega-bilateral free trade agreement between the EU and the US – these ideas will be brought to the WTO, where those countries that are not part of those agreements will have to gradually accept the new gold standard that is developed.

"That is the new trade narrative that is on the table," said Ambassador Faizel. He said, however, that there are other views on this – in the outcome of the 2011 Ministerial Conference, the majority of developing countries had a different view. Their view was that "we need to stick to the principles of fairness, equity, of balanced rules, of inclusiveness and of a development-oriented multilateral trading system", he concluded.

Internal and external balance

Speaking on the issue of trade facilitation, Vice Yu of the South Centre said that if one looks at the way the developing countries have been approaching

these discussions – ever since the discussion about the mandate in 2004 and the launch of the TF negotiations in 2005 – they have been pushing for two things in terms of the TF negotiations.

One, according to Yu, is that there must be internal balance within the TF negotiations in terms of the balance between the rules that would come out that supplement what the WCO has put together and the articles in the GATT, and S&D and the provision of technical assistance that would match what the developing countries should do in terms of implementing and complying with the new rules that would be set up.

Over and above that, he added, there was also the issue of external balance which developing countries sought. In this regard, he noted that TF came into the Doha Development Agenda (DDA) only in 2004, and that the other parts of the DDA also had to be moving along at the same time as one moves along on the TF negotiations. So, that meant that there needed to be progress in agriculture, in services, on the LDC issues, on S&D, on implementation-related issues and other parts that were relevant to development.

"And that kind of approach then underlay the approach that developing countries have been taking for quite some time on TF," said Yu, adding that this approach was based on the idea that "facilitation of trade is important for developing countries not least because it should help developing countries improve their industrial capacity and ... the ability of their industries in terms of producing goods for export."

But as the negotiations move along, what is seen in terms of the shaping of the Section I text (on commitments) is a move into a more narrow focus on the simplification, harmonization and standardization of trade procedures, in effect trying to create new rules that would require developing countries, for example, to raise their customs procedures to standards that developed countries are already implementing.

"And so, the burden of implementation and the burden of compliance, if you look at it that way, will actually be falling more on developing countries than it would fall on developed countries, to a great extent."

If one looks at the way that the new rules are being crafted, a lot of these will actually involve facilitating the flow of imports into developing countries rather than the flow of exports out of developing countries to major markets, said Yu. This could then have a downside effect

on the ability of developing countries to pursue their own industrialization objectives, in terms of the industries that they would want to set up.

He pointed out that the other major issue that is related to the development agenda in the DDA in relation to trade facilitation is that a lot of the provisions being negotiated hold significant administrative and institutional burdens for developing countries, and LDCs in particular, whose customs and customs-related institutional mechanisms might not be as advanced compared to those of developed countries.

One of the key issues in the TF negotiations is the issue of compliance with the mandate in Annex D, he said, noting, amongst others, that Annex D also said that developed countries committed themselves to providing developing countries with the support that would be needed in order for them to actually build implementation capacity. This was the promise, but so far, unfortunately, the promise has not been kept, Yu stressed.

Deborah James of the OWINFS network summarized: "It seems like while so far we've heard a lot of the developing-country agenda is being sort of pushed off, not discussed, not having a lot of traction, this trade facilitation is an area that seems to be moving forward and having traction and getting pushed a lot, even though it wasn't part of the original DDA agenda."

Post-Bali scenario

Ambassador Jayant Dasgupta of India, speaking on the post-Bali scenario and the future of multilateralism, said that "the problem that confronts us is not so much about Bali, it is about post-Bali. It is about what do we do with the Doha Round."

He said that it all started with agriculture, where it was envisaged that there would be reforms "and that we would carry on with them and that we would review them periodically."

"Now, that is something which did not get implemented and it has taken us all these 12 years to come to some sort of an agreement on agriculture which lies gathering dust on the shelves because the developed-country perspective is that only if the single undertaking ever comes through, that could be part of the package, but till that time, it will have to wait, gathering more and more dust," he said.

This is the most important development outcome that could have been de-

livered, he stressed, adding that the developing countries, especially the poorer amongst them, have a very large proportion of their population dependent on agriculture.

He lamented a situation in which "export subsidies continue to distort international trade, ... food aid continues to flow and distort domestic trade and agricultural production in the poorer countries, [and] domestic food aid in the developed countries, which disburse billions of dollars, continue to find their way". In the Uruguay Round Agreement on Agriculture, various loopholes were provided in the Green Box so that a large number of subsidization programmes could be parked there and could be protected from any challenge in the WTO.

He noted that if one looks back, what was almost concluded without any square brackets was the pillar of export competition, which covered export subsidies, export credit guarantees and food aid. There was no dispute remaining on this and everything had been sorted out, of course, not to the full satisfaction of either side. "But that is not being sought to be harvested in this Bali package," Ambassador Dasgupta underlined.

On what is being sought to be harvested from a development perspective, he pointed to the LDC issues, adding that the LDCs are primary product producers and they have a problem in terms of capacities, investments, resources, product diversification and industrialization. Whatever little they produce, they would like any surplus to be exported so that they can develop and grow, and use that for investing and have some kind of industry.

The problem is that that has to come through market access provided in other countries, he said, adding that DFQF lies at the heart of it. He said that it is very heartening that many developed countries have given DFQF already. The EU gave it in 2000 through the Everything But Arms initiative, and developing countries like India did it five years ago.

