

DRAFT

FOOD SECURITY OF THE NFIDCS IN THE CONTEXT OF WTO NEGOTIATIONS

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List of Abbreviations

AMS	: Aggregate Measurement of Supports
AoA	: Agreement on Agriculture
BBS	: Bangladesh Bureau of Statistics
CENTAD	: Centre for Trade and Development
CPD	: Centre for Policy Dialogue
CRS	: Centre Research Service
CSRL	: Campaigning Sustainable Rural Livelihood
Decision	: Marrakech Decision on Net Food Importing Developing countries
EC	: European Commission
EU	: European Union
FAO	: Food and Agriculture Organizations
FY	: Fiscal Year
GATT	: General Agreement on Tariff and Trade
GDP	: Gross Domestic Product
GOB	: Government of Bangladesh
GHI	: Global Hunger Index
IAAH	: International Alliance against Hunger
IFPRI	: International Food Policy Research Institute
IMF	: International Monetary Fund
LDC	: Least Developed Country
LIFDCs	: Low-income Food Deficit Countries
M&E	: Monitoring and Evaluation
MDGs	: Millennium Development Goals
MT	: Metric Ton
NAP	: National Agriculture Policy
NBR	: National Board of Revenue
NFIDCs	: Net Food Importing Developing Countries
NFP	: National Food Policy
NGOs	: Non-governmental Organization
ODA	: Official Development Assistance

OECD	:	Organization for Economic Cooperation and Development
OMS	:	Open Market Sales
PRSP	:	Poverty Reduction Strategic Paper
SPFS	:	Special Programme for Food Security
SAARC	:	South Asian Association for Regional Cooperation
UN	:	United Nations
USA	:	United States of America
USDA	:	United States Department of Agriculture
UNICEF	:	United Nations International Children Emergency Fund
UR	:	Uruguay Round
UNCTAD	:	United Nations Conference on Trade and Development
VGD	:	Voluntary Group Development
VGF	:	Voluntary Group Feeding
WFP	:	World Food Programme
WTO	:	World Trade Organization

EXECUTIVE SUMMARY

Food security is now an overwhelming concern for the global community. An estimated 854 million people in the world is now surviving without sufficient food. About half of them live in South Asia and 56 million live in Bangladesh. The issue is so serious that it recently drew attention of the UN Secretary General, FAO & WTO Chief. A High Level Conference was convened on 3-5 June, 2008 which recognized that the international community needs to take urgent and coordinated actions to combat the negative impacts of soaring food prices in the world's most vulnerable countries and populations. FAO listed 37 countries which are now experiencing extreme food crisis and require external assistance. Most of these countries are NFIDCs and LDCs.

Food is the basic human right and must not be diluted under any pretext. The Universal Declaration of Human Rights, World Food Summit, 1996 and Millennium Development Goals committed to eradicate hunger and poverty. Yet the number of hungry people is continuously increasing. There are also substantial differences in the number of hungry people across the globe, where the prevalence of hunger and malnutrition are severe in South Asia and Sub-Saharan Africa.

The analysis of the global demand and supply shows that along with traditional determinants like population growth and availability of land & other inputs; new driving forces are becoming pre-dominant in determining global availability of food. Economic growth, climatic change, rise in energy prices, over ambitious demand for increasing bio-fuel production, leverage of food retailers are now becoming more important determinants of food demand. But the supply of food could not match with the demand due to shortage of arable land, depletion of water resources, rise in temperature, gradual decline of public sector investment and deregulation of agriculture in the developing countries as prescribed by the World Bank and IMF. As a consequence, the global community has been witnessing abnormal price hikes. Unfortunately, the farmers of the poor countries hardly benefited from the price increase due to their poor linkage with the global market. They are the generally net buyers and thus negatively affected by the global price hike. The price increase also reduces the real income of the poor people involved in the non-agricultural sector. The food import bill of the NFIDCs including Bangladesh is increasing which in turn deteriorating their balance of payment position and exerting inflation in these countries.

As the poor people of the developing countries spend larger share of their income on food items, they are now facing enormous challenges in ensuring their food and livelihood securities due to soaring food prices. According to the recent study of Centre for Policy Dialogue (CPD) additional 8.5 per cent households of Bangladesh have fallen below the poverty line because of food price increase (taking Household Income and Expenditure Survey data for 2005 as reference point). It is also observed that lower income group are now switching to low nutritious food due to higher prices.

A closer analysis of the food security situation of the South Asian and Sub-Saharan countries reveals that food security remains a major challenge for these regions. More than 550 million people in the regions are living in extreme poverty and hunger. Although the prevalence of hunger and poverty has reduced in recent times due to impressive economic growth of the regions; it still remains very high.

Food trade scenario of South Asian region shows that Pakistan and India are exporting adequate food to the global market; while the amount of food exported from Bangladesh, Nepal, and Sri Lanka continues to be insignificant. Bangladesh and Sri Lanka generally import reasonably high amount of food, but food import by India, Nepal and Pakistan are relatively low. Recently, India and Pakistan which are the major exporting countries have started importing substantial quantities of cereal. The speculation purchase by these countries would have negative effect to the global market prices in general, South Asian LDCs in particular. Moreover, export restrictions by a number of WTO Members also have negative consequences in determining future food prices.

Agriculture sector in the developed countries continued to grow under a protectionist regime for a long time. GATT negotiations made little headway in dismantling protectionist domestic policies over several decades. The original GATT text contained a number of exceptions for agricultural products. One of the most important exceptions is found in Article XI that permitted quantitative restrictions on export and imports in relation to agricultural products under various conditions. Another exception is the Article XVI that permits export subsidies on agricultural products. Uruguay Round (UR) of trade negotiations was succeeded to have limited commitment on domestic supports, market access and export subsidies. Yet, the level of protection is very high in the developed countries even during the post Uruguay Round. The developed countries took resort of many exemptions, which allows them to provide government supports under different boxes (namely blue box, green box, amber box etc). All these provisions had made the post UR negotiations on agriculture more complicated and cumbersome.

The support and protection of the agriculture sector stimulated farmers of the developed countries for overproduction, which was sold or dumped in developing countries and LDCs. The farmers of the developing countries could not compete with those cheap subsidized products, thus forced to leave the sector or remain impoverished. The long term supports of the agricultural sectors by the developed countries virtually destroyed the potentiality of the developing countries, they gradually turned from net food exporting countries into food importing countries; particularly the livelihoods of the African people who are primarily depending on agriculture are totally destroyed. The whole process of marginalization had led to the present food crisis in the developing countries which has categorically been ignored in the Marrakech Agreement, particularly in the Agreement on Agriculture (AOA).

The issue of food security has hardly been addressed in the WTO. WTO identifies the food insecure countries as Net Food Importing Developing Countries (NFIDCs) on the basis of import of basic foodstuffs in any three years of the most recent five-year period. This definition however, does not consider the capacity of importing food items by a particular country. On the other hand, FAO whose prime agenda is food security, classifies the food insecure countries as Low Income Food Deficit Countries (LIFDCs) based on per capita income (US \$ 1,575) and volume of food import. A number of major food exporting countries like India and China are thus included in the LIFDCs list. In reality, different definitions used by WTO, FAO and other international organizations often create confusion in identifying and addressing the real needs of the food insecure people.

At present, 75 countries belong to NFIDCs which constitutes more than 18 percent of the world population. There are strong variations in economic and social conditions within

these countries. The LDCs among the NFIDCs are more vulnerable in ensuring food security -- their per capita income is low; malnutrition level, population base & inflation rate are high; on the other hand food import cost is much higher than the other NFIDCs. A large number of LDCs are land locked developing countries (LLDCs) or small-island developing states (SIDS). They bear additional transportation cost in importing foodstuffs and exporting few of their agricultural products. Ironically, WTO treats all these countries in the same platform in determining their level of commitments in the agriculture sector.

In the course of the Uruguay Round negotiations on agriculture, net food-importing developing countries raised their concerns and argued that the benefits of agricultural trade liberalization and reform could be diminished or outweighed in the short to medium term. They realized that food surpluses in many developed countries would be declined and world market prices would be recovered from the artificially low levels that had prevailed as a result of dumping and extensive use of subsidies. Elimination of global subsidies and protection could lead to reduction of supplies, increase prices of most foodstuffs and will affect the NFIDCs as is observed presently. A Decision was thus adopted, familiarly known as *"Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries"*. The Decision recognizes that implementation of the results of the Uruguay Round as a whole would benefit all participants; but during the reform programme least-developed and net food-importing developing countries may experience negative effects. Specifically, problems may arise which pertain to the availability of adequate supplies of basic foodstuffs from external sources on reasonable terms and conditions, including short-term difficulties in financing normal levels of commercial imports of basic foodstuffs. Thus the Decision on NFIDCs asked the developed countries to give special treatment to LDCs and NFIDCs through provision of sufficient level of food aid; initiating negotiations in the appropriate forum to establish a level of food aid commitments sufficient to meet the legitimate needs of developing countries during the reform programme; adoption of guidelines to provide food stuffs in fully grant forms/or on appropriate concessional terms; provide financial and technical assistance to improve agricultural productivity & infrastructure; and allow favourable export credit conditions as is decided in the negotiation on the AOA. This Decision was then incorporated in Article 16.1 of the Agreement on Agriculture which urged the developed country Members of the WTO to take action within the framework of the NFIDC Decision.

The Decision has in built problems as it did not clarify some of the important aspects. It considers the problem of food insecurity of the NFIDCs as a short term phenomenon and intended to resolve the issue through increasing supply of food aid. The Decision diverted attention of the food security by disciplining the food aid. It is observed that most of the donors initiated food aid as a policy of price support for their agricultural commodities which generated from surpluses of cereals in donor countries. Presently, focuses of food aid have shifted from broad-based farm groups to crop-specific lobbies -- like wheat, rice, soybean oil and milk powder, but do not intend to overcome the food deficit of the poor countries. The shipping industry is another major group behind food aid in the USA. The Decision thus intends to bring better transparency in dealing with food aid, rather than addressing the real problem of the food insecure people of the developing countries.

There is clear evidence that food aid flow increases when food prices decrease and *vice versa*. This obviously indicates that food aid is delivered to protect the interest of the farmers of the developed countries, not to feed the poor people of the poor countries. It actually destroyed the productive capacity of the farmers of the poor countries. The global food aid deliveries are found to decline by 15 percent to 5.9 million tonnes in 2007, the lowest since 1961. The food aid deliveries decreased continuously since 1999 and reached a record low in 2007 at the time when the world price index reached the highest level in 2007 and needs of food aid is felt seriously. Food aid however has little contribution to support the food demand of the countries. It contributes only 3.1 percent of the total consumption of the NFIDCs. Few NFIDCs depends slightly more on food aid. If these countries are excluded, the dependence on food aid for domestic consumption would only be 1.8 percent. Moreover, monitoring and disciplining of food aid is not the core mandate of WTO, it falls under the purview of FAO/WFP. Thus the actual implementation of the Decision did not bring any meaningful benefit in ensuring food security of the NFIDCs rather than aggravating the situation.

The problem of food insecurity has to be resolved by developing domestic production capacities rather than depending on food aid. The present crisis of the agriculture sector in the developing countries is the result of long term unfair supports and subsidies accorded to the rich farmers of the developed countries. This ill practice of subsidization has virtually destroyed the whole agriculture sector of the LDCs. The rehabilitation of the sector needs massive investment which the LDCs are unable to provide. It is now the responsibility of the developed countries to rehabilitate the agriculture sector of the LDCs in enhancing their productive capacity with a view to compensating the long term injustice they did to the farmers of LDCs. The developed countries should establish a compensatory fund to rehabilitate the agriculture sector of the LDCs.

The specific needs and priorities of LDCs cannot be addressed within the proposed modalities of negotiations on agriculture. A separate Decision, intending to support the LDCs to overcome their existing food crisis, develop their domestic production base and enhance their long term capacity to compete in the global market, needed to be adopted to make the world a hunger free paradise.

CHAPTER: I

GENERAL OVERVIEW OF FOOD SECURITY

1.1 Introduction

Food security is an indispensable element for the overall well-being of the people. During the last decade, increasing attention has been focused on the means of attaining food security and addressing world-wide hunger. Yet, the number of undernourished people remains unacceptably high across the globe; an estimated 850 million people in the world today are without sufficient food. Of those, about 820 million live in the developing countries, 437 million live in South Asia and about 56 million live in Bangladesh. The issue is so serious that the United Nations Secretary General Ban Ki-Moon on 20 April 2008 warned the UN Conference on Trade and Development (UNCTAD) meeting that *huge increases in prices of food staples like cereals since last year could erase progress made towards UN set goals of halving world poverty by 2015. "The problem of global food*

prices could mean seven lost years ... for the Millennium Development Goals. We risk being set back to square one," he said. At the same time, the Director-General of the World Trade Organization (WTO) Mr. Pascal Lamy, in his report to the General Council on 7 May 2008, said "*the reasons why we must conclude the Round this year, are visible to all of us and they are becoming more critical by the day*". He added, "*the WTO can provide part of the solution*" to the current food crisis, "*which is why it can, and must, play its full part in this vital effort*". According to FAO, at present 37 countries including Bangladesh are experiencing extreme food crisis. They require external assistance in ensuring food security (*Appendix 1*). Unfortunately, 28 of these countries are net food importing developing countries (NFIDCs), which includes 22 LDCs. This indicates that NFIDCs, particularly LDCs among them are vulnerable in ensuring security for its people; they would have to depend on the mercy of the global community for feeding its people. In the High Level Conference on World Food Security on 5 June, 2008 Ministers and Representatives of 180 countries declared that "*We are convinced that the international community needs to take urgent and coordinated action to combat the negative impacts of soaring food prices on the world's most vulnerable countries and populations...There is therefore an urgent need to help developing countries and countries in transition expand agriculture and food production, and to increase investment in agriculture, agribusiness and rural development, from both public and private sources*". In this critical context, it is important to know the possible reasons behind the present food crisis and identify the possible course of actions at the global and domestic levels for ensuring minimum livelihood of the poorest section of the global population.

Although trade is assumed to have both positive and negative effects on food security, the present food crisis is critically viewed as the outcome of three decades of unilateral trade liberalization and deregulation of public investment in the developing countries. Thus, understanding the link between trade and food security is vital in ensuring food security. The linkage between trade and food security needs to be explained with clear examination of the basic concepts, principles, specific policies of food security, and implications of international trade agreements on the livelihood of people who cannot take food security for granted. It is generally expected that trade agreements should be responsive to the domestic dynamics so that people do not live in hunger, but the real experiences often do not justify this theoretical views.

The present study is aimed to identify the point of intersection between food security and the multilateral trade agreement under WTO and its Decision on NFIDCs that was adopted to deal with the negative effects of trade reform programmes. It attempted to analyse the commitments on food security and commitments to trade liberalization in coherence with the policies of the developing countries. Specifically, it will address the WTO Agreement on Agriculture, the ongoing negotiations and their implications on the NFIDCS in general and LDCs *in particular*. Finally a set of recommendations would be made to incorporate in the modality to protect the interests of LDCs in agriculture negotiations.

1.2 Objectives of the Study

The main objectives of the study are:

- Analyse the food security situation of the low income resource constraints people of the NFIDCs;

- Analyse the present WTO negotiations in the context of the problems of the food security of the poor people of NFIDCs;
- Analyse the role of food aid in ensuring food security;
- Recommend measures for ensuring food security and rural livelihood in the context of agriculture modalities;
- Develop possible modalities of negotiations in agriculture for Net Food Importing Developing Countries (NFIDCs) in the WTO.
- Identify advocacy agenda with a view to campaigning for sustainable rural livelihood (CSRL) in Bangladesh and for broader global campaign.

1.3 Scope of the Study

The present study will mainly analyze the basic concepts and overall situation of food security at the global level, as well as in the context of South Asia and Bangladesh. Agriculture and livelihood have different dimensions. It will primarily focus on the impact of the multilateral negotiations on agriculture in ensuring food security of the poor countries. The other factors determining the food supply and food prices will also be discussed in brief. But the main analysis will be limited to the impact of multilateral negotiations on agriculture for NFIDCs and Bangladesh.

1.4 Terms of Reference

The specific terms of references are as follows:

- Analyze the basic concept of food security
- Identify the global policies on food security (MDGs, FAO and other guidelines and initiatives)
- Examine the global food availability in the context of food security
- Determine the role of food aid for food security
- Analyze Bangladesh's policies and strategies on food availability and food security;
- Analyze the actual food availability and price changes at the global and, regional (among the SAARC countries) levels and also in the context of Bangladesh
- Analyze impact of the changes in food prices over the time
- WTO negotiations on agriculture and decisions on food security of NFIDCs and analyze the loopholes for ensuring food security
- Examine the proposed modalities on agriculture in the context of food and livelihood security of the developing countries, in particular, the LDCs
- Recommendations for development of:

- Possible modalities of negotiations in agriculture for NFIDCs, in particular the LDC in the WTO
- Possible campaign for ensuring food security

1.5 Methodology of the Study

The subject of food security has been extensively researched from a range of perspectives including academic institutions, UN agencies and donors, international policy institutions and civil society organizations. The study primarily concentrated on the trade aspects of the food security. It was based on secondary information. It reviewed the WTO documents, FAO publications, UN Millennium Development Goals, Bangladesh's policies and strategies and other relevant documents and study reports on food security. The review of these documents helped to identify the existing commitments, initiatives and findings related to food security. The study examined the WTO Agreement on Agriculture and the proposed modality for negotiations in agriculture in the light of food and livelihood security of the NFIDCs, in particular the LDCs. It has reviewed the global food stock scenario to help provide a guideline about the future challenges in ensuring food security. The study has critically analyzed the WTO Decision on NFIDCs that is important for food security of LDCs in general and Bangladesh in particular. It also collected some primary information through structured questionnaires to analyze the impact of rising food prices on the livelihood of poorest community of Bangladesh. The study also used available secondary statistics for establishing and validating the theoretical findings. Finally, a set of recommendations is provided based on the overall findings of the report.

1.6 Limitations of the Study

The study attempted to present updated statistics for the analysis. However, this was not possible in many instances, particularly the information of subsidies provided by the WTO Member countries. The reason is that most of the Member countries did not notify it to the WTO since 2001. Moreover, different currency units are used by the Members in their notifications, which was not possible to convert in standard currencies and compile them within the short span of time. Apart from this, FAO trade statistics are available for aggregate agricultural commodities only; information on production, export and import of food and non-food items are not available in the website. So the real trade balance of food trade could not be presented in a better way for lack information. The information of export and import of food items are presented from the WTO trade statistics. Trade balance for agricultural products is also available since 1990 in the FAOStat. However, the information do not provide real trend of agribusiness of LDCs as they turned from net exporter to net importer since 1981. The information on the trend of agribusiness has been collected from secondary sources and depicted in Figure 3.4.

