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Improving the International Governance of Food Security and Trade



By **Manzoor Ahmad**
Former Ambassador of Pakistan to the WTO
Former Director of the FAO Liaison Office in Geneva



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LIST ABBREVIATIONS AND ACRONYMS

AoA	Uruguay Round Agreement on Agriculture
CFS	Committee on World Food Security
CFA	UNHLTF Comprehensive Framework for Action
CGIAR	Consultative Group on International Agricultural Research
CoA	WTO Committee on Agriculture
ECOSOC	United Nations Economic and Social Council
FAO	United Nations Food and Agriculture Organization
G8	A group of leading developed economies
G20	A group of leading developed and developing economies
GAFSP	Global Agriculture and Food Security Program
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IMF	International Monetary Fund
GFSC	Global Food Security Cluster
GSF	Global Strategic Framework of the Committee on World Food Security
LDC	Least Developed Country
NFIDC	Net Food Importing Developing Country
OECD	Organization for Economic Cooperation and Development
TRIPS	Agreement on Trade Related Aspects of Intellectual Property Rights
UNHLTF	United Nations High Level Task Force on the Global Food Security Crisis
WFP	United Nations World Food Programme
WTO	World Trade Organization

FOREWORD

Trade policies and trade rules impact upon food security in the developing world in a number of important ways. However, if policies on trade and food security are to be successful in promoting public policy goals, the institutions and governance framework for delivering them needs to be functional, effective and coherent. There is growing recognition amongst governments, civil society organisations and other stakeholders that the current international architecture for delivering these goals is in need of significant improvement.

In the trade policy sphere, there is relatively wide recognition that effective multilateral institutions and rulemaking are necessary for ensuring equitable processes and outcomes. While this may be true for trade, it is arguably also important in other areas affecting the achievement of sustainable development goals.

In the aftermath of the 2007/8 food price spike the international community responded with a flurry of action to address the challenges of governance. The UN Secretary General launched the High Level Task Force on the Global Food Security Crisis to improve coordination and communication among the many international agencies working on food security. The G8, a group of leading economies, committed to improving funding for agriculture and subsequently the UN Food and Agriculture Organization set about to reform the Committee on World Food Security. Considering all the changes that have been made in the last few years the scourge hunger has yet to be eliminated while we have witnessed yet another food price spike this year.

In the paper that follows Ambassador Manzoor Ahmad spells out clearly the extent to which the current governance framework for food security and trade may be hindering the achievement of food security goals. He examines the institutional context of policymaking on trade and food security, looking in particular at the role of the WTO and the Rome based institutions, and makes suggestions for ways in which these bodies could more effectively address food security concerns.

An efficient and targeted system of governance is essential for the attainment of food security and we hope that you find Ambassador Ahmad's contribution constructive to this debate.



Ricardo Meléndez-Ortiz
Chief Executive, ICTSD

1. INTRODUCTION

Over the past century, many have tried, with limited success, to reform the international governance of food and agriculture. Shortages resulting from World War II led to the establishment of the UN Food and Agriculture Organization (FAO) in 1945 and the food price spikes of the early 1970s resulted in the creation of the International Fund for Agricultural Development (IFAD) and the Committee on World Food Security (CFS). While there is no appetite to create yet another organization to meet this challenge, many see an opportunity to address the root causes of food insecurity. These include a 30-year trend of falling investment in agriculture, lack of coherence in the existing global system of governance

of food security, distortions in trade and disjointed agricultural policies at the national and international levels. Good progress has been made over the last three years in some of these areas, but the global community will have to keep up this pace in all areas to truly tackle hunger.

This paper critically examines the recent global initiatives to improve various elements of the international governance of food security and the institutional context of policymaking on trade and food security as well as making some suggestions for ways in which policymaking bodies could more effectively address food security concerns.

2. A CRITICAL ANALYSIS OF RECENT INITIATIVES

While a number of initiatives have been launched over the past three years to improve the international governance of food security, for the purpose of this analysis they are discussed in the context of three global institutions that have played a leading role in promoting them: the United Nations; the Rome-based agencies; and the World Bank. They do not cover the entire spectrum of the food security cycle, all of the initiatives taken at the country level or those led by the private sector but refer mostly to the initiatives that have been taken at the intergovernmental level. Most of these efforts are interlinked with the various actors participating in each other's work through formal and informal measures. In this context, the role of the World Trade Organization on trade related food security issues is also assessed.