"But there is a problem when the largest market [the US] finds it difficult to give that to the LDCs, something which the LDCs have been clamouring for since 1996," he said, adding that this is a development issue which is falling, or has fallen, off the table for the near future, definitely for Bali.

He noted that there is a very concerted effort to project trade facilitation as primarily an LDC issue and a poorer-developing-country issue, "but we have a different opinion about that, especially

the form in which it is now taking shape."

On the second thing that the LDCs have asked for, he noted that there are four LDCs and 32 other African countries that are deeply concerned about cotton subsidies – domestic and export subsidies which distort the international market and provide a hindrance to their export of this cash crop which they need as a source of income. "That is blocked completely. No way [to a solution]," he asserted.

Ambassador Dasgupta pointed to services as the third avenue of getting market access, saying that in this area, the poorer countries, especially the LDCs, have a problem relating to highly skilled manpower.

Those larger developing countries which have a reserve of, or some strength in, highly skilled manpower are finding it extremely difficult to get access in Mode 4 of services provision (movement of natural persons) in countries where there is a shortage and where there is a demand.

Referring to Mode 4, he said that it is not the highly skilled professionals that perhaps India, the Philippines, China and many other developing countries have been asking for more than a decade. Pointing out that it is the semi-skilled and lower-skilled people, he said: "Will there be a kind of access provided? I don't think it is going to take place in the near future."

Fourthly, Ambassador Dasgupta said that if DFQF is given, then the rules of origin governing that should be framed in such a manner that they are simple to use and operational. The LDCs have floated a paper on rules of origin with a great deal of difficulty, and are facing a lot of resistance. The reaction to that is that "it has to be non-binding and non-prescriptive. That is where the negotiations are" on this fourth item of the LDC proposal.

As to what is over and above this as part of the so-called development package, Ambassador Dasgupta pointed to two issues, one being the monitoring mechanism for S&D provisions. He noted that there is a "very palpable tension" on this because there is one side which says "you can only review the effectiveness of implementation of the S&D provisions". So, the S&D provisions will stand where they are and the implementation will be there and the effectiveness of the implementation is all that can be reviewed in the monitoring mechanism.

This was not the way the monitoring mechanism was conceived of and then articulated by the developing countries, said Ambassador Dasgupta. Referring to the WTO General Council decision of 2002 and the events leading up to it, he said that it was about strengthening the S&D provisions, and that if they had implementation and monitoring, it was only a part of it.

"We really don't know whether we would have anything meaningful coming out of this discussion leading up to Bali."

Secondly, he pointed to the 28 agreement-specific proposals, noting that the South Centre has shown how the proposals that were made before the 2003 Cancun Ministerial Conference got distorted in the WTO by a small group of countries and when they went into Cancun for adoption, they had been "mutilated beyond recognition". Even then, there was no consensus in the WTO to put them forward, and it was left to the ministers at Cancun to take a decision on this. "Obviously, that decision never got taken."

It came back and the African Union, which was the proponent of most of these proposals, presented a long paper in June 2006 which said that most of these proposals, in the form in which they came out of Cancun, have no economic value. According to Ambassador Dasgupta, the African Group has said very clearly that in order to further this process of moving towards Bali and beyond, "if we have to accept these 28, please give all the 28, no questions asked. Don't reopen them." They have also said clearly that "you can't cherry-pick amongst those 28 and say that 'Alright this is what we are prepared to give and not the others'".

That is where the last bit of the development package is now positioned, said Ambassador Dasgupta.

On the issue of agriculture, he said that the issue of export subsidies is extremely important and is at the heart of the whole development issue, "but we have heard very discouraging and disappointing responses to that right from the beginning ... We don't know what shape it will take, whether a mere political declaration of goodwill etc or good intentions or [whether] it will be something more concrete."

On the G33 proposal on food security, Ambassador Dasgupta said that this is something that cannot wait till the conclusion of the Doha Round, stressing that this has to be resolved.

He noted that in the face of "really great intransigence" on the part of a few of the developed countries, the G33 has put forward a compromise solution by way of a "peace clause" that it could live with till a permanent solution is found.

"We don't know where we will go. We are keeping our fingers crossed and of course harbouring a lot of hope that it will get resolved in a satisfactory way," he said.

On the issue of trade facilitation, he said that the whole endeavour is to show that it is a great deal for the developing countries and that it is the best deliverable agenda for the development of the poorer countries.

"It is not so," Ambassador Dasgupta said, adding that the whole thing is about harmonizing. "Who are the proponents? If it was so good, the proposals would have come in a flurry – in a rush – from the developing countries. They have not," he said, pointing out that most of the proposals have come from the devel-

oped countries.

In concluding the session, Deborah James summarized that for the developing countries, it is about fixing the current system that is so unfair, by making the S&D provisions operational and effective, allowing developing countries to provide some of the same kind of food subsidies that developed countries are allowed to provide in the WTO to promote food security, and disciplining developed countries' export subsidies.

Yet, she added, we have the developed countries and primarily the corporate lobbies behind them pushing these other agreements such as on trade facilitation, which is not even part of the original mandate, and moving ahead with the Trade in Services Agreement (TISA) and the Information Technology Agreement (ITA).

These are really all about getting more market access for transnational corporations based in developed countries, she said. (SUNS7671) □

Panel stresses on food security in run-up to Bali

Another session at the WTO Public Forum examined the outlook for reforming the WTO agriculture rules to address the challenge of food security.

by Kanaga Raja

GENEVA: An expert panel session at the WTO Public Forum discussed the issue of agriculture in the context of food security and the human right to food, and laid stress on its inclusion in the Bali package.