1.7 Structure of the Report

The First Chapter of the report highlighted the objectives, scope and methodology of the study. *The Second Chapter* of the report provided the general information about food security. It has clarified the basic concepts of food security, highlighted real scenario of the food security, explained some of the determinants of food demand and supply, global trend of food prices and their impact. *The Third Chapter* explained the economic and social

situation of the NFIDCs. The *Fourth Chapter* described the food security scenario in the context of Bangladesh. The *Fifth Chapter* is concentrated on SAARC countries. The *Sixth Chapter* is devoted on food aid. The *Seventh Chapter* specifically concentrates on the Decision on NFIDCs. The *Eighth Chapter* analyzed the WTO negotiations on agriculture and the *Ninth Chapter* provided a set of recommendations with a view to developing future course of modalities on NFIDCs.

CHAPTER II

FOOD SECURITY IN THE GLOBAL PERSPECTIVE

2.1 Basic Concepts of Food Security

Food security is a multi-dimensional issue and defined in various ways under different circumstances. Food security is often linked with domestic availability of food, sometimes it is linked with global availability, and more often it is also defined with capacity to buy or import food; in many circumstances it is attempted to link with food aid. It is therefore, important to have a clear definition of food security before going into details of the study.

Food security is a situation in which people do not live in hunger or fear of starvation. They must have long-term certainty of having food. There are number of definitions about the food security. Among these FAO and USDA's definitions are widely used.

FAO provides a broad definition of food security which mentions that *food security exists when all people, at all times, have access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life.*

The USDA definition says, *"Food security for a household means access by all members at all times to enough food for an active, healthy life. Food security includes at a minimum (i) the ready availability of nutritionally adequate and safe foods, and (ii) an assured ability to acquire acceptable foods in socially acceptable ways (that is, without resorting to emergency food supplies, scavenging, stealing, or other coping strategies)".*

An analysis of the two definitions show that FAO defines food security at the global or national level, while USDA defines food security at the household levels, and to some extent ignores the responsibility of the state or the international institutions in supplying adequate, safe and nutritious food. The FAO definition mentions the access or availability of food, but it does not clarify means to get access to food. The USDA's definition includes the ability of having food through the normal courses of economic activity, which gives a long-term sustainability to the availability of food.

Reutinger (1985) defines food security as *"Access by all peoples at all times to enough food for an active and healthy life. Its essential elements are the availability of food and the ability to acquire it."* This brief definition covers both the access to food and the ways of having food. It seems to cover both US and FAO definitions in a simplest manner.

Whatever definition is used, sustainable availability of adequate, safe and nutritious food must be ensured for all people of the world. It is individual basic needs and must not be diluted under any pretext. Food security must be analysis on the head count basis, rather than explaining in percentage or proportionate figure just to show the success. It is also important to note that food aid, which is generally provided to meet short-term deficiencies and emergency situations, would not be treated as a major instrument for sustainable availability of food. A country must have sufficient domestic production or the capacity to procure or import food from external sources for ensuring sustainable food security for its people.

2.2 Global Commitments on Food Security

Food is declared as the fundamental human rights at the global agenda. Article 25 of the Universal Declaration of Human Rights proclaimed that *everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services.*

During World Food Conference in 1974, the governments solemnly proclaimed that *"every man, woman and child has the inalienable right to be free from hunger and malnutrition in order to develop their physical and mental faculties"*. Since then, more than two decades have passed. the goal of eradicating hunger, food insecurity and malnutrition as was expressed at the Conference, has not been reached. The world leaders then assembled together in Rome in 1996 in the *World Food Summit and reaffirmed the right of everyone to have access to adequate, safe and nutritious food and make the world hunger free.*

At the beginning of the new millennium, world leaders of 189 countries met together and adopted the Millennium Development Goals (MDGs) , aimed to eradicate extreme hunger and poverty and fixed a target of halving the proportion of people who suffer from hunger by 2015 (*Appendix 2*). The other goals of the MDGs like achievement of universal primary education, reduce child mortality, improve maternal health, combat HIV/AIDS, malaria and other diseases and environmental sustainability are also directly or indirectly related with food security.

FAO has undertaken Special Programme for Food Security (SPFS) for reaching the goal of halving the number of hungry people in the world by 2015 (presently 854 million people), as part of its commitment to the Millennium Development Goals. FAO also has drawn a Strategic Framework, 2000-2015 in carrying out its mission of *"helping to build a food-secure world for present and future generations."* In June 2002, during the World Food Summit, world leaders reviewed progress made towards meeting the 1996 Summit goal of halving the number of the world's hungry people by 2015; their final declaration called for the creation of an International Alliance against Hunger (IAAH) to join forces in efforts to eradicate hunger.

The WTO, which is the main forum of multilateral trade negotiations (but not an UN organization) aims to establish a fair and market-oriented agricultural trading system to ensure sustainable development, has put little or no emphasis on food security. The preamble of the Agreement on Agriculture states that *commitments under the reform programme should be made in an equitable way among all Members, having regard to non-trade concerns, including food security.* The agreement also mentions that possible *negative effects of the implementation of the reform programme on least developed and net food importing countries* will be taken into consideration. Thus, food security of the poor people has become a part of the WTO agreement, but there is lack of commitment to develop a mechanism for ensuring food security for all.

In reality, WTO negotiations have become the dominant determinant of global food supply. Other international UN institutions, particularly FAO and WFP work as observers and keep record of the information on food supply and availability. *Food security has been categorically overlooked in the whole WTO negotiations and attempted to dilute the issue with disciplining of the food aid, export credit guarantee and insurance programme.* Thus the global hunger and poverty are not reduced as per commitments of the international

organizations. This would be evident from the statistics and analysis of the subsequent discussions.

2.3 *Global Food and Nutrition Situation*

Despite commitments at the global and national levels, the number of undernourished people around the world continues to increase. UN Special Rapporteur on the Right to Food, Jean Ziegler, reported to the Human Rights Council in June 2007 that nearly 854 million people in the world—one in every six human beings are gravely undernourished. This represents an increase of 12 million people – up from 842 million in 2006. This clearly proves that many of the poorest and hungriest today will still be poor and hungry in 2015, the target year of the Millennium Development Goals. IFPRI research has shown that 160 million people live in ultra poverty on less than 50 cents a day. During 1990 to 2006, the percentage of undernourished declined by only 3 percentage points—from 20 to 17 percent. But the percentage of the ultra poor, i.e. people who live on less than US\$0.50 a day, decreased more slowly than the percentage of the poor who live on US\$1 a day. In Sub-Saharan Africa and Latin America, the number of people living on less than US\$ 0.50 a day has actually increased.

Behind the global figures on undernourishment, there are also substantial regional differences. In East Asia, the number of food insecure has decreased by more than 18 percent since the early 1990s and the prevalence of undernourishment decreased on average by 2.5 percent per annum, mostly due to economic growth in China. In Sub-Saharan Africa, however, the number of food insecure people increased by more than 26 percent and the prevalence of undernourishment increased by 0.3 percent per year. South Asia remains the region with the largest number of hungry, accounting for 36 percent of all undernourished in the developing world.

Recent data shows that in the developing world, one of every four children under the age of five is still underweight and one of every three is stunted. Children living in rural areas are nearly twice as likely to be underweight as children in urban areas (UNICEF 2006). IFPRI's Global Hunger Index (GHI)¹ shows that from 1990 to 2007, the GHI improved significantly in South and Southeast Asia, but progress was limited in the Middle East and North Africa and in Sub-Saharan Africa. Many countries in Sub-Saharan Africa have considerably higher GHI values (which indicates deteriorating situation) than countries with similar incomes per capita.

2.4 *Factors Influencing Food Demand*

Food security is a multi-dimensional development topic that requires cross-sectoral integrated interventions. Traditionally, food security is dependent upon sources of number of population, food supply, agricultural production, food imports, employment opportunities and income earnings, intra-household decision-making and resource allocation, and health and nutrition care. With the growing integration of the global

¹ *Global Hunger Index (GHI) is a combined measure of three equally weighted components: (i) the proportion of undernourished as a percentage of the population, (ii) the prevalence of underweight in children under the age of five, and (iii) the under five mortality rate. It ranks countries on a 100-point scale, with higher scores indicating greater hunger and scores above 10 are considered serious and scores above 30 are considered extremely alarming.*

economies and societies, the global food situation is currently being rapidly redefined by new driving forces like income growth, climate change, energy prices, and the influence of the private sector in the world food system, especially the leverage of food retailers etc. These factors are influencing the food availability and global food prices and playing crucial roles in livelihoods and food security of the poor countries. Some of the important factors are elaborated below:

2.4.1 Population Growth

Among the factors contributing to increasing food demand population growth is extremely important. The world population growth is projected to be slow in the upcoming days, but the number of people to be added is expected to remain above 75 million a year from 2006 until 2020. So the global food production needs to be increased rapidly to feed additional 75 million people per year.

Since the population growth is higher in the poor countries, food production in these countries must be increased at a higher rate than the developed countries. If food production of the poor countries does not keep pace with population increase, they have to depend on external sources to feed the additional people. As the productivity of these countries is low and infrastructure is still underdeveloped, it is unlikely that these countries will be able to feed the additional people from the domestic sources, unless special measures are taken to improve agricultural productivity and infrastructure. It is therefore, understood that the poor countries will increasingly depend on external sources in the upcoming days to feed their population. Since economic and technical capacities and resources of these countries are limited, increasing dependence on food will obviously result in curtailing the development expenditures, which will in turn adversely affect the livelihood of the general people.

Table 2.1: Year wise World Population

Year	Population	Per Year average increase
	(billion)	(million)
1900	1.60	
1927	2.00	14.81
1950	2.55	23.91
1955	2.80	50.00
1960	3.00	40.00
1965	3.30	60.00
1970	3.70	80.00
1975	4.00	60.00
1980	4.50	100.00
1985	4.85	70.00
1990	5.30	90.00
1995	5.70	80.00
1999	6.00	60.00
2000	6.10	20.00
2005	6.45	70.00
2006	6.50	10.00
2010	6.80	60.00

2020	7.60	160.00
2030	8.20	120.00
2040	8.80	120.00
2050	9.20	80.00
<i>Average between 2006-2020</i>		76.67

Source: World Population Data Sheet, 2007

2.4.2 Economic Growth

In recent years food demand is highly influenced by the economic growth of the countries. Most of the countries across the world show impressive economic growth. Developing countries in Asia, especially China and India, continues to show strong sustained growth. Real GDP in these regions has increased by 9 percent between 2004 and 2006. Sub-Saharan Africa also experienced rapid economic growth of about 6 percent in the same period. Even countries with high incidences and prevalence of hunger reported strong growth rates. Of the world's 34 most food-insecure countries², 22 had average annual growth rates ranging from 5 to 16 percent between 2004 and 2006. (IMF, 2007). This growth is the central force of change on the demand side of the world food equation. These growths were primarily the outcome of the growth of the manufacturing and services sectors. Agricultural growth lagged behind the other sector to match with the demand.

High income growth in low income countries readily translates into increased consumption of food. When incomes begin to rise, low-income consumers diversify their diets, shifting from a diet dominated by starchy foods, such as rice, corn, wheat, and cassava, to a more diverse diet, one that incorporates grain-intensive products such as meat, milk, and eggs. The demand for ready-to-cook and ready-to-eat foods is also rising, particularly in urban areas. Due to diet globalization, the consumption of wheat and wheat-based products, temperate-zone vegetables, and dairy products has increased (Pingali 2006).

2.4.3 Rising Demand of Grains for Production of Biofuels

The most important addition to the already rising demand for grain is the growing demand for grain-based fuel ethanol for cars. Energy crops are not a new thing: farmers all around the world produce them. What is new is the scale of production for bio fuels, to provide alternative fuels for transportation, which has grown dramatically over the past few years. According to the World Bank, 20 countries now have mandatory bio fuels use policies. The US and EU in particular, have set very ambitious bio fuels consumption targets.

An estimation by IFPRI shows that United States used a projected 55 million tons, or one fifth of the projected 268 million ton corn harvest in 2006 for production of fuel, which will continue to grow. In 2007, 11 percent of the global maize crop went to ethanol production in the United States and this share is expected to rise in the upcoming days. This has an important impact on world markets, since the US provides 50 to 75 percent of global corn exports; most of the corn used for ethanol production is diverted from corn that was

² *The most food-insecure countries include the 20 countries with the highest prevalence of undernourishment and the 20 countries with the highest number of undernourished people as reported in FAO 2006. Six countries overlap across both categories.*

previously exported.³ Bio fuels are also made from sugar cane, cassava, oilseeds and palm oil around the world, particularly in tropical countries.

The enthusiasm for bio fuels is so sudden that grain reserves have been largely abandoned; it has created a new and growing demand that has shocked the system. It is too early to match demand with a corresponding increase in production. The ambitious consumption targets of bio fuels set by governments in developed (and some developing) countries are encouraging tremendous investment in cereal production capacity around the world. Unfortunately this investment is motivated to feed the cars and vehicles of the rich countries, not to feed the poor fellows of the developing countries.

The recently concluded (June, 2008) G-8 summit suggested expanding the alternative energy sources due to unprecedented increase of fossil fuel price. This will promote the production of bio fuels, resulting in further declining in food stock

Box 2.1: The Impact of Bio fuels on Food Aid

Global investment in bio fuels reached \$26 billion in 2006. (UNEP & New Energy Finance, 2007) Both the EU and US, two heavyweights in global food markets, have been making significant steps to increase bio fuel production, lured by prospects of higher returns from agricultural products sold for fuel rather than food.

The predominant type of bio fuel today is ethanol, 98% of which is produced from corn. By 2006, the US was diverting 20% of all corn grown to bio fuel production, while US corn prices are the highest they have been in a decade. As more harvests are being used to feed cars, not people, this inflates demand and spurs price hikes along the production chain and across borders. As the 2006 tortilla protests in Mexico showed, price volatility for basic commodities such as corn creates high stakes for people that rely on them as staple foods. Those that spend more than half of their income on food, which includes a significant proportion of the population in most food insecure regions, will find the amount of food they can buy with their limited income constantly shrinking.

The jury is by no means out on the potential costs and benefits of bio fuels. There remain serious doubts about their viability as energy efficient and cost-effective alternative, and many are calling for a re-examination of grain-based bio fuels. Lester Brown of the Earth Policy Institute points out that “The grain required to fill a 25-gallon SUV gas tank with ethanol will feed one person for a year. The grain it takes to fill the tank every two weeks over a year will feed 26 people.” (EPI, 2006) However, with billions of dollars of subsidies for bio fuel production already in place and probably more promised in the next U.S. Farm Bill, bio fuels are likely to remain a significant competitor for agricultural land and productive resources in the U.S. Since the U.S. donates the majority of its food aid in-kind (direct transfers of food commodities), increased bio fuel production on American farmland will invariably affect levels of U.S. food aid contributions. Already, the amount of corn contributed as food aid has been steadily sinking and as more farmland is devoted to bio fuels, U.S. food aid contributions are predicted to drop further.

Source: Bio-fuels and Food Aid: The Impact on Southern Africa, Regional Hunger & Grant, Catherine, Vulnerability Programme Brief, Number 13. May 2007.

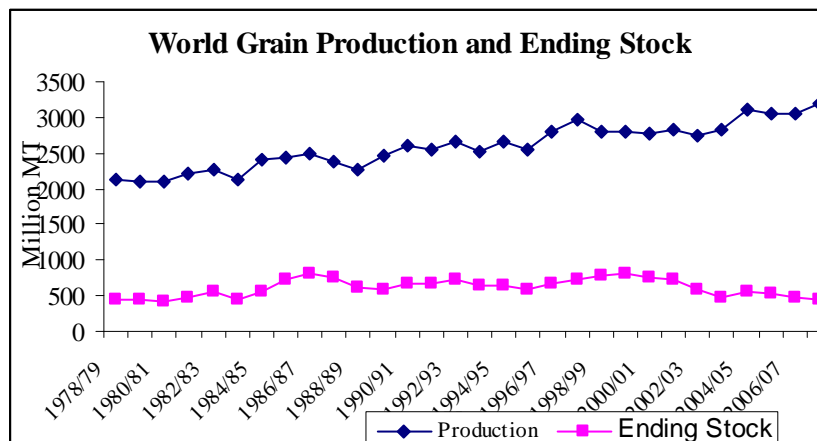
³ For more details on the shift of U.S. corn to ethanol production, see Schoonover, Heather and Mark Muller, *Staying Home: How Ethanol Will Change U.S. Corn Exports*, Institute for Agriculture and Trade Policy. December 12, 2006. <http://www.iatp.org/iatp/publications.cfm?accountID=258&refID=96658>

2.5 Factors Influencing Food Supply

The world grain harvest shows an increasing trend since 1978 with year-wise fluctuations. But the growth of production cannot keep pace with population growth. As a result the ending stocks are gradually declining since 2001 (Figure 2.1). Moreover, growing demand for food for production of bio-fuels is putting pressures on the ending stocks. The grain harvest in 2006 was 1,984 million tons (USDA's June, 2007 crop report), which is 24 million tons or roughly one percent lower than the previous year. World grain harvest in 2007 has increased slightly, but falls short of consumption by 61 million tons. As a result of these shortfalls, world carryover stocks at the end of this crop year dropped to 57 days of consumption, the lowest end-stock during the last 34 years.

World carryover stocks of grain are the basic measure of food security. It is globally accepted that whenever stocks drop below 60 days of consumption, prices begin to rise. With carryover stocks of grain at the lowest level in 34 years, the world is facing high grain prices. The low-income countries that import grains will now have to spend more for importing food. Though international price changes do not fully translate into equivalent domestic farm and consumer price changes because of the different policies and trade positions adopted by each country, they are in fact transmitted to consumers and producers to a considerable extent. As the poor people spend a significant portion of their income on food, they are mostly affected by the global food prices increases, their real income will go down, which will adversely affect their livelihood and food security.