One of the earliest and most important initiatives in response to food price spikes at the intergovernmental level came in April 2008 when a High Level Task Force on the Global Food Security Crisis (UNHLTF) was set up. Headed by the UN Secretary-General, with FAO's Director General as its Vice-Chair, the UNHLTF includes heads of the United Nations specialized agencies, funds, programmes, UN secretariat departments, the World Trade Organization, the World Bank, the International Monetary Fund and the Organization for Economic Cooperation and Development. Its main objectives are: advocacy for improving food security; mobilizing funds; improving accountability of the international system; and improving effectiveness at country level.¹ These objectives were to be achieved without building any bureaucratic structure or intergovernmental layers and mostly through better coordination at international and country level. The Task Force was asked to produce an action plan describing how to respond to the food crisis in the short and long term in a "coherent and coordinated way" and to monitor its implementation.

In the three years since it was setup, the Task Force has been able to achieve some

worthwhile goals. Within three months of its establishment, it was able to produce a Comprehensive Framework for Action (CFA).² Even though it was a top-down manual and not a "bottom-up" negotiated document, it was well accepted by the international system as a basic framework for tackling the crisis. Its twin-track approach, based on FAO's Anti-Hunger Program of 2003, for responding to the immediate needs of vulnerable populations and building longer-term resilience have laid the foundation for other schemes devised since then. The document itself has evolved over time. An Updated CFA in 2010 attempted to strengthen previous analysis and engage other actors, such as civil society, creating buy-in from a wide range of stake-holders on food and nutrition security.

When the Task Force was set up, the Rome-based agencies understood it to be a short-term mechanism for raising awareness and resources for the crisis while improving collaboration and efficiency. The agencies supported it by seconding some of their own staff and providing other material assistance. However, when it became clear that the Task Force may not be as short term (for consistency with earlier usage) an entity, the level of cooperation started dwindling. Since coordination was the basic purpose of the Task Force, it was essential that it have full support of FAO, IFAD and the WFP. Another problem which may have given rise to this situation is that when the UNHLTF was created, it was intended as an entity which would act on behalf of its affiliated members so that they might carry out their own mandates more effectively. Instead, it seemed to take on the role of an agent of change. Without the full support of key Rome-based agencies and having no infrastructure of its own the UNHLTF is unlikely to be able to carry out its functions in the long run. It would be worthwhile examining whether it should be subsumed into the newly reformed Committee on World Food Security (CFS).

Countless internal and external evaluations of the three Rome-based agencies have

recommended that since they serve the same overall purpose, better collaboration at the global, regional and country levels would make them more effective.³ The FAO, WFP and IFAD have historically cooperated largely around humanitarian crises, possibly because resource mobilization is easier when dealing with the symptoms of food insecurity rather than its root causes.⁴ The renewed emphasis by the G8-G20 on greater cooperation among the players and organizations working to fight hunger and the formation of a Global Partnership for Agriculture and Food Security has encouraged the Rome-based agencies to increase their cooperation. Other areas of collaboration for the FAO and WFP, such as the Global Information Early Warning System on food and agriculture, are certainly noteworthy for their impact on preventing crises. With this renewed cooperation and the radical reforms that they have undergone, they are now in much better position to meet the task ahead of them.

In August 2009, the three agencies developed a joint plan that listed four pillars of cooperation.⁵ These include collaboration on policy advice, knowledge and monitoring, operations, advocacy and communication and administrative collaboration. They also agreed to take joint action at global, regional, national and local levels.⁶ One concrete project resulting from this new spirit of cooperation is the establishment of an FAO and WFP co-led Global Food Security Cluster (GFSC).⁷

Another significant change is the relatively quick restructuring and reforming of the Committee on World Food and Security (CFS). The Committee was established in 1974 to support the World Food Council by serving as a forum in the United Nations system for review and follow-up of policies concerning world food security.⁸ It was also tasked to coordinate a global approach to food security and promote policy convergence. However, it became difficult for the CFS to live up to its intended role after the Council was disbanded in the early 1990s.⁹

Building on the G8 proposal for a new Global Partnership for Agriculture and Food Security

that should include all relevant actors, the FAO spearheaded the process of reforming the CFS and within a year had a reformed CFS working in its new role. Its first goal is to agree on a Global Strategic Framework (GSF) for food security and nutrition: this is being built on the CFA developed by the UNHLTF while addressing the political needs of member states. Like the UNHLTF, it includes international organizations working on food security in an advisory capacity. A reformed CFS should be more effective as it includes a wider group of stakeholders and thus it should be in a better position to promote policies that reduce food insecurity.