The session, held on the last day of the 1-3 October Public Forum, was titled "Agriculture: A Development-oriented Outcome at Bali?" and was sponsored by the French NGO Solidarite.

The speakers on the panel included Ambassador Jayant Dasgupta of India, Deborah James of the Washington-based Centre for Economic and Policy Research (CEPR) and coordinator of the Our World Is Not for Sale (OWINFS) network, and Jacques Berthelot, an agricultural expert with Solidarite.

Another panel member, the United Nations Special Rapporteur on the Right to Food, Olivier de Schutter, was unable to make it to the panel in time for the early morning session.

Kicking off the session, James said that agriculture is one of the key pillars of the Doha Round, adding that devel-

oping countries only agreed to launch a new round on the basis that developed countries would finally agree to fix decades-old unfair trade practices in agriculture.

And for 12 years now, even as developing countries have demanded that developed countries reduce their subsidies and tariffs on agriculture, the European Union and the United States have continued to extensively subsidize their exports and, in the case of the US, have actually increased them.

Unfortunately, after all this time, she said, the proposals of the G20 and G33 developing-country groupings to reform these agriculture rules are at a stalemate due to the intransigence of the US.

Recently, however, she noted, there is some light at the end of the tunnel because the issue of the human right to food and the need for countries to pursue policies of food security has arisen in the context of the global economic and food crises, which have left millions more people in hunger in addition to the millions already who do not have

enough to eat.

Food security provisions

In his presentation on existing WTO disciplines and food security in developing countries, Ambassador Dasgupta of India said that the topic of food security and food has been in existence since the dawn of civilization and the birth of mankind. This is something that is a real world issue – it was an issue in 5000 BC, it was a 20th-century issue, it is a 21st-century issue and will be a very topical issue in the 22nd century as well.

Focusing on the WTO disciplines and how they encourage, inhibit or prohibit the solution to food security in developing countries, he said that there are only two mentions in the WTO Agreement on Agriculture (AoA). One is in the chapeau where it speaks about food security being a non-trade concern. He said that the whole AoA was based on a vision of reform, and the reform programme is outlined in the chapeau and it says very clearly that non-trade concerns including food security and special and differential treatment (S&D) for developing countries will have to be an integral part of that.

On the provisions in the AoA to address food security, Ambassador Dasgupta said that there is only one other mention in the Agreement and that is in Annex 2 which deals with the Green Box, where paragraph 3 is on public stockholding for food security purposes and there is a complementary paragraph 4 that talks about domestic food aid.

“Now, as long as governments buy from the market at whatever price, it is considered WTO-consistent, no questions asked. If any country wants to build up a public stock, it can do so to any extent based on current market prices,” he said, adding that one of the issues pertains to what the “current market price” is and how it can be discovered.

The second issue in this context is that for developing countries, there is a provision that enables governments to have administered prices because the markets may not be perfect – there may be cartelization and imperfect market conditions – so that administered prices have been allowed.

However, there is a direct linkage between the Green Box and the Amber Box only for this provision, which says that if any country has an administered

price for procurement or acquisition of stocks, it will have to be accounted for in the Aggregate Measurement of Support (AMS). For that, there is a particular formula that is to be followed, but that formula does not relate only to food security, but also relates basically to the market price support system.

Ambassador Dasgupta explained that the market price system is based on providing administered prices at much above market prices, which is what was prevalent in the EU in the 1980s and many other developed countries to give a boost to production. It ended up in countries sitting on large piles of stocks which they did not know what to do with, and so, they ultimately dumped these on the international market. They could not do it without providing export subsidies and so they provided huge export subsidies as well.

“Now that is a very distorted system of providing support and it, of course, led to many distortions and that is why this provision came in of market price support,” said Ambassador Dasgupta. But, he asked, what happens if the administered prices are at current market prices or just below current market prices?

He pointed out that in the case of India, what is seen is that the acquisition or procurement is confined to a very small window of only three months after the harvest, and that is when the farmers are at their most vulnerable, and if there is no price guarantee, the smaller farmers or marginal farmers are forced to make distress sales, and the prices go down for their sales to the consolidators or wholesalers, and then the prices keep going up.

If one looks at the prices in India, for instance, one will find that the market price, irrespective of when the sale takes place between a farmer and a wholesaler or in the market, is around or above the administered price, but after that for the next nine months of the year, it is much above the acquisition price.

“So this fallacy that every administered price mechanism will be much above market prices does not stand careful scrutiny,” he said.

He also noted that there are other Green Box provisions which have been proved to be trade-distorting through the creation of income and wealth effects. One of the first and foremost is the decoupled income support programme.

Need for public stockholding

As to why developing countries need to have public stockholding programmes instead of buying from the market in times of need, Ambassador Dasgupta explained that firstly, it is to provide food for the poor, highlighting that in India, as well as in many other developing countries, the public stocks are meant to provide domestic food aid, which is a Green Box provision and is completely free of any restrictions.

Secondly, in large countries that are prone to many kinds of natural disasters and emergency situations, there is a need to have stocks from which to provide the needy and to feed the population in times of distress. And there are market imperfections, problems of regional stocking and transportation, “so we need to have public stockholdings to take care of this factor as well.”

