

PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE

Proposals Regarding Food Security in the Context of Paragraph 9(a)(ii)
of the Geneva Ministerial Declaration

Communication from India

The following communication, dated 28 September 1999, has been received from the Permanent Mission of India.

Issues

1. The objective of the Agreement on Agriculture was to bring about discipline in one of most distorted sectors of trade by *inter alia* disciplining the unrestricted use of production and export subsidies, as well as by reducing import barriers, including non-tariff barriers. At the same time as indicated in the Preamble, the Agreement recognized the importance of non-trade concerns (NTCs), including that of food security. However, this need to address both trade and non-trade concerns, as mandated in the Preamble, has not been fully reflected in the provisions of the Agreement and consequently in its implementation. The major thrust of the Agreement appears to be based on the hypothesis that liberalization is the panacea of all ills in the agricultural sector. While this may be tenable from a conventional economic view point, such reasoning does not take into account the problems faced by a number of developing countries, which because of certain underlying constraints, have to necessarily take into account non-trade concerns such as food security and rural employment while formulating their domestic policies. This is particularly true of India where 66 per cent of the population of about one billion is dependent on the agricultural sector for its livelihood. Moreover, of this population about 320 million are surviving just around the "poverty line". In such countries a purely market-oriented approach may not be appropriate. Instead, it would be necessary to adopt a "market plus" approach, in which non-trade concerns such as maintenance of the livelihood of the agrarian peasantry and the production of sufficient food to meet domestic needs are taken into consideration.

2. Countries like India, in which a large percentage of population is dependent on this sector, need a certain degree of autonomy and flexibility in determining their domestic agricultural policies. These interventions would naturally be geared towards improving productivity, enhancing income levels, reducing vulnerability to market fluctuations, ensuring stability of prices, etc., and which by their very nature would not be trade distortive. It needs to be recognized that the only way in which agricultural growth can be sustained and the objective of food security attained would be through increased governmental support in the use of inputs, particularly in terms of irrigation, electricity, fertilizers, pesticides, technical know-how, high yielding varieties, infrastructural development, market support, etc.

3. Arguments have been adduced that global food sufficiency would be able to address national concerns of food security. Such a reasoning does not take into account the capacity of countries to procure food grains from the international market, the impact that enhanced imports can have on domestic production and hence on the livelihood of the rural population, the effect that increased demand can have on international prices, etc. For instance if we take the example of rice – the most important staple crop in India – merely importing 5 per cent of India's requirement, i.e. around 4 million tonnes, would increase global trade in rice by 17 per cent and according to one estimate could result in an increase of world prices by nearly 50 per cent, sharply raising import bills not only of India but also of many other food-insecure countries. It must also be recognized that in countries where the main source of assured entitlement to food is food production itself, either in the form of subsistence farming or through the generation of farm incomes, import of food cannot be an alternative to domestic production.

4. It should also be noted that further opening up of the agricultural sector of any rural agrarian economy, such as India, will make the domestic sector sensitive to the fluctuations in the prices of commodities in the international market. The world commodity market for basic food grains is significantly more volatile than the domestic food-grain market in India. Such instability if transmitted to the domestic economy can seriously affect the prices of food grains and lead to severe hardship to people specially those below the poverty line. This in turn could have serious socio-economic ramifications, particularly for the rural population.

5. Hence, it is our view that developing countries with large agrarian population need to be provided with certain flexibility within the Agreement. More specifically, such developing countries need to be allowed to provide domestic support in the agricultural sector to meet the challenges of food security and to be able to preserve the viability of rural employment, as different from the trade distortive support and subsidies presently permitted by the Agreement. It is therefore important that a differentiation is made between such domestic support measures which are product-specific and are presently being used to carve out a niche in the international trade and between those measures which are non-product specific and area geared towards improving productivity and reducing the vulnerability of the rural population, because only then would developing countries be able to alleviate rural poverty and address concerns related to food security.

6. The non-availability of the special safeguard clause for the large majority of developing countries, together with the pressure that they have to reduce their tariff bindings, limits their means of cushioning against possible world market instabilities, which in turn could have serious implications for domestic price stability and consequently for food security and rural employment. Countries in which a large percentage of the population is dependent on the agricultural sector, would therefore need a certain degree of flexibility and protection, to address any unforeseen situation arising out of a surge of imports or very low import prices.

Proposals

7. Support for maintaining enhancing domestic production for domestic consumption in food insecure countries should be entirely exempted from the provisions of the Agreement. Food-insecure countries could be identified on the basis of the percentage of population dependent on agriculture for their livelihood, the number and percentage of population which is undernourished, etc.

8. Providing greater flexibility for developing countries with predominantly rural agrarian economies to allow them to adequately address their non-trade concerns such as food security and rural employment. Support provided by developing countries for non-trade concerns should be exempt from the AMS.

9. Developing countries should also be provided the flexibility in areas of import restraint and domestic subsidy for the support of subsistence and small-scale farming. Article 3 and 4 of the Agreement to be suitably amended.

10. Developing countries with predominantly rural agrarian economies should be allowed to use appropriate border measures and safeguard mechanisms, as a special and differential provision to minimize the deleterious effect that possible surges of import could have on food security and rural employment.