Figure-2.1



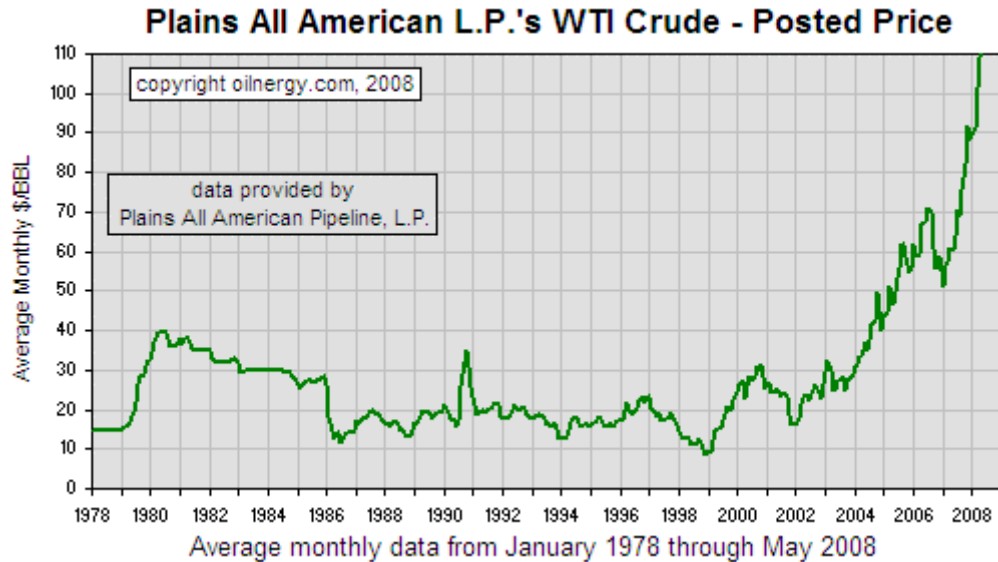
As opposed to cereals, the production of high value agricultural commodities such as vegetables, fruits, eggs, meat, and milk is growing at a fast rate in developing countries. This in turn is increasing the demand of grains for animal feed. Thus, food is now being consumed by the animals and vehicles of the rich countries.

2.5.1 Rise of Energy Prices

Oil and energy prices have been showing a sharp rise since the turn of the century and moving at the time when food prices are increasing abnormally. The energy price increase reached an unprecedented rise during the last six months. Petroleum price per barrel is close to the US\$143 on 28 June, 2008. Because of the rapidly approaching exhaustion of the cheapest and most accessible fossil fuel reserves, coupled with geopolitical instability

in key producing regions, oil prices are expected to continue rising. Rising oil prices affect agriculture and food production in several ways: they increase the costs of production (oil is a crucial factor input for production of inorganic fertilizers and pesticides) and it is used in irrigation, storage and transportation. Soaring prices of oil also explain the sudden enthusiasm for bio fuels as an alternative source of energy.

Figure 2.2: Price of Petroleum, 1978 through May, 2008



2.5.2 Shortages of the Arable Land

Of the world's total land area of 150 million sq. km, much is not suitable for agriculture. Arable land comprises 10% of the total; permanent crops are 1%; meadows and pastures, 24%; forest and woodland, 31%. The remaining 34% is land surface supports little or no vegetation -- Antarctica, deserts, mine sites, urban areas. Nearly all of the world's productive land is already exploited. Most of the unexploited land is not suitable for cultivation. In Asia, nearly 80% of potentially arable land is now under cultivation.

2.5.3 Depletion of Water Resources

Water levels are now falling and wells are going dry in countries that contain half the world's population, including the big three grain producing countries -- China, India, and the United States. In China, water shortages have caused lower wheat harvest from its peak of 123 million tons in 1997 to below 100 million tons in recent years. Water shortages are also making it more difficult for farmers in India to expand their grain harvest. In parts of the United States, such as the Texas panhandle and in western Oklahoma and Kansas, depletion of the Ogallala aquifer has forced farmers to return to lower-yield dry-land farming.

2.5.4 Rise in Temperature

The most dangerous threat to future food security is the rise in temperature. There is now a consensus among crop ecologists that for each temperature rise of 1 degree Celsius above the historical average during the growing season, results in a 10 percent decline in grain yields. In recent years, crop-withering heat waves have led to major crop losses. As for example, the early estimate of India's wheat harvest in 2007 of 73 million tons dropped to

68 million tons due to high temperatures during the critical growth stage of crop in January and February. World agricultural GDP is projected to decrease by 16 percent by 2020 due to global warming. Again, the impact on developing countries will be much more severe than on developed countries. Output in developing countries is projected to decline by 20 percent, while output in industrial countries is projected to decline by 6 percent (Cline 2007).

The troubling constraints on grain production growth, such as spreading water shortages and rising temperatures, use of bio fuel are making it difficult for farmers to keep up with the record growth in demand for human consumption. As a result the world grain market is gradually becoming a seller's market, where the consumers have been turning to price takers.

2.5.5 Gradual Decline of Investment and Deregulation of the Agriculture Sector

Since 1980s subsidies and public investment in the developed countries increased while public investments in the agriculture sector in developing countries have declined. The Structural Adjustment programme of the World Bank and IMF prescribed for gradual elimination of subsidies and investment from the agriculture in developing countries. Green revolution and new technologies of agriculture started spreading since 60s, but the poor small farm holdings in the developing countries was not able to fully adopt the new technologies due to their resource constraints. These were not often economically viable in terms of their average land holdings. There was also limited investment in research to develop new technologies suitable for the particular agro-ecological zones. During these period farmers were rather forced to face the global competition with the highly subsidized agricultural commodities of the developed countries. Thus the potentials of the agriculture sectors were not properly utilized by the poor farmers in the developing countries. They gradually became uncompetitive in the agriculture trade and thus, turned from net exporters of food to net importers (Figure 3.4).

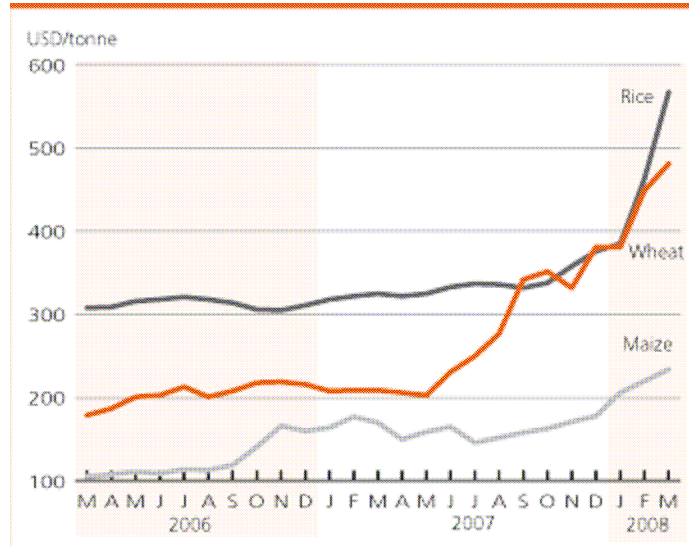
2.5.6 Changes in the Corporate Food System

The growing power and leverage of international corporations is creating opportunities for small agricultural producers in developing countries. Most of the farmers are not able to take advantage of the new income generating opportunities, since the rigorous safety and quality standards of food processors and food retailers create high barriers to their market entry. Transactions along the corporate food chain have increased from US\$5.5 trillion in 2004 to 6.4 trillion in 2006 (Planet Retail 2007a). In the same period, the sales of the top food processors and traders grew by 13 percent, while the sales of the top 10 companies producing agricultural inputs (agrochemicals, seeds, and traits) increased by 8 percent. The sales of the top food retailers, however, soared by more than 40 percent. The three leading agrochemical companies, Bayer Crop Science, Syngenta, and BASF account for roughly half of the total market (UNCTAD 2006). Since the whole food production and agrochemical markets are controlled by the small number of traders of the developed countries, the small entrepreneurs are gradually marginalized in the global food chain.

2.6 GLOBAL TREND OF FOOD PRICES

After decades of declining trend of global agricultural prices, the past few years have witnessed exceptional price surges for most commodities, starting with grains and dairy prices.

Figure 2.3: International Prices of Selected Cereal Items



Source: FAO, Crop Prospects and Food Situation, April 2008

FAO's food price index shows a rising trend since 2003. But the worldwide food prices increase were significant during 2004-07 -- average price level increased by 38 percent, meat prices rose 2.5 percent; dairy 90 percent; cereal 55 percent; oil 49 percent and sugar 40 percent. This trend is accelerated in 2008, due to continued demand of grains for bio fuels and drought in major producing countries. The average price increase for the same commodities between March 2007 and March 2008 was 57 percent; the meat prices increased by 10 percent, dairy 48 percent, cereals 88 percent, oil 107 percent and sugar 26 percent. This actually means that average prices in March 2008 are 92 percent higher than it was in 2004. During this period dairy, cereals and oil prices increased respectively by 127, 156 and 144 percents.

Table-2.2: FAO Food Price Index						
Year	Food Price Index⁴	Meat⁵	Dairy⁶	Cereals⁷	Oils and Fats⁸	Sugar⁹
2000	93	100	106	87	72	105
2001	95	100	117	89	72	111
2002	94	96	86	97	91	88
2003	102	105	105	101	105	91
2004	114	118	130	111	117	92
2005	117	121	145	106	109	127
2006	127	115	138	124	117	190
2007	157	121	247	172	174	129
2007 March	140	121	186	151	138	134
April	142	119	213	148	150	125
May	114	119	222	150	161	121
June	151	120	252	159	170	119
July	156	120	277	160	175	131
August	162	123	287	171	181	126
September	171	124	290	195	190	125
October	175	122	297	201	202	128
November	181	126	302	203	221	130
December	187	123	295	224	226	137
2008 January	197	126	281	239	250	154
February	217	130	278	282	273	173
March	220	133	276	284	285	169

Source: Crop Prospects and Food Situation, No.2, April 2008, FAO

Apart from the demand and supply factors mentioned above, the speculation business has pushed up general price level. Many of the grain exporting countries now started importing grains to pile up stock for meeting the future crisis or to control the future market.

⁴ **Food Price Index:** Consists of the average of 6 commodity group price indices mentioned above weighted with the average export shares of each of the groups for 1998-2000: in total 55 commodity quotations considered by FAO Commodity Specialists as representing the international prices of the food commodities noted are included in the overall index.

⁵ **Meat Price Index:** Consists of 3 poultry meat product quotations (the average weighted by assumed fixed trade weights), 4 bovine meat product quotations (average weighted by assumed fixed trade weights), 3 pig meat product quotations (average weighted by assumed fixed trade weights), 1 ovine meat product quotation (average weighted by assumed fixed trade weights): the four meat group average prices are weighted by world average export trade shares for 1998-2000.

⁶ **Dairy Price Index:** Consists of butter, SMP, WMP, cheese, casein price quotations; the average is weighted by world average export trade shares for 1998-2000.

⁷ **Cereals Price Index:** This index is compiled using the grains and rice price indices weighted by their average trade share for 1998-2000. The grains Price Index consists of International Grains Council (IGC) wheat price index, itself average of 9 different wheat price quotations, and 1 maize export quotation; after expressing the maize price into its index form and converting the base of the IGC index to 1998-2000. The Rice Price Index consists of three components containing average prices of 16 rice quotations: the components are Indica, Japonica and Aromatic rice varieties and the weights for combining the three components are assumed (fixed) trade shares of the three varieties.

⁸ **Oils and Fats Price Index:** Consists of an average of 11 different oils (including animal and fish oils) weighted with average export trade shares of each oil product for 1998-2000.

⁹ **Sugar Price Index:** Index form of the International Sugar Agreement prices.

Besides this, it is also important to consider the political motive behind the global food price increase. If the price level can be raised through global food politics, the subsidized farmers of the developed countries would be able to adjust their costs and sustain in the global market, once the subsidies are reduced or substantially reduced during the Doha Round of trade negotiations.

2.7 Impact of Price Increase

Despite widespread concern about the impacts of high food prices, little information appears to be available on actual impacts on poor people. The overall impact on poverty rates in poor countries depends on whether the gains to poor net producers outweigh the adverse impacts on poor consumers. The World Bank research paper (No. 4594, April, 2008) shows that the overall impact of higher food prices on poverty is generally adverse. Despite certain variation by commodity and by country, the fact is that most poor are net consumers of food and as such tend to be hurt by higher food prices. This conclusion is much more obvious for urban households where farming is much less dominant. Even though many rural households gain from higher food prices, the overall impact on poverty remains negative.

A group of economists argues that the higher prices will provide incentive to the prices. Remunerative agricultural prices are critically important to fuel the development engine. High prices generally lead to higher income, offer opportunities to alleviate poverty. But the picture is not that bright at the moment however. The high prices are due to high transportation cost resulted from unusual oil price hike and high costs of inputs. Moreover, the weakness or inefficiency of the agricultural sectors of the developing countries, poor linkages with market and underdeveloped infrastructure are also preventing poor countries from reaping substantial benefits of higher prices in the short term. Besides this, the farmers of the developing countries are net buyers. They buy most of their food items selling one or two. Thus, high prices are negatively affecting them and reducing their real income.

The nominal income of the poor people involved in the non-agricultural sector did not increase with the food prices during this time; this has compelled them to compromise their dietary composition. Faced with higher prices, the poor switched to foods that have lower nutritional value and lack important micronutrients. It was observed that for every 1 percent increase in the price of food, food consumption expenditure in developing countries decreases by 0.75 percent (Regmi et al. 2001).

The recent report published by Centre for Policy Dialogue, Bangladesh on 4 June, 2004 explained that *"cumulative impact of high inflation and significant income erosion is being most severely felt particularly by low income groups of people in the country. According to CPD estimates, even when the increase in cumulative GNI is considered (between 2005 and 2008), given the price hike (particularly taking into consideration the weighted inflationary impact of price of rice), an additional 8.5 per cent households have fallen below the poverty line in recent times because of high inflation (taking Household Income and Expenditure Survey data for 2005 as reference point). This would mean that an additional 2.5 million household could have fallen below the poverty line in terms of real income. However, it needs to be kept in mind that a large proportion of these households have received support from government's various safety net programmes, coverage of which was substantially increased in the recent past. This support would have enabled such households to address their immediate*

nutritional needs, to some extent. Notwithstanding this, the fact of the matter is that the prevailing high rate of inflation is having severe negative consequences for life and livelihoods of a large segment of the population in Bangladesh, particularly those belonging to low and fixed income groups".

CHAPTER III

NET FOOD IMPORTING DEVELOPING COUNTRIES (NFIDCS): ECONOMIC AND SOCIAL PROFILES

3.1 Who are the NFIDCs?

WTO legal text defined the food deficit countries as Net Food Importing Countries (NFIDCs). Committee on Agriculture at its 4th meeting in November 1995 fixed the criteria to establish a list of LDCs and NFIDCs.

1. According to this decision, following countries with the following criterion are listed as NFIDCs (*Appendix 3*):
2. Criterion for listing the NFIDCs are:
 - a. the least developed countries as recognized by Economic and Social Council of the United Nations; plus
 - b. any developing country Member of the WTO which was a net importer of basic foodstuffs in any three years of the most recent five-year period for which data are available and which notifies the Committee of its *Decision* to be listed as a Net Food-Importing Developing Country for the purposes of the *Decision*.
3. Notifications under paragraph 1(b) above should be accompanied by relevant statistical data in respect of total and net imports (on a value and quantity basis) and of their relative importance as a proportion of domestic consumption of the products concerned. Such notifications should be made at least 15 days prior to the regular March meeting of the Committee in any year.
4. The Committee shall establish a list of Net Food-Importing Developing Country Members on the basis of these notifications. This list shall be reviewed by the Committee at its regular March meetings."

The lists referred to in (4) above were established in 1996 which was subsequently modified in 1997, 1999, 2001, 2002, 2003 and 2005. This list currently contains 50 least-developed countries (LDCs) as defined by the United Nations plus 25 developing country Members (Table 3.1)

Table 3.1: Year wise Number of NFIDCs in the WTO List

Year	LDCs	Other Developing NFIDCs	Total NFIDCs	New Inclusion	WTO Doc
1996	48	16	64		G/AG/3
1997	48	18	66	Botswana & Pakistan	G/AG/5/Rev.2
1999	48	19	67	Cuba	G/AG/5/Rev.3
2001	48	21	69	Saint Kitts & Nevis, and Saint Vincent & the Grenadines	G/AG/5/Rev.4

2002	48	23	71	Dominica and Jordan	G/AG/5/Rev.5
2003	49	24	73	Namibia	G/AG/5/Rev.6
2004	49	25	74	Gabon	G/AG/5/Rev.7
2005	50	25	75	Mongolia, but Senegal was listed in the LDCs	G/AG/5/Rev.8

Source: Compilation from the WTO Document

It is clear from Table: 3.1 that the number of NFIDCs is gradually increasing. Dependency is becoming commonplace after the enforcement of WTO on 01 January 1995. It is therefore, important to know whether the reform programmes under the WTO is aggravating the food insecurity across the globe.

3.2 NFIDCs vs. LIFDCs

Although the WTO termed the food deficit countries as Net Food Importing Developing Countries, FAO classified the food insecure countries as Low Income Food Deficit Countries (LIFDCs) (Appendix 3). The WTO considers all LDCs as NFIDCs and any developing country Member of the WTO which was a net importer of basic foodstuffs in any three years of the most recent five-year period for which data are available as NFIDCs. This definition does not consider the affordability of a country in purchasing food. Thus countries like Barbados, Saint Kitts and Nevis, Trinidad and Tobago, Venezuela with per capita income respectively US \$ 13,605; 10,143; 15,905 and 8,596 and countries like Burundi, Eritrea, Guinea-Bissau, Liberia with per capita income respectively US \$128, 281, 206, 195 (*Appendix 4*) are all considered as NFIDCs, i.e. countries with and without capacity to import food are treated equally.

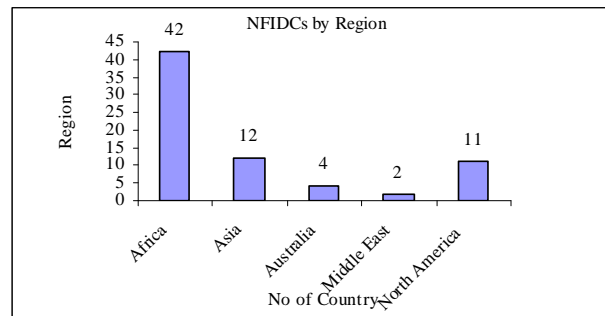
FAO traditionally determines the LIFDCs by three criteria. *First*, a country should have a per capita income below the "historical" ceiling used by the World Bank. The historical ceiling of per capita GNP for 2004, based on the World Bank Atlas method, is US\$1,575. The *second* criterion is based on the net (i.e. gross imports less gross exports) food trade position of a country averaged over the preceding three years. Trade volumes of a broad basket of basic foodstuffs (cereals, roots and tubers, pulses, oilseeds and oils other than tree crop oils, meat and dairy products) are converted and aggregated by the calorie content of individual commodities. *Thirdly*, the self-exclusion criterion is applied when countries that meet the above two criteria specifically request to be excluded from the LIFDC category. In order to avoid countries changing their LIFDC status too frequently - typically reflecting short-term, exogenous shocks - an additional factor is taken into consideration from 2004. This consideration, called "persistence of position", would postpone the "exit" of a LIFDC from the list, despite the country not meeting the LIFDC income criterion or the food-deficit criterion, until the change in its status is verified for three consecutive years. In other words, a country is taken off the list in the fourth year, after confirming a sustained improvement in its position for three consecutive years. During these three years, the country in question would be considered to be in a "transitional" phase. The criteria based on per capita income has included some of the major food exporting countries like India, China etc. and there are 82 LIFDCs of which 56 (68 percent) are NFIDCs (*Appendix 4*).