Thirdly, he said, not all the food that the poor need can be given through the domestic food aid programme, highlighting that in the case of India, there is a national food security act which has been passed and is now under implementation (from 10 September). This provides food to the poorest people who make up the lowest decile of the population. But for the rest of the poor, of whom there are a large number – hundreds of millions – the food provided takes care of more than half of their requirements but not to the full extent, so they have to buy from the market.

“So, that is another consideration that we can’t allow food prices in the domestic market to go beyond reasonable limits. So we have to keep them restricted or prevailing at reasonable levels. And if the prices show volatility, they show a sharp upward trend, we need to release food from the public stock to bring down the prices, [and] to curb this volatility.”

Lastly, he said that food banks are a concept that the UN Food and Agriculture Organization (FAO) has been dealing with for the past 30 years, and it has been saying that regional food banks are one of the best means of tackling the problems of food security in a region, adding that the public stock that India maintains has been used very frequently to provide government-to-government food on-purchase basis.

On why an administered price mechanism is needed, Ambassador

Dasgupta referred to paragraph 7 of the Green Box provisions which talks about providing income support, income safety net programmes and income insurance programmes.

If incomes dip below a certain level, farmers are compensated, he said, noting however that this is not possible in a developing country because of resource constraints and certain other administrative reasons.

There is also the question of large incidence of indebtedness, he noted, adding that according to statistics published in India, "last year, we had an incidence of 65% of the farmers being indebted."

When they are investing in seeds, fertilizer, pesticides, in buying water and electricity, and in hiring transport to take their produce to the market, they are taking a risk, and if they do not have an income insurance scheme or a safety net programme, and if they have no assurance, they are left to the mercy of market forces which in many cases, because of imperfect market conditions, could be very exploitative. If this is so, they need some kind of an assurance.

But if there is a mechanism where the administered prices are way above the market prices, it will obviously lead to distortions, he said, adding that "we have heard that Thailand is sitting on a huge pile of rice, [and] the US is sitting on a huge pile of sugar. That is just the kind of thing which should not have been happening."

But in the case of India, in 2012, its rice procurement fell way below the target because the administered price was not good enough. It was not just below the current market price, it was way below the current market price, so the farmers did not offer their produce to the government.

In the case of the recently concluded wheat procurement season, Ambassador Dasgupta said that "we fell short of the target by about 40% because the government couldn't provide that kind of money which the other people were willing to provide, so we fell short."

Asking what happens if this kind of price guarantee is not given, he noted that the average size of landholdings taken about six years ago was about 1.21 hectares, not to speak of the hundreds of millions of landless labour who also depend on rural incomes. If there is nobody to take that decision or risk to cultivate a plot of land, it will lie fallow and

the family will try to take to some subsidiary occupation or migrate to the city. This would not only reduce food availability because the land remains fallow, but also endanger rural livelihoods and lead to a greater number of unemployed. "So it can lead to a real-life problem in terms of civil strife, in terms of higher rates of unemployment, [and] in terms of lower food production."

Market price support formula

On the formula given in the market price support system which is premised on the basic fact that the administered price will be far above the current market price, Ambassador Dasgupta pointed out that this is the AMS entitlement, which is also the Amber Box entitlement, which should be greater than or equal to – and this is the limiting factor – the quantity of production eligible multiplied by the difference between the administered price and a fixed external reference price.

As far as the Amber Box entitlements are concerned, there is a *de minimis* which is available to all countries – developed and developing – on different scales, but only 16 out of approximately 100 developing-country members have an Amber Box entitlement.

(In an accompanying PowerPoint presentation, Ambassador Dasgupta listed these 16 countries as Argentina, Brazil, Chinese Taipei, Colombia, Costa Rica, Israel, Jordan, Korea, Mexico, Morocco, Papua New Guinea, Saudi Arabia, South Africa, Thailand, Tunisia and Venezuela.)

Noting that China, India, Indonesia, the Philippines, Nigeria and Kenya are not amongst them, he said that they do not have an Amber Box entitlement. What they can use for their public stockholding is the 10% product-specific *de minimis* entitlement (except for China, which, according to the PowerPoint presentation, has 8.5%).

On the quantity of production eligible, he referred to one interpretation that had been given in passing in the Korea beef case of 2001, which says that the total volume of production which is there in a particular crop will be the quantity taken into account in the equation.

"The practical implication is that if you are growing rice and if you procure even one kilogram of rice by declaring an administered price in advance, then

the whole production of the country will be figuring in the equation as a multiplier. That is one of the implications and there is nothing that we can do short of amending this or having an understanding on what will be an eligible volume of production."

On the external reference price, the Indian trade envoy indicated that it is keeping with the economic rationale of subsidies. "If you are buying something below the market price, it is not a subsidy. If you are buying something above the market price, giving that price to the producer, it is a subsidy."

So, the question of the subsidy has to be related to the current market price, and it can't be related to something which is fixed and refers to the 1986-88 average figures.

This is what the external reference price does, he said, going on to cite World Bank Commodity Bank figures to point to the kind of inflation that has taken place even on traded commodities like rice of a particular kind, and wheat of two different kinds. The average rate of inflation over the past 27 years has been approximately 225% for rice (according to the PowerPoint presentation) and 270% for one particular kind of wheat. "So, this is one of the problems that come in when you try to operate this formula," he underlined.

Turning to the question of administered prices, he said that the administered price is this year's acquisition price. But what is the current market price? What is the average market price prevailing in the country for that year? Are you buying it below that? Are you buying it at that price? Are you buying it much above that price?

In the case of India, the administered price is much lower than the average market price prevailing for the entire year. "But there is no consideration given to this. No reference to current market prices."