Furthermore, its twelve-member executive arm should enable it to attend to emergency issues efficiently and quickly. The inclusion of an independent High Level Panel of Experts (HLPE) should land it legitimacy and credibility, as it would make policy recommendations based on sound technical criteria. It has been well received in most quarters as an improvement on existing governance structures.

While having a diverse composition has its advantages, at the same time it is likely to create difficulties in developing common positions on policy issues. As yet its mandate is unclear and it is not certain if it has the funding or authority to act on sensitive subjects such as critical reviews of member policies, export restrictions, large scale land acquisitions and other similar issues. Unless the mandate of the CFS is clearly defined and expanded to allow for binding action, its role as an effective forum for addressing serious policy issues may be challenged. Moreover, since past reform of food security governance has left much to be desired, without clear outcomes the CFS risks becoming yet another committee uncertain about its bureaucratic nature and objectivity.

The third and perhaps the most important cluster of managing food security mechanisms is developing around the World Bank. The Bank is an international financial institution that provides loans to developing countries for various programmes and would not be an obvious candidate for a discussion on food security governance. However, since the onset of the

food price spikes, it has played a very active role in improving food security. It is gradually returning to the role it played during the 1980s when it was the major donor and coordinator for agriculture and rural development. Following the G8 promise of \$20 billion for sustainable agriculture in L'Aquila, the Bank created an agriculture trust fund, pledging \$1.5 billion of its own resources. This Global Agriculture and Food Security Program (GAFSP), one of several World Bank led instruments for investment in agriculture and food security, has already received pledges of over \$1 billion from 6 donors including Australia, Canada, South Korea, Spain and the United States. The Fund is also attracting private investments. The Gates Foundation is one of the key contributors and others may follow. The Bank's new Agriculture Action Plan (FY2010-2012) projects an increase in support (from IDA, IBRD, and IFC) to agriculture and related sectors from a baseline average support in FY2006-2008 of \$4.1 billion annually to between \$6.2 and \$8.3 billion annually over the next three years.¹⁰

There is no doubt that with its ample funding, slimmer bureaucracy, country level presence and strong links with the usually politically powerful ministries of finance, the Bank will remain the prime source of funding for agriculture related assistance. Although the Rome-based agencies employ the vast majority of specialized staff working on food security, they often lack the agility and financial resources necessary for innovative work at the country level. The World Bank, by taking advantage of this disparity, is likely to exercise an disproportionately large influence on policy making at the national and international level.

Although the Bank's technical expertise pales in comparison to that of staff based in Rome, it has access to the required resources. It is a founding member of the Consultative Group on International Agricultural Research (CGIAR) and is one of the Group's four co-sponsors. The CGIAR owes its existence to the concerns of the 1960s and early 1970s that rapid population growth would result in wide spread famine. With generous funding from the Bank and other donors, such as the Rockefeller and Ford foundations, the CGIAR was instrumental in developing new varieties of cereal staples which were a major factor in achieving the Green Revolution. Unfortunately, reductions in contributions for agriculture from the World Bank and other major donors in the 1990s had a major impact on the working of the CGIAR. The situation has now changed. The Bank and CGIAR are now working on several result-oriented projects. These include projects such as the Global Agriculture and Food Security Program and the "small holder productivity and resilience" program. The CGIAR received a major boost when the Gates Foundation became a member in December 2009.¹¹ With its recent reforms, the CGIAR seems to have regained donor trust and improved its ability to meet the task ahead of it. If the Group meets expectations it could provide a much needed boost to agricultural productivity. Critically, gains in productivity have averaged 2.3 per cent per year since 1961. Estimates from the FAO project growth of 1.5 per cent between now and 2030. However, this figure falls to 0.9 per cent between 2030 and 2050.¹² If current population growth trends continue, more efficient use of limited agricultural resources will be crucial for realizing food security.¹³