The varying definitions of the food deficit countries often divert attention from the real food insecure people. Food secure people must include those who cannot meet the daily dietary needs either from the domestic sources or do not have sufficient domestic resources to import the food from the external sources. It is often difficult for the international institutions and conduct researchers to keep uniform record of the food insecurity and develop strategies. A uniform definition among the international institute is thus needed to develop appropriate programmes for addressing the basic needs of the hungry people around the world.

3.3 Regional Distribution of the NFIDCs

An analysis of the regional distribution of the NFIDCs shows that more than forty percent of the NFIDCs are located in the African regions, about 12 percent in Asia and 11 percent in Latin America. So the prevalence of food insecurity is higher in the African and Asian regions.

Figure-3.1: Regional Distribution of NFIDCs



Geographical distribution of the NFIDCs shows (*Appendix 5 and 6*) that 18 of them are land locked developing countries (LLDCs) and 17 are small island developing states (SIDSs). These countries face enormous challenges in exporting their agricultural products because of the size of their economies and geographical locations. They incur huge transportation costs in exporting the agricultural products which makes them uncompetitive in the global market. On the other hand, they have to bear additional transportation cost in importing necessary food from the external sources.

3.4 Economic and Social Performances of the NFIDCs

An analysis of the economic and social profiles of the NFIDCs shows (Table: 3.2) that about 1.23 billion people i.e. 18.54% of the world population live in the NFIDCs and most of them (11.63 percent) belong to the LDCs and the rest 6.91 percent lives in other NFIDCs.

An analysis of the educational profiles of the NFIDCs shows that their average literacy rate is 70.24. The average literacy rate of the LDCs is only 58.03, while the average literacy rate for other developing NFIDCs is more than 82 percent. The countries like Burkina Faso, Chad, Guinea, Mali, and Mauritania have the literacy rate of less than 30 percent.

The average per capita GDP of the NFIDCs is US \$ 3,000, but there is a strong variation of income among the countries. Trinidad and Tobago has the highest per capita income of US \$ 15,905, while Burundi has the per Capita GDP of US \$ 128 (*Appendix 7*). The average

per capita GDP of the LDCs is US \$ 971, while the average per capita income for other developing NFIDCs is US \$ 4,930. About 21 countries have the per capita GDP of less than US\$ 500 and more than 40 countries have less than US\$ 1,000. So in terms of per capita income which is the main determinant of the access to food, the LDCs and other NFIDCs do not stand in the same footing. LDCs are more vulnerable as they have limited capacity to procure food from the open market.

Table 3.2: Economic and Social Profiles of the NFIDCs

Group	Population (as % of the World)	Growth Rate (%)	Inflation Rate (%)	Literacy Rate (%)	Per Capita GDP	Undernourishment (54 Countries) (%)
LDCs	11.63	5.37	9.35	58.03	972	33.40
Other NFIDCs	06.91	5.46	5.29	82.45	4,930	04.90
NFIDCs	18.54	5.41	7.32	70.24	2,951	27.15

Source: Calculated from the information available in the Phrasebook and Wikipedia.

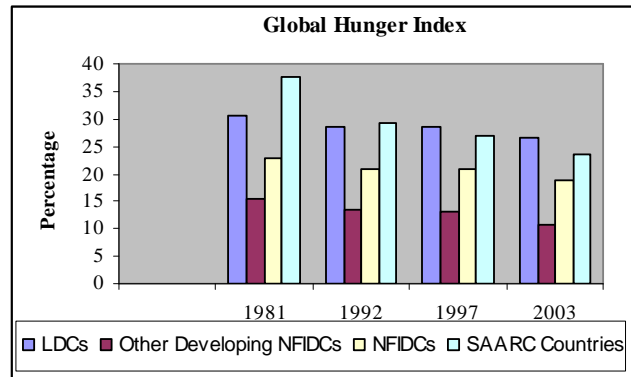
Note: The average figure for undernourishment is available for 5 countries in the State of Food Insecurity in the World, 2006, FAO

In 2007, the average GDP growth in NFIDCs was 5.41 which are much lower than the emerging markets and developing countries as a whole. There is little variation between LDCs and other NFIDCs in terms of growth. Several LDCs such as Chad and Comoros had negative growth; while countries like Angola, Ethiopia and Sudan, the oil exporting countries had strong growth (16%, 9.8% and 12.8 percent). Excluding the oil exporting LDCs, the average growth of other LDCs will be much lower. The average inflation in the LDCs (9.35 percent) is much higher than other NFIDCs (5.29 percent). This otherwise indicates that LDCs have to suffer more due to global food price increase as their income is low and price increase is much higher than other NFIDCs.

3.5 Food Security of the NFIDCs

According to FAO's the State of the Food Security Study Report, 2006 about 294 million undernourished people live in the 54 NFIDCs, which is more than 27 percent of the total population of these countries. However, there are huge variations of statistics among the countries. In terms of the absolute number of population, Bangladesh had the highest prevalence of under nourishment in 2003 (43.10 million), followed by Congo (37 million), Pakistan (35.20 million) and Ethiopia (31.50 million). The Global Hunger Index (GHI) shows that the prevalence of hunger decreases in LDCs, other NFIDCs and as well as in the SAARC countries (Figure 3.2). Nevertheless, the prevalence of hunger is very high both in LDCs and SAARC countries. During the 80s highest prevalence of hunger among these three group existed in the SAARC countries. At present, the highest incidence of hunger is observed in the LDCs (26.5), followed by SAARC countries (23.4%); the prevalence of hunger is only 10.9 percent in the other NFIDCs.

Figure 3.2: Hunger Indices in LDCs, other NFIDCs and SAARC Countries



Source: Figure is generated from the Statistics of the International Food Policy Research Institute, 2006

The average per capita calorie intake has increased from 2181 kcal per person/day in 1990/92 to 2398 kcal in 2001/2003. Overall calorie intake during this period has increased by 117kcal/person/day; the increase is 92 kcal for LDCs and 141 kcal for other NFIDCs. During this period, per person per day kcal intake have decreased for Burundi, Congo, Equatorial Guinea, Eritrea, Gambia, Jordan, Liberia, Madagascar, Sierra Leone, Tanzania, Yemen and Venezuela (Appendix 8).

Group of Countries	Dietary Energy Supply (kcal/person/day)		
	1990/92	2001-03	Change
Average for 34 LDCs	2074	2166	92
Average for Other 20 NFIDCs	2488	2629	141
Average for 54 NFIDCs	2281	2398	117

Source: The State of Food Insecurity in the World, 2006, FAO

Note: Information is available only for 54 NFIDCs

From the above socio economic profiles, it is evident that the LDCs are more vulnerable in terms of food security than other NFIDCs.

3.6 Protection of Agriculture Sector in the NFIDCS

Most of the LDCs are highly dependent on agriculture for income and employment, while a few other NFIDCs (Pakistan, Cote'd Ivore and Kenya) depend on agriculture for their GDP. On an average, LDCs draw more than 32 percent of their GDP from the agriculture sector compared to only about 11.51 percent in other NFIDCs. It appears that other NFIDCs are able to meet the food deficit from non-agricultural sector; LDCs have to rely on agriculture even to procure food from external sources (Appendix 9).

Most of the NFIDCs, particularly the LDCs have limited capacities to import food. In this context, they keep average applied tariff for the agricultural commodities at a minimum with a view to maintaining lower food prices. The average applied tariff is in the NFIDCs is only 18.77 percent, which is even lower than the average tariffs of the OECD countries (22.67 percent). The average applied tariff for agricultural commodities in the LDCs is still

lower than other NFIDCs. Thus to meet the immediate food crisis, NFIDCs particularly the LDCs have forced their farmers to face the global competition.

The present situation is that the developed countries that do not primarily depend on agriculture are providing more protection than the countries mainly dependent on agriculture. Most of the farmers in LDCs are small farmers. They cannot invest sufficient amount of money to improve the productivity of their agricultural sector. The government supports to the sector is extremely limited to develop or adopt new technology or to adjust with the global competition. An estimation of the CENTAD shows that while the total support to the agricultural sector in OECD countries in 2002 is US \$ 253 billion, it is only US \$112 million in the LDCs. This simply indicates the inability of the LDCs to supports their farmers. The rich countries even support their farmers for limiting or changing the agricultural occupation (namely blue box support), while the farmers in the LDCs are never compensated for opening up their sector. Thus over the time, the farmers of the poor countries are polarized and often forced to leave the sector. This unfair global competition is the main reason for the poor development of agricultural sector of these countries.

Table 3.4: Average Tariffs for Agricultural Products, 2006 in NFIDCs

Sl. No	Country	Simple		Gap between Bound and Applied Rate
		Bound	Applied	
1	LDCs	76.05	17.08	58.97
2	Other NFIDCs	70.90	20.46	50.44
<i>Simple Average of all NFIDCs</i>		73.47	18.77	54.71
<i>Simple Average for the OECD</i>		41.21	22.67	18.54

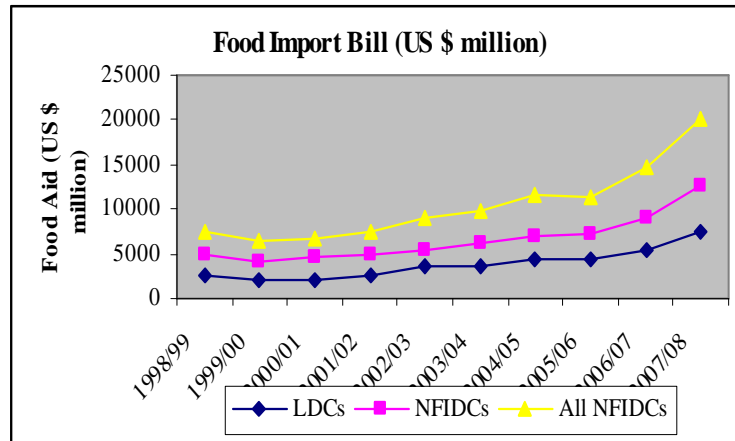
Source: Calculated from World Tariff Profiles, 2006, WTO

3.7 Food Import by the NFIDCs

FAO's forecast shows that the NFIDCs total cereal imports in 2007/08 will reach about US \$ 201 billion (Figure 3.3), which was US \$ 146 billion in the previous year; in terms of volume or quantity, the increase is only 3.46 percent. As a result of the sharp increase in international cereal prices, freight rates and oil prices, the 2008 aggregate cereal import bill of the NFIDCs is projected to rise by 39 percent from 2007, after having increased by 28 percent in the previous year. This will have a negative impact on the balance of payments and current account positions of the NFIDCs in general and in particular on those in LDCs, where prevalence of hunger is more and the per unit import cost is US\$ 22 higher.

This will obviously adversely affect their food security, because the international price increase will be transformed to the domestic food price increase. Most affected people due to food price inflation will be the low-income groups of the poor countries as they spend higher share of their total expenditures on food than that of wealthier populations. Food represents about 10-20 percent of consumer spending in industrialized nations, but up to 60-80 percent in developing countries. The urban poor, together with food deficit farmers, are among the worst affected groups as they depend on the market to access food products. Thus the food security and rural livelihood would be adversely affected by the higher import for food items.

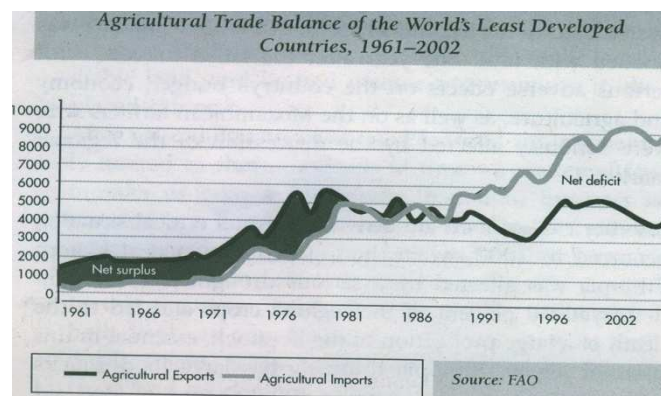
Figure 3.3: Food Import Bill of the NFIDCs



Source: Prepared from FAO Statistics, 2008

One point is to be remembered here is that LDCs were not always net food importers. FAO's analysis shows (Figure 3.4) that until 1981 LDCs were the net food surplus countries. They have gradually turned into food deficit countries through the global mechanism of market where the competition was not fair. This will be evident from Chapter 7. FAO statistics shows that a food surplus of US \$ 1 billion of LDCs in 1970 was transformed into a deficit of US \$ 11 billion in 2001, which is continuously increasing. Given the dire economic situation of LDCs, it has become increasingly difficult for them to import food and ensure adequate food availability at the national level. LDCs thus need some form of assistance for food import in order to prevent diverting scarce resources from the sectors such as education, health, infrastructure and other basic programmes.

Figure 3.4: Agricultural Trade Balance of the LDCs



Source: Copied from *Food Aid or Food Sovereignty. Ending World Hunger in our Time*, Frederic Mousseau, 2005, Page: 16.

CHAPTER IV

FOOD SECURITY IN BANGLADESH

Food security is now a widely discussed issue in Bangladesh. Prices of most of the essential commodities are increasing almost every day; poor people are struggling hard to meet their basic dietary needs. Despite continuous efforts and monitoring at the policy level, market prices are increasing abnormally. The government is facing enormous challenges in ensuring food security of the general people.

4.1 Government Obligation for Food Security

Article 15(a) of the Constitution of Bangladesh recognizes the state's responsibility of ensuring food for every citizen of the country. Moreover, the country adopted the World Food Summit Declaration, 1996 and reaffirms its commitment to the right of everyone to have access to adequate, safe and nutritious food. The country is also a signatory of MDGs which aims to halving the proportion of people who suffer from hunger by 2015.

4.2 Government Policy for Ensuring Food Security

National Food Policy (NFP), 2006 committed to implement Rome Declaration and MDGs and aims to ensure food security for everyone. The basic objectives of NFP are:

- Ensure continuous supply of adequate, safe and nutritious food;
- Increase purchasing power of the people with a view to making them capable for purchasing food;
- Ensure available supply of nutritious food for all (particularly for children and women).
- Ensure food supply through ensuring availability of agricultural inputs, efficient use of water and other inputs, diversification of agriculture, increasing production of food crop, fisheries and livestock, efficient marketing system, consumer price supports, OMS, VGD and VGF etc.

The present National Agriculture Policy which was adopted in 1997 also aims to ensure food security. A draft policy is formulated in 2007. The Draft National Agriculture Policy (NAP), 2007 aims at creating an enabling environment for sustainable growth of agriculture for reducing poverty and ensuring food security. It intends to increase production & employment opportunity, promote competitiveness and encourage the use of improved technology. It did not however make any reference to the National Food Policy (NFP), although the implementation of the NFP is primarily based on agricultural production.

PRSP (Poverty Reduction Strategic Paper), 2005 had included nutrition, employment, quality education, local governance, maternal health, sanitation and safe water, criminal justice, monitoring as medium term agenda for Bangladesh, but food security was not included there. Although food security has crucial implications on poverty and livelihood, PRSP has given little emphasis on food security (only one Para, i.e. Para: 3.60, Page 40 and M&E indicators in Page 219).

4.3 Agriculture in the Economy of Bangladesh

Agriculture is a crucial sector in the economy of Bangladesh for ensuring food security, livelihood security and rural development. It contributes 21.11 percent to our GDP, absorbs 52 percent of our labour force and 10.05 percent to our export earnings. Though, the direct contribution of the agriculture sector decreased slightly in 2006-07, it has indirect contribution to the overall growth of GDP. The growth of broad service sector, particularly the growth of wholesale and retail trade, hotel and restaurants, transport and communication sectors are strongly supported by the agriculture sector.

Within the broad agriculture sector, the contribution of agriculture & forestry, and fisheries are estimated at 16.38 percent and 4.73 percent respectively in FY 2006-07. The overall growth rate of the broad agriculture sector for FY 2006-07 is provisionally estimated at 3.18 percent in real terms over FY 2005-06 which is higher than the population growth rate (1.42%). BBS shows that the cereals production for FY 2006-07 was 28.69 million metric tons, which was 2.16 percent higher than that of FY 2005-06. The production of minor crops, which include pulses, spices, sugarcane, fruits, vegetables and tobacco, is expected to be around the level of preceding year. These minor crops contributed about 30 percent to the total output of the crop sub-sector.

4.4 Future Potentials for Expansion of Agriculture in Bangladesh

Cultivable agricultural land in Bangladesh has been declining over the time due to increase of population and urbanization. Cultivable land in Bangladesh has declined from 8.75 million hectares in 1995 to 8.44 million hectares in 2003 and is expected to decline further thereafter. Population has increased from 120 million in 1995 to 140.6 million in 2006-07 and expected to grow continuously over the time. Population increase is also pushing up the food demand. Crop intensity remains stagnant at around 176-177 percent during this period, thus fails to mitigate the loss of cultivable land. Climatic changes have been adversely affecting domestic production. Due to frequent floods and natural disasters, production of rice, wheat, onion, lentil and vegetables are seriously affected. On the other hand, the use of mechanized technology is limited, yield per acre is low compared to many other developing countries, use of improved seed is still low, coverage of irrigated land is only 35.70 percent, ADP allocation remained stagnant around 1.5-2.00 percent for about 25 years. Moreover, farmers do not get the fertilizer in time. All these factors do not bring real hope for increasing food production in the upcoming days.

Table 4.1: Some Important Information for Bangladesh Agriculture, 2005

Cultivable land	:	8.44 million hectare
Cultivable waste	:	0.268 million hectare
Current fellow	:	0.469 million hectare
Cropping intensity	:	175.97%
Total food crop demand	:	23.029 million MT
Total food crop production	:	27.787 million MT
Net production	:	24.569 million MT

Source: Handbook of Agriculture, 2006, Ministry of Agriculture

It is thus evident that the scope for horizontal expansion of agriculture in Bangladesh is limited. But given the global food situation, it would also not be prudent to depend too much on external food supply. Self sufficiency needs to be achieved in food supply. So the country needs to explore all opportunities for expanding its production base. If improved technologies and timely availability of inputs are ensured and yield gap between the research plots and farmers plots are reduced through extensive extension programme agriculture production is expected to increase substantially.

