

# Trade and Development Monitor

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### OPINION IN LEAD

#### Civil society statement on food security

Over the last three years, food security has remained high on the agenda of the South Asian Association of Regional Cooperation (SAARC). The global food crisis of 2007-2008, which caused alarming rise in food prices and reduced availability of food in the region, thereby adversely affecting food security, prompted SAARC heads of state/government to issue the Colombo Statement on Food Security in the 15th SAARC Summit, held on 2-3 August 2008. In the Statement, SAARC leaders affirmed their resolved to "ensure region-wide food security and make South Asia, once again, the granary of the world."

The 16th SAARC Summit, held on 28-29 April 2010, directed the SAARC Agriculture Ministers to vigorously pursue regional cooperation in agriculture covering all sub-sectors to enhance overall agricultural productivity. SAARC Agricultural Ministers were scheduled to meet in Dhaka on 3 March this year in line with the directive of the 16th SAARC Summit. The meeting has been postponed, however.

With a view to providing recommendations to the ministers based on a civil society consultation, SAWTEE and Oxfam organized the Second Civil Society Forum on Responding to Food Insecurity in South Asia on 24-25 February in Kathmandu. The ministers, when they meet, would do well to take into serious consideration the recommendations made by the Forum, some of which are discussed below.

There is a need to address the challenges of changing farming systems and agricultural conditions, and take measures to capitalize on shifting comparative advantage of agricultural products, taking note of their implications for livelihoods of poor, vulnerable and marginalized farmers, including women. Adaptive research and breeding for variety/breed development should be strengthened with a particular focus on landraces/local breeds and the rights of local, indigenous and farming communities. There is also an urgent need to assess the implications of biofuels and biotechnology for food security.

South Asian governments must explore the avenue of regional cooperation on trade in agricultural and food products as a means of achieving food security goals. In this regard, it is absolutely essential that export restrictions on food among Member States be prohibited. Implementation of trade facilitation measures; reviewing the agricultural and food products on the sensitive lists of Member States under the Agreement on South Asian Free Trade Area, and taking measures to prune the lists, taking into account rural development, livelihood enhancement and food security goals; and taking steps towards developing and adopting regional sanitary and phytosanitary measures and technical standards are some recommendations for facilitating intra-regional agricultural and food trade.

Likewise, the institutional mechanism of the SAARC Food Bank must be strengthened for its effective operationalization. Developing regional guidelines for the application of intellectual property rights and the protection of farmers' rights through the sharing of knowledge and experiences would also contribute to long-term food security. Effectively materializing the "SAARC Technology Initiative" as agreed upon during the 10th SAARC Summit, and expanding its mandate to cover existing and emerging issues in agriculture and climate change are also essential. With SAARC having formally accepted the idea of a seed bank, the challenge is now to make the SAARC Seed Bank Agreement comprehensive for the conservation, exchange and use of genetic materials by creating and strengthening a regional network of national and community seed banks.

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## **ANALYSIS**

### **Seven dimensions of rising food prices**

The Food and Agriculture Organization's (FAO) Food Price Index surpassed the upper bound reached during the peak of the food crisis in 2008. The World Bank said global food crisis has reached "dangerous levels" (Leonard 2011). The rise in food prices has alerted governments and development agencies worldwide. However, existing complaints about rising food prices might be "mild" when compared to those looming crisis ahead unless governments take steps to curb policies that abet speculation, argues Harvard economist David Dapice. According to Dapice, the seven dimensions of food crisis are as follows:

First, global agriculture output is rising faster than global population, which means that the world has more per capita food than before. Hence, it is hard to argue that bad weather has driven up food prices. From 2006/07 to 2010/11, the US Department of Agriculture estimates total production of rice, wheat, corn, soya and other coarse grains and oilseeds rose from 1.78 billion to 1.96 billion tons, an increase of 10 percent. But world population grew less than 5 percent in those four years.

Second, China is playing a major role in upping demand, especially that of soya and other oil seeds, which are primarily used for animal feed. The demand for animal feed is growing faster than the human demand for basic grains. China's output of soybeans is stagnant, so any increased consumption comes from imports. China's imports of oil seeds grew about 30 million tons from 2006/7 to 2010/11, accounting essentially for all import growth in the entire

world. Total global oil seed production rose only 36 million tons, so China accounted for most of global production growth in this period.