3. THE INSTITUTIONAL CONTEXT OF POLICYMAKING ON TRADE AND FOOD SECURITY

Renewed emphasis on investment in agriculture and greater coherence among the international organizations dealing with food and agriculture would go some way towards alleviating global food insecurity. In many ways the situation may return to what it was in the 1970s, 1980s and 1990s. The global community may continue to produce enough food to meet the needs of the rising population in the foreseeable future but inadequate access and distribution may continue to leave many hungry. The recent surge in prices may also start declining in response to increased output as they did in 2008/9 and have in cycles past. Productivity gains and investment alone, however, may not translate into food security for everyone. Tackling food security requires improving livelihoods so that both access and availability are simultaneously addressed. Unfortunately, reducing hunger is not as simple as growing more food. Further, the steps taken by intergovernmental agencies thus far may not prevent a repeat of the food price spikes of 2007/08. The price spikes of 2010/11 are a stunning reminder of the work yet to be done.

One of the most intractable areas for food security international trade rules relating to agriculture. Developed countries freely make use of policies such as trade-distorting domestic support, keeping domestic consumer prices high while underbidding on international markets. In the not so distant past, many dumped surplus food on international markets or distributed it as food-aid, thereby undermining local production and incentives to invest in agriculture. Most developing countries do not have the resources to pay high subsidies or follow such policies. However, many of them were responsible for exacerbating the recent food price spikes by imposing export restrictions or imposing export tariffs on key commodities, such as wheat and rice.

Another serious problem is the high level of protection on agriculture products. Not only are there high tariffs- four times higher

than industrial tariffs - but there are also non-tariff barriers. Through these policies, domestic markets are kept relatively isolated from international markets. When unusual events take place, such as environmental disasters, these countries can make pressing demands on markets where only a fraction of production is traded internationally.¹⁴ In many cases this may lead to volatility in the prices of agricultural commodities as witnessed in 2007/8 and 2010/11.

Furthermore, there are no international disciplines relating to market distorting biofuels. At the height of the food crisis, major developed economies deprived the international market of essential commodities by diverting a considerable portion of their products for biofuels. The prices of food crops are now inextricably linked to the price of oil. The more the price of oil increases, the more profitable it is to convert food crops into biofuels. Even at the current prices, more than one quarter of US grain production is being used for ethanol. More specifically in 2010, the United States produced 400 million tons of grains, of which 126 million tons was used for the production of ethanol (up from 16 million tons in 2000). What if the price of oil increased to \$150 per barrel or more? It is not just the US but other major producers of food crops that are also following the same route. The European Union is aiming to get 10 percent of its energy needs from renewables, mostly biofuels, by 2020 by diverting land away from food crops.¹⁵

Unfortunately past attempts to negotiate meaningful rules on agriculture have not been very productive. Until the early 1990s, agriculture was treated as an exception to the GATT rules. The Agreement on Agriculture, negotiated as a part of the Uruguay Round, was a good first step but did not seriously address the elimination of trade distorting subsidies. An OECD study conducted in 2000 showed that actual border protection became higher in 1996, during the implementation of Uruguay

Round commitments, compared to 1994 in almost all OECD countries except Australia and New Zealand. As for agricultural subsidies, while there has been a significant shift from more trade distorting (amber box) to minimal distorting (green box), the dollar value of PSE for developed countries has not fallen since the Uruguay Round negotiations began in 1986. Similarly progress has been made on some of the most controversial practices, such as export subsidies, developed country spending on agriculture often continues to prioritize sub-optimal outcomes at the expense of food security. Although some disciplines already exist, it is essential that the Agreement on Agriculture is renegotiated to improve world agricultural trade by correcting and preventing restrictions and distortions. Till such time that the Agreement is not renegotiated, the WTO Committee on Agriculture could initiate a discussion and peer review of existing work in the following three categories:

- a) further reform - reductions in current bound levels of support and protection;
- b) expanding scope - creating new disciplines to respond to current challenges;
- c) clarifying disciplines - looking over current rules to see if they are uniformly and universally applied as intended during the

Uruguay Round, and making clarifications of an interpretive nature where desired.