World Bank indicators with respect to the index of inflation, taking 1986-88 as a base and the base figure of 100 for that period, show that for China, the Consumer Price Index (CPI) has gone up to 372; Egypt, 1,022; El Salvador, 581; India, 638; Indonesia, 1,078; and Kenya, 2,134. Nigeria has suffered massive inflation, with the CPI having gone up to 11,104.

In France, the CPI is 161 taken against an index of 100, for the US it is 202. The average for the rich OECD countries is less than 3% annualized inflation

over the last 25 years, Ambassador Dasgupta noted.

As for possible solutions, he called for a revision of the external reference price to a more updated figure, or using a deflator on the administered price for excessive rates of inflation.

On the current status, Ambassador Dasgupta said that the G33 group of 46 developing countries (barring one exception) has endorsed the two options – revising the external reference price to a more updated figure or to have a deflator mechanism to compensate for excessive rates of inflation.

Referring to the opponents, who he said are mainly those who have a primary export interest, Ambassador Dasgupta said that if there is a food shortage in a developing country, it is most likely to buy from the major exporters of that crop and they are armed with export subsidies, export credit guarantees, domestic support and decoupled income support in the Green Box, which enable them to sell below the cost of production.

“So that is their interest. They want to sell it and they are looking at it from a mercantilist angle, not from a dispassionate economist angle or from the angle of providing food security to hundreds of millions of people in the developing world. But we have offered on behalf of the G33 a ‘peace clause’ till the time a permanent solution can be found to this major very important issue afflicting a large number of poor in the developing world,” Ambassador Dasgupta concluded.

“Absurd” situation

Addressing the G33 proposal on food security stocks, Jacques Berthelot said that the core issue is to allow WTO members the policy space to feed their poorest population whilst paying a fair price to their farmers providing the food. This is a particular concern in the largest developing countries, where the population would rise, according to the UN, by 414 million in India, 281 million in Nigeria, 98 million in Pakistan, 82 million in Indonesia, 64 million in the Philippines, and 51 million in Bangladesh from 2010 to 2050.

China’s population would rise by 93 million in 2030, but then it will decrease, he said, adding that the population of the EU will remain flat, and in the US it will rise by 80-90 million.

So, the real challenge for the 40 years

to come is really India. It will have to feed 400 million more people and all the land available in India is already cultivated, he said, adding that there is also a problem of water availability, and “we will face climate change.”

Already one-third of India’s population, i.e., 400 million, live below the poverty line of \$1.25 per day and 59% of rural children under five are stunted.

“So it is really absurd to put in the AMS, in the Amber Box, the gap between the administered prices and the border prices of the 1986-88 period,” he said.

This is because, firstly, an administered price alone cannot support the domestic market price, unless other more powerful mechanisms are at play: high import protection, subsidies to exported products, production quotas, land set aside, domestic and foreign food aid.

Without all these mechanisms, an administered price will not change anything to the market price, he added, pointing out that this market price support – the difference between the administered price and the price of the 1986-88 period – “is really a fake market price support”. This fake market price support has allowed the US and the EU to embark on massive shifting from the Amber Box (AMS) to the Blue Box and then to the Green Box without really diminishing their actual (agricultural) subsidies.

In the 1995-2000 base period for the Uruguay Round implementation commitments, the EU actual average subsidy represented only 11.5% of its notified AMS of 48 billion euros, and this proportion was 44% for the US AMS of \$10 billion. And this share did not change much.

Berthelot noted that there is a real inconsistency of putting the gap between the administered prices and the reference prices of the 1986-88 period in the AMS. This inconsistency has been acknowledged by many trade experts of the OECD, World Bank, FAO, and by W.K. Cline, H. De Gorter and Tim Josling, the father of the OECD’s Producer Support Estimate (PSE).

The second reason for the “absurdity”, said Berthelot, is the very low level of 1986-88 world prices. Taking the example of wheat, this very low level is due entirely to the EU and US combined massive dumping rate on wheat. The export value of wheat for both during that period was \$5.7 billion, and the total subsidies to exports were about \$100 million higher. So, the dumping rate

(combined) was more than 100%.

For the US export of wheat and flour (during the period 1986-88), total subsidies were lower at 88% of the value of its wheat exports, with the main component being domestic subsidies to wheat. For the EU, the rate of dumping was 130% of the value of the export of wheat, the main component being export subsidies proper or what are called export refunds.

With respect to the Green Box, he said that there was a huge expansion of the US Green Box. Up to now, the total Green Box of the US is \$120 billion, and the Amber Box is \$4 billion. Domestic food aid is by far the largest component of the US Green Box. In the last notified year of 2010, domestic food aid was notified at about \$95 billion.

As for the EU, he said that the subsidies component of the EU’s AMS (Amber Box) is very low but it has decreased a lot after 2006 because at that time the EU implemented “allegedly fully decoupled income support” due to the “peace clause”. This “peace clause” refers to Article 13 of the AoA on “due restraint”, which prevented other countries from suing developed countries over the latter’s AMS or even Blue Box subsidies for a period of nine years (till 2004).

This is the reason why the EU has changed its CAP (Common Agricultural Policy) subsidies. The prevailing subsidies were in the Blue Box before and so in order not to be sued, it said that after 2005 all its direct payments will be in the Green Box, i.e., decoupled.

The farmers will not have to grow anything to receive the same amount of subsidies they received in the 2000-02 period, Berthelot said.