4.5 Food Security in Bangladesh

At present, about 27 million people (19% of the total population) in Bangladesh live in extreme poverty in terms of daily calorie intake (below 1805 Kcal per day)¹⁰. About 56 million people (40.4% of population) live below 2122 Kcal a day. FAO statistics show that Bangladesh has the highest number of undernourished people among the NFIDCs. Food security is the individual human right and thus food security of the country deserves special attention.

Table 4.2: Food grain Balance in Bangladesh

(quantities in 000 m. tons)

Items	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Mid-Year Population (in millions)	128.1	129.9	131.6	133.4	135.2	137
Net Food grain Requirement (@453.6 gm/day /capita)	21208.7	21506.8	21788.2	22086.2	22384.3	22682.3
Gross Food grain Production	24906.9	26758.8	25905.2	26694.2	27442	26133.1
Net Food grain Production (90% of Gross Production)	22416.2	24082.9	23314.6	24024.8	24697.8	23519.8
Food grain Surplus	-1207.4	-2576.1	-1526.4	-1937.6	-2313.5	-836.55

Sources: BBS and Ministry of Food & Disaster Management.

NB: The negative figures denote food deficit.

The above information of the Ministry of Agriculture shows (Table 4.1) that Bangladesh is a chronic food deficit country at least since 1990s. Annual food deficit varies from year to year. But the official statistics of the Ministry of Food (Table 4.2) shows that Bangladesh was a food deficit country until 1998-99, thereafter it became a food surplus country, although the amount of surplus is insignificant.

¹⁰ *Economic Review, 2007*

Table 4.3 :Food grain Production and Requirement 1971-72 to 2020					
<i>(Figures in Thousand metric tons)</i>					
Year	Mid-Year Population (Million)	Food grain Requirement	Production Total	Net Total Production	Food Surplus/Deficit
1	2	3	7	8	9
1971-72	72.60	12019.73	9889.20	8744.03	-3275.70
1975-76	79.90	13228.33	12777.00	11297.42	-1930.91
1979-80	87.60	14503.15	13367.00	11819.10	-2684.05
1984-85	98.10	16241.54	16108.00	14242.69	-1998.85
1985-86	100.30	16605.78	16104.00	14239.16	-2366.62
1989-90	108.90	18029.60	18603.30	16449.04	-1580.56
1990-91	111.00	18377.28	18792.00	16615.89	-1761.39
1993-94	117.00	19370.65	19187.60	16965.68	-2404.97
1994-95	119.00	19701.77	18106.80	16010.03	-3691.74
1995-96	122.10	20215.01	19088.00	16877.61	-3337.40
1998-99	128.10	21208.37	21897.48	19361.75	-1846.62
1999-00	129.80	21489.83	25027.70	22129.49	639.66
2000-01	131.50	21771.28	26907.20	23791.35	2020.06
2001-02	133.45	22094.13	26078.40	23058.52	964.40
2002-03	135.00	22350.75	26903.85	23788.38	1437.64
2003-04	136.20	22549.42	27683.70	24477.93	1928.51
2004-05	138.05	22855.71	26488.00	23420.69	564.98
2005-06	139.10	23029.55	27787.00	24569.27	1539.72
Projected Population, Food grain Requirement and Production from 2005 to 2020					
2010	148.10	24519.60	31200.00	27587.04	3067.44
2015	156.70	25943.42	33700.00	29797.54	3854.12
2020	166.90	27632.14	35000.00	30947.00	3314.86

Source : Bangladesh Bureau of Statistics (BBS), Department of Agricultural Extension (DAE) and Ministry of Food (MOF)

Note: (i) Food grain Requirement is calculated @ 16 Ounce (453.66 gm) per day per head from 1971-72 to 2020

(ii) Net Total Production is calculated by deducting 11.58 % of total Production for seed, feed & wastage

(iii) Population as per Bangladesh Bureau of Statistics (BBS) estimation

(iv) Projected Production of Rice, Wheat, Maize as per Department of Agricultural Extension (DAE) estimation

(v) Figures for 2005-06 as per Bangladesh Bureau of Statistics (BBS) estimation

An analysis of product specific demand and supply shows that Bangladesh is a deficit country for most of the essential food items except rice. Although the domestic production of rice shows a surplus, the country can meet only 22 percent of wheat, 5 percent of edible oil, 13 percent of sugar, 42 percent of pulse, and 70 percent of onion and 31percent of turmeric demand from the domestic sources. These items are essential in day-to-day

consumption, thus any changes in policy or restriction on exporting countries, immediately affect the domestic prices. Since the exchange rates of the neighbouring countries like India, Thailand, China are getting stronger over the last few years against Bangladesh currency, import costs are increasing. Moreover, global price increase is further increasing the domestic prices. In addition, countries like India, China and Thailand, which are the major sources of import, often impose export restrictions and are resulting in temporary soaring of domestic prices.

Table 4.4: Demand, Supply of Essential Food Items, (Lac MT), 2005-06

Item	Annual Import 2005-06	Annual Production 2005-06	Annual Demand 2005-06	Domestic Surplus 2005-06	Annual Production 2006-07	Annual Demand 2006-07	Domestic Surplus 2006-07
Rice	10.00	265.30	230.29	35.01	266.00	233.00	33.00
Wheat	18.63	7.38	21.47	-14.09	6.50	28.29	-21.79
Edible oil	4.42	0.96	19.20	-18.24	0.96	19.20	-18.24
Sugar	1.99	1.34	12.00	-10.66	1.65	12.00	-10.35
Pulse (lentil)	0.75	1.20	3.18	-1.98	1.35	3.20	-1.85
Onion	1.69	7.69	9.65	-1.96	8.74	12.50	-3.76
Potato	no import	40.00	40.00	0.00	50.00	44.00	6.00
Ginger	0.10	0.57	0.67	-0.10	0.60	0.75	-0.15
Chilli	0.03	1.55	1.60	-0.05	1.50	1.60	-0.10
Turmeric	0.01	0.92	0.93	-0.01	0.95	3.04	-2.09
Garlic	0.23	1.20	1.23	-0.03	1.05	1.53	-0.48
Salt	0.75	14.38	12.40	1.98	10.65	12.40	-1.75

Source: Ministry of Commerce, Bangladesh

4.6 Trend of Food Price Changes

A closer look at annual demand, production and annual surplus show that Bangladesh is a food deficit country for most of the essential food items, particularly for wheat, edible oil, sugar, pulse, onion, ginger, milk power etc. Thus any change of the international price and supply of any of these items would affect the domestic price. If import price increases, country pays more for importing food items. This exerts crisis to the foreign exchange reserves. Increase prices of food stuffs, most likely, push up general price level, thus leading to high inflation.

Moreover, quality of food now gets little priority in real life situation. Quality is compromised by the quantity and profit. Presently, lower-middle class people are compromising their food basket. Supplying adequate and safe food is now an enormous challenge for the country. The situation is expected to worsen further.

Food price increase has now become a daily concern for the general people, particularly for the low income and fixed income group (Table 4.4). Since 2006, the price increase has

been showing an abnormal trend for most of the essential food items. Prices of rice, wheat, soybean oil, pulse and milk powder have increased respectively by about 73, 49, 73, 96 and 58 percent than they were in February 2007 (Column 7). Price increases are much higher between 2006 and 2008 (column 6). During this period, prices of sugar and onion declined, but prices of salt remained same. Since, rice, wheat, soybean, pulse and milk powder constitute the major share of the food basket; the price increase of these items adversely affected the food intake of the poor income group.

Table 4.5: Average Prices of Some Essential Food Items, Price/kg

Items	Price (11.1.2006)	Price (11.1.2007)	% Change 2006/07	Price 12.6.2008	% change in 2008 over 2006	% change in 2008 over 2007
1	2	3	4	5	6	7
Rice(Coarse)	17.50	18.50	5.71	32.00	82.86	72.97
Wheat Flour	19.50	25.50	30.77	38.00	94.87	49.02
Soybean Oil	50.50	65.00	28.71	112.50	122.77	73.08
Plum Oil	40.00	51.00	27.50	100.00	150.00	96.08
Pulse (Lentil)	48.00	65.00	35.42	88.50	84.38	36.15
Sugar	47.50	36.50	-23.16	34.50	-27.37	-5.48
Potato	14.50	13.00	-10.34	17.50	20.69	34.62
Onion	20.00	18.00	-10.00	16.00	-20.00	-11.11
Milk Powder (1 kg)	293.00	347.00	18.43	550.00	87.71	58.50
Salt	12.00	13.00	8.33	13.00	8.33	0.00

Source: Trading Corporation of Bangladesh, Ministry of Commerce

4.7 Effects of Food Price Increase

It might be interesting to see how the rural poor lead their lives in the face of food price increase. This sample survey has been conducted at Dinajpur and Faridpur, where the food price hike hit the poor people. The respondents (head of household) were asked the number of times they eat meals per day during the year. It was informed that they usually do not take breakfast in the morning or snacks in the afternoon. Their information is presented below:

Table 4.6: Food availability by age group

Dinajpur	Age group	
	18 or less	Above 18
No. of meals intake		
1 meal a day	1/33	3/80
2 meals a day	6/33	9/80
3 meals a day	26/33	68/80

Table 4.7: Food availability by age group in Faridpur

Faridpur	Age group	
	18 or less	Above 18
No. of meals intake		
1 meal a day	1/7	14/131
2 meals a day	2/7	23/131
3 meals a day	4/7	94/131

One may get idea about the condition of the people living there. The info. could be little bit biased, as people may tend to tell their miseries a little exaggerated. Say for example many a people said that they starved for a couple of days. This should be mentioned that in the rural area people eat 3 meals a day because they skip breakfast. Therefore those who eat twice a day should be considered poor.

Table 4.8 Effects on their daily food intake: skipped/shortened meals

Dinajpur	Months			
	Almost every month	Some months	1-2 months	No comments
Skipped 1 meal	6	4	5	Nil
Skipped 2 meals	Nil	2	2	Nil
shortened 3 meals	71	5	12	6

Table 4.9: Effects on their daily food intake: skipped/shortened meals

Faridpur	Months			
	Almost every month	Some months	1-2 months	No comments
Skipped 1 meal	15	2	8	Nil
Skipped 2 meals	8	3	4	Nil
shortened 3 or more meals	70	8	15	5

Note: Those who eat 3 times have drastically shortened their meal. Respondents claimed that in order to keep number of meals same, they have adjusted with quantity.

The result could be biased as the respondent had to rely on memories of 12 months. Also there is a likelihood of giving us little inflated figure, as they may like to draw sympathy by telling their sufferings. Still it could be a measure to see how people in the poorest section of the society lead their life.

Table 4.10: Effects on their daily food intake: starved

Dinajpur	Months			
	Almost every month	Some months	1-2 months	No comments
Starved 1 day	Nil	2	2	Nil
Starved 2 days	Nil	Nil	Nil	Nil
Starved 3 or more days	Nil	Nil	Nil	Nil

Table 4.11: Effects on their daily food intake in Faridpur District: starved

Faridpur	Months			
	Almost every month	Some months	1-2 months	No comments
Starved 1 day	4	3	2	Nil
Starved 2 days	3	2	1	Nil
Starved 3 or more days	Nil	Nil	Nil	Nil

Note: Those who eat once basically starve.

These tables will depict the extreme situation. It is most likely that children and the elderly are the victims of starvation.

Table 4.12: Effects on income due to food price hike

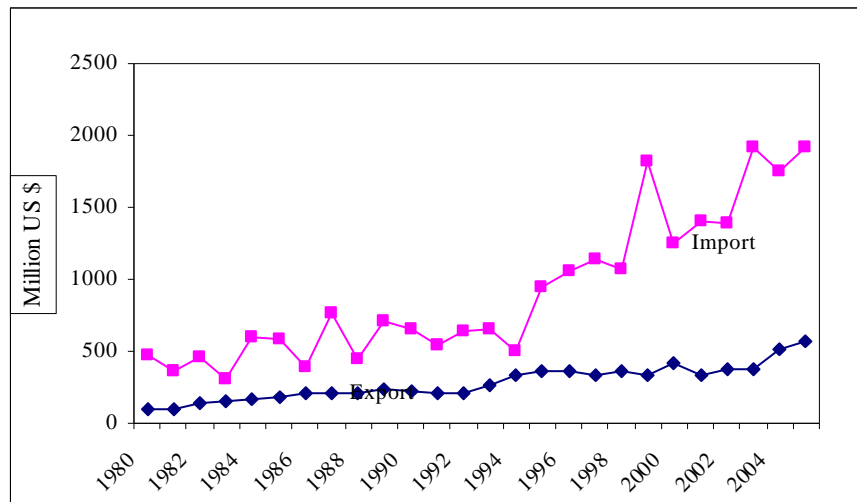
Effect of price increase	Faridpur	Dinajpur
Current price increase made them poorer	110	102
Current price increase them richer	28	11

This table helps explain how the grain price rises affect them.

4.8 Food Export and Import

Agricultural products constitute only 7.34 percent of country's total export earnings. This includes mainly raw jute, jute goods, tea, and frozen foods. A small quantity of vegetables is also exported in selective markets. The country imports cereals, pulse, edible oils and almost all kinds of spices to meet the domestic demand. The total export in 2005 was around US \$ 572 million, while the country spent about US \$ 1,911 million (*Appendix 10*) for purchasing food items in 2005 (WTO Statistics, 2006). This constitutes about 12.96 percent of the total import in 2005-06. The country spent about 18.15 percent of its export earnings for purchasing food from the external sources in 2005-06. Food import bill of the country increased from US \$ 504 million in 1994 to US \$ 1,254 million in 2000 and further to US \$ 1,911 million in 2005. Since the global food prices are increasing at a very high rate during the last two years, it is reasonably expected the food import bill will increase even further. The export growth shows a very slow trend during the last two decades, while food import is increasing at a very fast rate during the same period, particularly since 1995, the year of the establishment of WTO. The country is historically deficit in food trade and the situation seems to be aggravated as the population is increasing on the one hand and the global food prices are increasing on the other side

Figure 4.1: Export and Import of Food Items by Bangladesh



Source: WTO Statistical Data base, 2006

It is important to point out here that in a recently report published World Bank paper (Working Paper No 4457, January, 2008), it has been mentioned that although most low-income countries are net food importers, their imports are negligible, and they have a large trade surplus in other agricultural commodities which can be easily substituted for foods if relative prices change significantly. Net food imports of low-income countries are very small, only 0.2 percent of their imports.

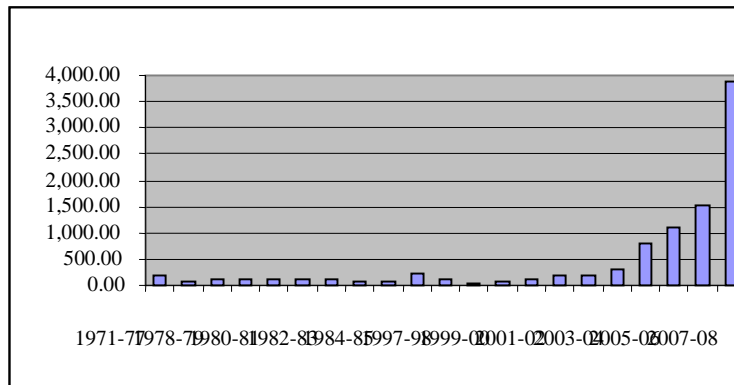
The World Banks finding may be true in some cases, but the experience of Bangladesh does not justify this argument. Bangladesh is a net importer for both food and non-food agricultural items (*Appendix 10*) and the trade imbalance persist for both types of agricultural products since 1979-80. WTO statistics shows that the agricultural net trade value during 1980, 1985, 1990, 1995, 2000 and 2005 were US \$-354, -408, -506, -678, -1218 and -1,983 million respectively. The country has thus little options to meet the food deficit by exporting non-food agricultural items. The import gap cannot be met from non-agricultural exports. The argument of the World Bank also contradicts with its later analysis (Working Paper 4594), which has clearly found a negative relations on food price increase on poverty.

4.9 Agricultural Subsidies in Bangladesh

Bangladesh agriculture received very little amount of subsidies since independence until 2005. This would other way mean that agriculture sector received very limited attention or supports from the government. Around 1.5 -2.0 of the GDP is allocated for the development of the sector. But the trend has seemed to be changed in recent years. The amount of budget allocation for the sector has increased significantly. In order to face the global food crisis, the present government has been allocating more supports/subsidies on agriculture. If these subsidies are properly managed and distributed, the sector would get a better boost in the upcoming days. The success of this initiative would need strict

administrative & monitoring mechanism and strong political commitment, which did not have good record in the past.

Figure 4.2: Agriculture Subsidies in Bangladesh, 1971-2008 (crore Tk.)



Source: Ministry of Finance, Government of Bangladesh

4.10 Tariff Protection for the Agricultural Sector in Bangladesh

During the Uruguay Round, Government of Bangladesh bounded most of the agricultural products at 200 percent, except for 13 items where the bound rate is 50%. The average bound rate for the agricultural products notified to the WTO is 188.5 percent, while the average applied rate 17.3 percent.

Table 4.13: Tariff Protection in Bangladesh Agriculture

Item/Product	Bound Import Duty (%)	Applied Import Duty (%)
For all agricultural products (average)	188.5	17.3
Rice	200	0
Wheat	15	0
Lentil	200	0
Soybeans	50	15
Plum Oil	200	15
Refined Sugar	200	Tk. 5,000/ MT
Raw Sugar	200	Tk. 4,000/MT
Onion	200	0.00
Powder Milk	200	37.15

Source: Information on the Applied tariffs were collected from National Board of Revenue and information on bound tariffs were collected from WTO.

From the above table, it is clear that although Bangladesh bounded most of the food items at 200 percent, the flexibility has not been utilized to protect its domestic farmers. The country has to reduce import duties for most of the cereals to meet immediate food crisis. The import duties for other food items are also very low. This affects the country in two ways; deprives the governments from much needed revenue in one hand and forces the farmers to face the open competitions on the other hand.

It is often argued that that the high bound rates would provide more flexibility of the country as it has the option to increase the duties on imported goods up to the bound level. This is just a utopian idea, as the history of the country did not show any record of tariff increase once it is reduced.

Negotiations on the Special Safeguard Mechanism would not also bring any fruitful benefit for food security of Bangladesh. The reason is that the country would not expect to impose duties beyond the existing bound level of 200 percent if there is import surge or price depression.