Moreover, the current discourse on food price volatility emphasizes trade policy action on biofuels, stocks, export restrictions and risk management measures.¹⁶ Although food security concerns are within the broader mandate of the Doha Development Agenda, early negotiators of the Round did not foresee the current scenario of high prices and focused their efforts on the worries of a world experiencing a secular decline in commodity prices.

For the last 10 years, much effort and resources have been spent to move the process along, but there is no end in sight. However, it is clear that most difficulties in negotiating new disciplines were because of disagreements between the major economies now represented in the G20, a group of financially powerful countries. For example, many analysts blamed the failure of Doha Round talks in 2008 on an impasse between India and the US about the nature of the special safeguard mechanism, an exception allowing an increase in tariffs in response to import surges or price depressions.¹⁷ If key players, such as the G20, can find compromises on the most divisive issues, concluding the current trade round could come within reach of the 153 member WTO.

4. THE WAY FORWARD

There is far more coherence in responding to a food crisis at present than at any time during the last three decades. However, there still is much room for improvement when it concerns coordination and cooperation between the many international organizations working on food security. In the area of trade. For example, the WTO and FAO could work more closely to produce joint studies assessing challenges and providing analysis on food security. These organizations regularly work with others such as the OECD, and World Intellectual Property Organization to collaborate on areas of interest. Additionally, as the World Bank moves to disburse huge amounts for the promotion of agriculture over the next five years it could strengthen its existing use of FAO's expertise and seek ways to expand its partnership

It is not clear what role the UN High Level Task Force can play in the long run. It was, after all, intended to be a "time-limited" entity. It may therefore be best if its role was subsumed by the CFS. At the same time, the CFS could be made more independent of the Rome-based agencies. Its reporting mechanism could be to the ECOSOC (UN Economic and Social Council), which is the principal organ of the United Nations to coordinate economic, social, and related work of the various UN specialized agencies. However, ECOSOC would itself need to be thoroughly reformed before engaging the CFS. The role of WTO Committee on Agriculture (CoA) may be reviewed to place food security as a part of its mandate. The CoA could be made an active forum for food security issues resulting from any trade-related measures. There is historical precedent for such a role, previously a Working Group for Trade and Food Security was proposed at the WTO's Singapore Ministerial in 1996.¹⁸ Moreover, the terms of reference of the CoA are broad and inclusive, insisting that members can consult each other on "any matter" relating to the implementation of the Agreement on Agriculture (AoA).¹⁹ The AoA, the charter establishing the Committee, addressed public stockholding and export

restrictions as elements of the food security needs of its members.²⁰ In the run up to the Doha Ministerial Conference in 2001, the WTO General Council instructed the CoA to examine the effectiveness of specific decisions on LDCs and NFIDCs, demonstrating particular attention for the concerns of the most food insecure. Considering that the legal and political precedents exist, the Committee can serve as a forum where WTO members regularly air their food security concerns, if they so choose.

While the CFS can tackle the broad issues, the CoA could focus on the trade aspects of food security. The WTO's Trade-Related aspects of Intellectual Property Rights (TRIPS) Council's collaboration with the WIPO might be a useful model to examine. The CoA should also regularly conduct peer reviews of WTO members regarding their agricultural policies relating to food security in a manner similar to that of the organization's Trade Policy Review Mechanism. The Universal Periodic Review of the Human Rights Council may also be another useful model. Although members of the Council cannot be forced to change their behavior, public shaming of the worst violations may help focus international attention. The CoA's mandate and the ability of WTO members to press it further allows for similar functionality. Although the WTO Secretariat may face constraints in comprehensively addressing the matter, anything resembling a Trade Policy Review is an exhaustive task, members could agree to an appropriate resource allocation. The current governance structure allows food security and trade issues to be passed between Rome and Geneva. For example, this may have been the case with export prohibitions on wheat last year. Officials from some exporting countries reportedly opposed linking bans to price spikes in the findings of an Intergovernmental Group on Grains and Rice paper and implied that trade related discussions should be held in Geneva, not Rome.²¹ Strengthening the work of the Committee on Agriculture may

be a useful step towards ensuring that trade-related aspects of food security do not slip through the cracks.