“It is absurd, but it is the way it has been,” he remarked. If this type of subsidy has not been challenged at the WTO up to now, it could have been because of the precedent of the Appellate Body decision in March 2005 in the cotton dispute.

On the question of taking inflation into account vis-a-vis adjusting the AMS, Berthelot cited two prominent Indian trade experts A. Hoda and A. Gulati (in his accompanying PowerPoint presentation) as saying that they “do not see any reason for making less than full adjustment for the rates of inflation”.

He noted that the average rate of inflation in India from 1986-88 to 2012 was 8.0% per annum, so if the whole inflation rate of India is taken into account,

the updating of the 1986-88 administered price would rise to \$405 (per ton), much higher than the market price, so there will not be any AMS. But if the inflation rate of the high-income OECD countries – 2.75% – is taken into account in that case, the Indian procurement price of 1986-88 would rise to \$218 (per ton), so that the wheat AMS will be limited to \$11.8/t, which, multiplied by 17.5 million tons of distributed food aid in wheat in 2012, would only be \$206 million.

Comparing the US and Indian domestic food aid, Berthelot said that the total value of US food aid in 2012 was \$100 billion, compared to the \$9.4 billion of combined rice and wheat Indian food aid – that is, 10 times more by the US than by India.

He also noted that the number of beneficiaries in the US was lower, at about 80 million people without double count, as against about 475 million in India. Food aid was 6.3 times larger in the US than in India.

Comparing the cereals component in the US food aid, he said that the cereals component was quite large because there is not only the cereal product but also all the feed cereals included in the meat, eggs and dairy products consumed by the beneficiaries of the US food aid, which amounted in total in 2012 to 14.6 million tons of cereals. It was about three times less than the 41 million tons of cereals in India, where rice accounted for 24 million tons and wheat for about 15 million tons.

The cereals included in the US food aid by beneficiary was about twice the level of the cereals food aid received by India, said Berthelot.

In conclusion, he said that because the bulk of the food aid in the US is in food stamps which are bought in agreed shops without passing through the public procurement channel like in India, “what is the logic that the WTO demands only to India and to all developing countries but not to the US that the difference between the acquisition price and the external reference price of 1986-88 be accounted for in the AMS?”

He also said that all US food programmes other than the SNAP (food stamps), which accounted for about \$25 billion in 2012, imply public procurement of food (on the market), and are notified in the Green Box, but this could be challenged because the US Department of Agriculture itself acknowledges that “these purchases also help to stabilize prices in agricultural commodity

markets by balancing supply and demand.”

Commenting on the proposed new “peace clause”, Berthelot said it is a bad idea, for two reasons.

First, he said, the developing countries have already “given” on that issue because the old peace clause has allowed the EU and the US to continue their massive dumping for nine years up to 2004 without being challenged at the WTO.

Second, he was of the view that the peace clause on the issue of food aid will be presented as a huge concession to the developing countries by the US and the EU, which will demand in return a new peace clause for themselves in the finalization of the Doha Round or in plurilateral negotiations in order to continue their dumping.

What should be agreed instead in Bali is a once-and-for-all WTO decision

that all domestic food aid should be notified in the Green Box for all members, including the US, independently of the level of prices paid to farmers, either through public procurement or direct purchase at market prices, and independently of the means by which the food reaches the poor, whether through a release in kind like in India or through food stamps. Indeed, he said, these distinctions are very futile, provided that other members are not harmed by dumping coming from the stocks of purchased food.

Such a decision to put all food aid in the Green Box, Berthelot said, would be a strong signal to all the world’s poor, including the poor in the US, where the House of Representatives refuses to finalize the Farm Bill unless the Senate cuts the nutrition part by \$4 billion per year. (SUNS7669) □

Hunger decreases, but unevenly

While there has been a decline in the number of people worldwide who go hungry, the global figure masks wide regional disparities.

by Sabina Zaccaro

ROME: Some 842 million people still suffer from chronic hunger, according to *The State of Food Insecurity in the World (SOFI 2013)*, published on 1 October by the three Rome-based UN food agencies.

As high as this number seems, it should still be considered progress, since it is down from 868 million last year.

Among the reasons behind this progress are economic growth in developing countries, which is improving incomes and access to food; pick-up in agricultural productivity; and increased public and private investments in agriculture.

Remittances from migrants are also playing a role in reducing poverty, according to the UN report.

The vast majority of hungry people live in developing regions, while 15.7 million live in developed countries.

Inequalities

But despite the progress detected worldwide, strong inequalities in hunger reduction remain. Sub-Saharan Africa has made only modest progress in recent years and remains the region with the highest prevalence of undernourishment, with one in four people (24.8%) estimated to be hungry.

No progress is observed in Western

Asia, while Southern Asia and Northern Africa showed “slow progress”. More substantial reductions in both the number of hungry and prevalence of undernourishment have occurred in most countries of East Asia, Southeast Asia, and in Latin America.

Since 1990-92, the total number of undernourished in developing countries has fallen by 17% from 995.5 million to 826.6 million.

The ambitious target set at the 1996 World Food Summit (WFS), to halve the number of hungry people by 2015, remains out of reach at the global level, even though 22 countries had already met it by the end of 2012.

The heads of the Food and Agriculture Organization (FAO), the International Fund for Agricultural Development (IFAD) and the World Food Programme (WFP) called for nutrition-sensitive interventions in agriculture and food systems as a whole, as well as in public health and education, especially for women.