From the analysis it can easily be inferred that Bangladesh farmers received little support from the government to improve productivity and adjust with the global competition. Farmers were rather forced to face unfair global competition through gradual elimination of tariff barriers. Recently, government has been trying to support the sector, but would really be difficult to regain the lost paradigm.

CHAPTER V

FOOD SECURITY IN THE SAARC COUNTRIES

South Asia is the home to over one fifth of the global population. It is a region that shares 40% of the global poverty against 7% of the global income. The largest number of poor people lives in South Asian region. About 437 million people live with US \$1 a day and around 80 percent of the population survives with income below US \$ 2 a day. Out of 1.47 billion people in South Asia, over 400 million people are living in extreme poverty. Thus, achieving food security remains a major challenge in South Asia.

5.1 Economic Profiles of the SAARC Countries

The countries in the region have been growing much faster in the last decade as compared to the previous decades. Table 5.1 presents the rate of economic growth in South Asian countries during the years 2001-2008. Growth of gross domestic product (GDP) reached a remarkable 8.8% in 2006, sustaining the impressive trend established since 2002, when annual growth averaged over 8%. With GDP forecast to grow at 7.6% in 2007 and 8.0% in 2008, the high growth trajectory is expected to be sustained over the medium term. All countries in the region grew at over 6% in 2006, except Nepal. The Indian economy maintains a robust rate of expansion with a high 9.4% growth in fiscal year (FY) 2006, which surpassed the previous year's rapid pace. Growth also accelerated in Bangladesh and Sri Lanka to decade-long highs of 6.6% and 7.4%, respectively, while the Maldives strongly rebounded from the previous year's tsunami-induced contraction by registering a 19.1% expansion. After expanding rapidly in the previous 2 years, growth in Pakistan, however, slowed to 6.6%.

Table 5.1: Economic Growth in South Asia (in percentage), 2001-2008

Country	2001	2002	2003	2004	2005	2006	2007	2008
Bangladesh	5.3	4.4	5.3	6.3	6	6.6	6.5	7
Bhutan	7.2	10	7.6	6.8	6.5	9	18	10
India	5.8	3.8	8.5	7.5	9	9.4	7.8	8.3
Maldives	3.5	6.5	5.5	9.5	-4.6	19.1	7.3	12.1
Nepal	4.8	-0.4	3	3.5	2.3	2.3	2.8	2.8
Pakistan	2	3.1	4.7	7.5	9	6.6	7	6.5
Sri Lanka	-1.5	4	6	5.4	6	7.4	6.1	6
South Asia	5.1	3.7	7.8	7.4	8.7	8.8	7.6	8
<i>Note: Figures for 2007 and 2008 are projected figures</i>								
<i>Source: South Asia Economic Report, Asian Development Bank, June, 2007</i>								

Country	Population below US \$1 a day (million)			Population below US \$ 2 a day (million)		
	1981	1990	2002	1981	1990	2002
South Asia	475	462	437	821	958	1,091
East Asia and Pacific	796	472	214	1,170	1,116	748
China	634	375	180	876	825	533
Europe and Central Asia	3	2	10	20	23	76
Latin America & Caribbean	36	49	47	99	125	123
Middle East & North Africa	9	6	5	52	51	61
Sub-Saharan Africa	164	227	303	288	382	516
Total Developing Countries	1482	1218	1015	2450	2654	2614

Source: World Bank, 2006

Due to the impressive economic growth, the prevalence of hunger and poverty has reduced in South Asia. But the prevalence of hunger and poverty is still remains very high in the region. High growth in the region has accelerated food demand. It is also to be noted that although poverty declined rapidly in other Asian region, absolute poverty in South Asia declined at a very slow pace (Table 5.2)

5.2 Food Security

The comparative performance in poverty reduction in various regions of the world shows that the South Asia still has the highest number of people living on less than one dollar a day followed by Sub Saharan Africa and East Asia and the Pacific (Table 5.2). The percentage of those living below the poverty line in South Asia has been on the decline in general. Although in comparing the early 1990s to the late 1990s, a decline in poverty is noted in Bangladesh and India, the percentage of poor has increased in Pakistan and Sri Lanka (HDC, 2006).

In recent years, the proportion of undernourished people, prevalence of underweight and under-five child mortality had declined significantly in South Asia; still the level remains at a very high. In fact child malnutrition is very high in South Asia compared to other impoverished regions of the world. India ranks the highest in the prevalence of child malnutrition. Although, the global hunger index has declined from 29.1 percent in 1992 to 23.4 in 2003, is still considered alarmingly high.

Sl	country	Proportion of undernourished in total population (in %)			Prevalence of underweight in children under five (in %)			Under-five mortality rate (per 1000 live births)		
		1990-1992	1995-1997	2000-2002	1987-1992	1993-1998	1999-2003	1992	1997	2003
1	Afghanistan	..	..	..	40.3	49.3	..	257	257	257
2	Bangladesh	35.0	40.0	30.0	61.8	56.3	47.9	127	109	69
3	Bhutan	..	..	..	37.9	..	17.4	201	121	85
4	India	25.0	21.0	21.0	61.0	45.4	47.5	124	108	87

5	Nepal	20.0	26.0	17.0	50.5	46.9	48.3	128	104	82
6	Pakistan	24.0	19.0	20.0	40.2	38.2	35.0	137	136	103
7	Sri Lanka	28.0	26.0	22.0	37.3	37.7	26.4	19	19	15
SAARC Countries		26.4	26.4	22.0	47.0	45.6	37.1	141.9	122.0	99.7

5.3 Sectoral Contribution

Like all other countries of the world, service sector dominates GDP of the South Asian countries. However, its contribution is increasing slowly. In general, the share of agriculture to the GDP ranges between 15-30 per cent, except in Nepal and Maldives where the contribution of the sector are 38.8 and 8.6 percent respectively. The shares of agriculture in GDP have been declining in all countries except Nepal. Although share of agriculture to the GDP continues to decline, yet the percentage of the population depending on agriculture remains high; between 50-60 per cent. This indicates that the value of production in agriculture as well as the labour productivity level continues to be low.

Table 5.4: Shares of Major Sectors (as % of GDP) in South Asia

Country	Agriculture		Industry		Services	
	2001	2006	2001	2006	2001	2006
Afganistan		30.90		26.20		42.90
Bangladesh	25.00	21.80	26.20	29.00	48.80	49.20
Bhutan	27.90	21.30	36.50	38.50	35.60	40.20
India	24.00	18.50	25.00	26.60	51.00	54.90
Maldives	9.20	8.60	14.50	15.50	76.30	75.90
Nepal	38.00	38.80	23.50	22.40	38.50	38.80
Pakistan	24.90	21.30	23.80	25.90	51.30	52.80
Sri Lanka	20.10	16.80	27.40	27.00	52.50	56.20
South Asia	24.20	19.20	25.00	26.70	50.80	54.20
<i>Note: Figures for 2007 and 2008 are projected figures</i>						
<i>Source: South Asia Economic Report, Asian Development Bank, June, 2007</i>						

5.4 Food Production and Trade

Table 5.5 provides selected information on food production, food exports, food imports, and food balance in South Asian countries for the year 2002. All countries in the region have been producing an adequate amount of food at the national level. In fact, all the countries have been exporting some food although the amount of food exported from Bangladesh, Nepal, and Sri Lanka continues to be insignificant. Bangladesh and Sri Lanka imports huge quantity of food while some food is also imported by India, Nepal and Pakistan. Food balance is negative only for Bangladesh indicating that its imports are more than exports and the local food production does not fully meet the local food requirements. While the growth rate of the South Asian economies has been increasing over the last ten years, and the poverty in the region has been declining, the region continues to be home to about 40 per cent of the worlds poor.

Table 5.5: Food Security in South Asia (1000 tonnes)				
Country	Food Production	Food Exports	Food Import	Food Balance

Bangladesh	26,924	1.6	2,827	-4,601
India	1,74,655	9,490	56	23,826
Nepal	5,839	11	39	57
Pakistan	24,936	2,966	288	3,818
Sri Lanka	1,938	9.8	1,307	252
<i>Source: FAO, 2004 Figures in thousand metric tones for 2002</i>				

5.5 Protection of the Agriculture Sector

South Asia followed the path of gradual liberalization since mid eighties and public sector investment supports have been gradually withdrawn. Members' notification to the WTO shows that all the countries are providing subsidies below the *de minimis* level (i.e. a certain limit which is negligible and thus allowed to provide,10% of total value of agriculture production). In fact, subsidies are observed to decline after 1995 until 2001 (up to which notifications are available).

Average applied tariff in the agricultural sector is only 20.76. Except Bhutan and India, the average applied tariffs for other counties are below 20 percent.

Table 5.6: Tariff Protection in Agriculture Sector in South Asia		
Country	Bound Tariffs	Applied Tariff
Afghanistan		5.5
Bangladesh	188.5	17.3
Bhutan		41.3
India	114.2	37.6
Maldives	48.0	18.4
Nepal	41.4	14.9
Pakistan	95.6	16.3
Sri Lanka	114.6	14.8
Average	100.38	20.76
<i>Source: Tariff Profiles, 2006, WTO</i>		

5.6 WTO Negotiations on Agriculture and Food Security in South Asia

Among the eight South Asian countries, except India all are net food importing developing countries (NFIDCs). Among these Afghanistan, Bangladesh, Bhutan, Maldives and Nepal are LDCs and Pakistan and Sri Lanka fall in other NFIDCs. So the negotiations on agriculture and particularly the Decisions on NFIDCs will largely affect the food security of these regions.

A substantial reduction of subsidies in the major exporting countries will obviously affect production, leading to further increase of global food prices. Except India, all the South Asian countries are net food importers. The global food price increase will immediately be transformed to increase import bill for food items, which will increase the domestic food prices.

India and Pakistan are significant producers of rice, wheat and sugar (Table 5.8 and 5.9). They have surpluses in these commodities and export these items. The price increase will give a boost to their commercial farmers. But price increase will affect the livelihoods of the small farmers and low income group who are net buyers of agricultural commodities.

Bangladesh, Nepal and Sri Lanka import rice, wheat, soybeans and spices from external sources. Exports of agricultural commodities are insignificant for these countries. So the global price increase will severely affect these countries.

An alarming situation is that India and Pakistan which were significant exporters have recently started importing huge quantity of rice and wheat from international market. This speculative purchase will further aggravate the future food availability of the other SAARC countries as they largely depend on India and Pakistan for rice and wheat import. The accumulation of stocks by these two countries otherwise indicates that the future market and prices will be determined by these two countries. Thus the big SAARC countries are also adversely affecting the food security and livelihood security of the other SAARC countries of this region.

Recently, Asian major food exporters China, India, Vietnam and Cambodia imposed export restriction and minimum price fixation on certain agricultural commodities. This initiative will result further price increase and aggravate the food situation in this region.

Table 5.7: Rice Export and Import by the SAARC Countries

Countries	Quantity Exported in Tons				Quantity Imported in Tons			
	2003	2004	2005	2006	2003	2004	2005	2006
	Exported quantity, Tons	Exported quantity, Tons	Exported quantity, Tons	Exported quantity, Tons	Imported quantity, Tons	Imported quantity, Tons	Imported quantity, Tons	Imported quantity, Tons
'Afghanistan	89	0	243	107	201,446	144,874	200,838	197,631
'Bangladesh	962	3,789	4,070	6,038	648,283	337,944	606,475	535,821
'Bhutan	43	7	89	120	27,071	18,624	24,739	13,252
'India	3,412,044	4,796,671	4,088,166	4,747,925	55	0	260	162
'Maldives	0	0	0	0	14,594	19,113	17,711	19,761
'Nepal	0	0	0		56,310	21,629	225,676	168,559
'Pakistan	1,958,356	1,959,057	3,475,359	3,546,481	4,910	0	2,097	63,920
'Sri Lanka	2,144	2,447	4,125	2,646	34,582	221,667	51,751	12,889

Sources : ITC calculations based on COMTRADE statistics.

Table 5.8: Wheat Export and Import by the SAARC Countries

Countries	Export in quantity, Tons				Import in Quantity in Tons			
	2003	2004	2005	2006	2003	2004	2005	2006
	Exported quantity, Tons	Exported quantity, Tons	Exported quantity, Tons	Exported quantity, Tons	Imported quantity, Tons	Imported quantity, Tons	Imported quantity, Tons	Imported quantity, Tons
	0	0	0		25,668	45,671	126,590	99,998
	0	306	0		1,516,389	902,036	1,705,299	1,909,894
	0	0	0		10,607	7,972	2,910	300
'Afghanistan	4,093,081	2,007,947	746,173	46,633	457	222	0	6,079,555
'Bangladesh	0	0	0	0	3	2	3	3
'Bhutan	34	222	0	90	22,470	372	2,762	15,206
'Pakistan	305,808	377	0	0	0	0	716,138	575,883
'Sri Lanka	5,900	3,400	10,081		989,447	945,431	956,148	1,188,660

Sources : ITC calculations based on COMTRADE statistics.

CHAPTER VI

FOOD AID IN THE CONTEXT OF FOOD SECURITY

6.1 *Basic Concepts of Food Aid*

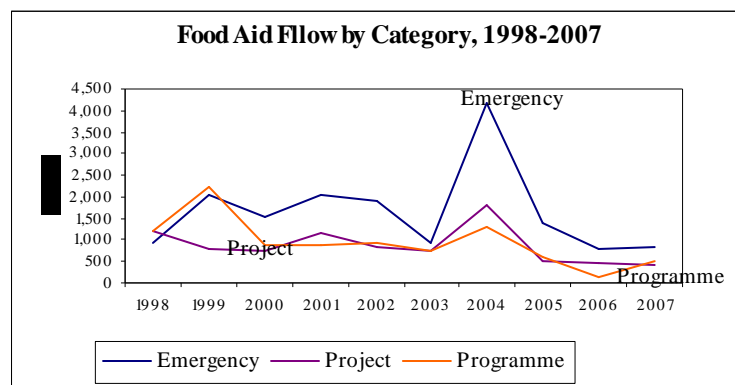
Food aid is often used as a solution of food crisis. Food aid provides food and related assistance to tackle hunger, either in emergency situations, or to help with deeper, longer term hunger alleviation and achieve food security. There are debates whether it is really intended to achieve this noble objective. The reality shows although food aid helps to overcome short-term crises or emergencies, the use of food aid to fight hunger and food insecurity has historically been marginal.

6.2 *Flow and Types of Food Aid*

According to WFP report, the food aid deliveries reached a record low in 2007. Global food aid deliveries declined by 15 percent to 5.9 million tonnes, the lowest since 1961. Food aid deliveries decreased continuously since 1999.

Food aid is generally delivered in three different purposes: Emergency food aid, Project food aid and Programme food aid. *Emergency* food aid as defined by WFP is destined to victims of natural or man-made disasters and freely distributed to targeted beneficiary groups. It is usually provided on a grant basis. It is channelled multilaterally, through NGOs, or, sometimes, bilaterally. *Project* food aid aims at supporting specific poverty-alleviation and disaster-prevention activities. It is usually distributed freely to the targeted beneficiary groups, but may also be sold in the open market and is then referred to as "monetized" food aid. It is provided on a grant basis and is channelled multilaterally, through NGOs, or bilaterally. *Programme* food aid is usually supplied as a resource transfer for balance of payments or budgetary support activities on a government-to-government basis.

Figure 6.1



Source: Calculated from the WFP Report Food Aid Flow, 2007

Emergency food aid, the largest category of food aid since 2000, accounted for 62 percent of global food aid in 2007 compared to 61 percent in 2006. Project food aid represented 24

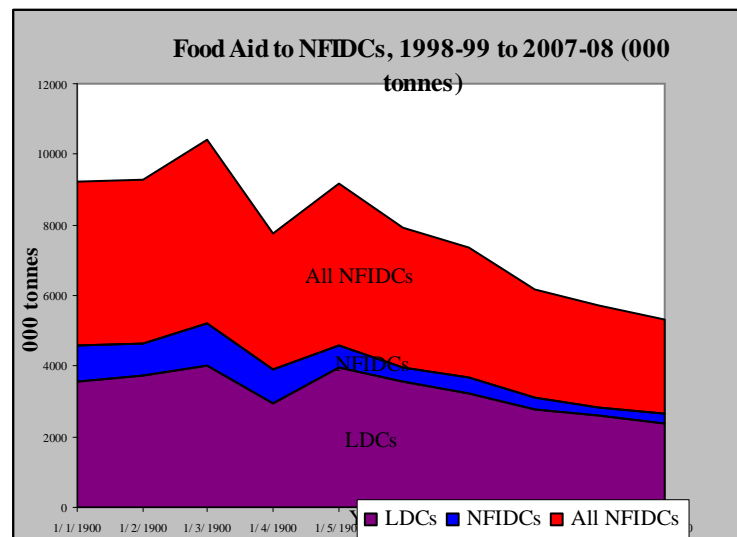
percent of food aid distributed worldwide (unchanged compared to 2006) and programme food aid 14 percent (compared to 15 percent in 2006).

In terms of quantity, all three categories of food aid were affected by the general declining trend of food aid worldwide. About 3.7 million tons of food aid was provided in emergencies, a reduction of 14 percent compared to 2006. Project food aid decreased by 16 percent to 1.4 million tons. The quantity of programme tied food aid deliveries dropped below 1 million tons to 0.9 million tons, the lowest level ever reached, corresponding to a decrease of 17 percent compared to 2006 (WFP, 2007).

As emergency food aid accounts for more than half of the food aid worldwide, a decrease in food aid deliveries to the victims of natural or manmade disasters contributes more heavily on them. The decline in emergency food aid has not been the result of a lower number of emergencies. In fact, the number of natural disasters triggered by extreme-weather was higher in any account and is likely to increase further as a result of climate change.

As far as NFIDCs and LDCs are concerned, the overall food aid deliveries is approximately 10 per cent lower than average deliveries recorded during the period 2000-2005. In absolute terms, Ethiopia, Sudan and Kenya remained the major recipients of food aid in 2006.