Third, the US ethanol subsidy diverted more than 100 million metric tons of corn into ethanol last year. This did little to reduce global warming, and made basic grains and meat more expensive for most people in the world. Nearly a third of US corn is now used for fuel. Since there was a recent decision to increase the amount of ethanol in gasoline, this problem will likely intensify.

Fourth, the impact of higher grain prices is not uniform across and within nations. The increase in food grain prices will impact the poorer nations—where food takes up almost half or more of total spending—more than the rich nations. Urbanization has made unemployment and high food prices a painful combination. This is usually not the case in rural areas as many are subsistence farmers. Fifth, as food prices increased and production decreased, many countries tried to restrict exports and increase imports while supporting domestic subsidies. This has further escalated both demand and prices. Worse, it has promoted importers to stockpile extra food, leading to further speculation on prices.

Sixth, a large part of the demand seems to come from speculative buying—and it might not only be China stocking up oilseeds. Seventh, if low interest rates are causing inflation, it's due to speculative purchases of commodities, more than their use.

While designing appropriate food security policies, it would be helpful to keep in mind these evolving dimensions of food prices.

Notes

Christopher Leonard, "World Bank: Food prices at "dangerous levels"." Associated Press, February 15, 2010

David Dapice, "The Looming Food Crisis." YaleGlobal Online, February 18, 2011

## **Pakistan sinking into water crisis**

Pakistan is still reeling from flooding that caused one of the world's costliest natural disasters in 2010, with millions of people lacking shelter, infrastructure in ruins and donations falling short of appeals. But worse may be yet to come.

The United Nations' disaster coordination agency announced on 24 January that the Pakistan floods caused damages of at least 9.5 billion dollars—the world's third costliest natural disaster in 2010—and killed 1,985 people, the fourth deadliest in a year of cataclysmic events.

But Pakistanis will face a water challenge of a different sort in the years ahead—the possibility of dire scarcity. A Woodrow Wilson Center report titled 'Running on Empty' in 2009 warned that Pakistan's water situation is "extremely precarious" and that the South Asian nation could face widespread shortages within 25 years. Michael Kugelman, an Asia analyst at the Woodrow Wilson International Center in Washington, said last year's floods exposed the government's neglect of infrastructure, including dams, "one of the big manifestations of the water management policy failures."

Aid officials say restoring water and sanitation services—already inadequate before the inundations—remain a priority six months after torrential rains turned the Indus River and its tributaries into destructive torrents. Floodwaters raged from July through September, causing nearly US\$1 billion in damage to dams and irrigation systems and US\$93 million in damage to water and sewerage facilities, according to relief agencies.

Lack of safe drinking water, stagnant pools and wrecked or non-existent wastewater disposal are creating a health threat that is magnifying flood recovery problems. The Red Cross and the South African anti-poverty group ActionAid have both warned that waterlogged and silted

croplands are threatening subsistence farming and creating food shortages, and that malnourishment—particularly among children and mothers—is growing.

A flood damage report prepared by the Asian Development Bank (ADB) and World Bank says the country's water supply and sanitation services "fail on three accounts—quality, access, and sustainability of services." The 188-page report issued in December 2010 says: "Piped water supply is frequently intermittent and not potable; only 35 percent of the population has access, at best for 3-6 hours a day in all but the largest cities. Sewerage services are inadequate with most households not connected to a system; 33 percent of rural inhabitants have no toilet."

There are growing fears that the country is outstripping its ability to feed itself, and overtaxed water supplies are likely to fuel conflicts between competing agricultural and urban demands.

*(Adapted from Timothy Spence's analysis published in IPS, 10 February 2011, <http://www.ipsnews.net>)*

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## **OTHER NEWS**

### **SAARC Secretary General Saeed assumes office**

The newly-appointed Secretary General of South Asian Association for Regional Cooperation (SAARC) Fathimath Dhiyana Saeed of Maldives assumed office as Secretary General of the regional body on 3 March. She succeeded Dr Sheel Kanta Sharma of India.

A former Attorney General of Republic of the Maldives and former parliamentarian, Saeed is the 10th Secretary General of the SAARC and is the first woman to occupy the position.

She was serving as Maldivian Government's Envoy for South Asia just prior to assuming her new assignment in Kathmandu, according to a press statement issued by SAARC Secretariat in Kathmandu.

Saeed holds a Master's Degree in Law from the Graduate School of Law and Politics, Osaka University, Japan.

The Secretary Generals of SAARC are appointed by the Council of Ministers upon nomination by a member state on the basis of the principle of rotation in alphabetical order for a period of three years.