Last year’s UN report received a detailed critique by a group of hunger researchers led by author Frances Moore Lappe. The publication offered specific recommendations mainly in relation to the presentation of hunger estimates and on the report’s methodology.

Researchers found that estimates represent the low end of the scale because they are based on food availability and the caloric requirements required only to lead a "sedentary lifestyle." A less restrictive FAO threshold leads to an estimate of 1.33 billion hungry in the world rather than *SOFI 2012's* 868 million, according to the group.

Another factor of concern was the focus on global hunger, which masks wide regional variation. In fact, progress in China and Vietnam alone accounts for more than 90% of the estimated reductions in the number of hungry people in the world. National success stories, like in Ghana and Brazil, "are lost in the global estimates, as are countries and regions in crisis."

"This year's report introduces important innovations, we go beyond the traditional FAO prevalence of undernourishment indicator to measure the various dimensions of food insecurity, in particular the nutritional outcomes of food insecurity," said Pietro Gennari, director of the Statistics Division at FAO.

"These can be measured by different indicators. In most cases, these indicators are consistent with the trends of prevalence of undernourishment, but this is not always the case, and we have studied specific countries to understand why we have these divergences and the policy measures that can address them."

The report underlines that economic growth is key for progress in hunger reduction. "But that is not enough; targeted policies and social programmes are needed to achieve the goal of eradicating hunger worldwide," Gennari said.

Some contest this emphasis on economic growth.

"The report offers some useful elements, like some of the new index, and more systematic information on food insecurity," Antonio Onorati from IPC, the International Planning Committee for Food Sovereignty, told Inter Press Service (IPS).

"But when it comes to solutions, it proposes old and ineffective recipes."

"Like the idea that 600 million small producers who are food insecure simply need to increase their productivity in order to put their surplus into the market. As if the local market were functional to small-scale agriculture and to food security. It is not so."

According to Onorati, local markets are only a reproduction of the global market, "that same market that generates crisis and even death of small farms, and which is finally a key component of food

insecurity."

"We would expect a deeper analysis of the role of local markets," he said.

The findings of *SOFI 2013* were to

be discussed by governments, civil society and private sector at the 7-11 October meeting of the Committee on World Food Security in Rome. (IPS) □

Achieving food security through sustainable agriculture

Fighting global hunger demands a shift from conventional industrial farming to sustainable agriculture.

by Olivier De Schutter, Jochen Flasbarth and Hans R. Herren

NEW YORK: Reducing the proportion of undernourished people by half until 2015 was one of the Millennium Development Goals that the international community set in 2000.

It will not be reached: Well over 800 million people worldwide – and one child in five – still go hungry; this in a world where we already produce enough food today to feed nine billion people in 2050.

Further progress towards reaching this goal can be made in the remaining months, but we must ask ourselves what comes afterwards. The debate on the so-called Sustainable Development Goals (SDGs), to be reached by 2030, has already begun.

Defeating hunger remains a priority. This is not simply a matter of providing everyone with enough food; crucial for the future of all human beings is how this should happen.

"Food security and nutrition for all through sustainable agriculture and food systems" must be set as one of the fundamental goals of global development.

It is therefore imperative for agricultural policy to change course, as requested in 2008 by IAASTD, the International Assessment of Agricultural Knowledge, Science and Technology for Development. The same message was reiterated in the Rio+20 Declaration "The Future We Want".

Towards sustainable farming

What constitutes sustainable agriculture?

Widely spread forms of industrial, conventional agriculture are not sustainable. With high-yielding varieties and a heavy reliance on fertilizers, water, pesticides and energy, it has delivered impressive yield increases, but only by exhausting its own production base in the long run.

It not only depends on high levels of inputs, but also leaves behind degraded soils, polluted water and de-

pleted biodiversity. According to the often-cited IAASTD report, 1.9 billion hectares of land are already affected by degradation due to unsustainable use. This comes at an annual cost of around \$40 billion and negatively affects the livelihood of 1.5 billion people worldwide.

Industrial, conventional and certain forms of traditional agriculture are also major contributors to climate change. Meanwhile, the rural populations in developing countries remain mired in poverty.

This form of food production must be replaced by sustainable forms of agriculture, which maintain and restore natural soil fertility, protect water sources and promote biodiversity. Sustainable agriculture has economic and social benefits while remaining within the natural boundaries of our planet.

The aim here is not the maximum conceivable yield but a sustainable and environmentally supportable yield. This is certainly enough to nourish the nine billion people who will inhabit the earth by mid-century.

According to the Green Economy Report published in 2012 by the United Nations Environment Programme (UNEP), food availability per capita could be increased through sustainable production methods by 14%, creating millions of new jobs in rural regions in the process and thus alleviating poverty. At the same time, agriculture could reduce its ecological footprint.

The main players here are small-scale farmers. Worldwide, 70% of food production comes from small farms, which collectively use 40% of the world's arable land. They would be able to nourish people in developing countries, but will have to be supported in this endeavour.

They need guarantees regarding the ownership and rights of use for their land, better access to education, information and markets, as well as fair prices for their products. Rural infrastructure and services are a key factor in this and

must be promoted much more intensively by state and international authorities.

Above all, the position of women must be improved. Women play a key role in food production, but earn less and have fewer rights. According to the UN Food and Agriculture Organization (FAO), equal access to education and agricultural resources in Africa would boost harvests by 20-30%.

A significant challenge that needs to be urgently addressed is food waste. Worldwide, a third of what is produced goes to waste. Developed countries have a particular responsibility to act: they throw away 222 million tonnes of food every year, which is approximately the annual harvest of sub-Saharan Africa.