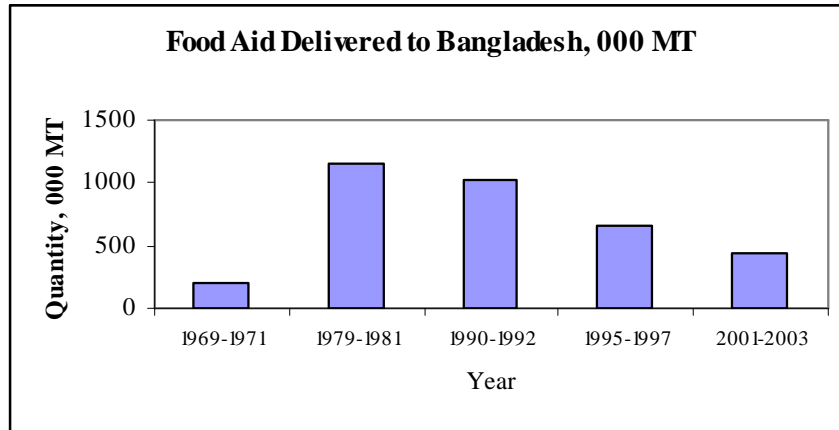
Figure 6.2



Source: Prepared from FAO Statistics

As far as LDCs are concerned, WFP data indicates that overall food deliveries declined in 2007 compared to the previous year. But food aid deliveries to Somalia, Central African Republic, Myanmar, Mali, Malawi and Niger increased in 2006 compared to their 2000-2005 average. By contrast, food aid deliveries have substantially declined in 2006 in Guinea Bissau, Sao Tome and Principe, Bhutan, Togo, Eritrea and Angola compared to the same average reference period. The food aid deliveries to Bangladesh also show a significant decline since 1992 (Figure 6.3)

Figure 6.3

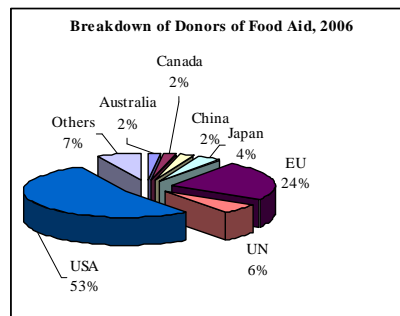


Source: Economic Relations Divisions, Bangladesh

6.3 Flow of Food Aid by Donors

International food aid was initiated by the US and Canada in the early 1950s. The US immediately became the largest provider of food aid and Canada was the second largest donor in absolute terms until the rise of European food aid in the late 1990s. Food aid from EU and the USA represents around 80% of the total international food aid, the rest being shared by a number of smaller donors such as Canada, Japan, Australia, China and Korea.

Figure 6.4



Source: WFP/INTERFAIS, 2006.

6.4 Cost of Food Aid

Studies have shown that the use of in-kind food aid, procured in developed countries, is on average 50% more expensive than purchasing food locally, and 33% more expensive than purchasing food in a third country (a triangular purchase).¹¹ The current surge in cereal and oil prices, which results in rising transport costs, will make in-kind food aid even more expensive. Food aid could be substantially enhanced if restrictions on sourcing were lifted and donors fulfilled their commitments with cash for local food purchases. More and more

¹¹ *The Development Effectiveness of Food Aid: Does Tying Matter?* OECD, 2005.

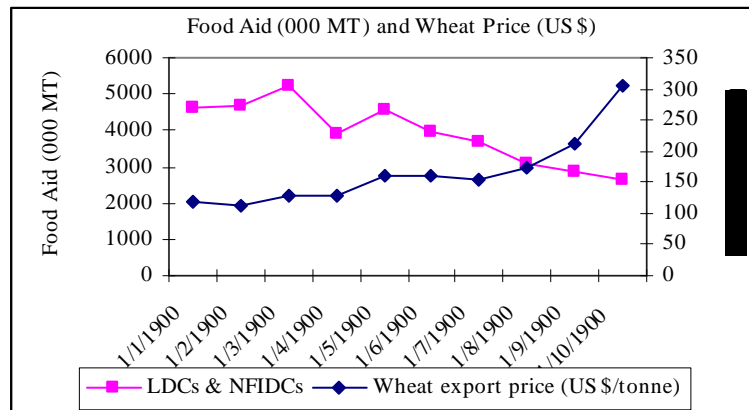
donors have recognized this benefit and have prioritized purchasing food aid locally or in third countries, with the notable exception of the US, which maintains strict regulations on its aid.

6.5 Purposes of Delivering Food Aid

Most of the donors initiated food aid as a policy of price support for agricultural commodities generated from surpluses of cereals. State agencies purchase agricultural commodities from farmers in times of low prices and growing surpluses. Dumping large quantities of low-priced grain in developing countries makes it commercially impossible for the small domestic producers to compete. They are unable to get a fair return for their grain; such producers are frequently forced to sell their land and became landless labourers (often jobless). Although price support is no longer the policy instrument for food aid, it now presents the interests of the "privileged few with preferential access to procurement process"¹². Major forces deriving food aid today are specific crop lobbies, US shopping companies and NGOs & relief organizations. Studies by Barren and Maxwell show that the purposes of food aid have shifted from broad-based farm groups to crop-specific lobbies -- like wheat, rice, soybean oil and milk powder. The shipping industry is another major group behind food aid in the USA. The same study shows that four freight forwards handle 84 percent of the shipments of food aid and they depend heavily on food aid business.

An interesting finding is that volume of food aid increases when the wheat or maize prices are lower. On the other hand, when the prices of wheat or maize increases, the quantity of food aid declines (Figure 6.5). One can thus easily draw the conclusion that food aid is generally used as tool for dumping surplus food, and is not disbursed according to the needs of the recipient countries.

Figure 6.5



6.6 Contribution of Food Aid to Domestic Consumption

Food aid only contributes 3.1 percent of the total consumption of the *NFIDCs* (*Appendix 11*), which was about 5.2 percent during 1991-92 (FAO). Eritrea still largely depends on food aid for domestic consumption (45.7%). A few other countries particularly Angola, Djibouti, Jordan and Sao Tome & Principe also depend on food aid to some extent

¹² Christophar.B Barren, Daniel G Maxwell, *Food Aid After Fifty Years: Recasting its Role* (London Routledge), Chapter 2, Page 30.

(respectively 8.8, 8.3, 13.8 and 9.8 percent) for domestic consumption. If these countries are excluded, food aid only contributes 1.8 percent of the domestic consumption. Food aid constitutes only 1.3 of our total consumption in Bangladesh. Thus food aid has very little contribution to the food security and livelihood of the general people of a country. Moreover, the initiatives for ensuring food security through food aid would just mean a diversion of attention in ensuring food availability at a reasonable price by some ad hoc means. This would not be effective, as food aid contributes a little to food security.

CHAPTER VII

DECISION ON NFIDCS AND FOOD SECURITY

In the course of the Uruguay Round negotiations on agriculture, a group of net food-importing developing countries raised concerns that the benefits of agricultural trade liberalization and reform could be diminished or outweighed in the short to medium term. Food surpluses in many developed countries would be declined and world market prices would be recovered from the artificially low levels that had prevailed as a result of dumping and extensive use of export subsidies. Elimination of global subsidies and protection could lead to reduction of supplies, increase prices of most foodstuffs. For example, Aksoy and Beghin (2005) using multiple sources show that rice prices would increase by an average of 33 percent with some varieties almost doubling in price. In other food items such as sugar, dairy, and wheat, price estimates show increases of 40, 20-40, and 5-10 percent respectively. Econometric and other modelling exercises, which use general equilibrium frameworks, find slightly lower but still significant price increases, especially for the foodstuffs. The Food and Agriculture Organization of the United Nations (FAO) estimated that the high food prices of 2006 increased the food import bill of developing countries by 10 percent over 2005 levels. For 2007, the food import bill for these countries increased at a much higher rate, an estimated 25 percent. This point has been highlighted again by Panagriya (2006), who argues that global reforms would hurt these poor countries, especially the low-income countries in Sub-Saharan Africa (SSA) as well as the poor rural households in the poorest countries. Changes in import capacity have direct implications on the food security of low-income countries where food import dependency has increased because of greater demand stemming from income and population growth, as well as slow gains in domestic production. For highly import-dependent or highly food-insecure countries, any decline in import capacity stemming from rising food prices can have challenging implication on food security.

7.1 Decisions on NFIDCs

The concerns of the NFIDCs were somehow taken into account and a Decision was adopted, which is familiarly known as "*Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries*" (Appendix 12). The Decision recognizes that implementation of the results of the Uruguay Round as a whole would benefit all participants, but during the reform programme leading to greater liberalization of trade in agriculture least-developed and net food-importing developing countries may experience negative effects. Specifically, problems may arise which pertain to the availability of adequate supplies of basic foodstuffs from external sources on reasonable terms and conditions, including short-term difficulties in financing normal levels of commercial imports of basic foodstuffs.

The Decision on NFIDCs asked developed countries to give special treatment to LDCs and NFIDCs through:

- Provision of sufficient level of food aid
- Initiating negotiations in the appropriate forum to establish a level of food aid commitments sufficient to meet the legitimate needs of developing countries during the reform programme;

- Adoption of guidelines to provide food stuffs in fully grant forms/or on appropriate concessional terms;
- Financial and technical assistance to improve agricultural productivity and infrastructure and
- Favourable export credit conditions in the negotiation on the AOA.

The Decision is embodied in Article 16.1 of the Agreement on Agriculture and instructs the developed country Members of the WTO to take action within the framework of the NFIDC Decision.

7.2 Procedures for Implementation of the Decision

WTO's Committee on Agriculture (COA) has the responsibility of monitoring the implementation of the *Decision*. This is an exercise undertaken annually at the regular November meeting of the Committee on the basis, *inter alia*, of notifications submitted by Members relating to actions taken within the framework of the Decision in areas such as food aid and technical and financial assistance under the aid programmes. The international intergovernmental organizations represented in the Committee (such as the FAO, the UN World Food Programme, the International Grains Council (Food Aid Convention), the IMF and the World Bank) also contribute to this monitoring exercise. The provisions of the NFIDC Decision are subject to regular review by the WTO Ministerial Conference.

The COA has developed a format for the notification of measures taken by Members in connection with the *Decision*. This has four parts.

- quantity of food aid - total and the share to LDCs and NFIDCs;
- indication of the proportion in fully grant form or appropriate concessional terms;
- technical and financial assistance under paragraph 3(ii) of the *Decision*; and
- other relevant information with respect to actions taken within the framework of the *Decision*.

Reviewing the progress with the implementation of the *Decision* is much more difficult. as the *Decision* does not have quantifiable parameters nor a timetable for implementation.

7.3 Basic Problems of the Marrakech Decision

There are fundamental problems with the Marrakech Decision.

First, the Decision categorically ignored the impact of WTO negotiations on agriculture on food security and livelihood security. The liberalization of agriculture will obviously increase global food prices as is observed at present. This will obviously affect the food security and livelihood security of the poor people. But the Decision diluted the issue of food security with the capacity of importing foodstuffs. It then attempted to resolve the problem with a provision of increasing supply of food aid.

Second, the Decision considers the difficulties of financing commercial import of basic foodstuffs as a short term measures. The long term chronic shortages of foodstuffs are not captured by this Decision.

Third, it diverted the attention of food availability by the food aid. But food aid can never be the solution of food security. Food security are to be achieved through domestic supply and the deficits, if any are to be met with import for which there must have sufficient capacity. Moreover, food aid has limited role in ensuring food security of the NFIDCs. The reason is that food aid only contributes 3.1 percent of the total consumption (Appendix 9). Thus the future modalities for NFIDCs must take into consideration of improving the domestic production capacity or productivity of the NFIDCs. If there is any deficit that should met through import at a reasonable terms and conditions.

Fourth, on aid programmes, the Decision does not bind any country nor give any specific guideline on how "full consideration" is to be given to the requests for technical and financial assistance to improve their agricultural productivity and infrastructure. Thus, "full consideration" is something that cannot be monitored. It is not clear whether it means or implies that a specific percentage of aid programmes is to be channelled to agriculture, or whether the donors should treat requests for such assistance more favourably than before, or relatively more favourably for the two groups of countries.

Fifth, The Marrakech Decision considers the international assistance, including food aid, is to be provided to adjust with the economic reforms. But the availability of food aid should not be related with any such programme. A large portion of the US food aid (e.g. Food for Progress) was already conditional to the adherence to free market principle; the Marrakech Decision has now moved one step further by codifying the idea of food aid as condition for economic reforms. It thus denies the humanitarian reasons to supply food aid to the chronic food deficit countries.

Sixth, the Decision did not provide any mechanism to detect "*negative effects*". It is not clear whether higher food import bills or reduced export earnings or difficulties in balance-of-payment situation or any other circumstances would be considered to determine the negative effect.

Seventh, it is a temporary measure; applicable until the end of the reform process in agriculture. This short-term measure would not resolve the problems concerning long-term food insecurity.

Eighth, the whole *Decision* is only a best endeavour clause or promise. There is no binding commitment or mandatory provision for implementation of the Decision.

Finally, the Decision is complicated further by referencing to *legitimate needs during the reform programme* without defining this phrase.

- One *narrow* interpretation of legitimate needs would be those that relate to the reform process itself. Clearly, this interpretation would require establishing a counterfactual scenario, i.e. what would have been the case in the absence of the UR. It is almost impossible to quantify a counterfactual scenario; any such attempts would further complicate the whole assessment process.
- One alternative approach is to consider world *price trigger level*, above which a country would be eligible for assistance under the *Decision* for a proportion of its food import bill. However, in establishing this price trigger level, it would not be possible to determine which part of a world price increase is due to liberalization and the part due to contingent events in a given year.

- A second, *broader* definition of legitimate needs would be one that does not limit them to the reform programme only. In that sense such needs could be defined as those situations which would require supplementing supplies so that countries are able to maintain adequate levels of food consumption during the reform process. Such an interpretation would be valid only if the aim of the Decision were to alleviate undue hardship, which is unlikely.

7.4 *Doha Ministerial Declaration Regarding Implementation of the Decision*

The Doha Ministerial Conference only took note of the report of the Committee on Agriculture (G/AG/11) regarding the implementation of the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least Developed Countries and Net Food Importing Developing Countries and approved the recommendations of the report.

It is to be noted that the Decision on NFIDCs is incorporated as an implementation issue in the Doha Development Agenda. It is not a negotiating issue. But, Members can ask for further clarification of the ambiguities mentioned in the earlier section in the on-going Doha Round of negotiations for having a meaningful outcome. The NFIDCs should push forward the issue seriously for ensuring food security and livelihood security.

7.5 *Analysis of the Implementation of the Decision*

There is a widely shared concern, as well as frustration among potential beneficiaries, over the slow pace of implementation of the *Decision*. To a large extent, it represents a promise for assistance, but is not legally binding. Moreover, as noted above, the monitoring of the implementation of the *Decision* is fraught with difficulties.

7.5.1 Concessional Food Aid (paragraph 3 (i) and (ii) of the Decision)

Doha Ministerial Conference adopted the following decisions of the Committee on Agriculture:

- (i) to review the food aid contributions of the donors with a view to better identifying and meeting the food aid needs of least-developed and net food-importing developing countries and
- (ii) WTO Members which are donors of food aid shall, within the framework of their food aid policies, statutes, programmes and commitments, take appropriate measures aimed at ensuring: (i) that to the maximum extent possible their levels of food aid to developing countries are maintained during periods in which trends in world market prices of basic foodstuffs have been increasing; and (ii) that all food aid to least developed countries is provided in fully grant form and, to the maximum extent possible, to net food-importing developing countries as well.

Members' notification on food aid just indicates the quantity of food aid and the amount of the aid provided in grant form. There is no binding level of food aid for ensuring food security. Moreover, the monitoring mechanism does not assess the impact of food aid to adjust with the reform programmes nor does it analyze the impact on the poor and resource

poor farmers. Thus the notification of the quantity of food aid becomes a routine statement and formalities of the donor communities.

As regards the supply of food aid, one problem has been the declining levels of food aid in recent years. The minimum annual commitment of donor countries under the 1995 Food Aid Convention (FAC) has been substantially reduced, from 7.52 million tons (in wheat equivalent) established in 1986 to 5.35 million tons in the 1995 Convention and to 4.895 million tons (plus \$130m) in the 1999 Convention, to 3.957 million tonnes in 2003-04 and to 2.65 million tonnes in 2007-08. This contrasts with the goal set by the FAC to reach the target of 10 million tons of food aid annually to developing countries as called upon by the World Food Conference.

A second challenge is that the levels of food aid fall when its requirements reach the highest level. The record shows that food aid levels have generally been lower when world market prices were higher, i.e. precisely when more assistance was required.

Finally, the disbursement and monitoring of food aid is beyond the mandate of the WTO. This is clearly stated by FAO. Thus disciplining of food aid under the WTO would not bring any meaningful benefit for the NFIDCs.

7.5.2 Export Credit

After a long pursuance, the current draft modalities propose for a repayment period of 540 days for NFIDCs for the acquisition of the basic foodstuffs. The modalities are still in the draft form. The recent WTO mini-ministerial meeting held in Geneva from 21-29 July, 2008 did not able to reach consensus to conclude the Doha Round of negotiations. Implementation of the programme will be started after adoption of the modalities; no one is yet sure when the modalities will actually be adopted and NFIDCs will be able to utilize the opportunity.

It is important to mention that the additional time period would be effective when there is surplus food production in the developed countries. The exporters would not bother for the additional time period; their main concern is to dispose the surpluses. But the days of surplus disposal have gone. In case of food shortage, as is presently observed, the implementation of the decision actually depends on the willingness of the exporters, not of the respective government. The exporters would obviously prefer shorter period to recover the credit. During the shortage of food stuffs, if any buyers of the other countries offers shorter period, the exporters will obviously prefer those buyers/importers, irrespective of the commitment made by their governments. Moreover, mere allowance of additional time period for export credit would not solve the problem of food availability of the NFIDCs at a reasonable price. NFIDCs particularly, the LDCs often do not have the capacity to repay the export credit.

7.5.3 Technical and Financial Assistance under Aid Programme.

In paragraph 3(iii), Ministers agreed to give full consideration, in the context of their aid programmes, to requests for the provision of technical and financial assistance to LDCs and NFIDCs to improve their agricultural productivity and infrastructure.

The Doha Ministerial Conference called on developed country Members to continue to give full consideration in the context of their aid programmes to the requests for the provision of technical and financial assistance by least-developed and net food-importing

developing countries to improve their agricultural productivity and infrastructure. This recommendation reflects the fact that technical and financial assistance is essentially a bilateral matter between donors and recipients based on requests made by recipient countries. Till date no significant supports were provided to NFIDCs to improve their infrastructure and productivity. Thus the decision measurably fails to make food insecure people to turn into food self-sufficient people.

7.5.4 Financing Facilities.

In paragraph 5 of the Decision, the Ministers recognized that as a result of the UR certain developing countries might experience short-term difficulties in financing normal levels of commercial imports. In order to address such financing difficulties, these countries may be eligible to draw resources of international financial institutions under existing facilities, or such facilities as may be established, in the context of adjustment programmes. No agreement has yet been reached on the modality of the assistance; implementation would have to wait at least until then. Moreover, when the *Decision* was adopted there was simply a recognition that the two groups of countries facing difficulties "may be eligible to draw on the resources". The new element in the *Decision* is the indication of a possibility of establishing new facilities. On this, very little discussion has taken place at the COA.