The 33rd session of SAARC Council of Ministers held in Thimpu, Bhutan, had appointed her to lead SAARC for the next three years upon nomination by the government of Maldives.

*Source: Republica, [www.myrepublica.com](http://www.myrepublica.com), 02.03.11.*

### **India signs free trade pact with Japan and Malaysia**

Japan and India have signed a free trade agreement that will see tariffs on 94 percent of goods scrapped within a decade. Japan's Foreign Minister Seiji Maehara and India's Commerce Minister Anand Sharma inked the trade deal in Tokyo. Bilateral trade fell 23 percent to US\$10 billion in 2009, the Japan External Trade Organization said.

The deal will focus on the textile, drug, auto and services sectors, and comes as trade between the two is sliding. The agreement does not cover Japanese farm products such as rice, wheat and dairy items, which are considered too sensitive for tariff elimination. Anand,

who inked a free trade pact with Japan on 16 February, voiced confidence that trade with Malaysia could soar to US\$15 billion by 2015.

In another attempt to boost ties between the two countries, Japan is mulling plans to finance some of India's infrastructure projects. India's commerce minister has proposed setting up a US\$9 billion fund that would help further develop the Delhi-Mumbai industrial corridor. The project started in 2007 and is based on a similar project between Tokyo and Osaka. It is being funded in part by the Japanese government and Japanese companies. When finished, it will include a high-speed rail freight network, three new sea ports and six airports. It is expected to attract investment of more than US\$100 billion.

Meanwhile, Malaysia and India signed a free trade agreement that could boost trade and investment between the two countries and deepen economic ties.

Witnessed by Malaysian Prime Minister Najib Abdul Razak, International Trade and Industry Minister Mustapa Mohamed and his Indian counterpart Anand Sharma signed the agreement known as the Comprehensive Economic Cooperation Agreement at the Prime Minister's Office in Putrajaya. The free trade pact, which was negotiated since February 2008, will enter into force on 1 July. According to a statement from Malaysia's International Trade and Industry Ministry, bilateral trade between the two countries increased almost 10-fold to 27.3 billion ringgit (about US\$9 billion) in 2007 from 2.5 billion ringgit in 1994.

"Through this agreement, Malaysia will gain preferential market access to export goods and services to a population of more than 1 billion people," Mustapa said.

In 2010, India became Malaysia's 13<sup>th</sup> largest trading partner with exports amounting to US\$6.5 billion and imports valued at US\$2.4 billion. Investments from India, valued at US\$15.9 million, were mostly in the areas of scientific and measuring equipment, fabricated metal products, and furniture and fixtures.

Source: [www.bbcnews.com](http://www.bbcnews.com), 16.02.11; [www.breitbart.com](http://www.breitbart.com), 18.02.11.

## **WTO agriculture talks yield no fruit**

Agriculture negotiators at the WTO made no progress in two days of consultations on a future draft Doha agreement text, delegates reluctantly acknowledged. Despite a renewed push to reach an agreement in the long-running Doha Round of global trade talks by the end of the year, sources said that negotiators had largely repeated well-known positions in the discussions.

The consultations, involving some three dozen countries that make up a representative cross-section of interest groups in the talks, were convened by the chair of the negotiating committee, New Zealand Ambassador David Walker. As part of work towards a revised draft text by April, he had invited trade officials to review some 10 outstanding areas of disagreement in the most recent draft which dates back to December 2008.

Negotiators said that the lack of movement did not bode well for the April goal. "I don't know how he'll derive a text" admitted one, while another suggested "a miracle" would be needed given the lack of progress in bridging disparate positions.

Reportedly, the United States told negotiators that outstanding domestic support issues were "political" rather than technical in nature, while Brazilian officials argued that agricultural trade issues were linked to the level of ambition in other areas of the talks.

A new proposal from Mexico linking farm subsidy and tariff cuts to other areas of contention in the Doha Round negotiations had not galvanized momentum in the agriculture talks, sources said. The proposal did not seem to have changed the overall dynamic in the chair's consultations, and has not been discussed explicitly by members in this week's meetings.

Negotiators from India and Pakistan were said to have clashed with the European Union (EU) and Latin American countries over a side-agreement on liberalization for "tropical" products, which the South Asian neighbours have argued should also incorporate products of export interest to them. In an "acrimonious" discussion, negotiators from the EU and Latin American countries warned against trying to reopen the controversial accord.