Of the trade policy issues likely to affect price volatility, export restrictions have perhaps been discussed the most in recent months at the WTO. The current Doha Round agriculture draft modalities improve the ability of the CoA to monitor export restrictions by including language that requires a notification within 90 days of the use of such measures and restricts their imposition to one year or eighteen months if authorized by importing members.²² A recent proposal from Net Food Importing Developing Countries has further developed language in this area by calling for limits on the ability of exporters to refuse food to them.²³ Similarly, a report to the G20 called for controls on export restrictions if they affect humanitarian relief efforts such as those of the WFP.²⁴ However, there is only so much that can be done simply on export restrictions. Other policy areas such as biofuels, stocks and risk management tools should also be explored. The CoA should urgently examine all such measures to see that they conform with the provisions of the Agreement on Agriculture and that they give due consideration to the effects of such measures on other Members' food security. Continuing to look beyond export restrictions, the Committee, for example, could be empowered with a simplified mechanism to look into trade and food security related complaints between Members.

Perhaps most instructive of the challenges facing the CoA are the delayed notifications of compliance with measures of the Agreement

on Agriculture, a primary responsibility of the committee. Over the last fifteen years, submissions have been embarrassingly late. By 2007, six years into negotiating the Doha Round, US farm policy changes in 2002 and EU reforms of 2003 had not been notified to other WTO Members. Beyond delays, countries often notify "measures in diverse ways—categories are not uniform and neither is the approach taken to calculate support levels," confounding simple comparisons and the monitoring function of the committee.²⁵ The notification system needs to be improved if Members are to ensure timely compliance. An effective and vigilant Committee on Agriculture is in the interests of all WTO Members.

More broadly, the World Trade Organization has to consider new ways on how it negotiates its trade rules relating to agriculture. The insistence on a single insistence on unanimity, where nothing is agreed until everything is agreed, has driven the negotiating process into a stalemate. Members will need to challenge conventional thinking if a deal is to be reached. The critical mass approach, allowing an agreement to come into effect only when a sufficient percentage of world trade is covered by its members, called for by the Warwick Commission, may be a good place to start.²⁶ Ministerial Conferences of the WTO, which can issue binding resolutions, may also be worth examining rather than an approach that places all bets on a trade round. A start could be taken by agreeing to a Declaration at the November 2011 WTO Ministerial Conference to exclude humanitarian purchases by the World Food Program from export restrictions. This has already been agreed by the G20 and should not pose any serious problems.

5. CONCLUSION

In order to ensure food security for everyone, all aspects of food security supply chain, global governance, investment and trade, will need to be addressed simultaneously. For improving global governance, full support should be given to the work of the reformed Committee on World Food Security. This may involve merging the UN High Level Task Force with the Committee. At the same time, the Committee may need to work more independently of the Rome-based agencies and report to the UN Economic and Social Council. For enhanced investment, the World Bank group may continue to have a predominant role because of its work in other areas of poverty reduction. However, there would have to be more coordination than has existed so far. To ensure a functional global food supply system, WTO members should consider alternative mechanisms for adjusting trade rules and expanding the mandate of the Committee on Agriculture according to the changing global requirements. Thanks to many positive developments such as having a reformed CFS, the Global Partnership on Food Security, substantial new funding and a much more coordinated approach, the global community is in a much better position to reduce global

hunger. Unfortunately trade rules are not keeping up with other developments and may burden gains made else.

While resource mobilization for agriculture has made good progress over the last three years, some gaps between international organizations and other players involved in food security still remain. The G20, under the leadership of France, has demonstrated the value of effective diplomacy in implementing specific reforms, particularly through the action plan proposed by agriculture ministers in June 2011. Still, ministers fell well short of the evidence based policy recommendations made by a group of experts from international organizations. For example, rather than championing reform in biofuel policy, as the experts recommended, ministers were able only to call for more research, when the problems are already well understood. Such a piecemeal approach will make changes that meet the least resistance but are unlikely to rid us of hunger. To unravel the tangle of rules, organizations and interests that undermine food security, leaders in rich and poor countries will need to demonstrate resolve in the face of political expediency.

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