Finally, a fairer trading environment is critical. The rules of agricultural trade will have to be adapted to take into account the needs of small-scale farmers. At present, this is not the case.

Developed countries need to reform their agricultural subsidies and trade policies. Government payments coupled to production, in addition to export subsidies, expose farmers in developing countries to unfair competition and can therefore impede their production. These subsidies must be converted to payments for ecosystem services and public goods.

Land grabbing, the acquisition of fertile land by financially strong investors over the interest of the local land users, must be stopped. Activities that exacerbate food price volatility, such as financial speculation on food commodity futures markets, must be reined in.

Food security and nutrition for all through sustainable agriculture and food systems

According to these models, a sustainable development goal should comprise the following elements:

1. End malnutrition and hunger in all of their forms, so that all people enjoy the right to adequate food at all times.

2. Ensure that all smallholders and rural communities, in particular women and disadvantaged groups, enjoy a decent livelihood and income, and secure their right to access productive resources, such as land and water, everywhere.

3. Achieve the transformation to sustainable, diverse and resilient agriculture and food systems that conserve natural resources and ecosystems. The loss of fertile land is not acceptable. Instead, land degradation must be minimized and inevitable degradation compensated through regeneration and restoration measures.

4. Minimize post-harvest food losses

and food waste.

5. Establish inclusive, transparent and equitable legislative and other decision-making processes on food, nutrition and agriculture at all levels. (IPS) □

Olivier De Schutter is the UN Special Rapporteur on the right to food. Jochen Flasbarth is President of the Federal Environment Agency in Germany. Dr Hans R. Herren is President of the Biovision Foundation in Zurich and the Millennium Institute in Washington.

PUTTING FOOD FIRST

Towards a Community-Based Food Security System in Indonesia

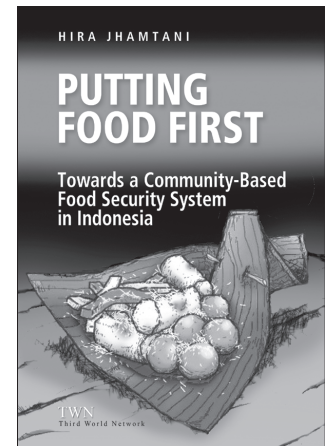
by Hira Jhamtani

Ensuring that every person in one of the world's largest and most populous nations has enough food on the table is understandably an undertaking of great import.

Putting Food First examines the food security situation in Indonesia with a view to determining how this can be done.

This book draws attention to serious shortcomings in food production and distribution in the country, which led to many cases of malnutrition, especially among children, in 2005. These flaws are ultimately rooted in policy failures, not only in the agriculture sector per se but also in the related spheres of trade, industrialization, rural development and environmental and natural resource management.

Recognizing the multidimensional nature of the problem, the author puts forward a set of short-and long-term policy recommendations aimed at attaining food security within a broader national framework of sustainable development. Realization of this goal will entail a shift from the existing industrial, monoculture-oriented farming system to a community-based and ecologically sound agriculture which indeed "puts food first".



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(continued from page 4)

Though not carrying the same weight as an international treaty, this also implies carrying out in good faith obligations assumed when a state votes for and accepts a resolution of the UN General Assembly, and declarations of the General Assembly carry the declaratory weight of the state of international law.

There are also articles and provisions of the Charter on areas such as "non-interference in internal affairs", nations eschewing force or threat of use of force, incursions etc.

The NSA-GCHQ surveillance activities undoubtedly are a violation of the Charter and its "non-interference" clause.

The NSA activities have been shown, in the Snowden files, to have involved invasion of UN territory to plant bugs in the video-conferencing facilities and infiltrate the computers and networks of some of the UN missions, including those of Brazil, India and the EU.

All these are gross violations of the US headquarters agreement with the UN assuring UN territory is international

and beyond US jurisdiction; diplomatic immunity for the UN and missions accredited to the UN and their persons and premises; and access without interference in their travels to and from the UN for plenipotentiaries, delegations and envoys and representatives to the UN General Assembly and its bodies.

Such actions are a violation of the UN/Vienna diplomatic conventions on inviolability of person and premises of accredited envoys and their communications with their sovereigns. As such, these are issues that each and every country could take up before the International Court of Justice.

Then there is the ITU telecommunication treaty. The argument that the treaty does not cover the Internet is quite farcical, since telecommunication has been defined as including data transmission as well.

In so far as the NSA has broken into the networks of business operators, private or public, to spy on their activities, including trade and investment operations, it is "theft" of private property of others (something that Snowden and other whistleblowers are accused of), and may involve violation of the WTO's

Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

It is also violative of the UN human rights conventions and declaration. The provisions on an individual's privacy define privacy as a human right and envisage violation of privacy only under conditions of "probable cause" and as "proportionate", not a catch-all fishing expedition.

As for the Washington government shutdown and the dysfunctional US system, this raises the basic question of how far the US executive – which negotiates and enters into agreements, getting them ratified by the Senate or other appropriate organs – can be depended upon to carry out "in good faith, obligations assumed voluntarily", when the US Congress can set at nought as now (and as has happened in the past too), by refusing to adopt a budget or to allow implementation of a law adopted by it.

If not reversed, and once-for-all functionality restored, all these are portents of a deeper anarchy, far from the assumptions of the New Order envisaged in the postwar multilateral systems underpinned by the UN Charter. (SUNS7669) □

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