Source: [www.ictsd.org](http://www.ictsd.org), accessed 10.02.11.

## **Food prices at dangerous levels: World Bank**

The World Bank says food prices are at "dangerous levels" and have pushed 44 million more people into poverty since last June. According to the latest edition of its Food Price Watch, prices rose by 15 percent in the four months between October 2010 and January this year. Food price inflation is felt disproportionately by the poor, who spend over half their income on food.

The World Bank's president, Robert Zoellick, said in a statement: "Global food prices are rising to dangerous levels and threaten tens of millions of poor people around the world." He also said that rising food prices were an aggravating factor of the unrest in the Middle East, although not its primary cause.

Rapid food price inflation in 2008 sparked riots in a number of countries. At that time, the World Bank estimated 125 million people were in extreme poverty.

Source: [www.bbcnews.com](http://www.bbcnews.com), accessed 15.02.11.

## **Bangladesh negotiating long-term deal with India for rice imports**

Bangladesh, South Asia's biggest rice buyer, is in talks with India to buy grains on a regular basis to bolster food security as governments seek to avoid a repeat of the unrest that broke out when prices last soared.

A long-term agreement will protect Bangladesh from possible defaults by private traders, who sometimes fail to meet their commitments if prices gain, Muhammad Abdur Razzaque, the nation's food minister, said in an interview.

Bangladesh's plan underscores a drive by governments to strengthen their reserves to help manage the impact of food prices that advanced to a record in January, beating the jump in 2008 that spawned riots from Haiti to Egypt. "When we go for international tenders and prices suddenly rise, private suppliers sometimes fail to fulfill their commitments," Razzaque said. "They don't supply us and put us in trouble. It has happened."

"It's definitely crucial for Bangladesh and it makes eminent sense for India," said Atul Chaturvedi, chief executive officer of Adani Wilmar Ltd., the nation's biggest farm-goods trader. Neighbouring India has a surplus of rice, while Bangladesh has a deficit, Chaturvedi said.

India's rice output may increase to 94.01 million metric tons in the year to June 30 from 89.1 million tons, the agriculture ministry said. State warehouses held 27.8 million tons of rice on 1 February.

Higher commodity prices are "leading to riots, demonstrations and political instability," Nouriel Roubini, the New York University professor who predicted the financial crisis, said last month. Costlier food "can topple regimes," he said.

Source: Bloomberg, 28.02.11, [www.bloomberg.com](http://www.bloomberg.com)

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## **ACTIVITIES**

## Launch of Trade, Climate Change and Food Security Programme

On 23 February, SAWTEE organized an event to launch its programme on “Trade, Climate Change and Food Security in South Asia”. The programme aims to make trade and climate change negotiations and outcomes fair, inclusive, equitable and mutually supportive for ensuring food security in South Asia through research, advocacy, capacity building, networking and alliance building. Representatives from SAWTEE member institutions as well as a cross-section of stakeholders in the areas of trade, climate change and food security from the South Asia region participated in the event. The programme is supported by Oxfam Novib, the Netherlands.

## Second South Asian civil society forum on food insecurity

A two-day Civil Society Forum on Responding to Food Insecurity in South Asia was organized 24-25 February in Kathmandu. Organized by SAWTEE and Oxfam, the Forum was inaugurated by Prof Subodh Narayan Jha, National Planning Commission member. Civil society leaders and experts from the South Asia region participated in the Forum. The Forum came up with a statement on food security containing a set of recommendations and project ideas for consideration by the SAARC Agricultural Ministers. The Forum was a continuation of the first Civil Society Forum, launched in Kathmandu in 2008 against the backdrop of the food crisis of 2007-08.

## Emerging potentials of international trade for South Asia

On 14 February, SAWTEE organized an event titled “Emerging potentials of international trade for South Asia” in Kathmandu. The guest speaker was Deputy Director General of World Trade Organization (WTO), Dr Harsha Vardhana Singh. Dr Singh’s speech was followed by a panel discussion on issues related to enhancing trade potentials of South Asia LDCs. The panel included Dr Yubaraj Khatiwada, Governor of Nepal Rastra Bank, Dr Posh Raj Pandey, Executive Chairman of SAWTEE, and Mr Ratnakar Adhikari, General Secretary of SAWTEE. For more details, please visit: <http://sawtee.org/featured-events/emerging-potentials-of-international-trade-for-south-asian-lDCs.html>

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