7.5.5 Ability to Finance Commercial Imports

As noted above, the NFIDC Decision recognizes that as a result of the Uruguay Round certain developing countries may experience short-term difficulties in financing normal levels of commercial imports of basic foodstuffs. As regards wheat, the most important food commodity in the import basket of the NFIDCs and LDCs, world market prices have continued to strengthen in the course of 2006, reaching a peak in September 2007. At various stages of the Committee's annual monitoring exercise, several international observer organizations expressed deep concerns on the international food price increase and their impacts on the food import bills of LDCs and NFIDCs.¹³ Obviously, a number of NFIDCs particularly LDCs would face difficulties due to global price increase. All around the world discussions are going on this issue, yet the issue is not seriously considered by the WTO.

7.5.6 A Case of Hope

Despite the delays and difficulties, the *Decision* is accepted as a clear promise for compensation and offers some potential to benefit the LDCs and NFIDCs. Moreover, it is a part of the AOA and so is in the built-in agenda of the next round. This underscores the importance of a constructive review of the *Decision* as part of the preparations for the next round. What follows are some considerations towards furthering this process.

¹³The statements and contributions by international observer organizations can be found in the G/AG/GEN/-- document series, the latest of which is G/AG/GEN/73 (dated 2 November 2006). See, for example, the observations by the IMF in G/AG/GEN/71, on the recent evolution of food prices, including with respect to specific items such as sugar and cereals (pp. 7-8).

CHAPTER VIII WTO NEGOTIATIONS ON AGRICULTURE

8.1 Role of Agriculture in Food Security and Livelihood Security of the Developing Countries

Agriculture contributes to development as an economic activity, as a livelihood, and as a provider of environmental services, making the sector a unique instrument for development. Two-thirds of the world's agricultural value added is created in developing countries (World Development Report, 2008). In agro-based countries, it generates on average 29 percent of the gross domestic product (GDP) and employs 65 percent of the labour force. The industries and services linked to agriculture in value chains often account for more than 30 percent of GDP in transforming and urbanized countries. Agriculture is a source of livelihoods for an estimated 86 percent of rural people. It provides jobs for 1.3 billion smallholders and landless workers. Of the developing world's 5.5 billion people, 3 billion live in rural areas, nearly half of their humanity. Of them an estimated 2.5 billion are involved in agriculture, and 1.5 billion are in smallholder households¹⁴. In Agro-based countries, agriculture is a major source of growth, accounting for 32 percent of GDP growth on average—mainly because agriculture is the large share of GDP. This group of countries has 417 million rural inhabitants, mainly in Sub-Saharan countries. Eighty-two percent of the rural Sub-Saharan population lives in agriculture-based sectors. Although agriculture is no longer a major source of economic growth in the transforming countries, contributing on average only 7 percent to GDP growth, but poverty remains overwhelmingly rural (82 percent of all poor). In the urbanized countries, agriculture contributes directly even less to economic growth, 5 percent on average, and poverty is mostly urban. Even so, rural areas still have 45 percent of the poor, and agribusiness, the food industry and services account for as much as one third of GDP.

Cross-country estimates show that GDP growth originating in agriculture is at least twice as effective in reducing poverty as GDP growth originating outside agriculture. For China, aggregate growth originating in agriculture is estimated to have been 3.5 times more effective in reducing poverty than growth outside agriculture—and for Latin America 2.7 times more. Rapid agricultural growth—in India following technological innovations (the diffusion of high yielding varieties) and in China following institutional innovations (the household responsibility system and market liberalization)—was accompanied by major declines in rural poverty. More recently, in Ghana, rural households accounted for a large share of a steep decline in poverty induced in part by agricultural growth (World Development Report, 2008).

8.2 Agriculture in the WTO

Agriculture has always been considered a highly sensitive sector in the GATT/WTO negotiations. Even though agricultural products accounts for eight percent of the global trade, the GATT/ WTO system has treated them separately from other goods because of the special nature of agriculture trade. The special treatment of agriculture was the reflection of concerns about the food security, the important role that agriculture has in the history and

¹⁴ For much of the developing world, smallholders are defined as operating a farm of 2 hectares or less.

culture of many societies and the fact that food we eat is so intimately connected to our daily lives. Because of the special sensitivities connected to agriculture, GATT negotiations made little headway in dismantling protectionist domestic policies over several decades. The original GATT text contained a number of exceptions for agricultural products. One of the most important exceptions is found in Article XI that permitted quantitative restrictions on export and imports in relation to agricultural products under various conditions. Another exception is the Article XVI that permits export subsidies on agricultural products. Consequently, while the trade barriers dropped progressively in other goods, they remained relatively high in agriculture.

The Uruguay Round (UR) took serious initiatives to bring actual reforms in the agricultural trade. By the end of the UR, the Agreement on Agriculture (AOA) was adopted by the GATT/WTO Members. The WTO Agreement on Agriculture was successful in making binding commitments, in some important areas; it eliminates country-specific exemptions for agriculture (such as US waiver for its import restrictions) that had previously been allowed in the GATT. It was also able to reach consensus to convert the quota and other types of measures to tariffs familiarly known as “tariffication” (i.e. lower tariff rates for specified quantities, higher rates for quantities that exceed the quota). The Uruguay Round was succeeded to have limited commitment on domestic supports, market access and export subsidies (Table 8.1). However, it failed to incorporate specific provisions to address the food security of the Net Food Importing Developing Countries

Table 8.1: Numeric target for cutting agricultural subsidies and protection during the Implementation period

	Developed Countries (6 years reduction) (1995-2000)	Developing Countries 10-year reduction 1995-2004	Least Developed Countries
Tariffs:			
Average cut for all agricultural goods	36%	24%	No reduction commitment
Minimum cut per product	15%	10%	No reduction commitment
Domestic Support:			
Cuts for sector (Aggregate Measures of Support)	20%	13%	No reduction commitment
Export Subsidies:			
Value of Subsidies	36%	24%	No reduction commitment
Subsidized quantities	21%	14%	No reduction commitment

Source: WTO

Developing countries put enormous efforts to dismantle the protection from the agriculture sector during the UR of agricultural negotiations, but the actual achievements in terms of reduction of subsidies and tariffs were far below the level necessary to create improved market access opportunities for the poor farmers of the developing countries and LDCs.

The Agreement on Agriculture categorises three forms of domestic subsidies on the basis of their ability to distort trade. These are placed under three boxes commonly known as

Green box, Blue box and Amber box. The permissible and less trade distorting subsidies are placed in the Green box and expenses are without any limit. Examples of this type of subsidies are government expenditure on agricultural research, pest control, payments for natural disaster and so on. Subsidies provided for production limiting schemes in the developed countries are placed in the Blue box. It is permissible like the Green box; but there is limit on expenditures. The prohibited and most trade distorting subsidies are placed in the Amber box on which reduction commitments apply. The other most trade distorting Export subsidies are also the subject of reduction commitments.

Despite commitments for reduction, the developed countries continued providing high support to their farmers under many pretext; often shifting a sizable amount of amber box support towards permissible green or blue boxes.

Another legacy of the AoA is the ‘Peace Clause,’ which protects the US and EU from being challenged by other WTO members on certain subsidies that could be seen as violating of WTO rules. Since the clause expired in December 2003, members can now file suit against nations that have ‘trade distorting’ subsidies in place.

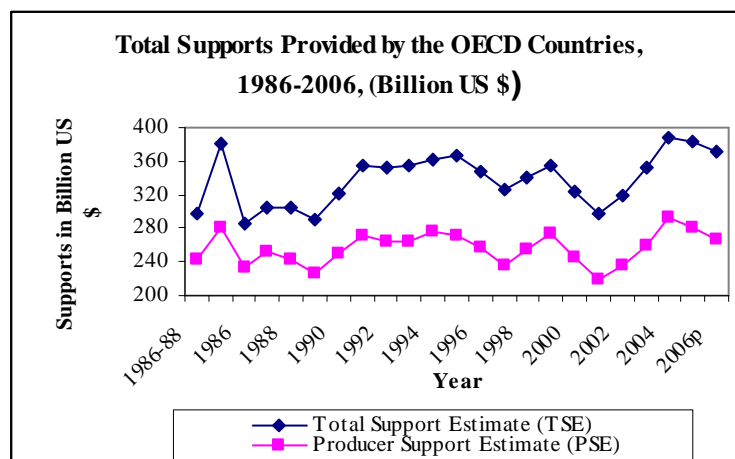
8.3 Protection of the Agriculture Sector

International trade in agriculture was not able to run in a fair way due to various types of protections provided by the developed countries. The low cost producers of the developing countries thus face enormous challenges to compete with the subsidized large farmers of the developed countries. The extent of supports provided by the different group of countries is illustrated below:

8.3.1 Domestic Support

The OECD countries total support increased from US \$ 367 billion in 1995 to US \$ 371 in 2006 and Producer Support Estimate which is mostly trade distorting and major portion of the total subsidies (more than 70%) remains stagnant during this period (Figure 8.1)

Figure 8.1



Source: OECD, PSE/CSE database 2007.

A comparison of the domestic support measures among the various group of countries shows that more than 88 percent of the green box supports and 94 percent of the domestic supports in general are provided by the industrialized countries, the corresponding figures are 11.7 and 6 percent for the developing countries and 0.10 and 0 percent the LDCs (Table 8.2). This clearly indicates how imbalanced the world trade of agriculture is. The countries where more than 50 percent of the population are dependent on agriculture are providing less than 10 percent of the support. On the other hand, countries where less than 5 percent population is involved in agriculture are providing abnormally high subsidies just to protect their big farmers. This threatens the livelihood of the millions of farmers in the developing countries.

Table 8.2: Total Domestic Support by WTO Members, 1996 (\$ million)

Country Group	Green Box	Domestic Support	Total
Industrialized Countries	139,650	114,118	253,757
Developing Countries	18,468	7,269	25,737
Least Developed Countries	112	0	112
All countries	158,230	121,387	279,617
Percentage Share (%)			
Industrialized Countries (23)	88.3	94	90.8
Developing Countries	11.7	6	9.2
Least Developed Countries	0.10	0	0

Source: South Asian Yearbook of Trade and Development, 2005, published by CENTAD

A further comparison based on the status of WTO member notifications on domestic support as of January 14, 2005 is shown in Table 8.3. As few WTO members have notified their domestic support activity for the 2002-2004 periods, the following discussion focuses on the 1995-2001 period where data are sufficient to permit valid comparisons. An analysis of Table 8.3 indicates that since 1995, WTO Members total domestic supports have gradually declined. Looking at the country specific figure, it appears that support in the US initially declined then started rising. In 2001, USA alone provided more than 38 percent of the total supports. In fact, the US added more subsidies when it passed the 2002 Farm Bill that permitted the government to increase aid to agriculture by 80%. Although the US argues that this aid falls within the WTO limit on US subsidies, other members of the WTO disagree with the US and stated that the bill violates the spirit of the Agreement on Agriculture. On the other hand, domestic supports provided by the rest of the world declined from 39.7 billion in 1995 to only 15.5 billion (8.19 percent of the total support) in 2001.

Table 8.3: Comparison of Total Domestic Support (Billion US \$), 1995-2001

Year	EU-15	United States	Japan	Rest of World	Total
Amber box (AMS)					
1995	64.4	6.2	36.8	12.2	119.2
1996	61.3	5.9	29.8	10.8	107.5
1997	56.6	6.2	25.8	10.4	99.0

1998	51.0	10.4	6.0	9.6	77.0
1999	47.6	16.9	6.7	5.4	76.7
2000	38.9	16.8	6.4	5.6	67.7
2001	35.2	14.4	5.3	3.5	58.4
De minimis					
1995	1.1	1.5	0.4	8.3	11.3
1996	0.9	1.2	0.3	3.8	6.2
1997	0.6	0.8	0.3	4.3	6.0
1998	0.4	4.8	0.6	2.8	8.6
1999	0.3	7.4	0.3	3.5	11.6
2000	0.5	7.3	0.3	3.3	11.4
2001	0.8	7.0	0.3	1.6	9.7
Blue Box					
1995	26.8	7.0	0.0	1.1	35.0
1996	25.8	0.0	0.0	1.1	27.0
1997	23.0	0.0	0.0	1.0	24.1
1998	22.4	0.0	0.0	1.0	23.5
1999	19.7	0.0	0.8	1.0	21.5
2000	19.8	0.0	0.8	0.1	21.5
2001	21.2	0.0	0.7	0.9	22.5
Green Box					
1995	24.6	46.0	32.9	26.3	129.3
1996	26.6	51.8	25.0	26.8	130.2
1997	20.5	51.3	21.6	26.0	119.4
1998	21.0	49.8	23.4	18.7	112.9
1999	19.8	49.7	24.1	14.7	108.5
2000	19.5	50.1	23.2	14.8	107.5
2001	18.5	50.7	20.4	8.8	98.3
Total					
1995	120.2	60.8	70.4	39.7	291.1
1996	121.2	58.9	55.3	31.4	266.8
1997	99.4	58.3	47.8	34.3	239.8
1998	97.3	65.0	30.4	29.2	221.9
1999	91.7	74.0	31.8	18.7	216.2
2000	80.4	74.2	31.3	16.0	201.9
2001	74.7	72.1	26.7	15.5	189.2
<i>Source: USDA/ERS, WTO database, and WTO member notifications through June 1, 2005.</i>					
<i>Conversions to U.S. dollars are by CRS and do not represent official WTO data.</i>					

In June 2003, the EU took a step towards liberalizing trade in agriculture by approving reforms to its Common Agriculture Policy (CAP). Prior to these reforms, the CAP provided European farmers with market price supports, direct payments, and rural development schemes aimed at raising the standard of living of agriculture workers, ensuring adequate food supply, and adopting measures toward environmentally sustainable farming. The reforms are geared toward severing the tie between production and farm subsidies that have been the most trade distorting, while still allowing support for the farming sector through other kinds of payments. However, the reforms also call for gradual phasing-out of all

direct payments, particularly in areas like tobacco and sugar that were previously protected under CAP.

Domestic supports are not the only way of protecting the farmers. A large number of developed countries are protecting their agriculture through export subsidies and maintaining high tariff barriers.

8.3.2 Export Subsidies and Export Restrictions

Compared to the domestic supports, the volumes of export subsidies are much lower. In 2000 the total domestic supports was US \$ 201.9 billion, while the export subsidies was only US \$ 3.21 billion, i.e. only 1.59 percent of the value of domestic support. The developed countries provide more than 90 percent of the export subsidies. Among the developed countries, EU provides about 80 percent, Switzerland accounts for about 6 percent and USA contributes about 1-2 percent of the export subsidies, while the rest of the world provides for 14 percent. It is important to note that the developed countries drastically reduced the export subsidies in 2000, one year before the final implementation of the UR Agreement.

Table:8.4 Export Subsidies by Country, 1995-2000 (US \$ million)

Country	1995	1996	1997	1998	1999	2000
EU (15 Countries)	6,496	7,470	4,857	5,989	5,854	2,517
USA	26	122	112	147	80	15
Switzerland	455	355	295	293	269	188
Norway	84	78	100	77	116	44
Rest of the World	267	228	195	162	177	443
Total	7,328	8,253	5,559	6,668	6,496	3,207

Source: Economic Research Service (ERS) calculations from WTO export subsidy notifications, <http://www.ers.usda.gov/db/wto>

Apart from the export subsidies, additional support is provided through export credits, which are not accounted for in the traditional measures of export subsidies.

OECD data indicates that wheat and flour, coarse grains, sugar, rice, dairy products, meat, eggs, wine and fruits and vegetables received substantial export subsidies. Except wines and fruits, all other items are extremely important for food security. Once the subsidies are eliminated, the exporting countries will not be able to sell those items at the present prices. The international prices of those items will obviously increase which will adversely affect the food security of the importing countries.

In the present crisis of grains many countries are imposing export restrictions under the pretext of GATT Article XI: 2(a), 1994 for the domestic food security. This measure is not used with due consideration of the food security of the importing countries in line with the provision of GATT Article XI: 2(a). Recently, India, China, Thailand and Vietnam have imposed export restrictions on food and fixed the minimum prices. The minimum is fixed at such high levels so that it would be almost impossible for the poor countries to import food for domestic consumption. This would pose further challenge to the food security of the poor countries that have limited purchasing power.

8.3.3 Tariff Protection

Tariff protection for the agricultural products in the OECD countries is much higher compared to the industrial products. The average bound tariff is 41.21 percent, but the average applied tariff is 22.67 percent. Countries like Japan, Norway, Mexico and Turkey have very high bound and applied tariffs, while Australia and New Zealand both have very low bound and applied rates. Although the USA applies low duties (6.5%) in agricultural products, its bound duties are more than 25%, thus keeping rooms for further increase of the applied duties on imports. The average discrepancy between the bound and applied rate is 18.54. Since the current negotiations have agreed to reduce tariff from bound rates, a less than 45 percent tariff cuts will not virtually affect the applied rates. Reduction of tariff from the bound rate will allow most of the countries to continue the existing applied duties to protect their agricultural sectors. The developing countries' expectation of market access for the agricultural products will thus remain a far cry unless substantial tariff cut is ensured in the negotiations.

Table 8.5: Average Tariffs for Agricultural Products, 2006, OECD Countries

Sl. No	Country	Simple		Gap between Bound and Applied Rate
		Bound (%)	Applied (%)	
1	Australia	3.4	1.2	2.20
2	Canada	16.90	17.30	-0.40
3	EC	15.40	15.10	0.30
4	Japan	28.40	24.30	4.10
5	Korea	59.30	18.20	41.10
6	Mexico	43.70	18.20	25.50
7	New Zealand	5.70	1.70	4.00
8	Norway	137.80	61.10	76.70
9	Switzerland	57.20	43.80	13.40
10	Turkey	60.10	42.00	18.10
11	USA	25.40	6.50	18.90
Simple Average		41.21	22.67	18.54

Source: World Tariff Profiles, 2006, WTO

Apart from the domestic supports, export subsidies and tariff protection, agricultural products are subjected to various kinds of arbitrary barriers. It is still a long way to address the unjustified non-tariff barriers that are generally applied in the name of Sanitary and Phyto-sanitary measures and technical standards.

If one could calculate the total supports provided in the form of domestic subsidies, export subsidies, tariff protection and the protection through the non-tariff barriers, the actual opening up of the sectors remains an illusion. The long term protection to the agricultural sector of the developed countries has driven away the low cost producers in the developing countries and LDCs. Moreover, subsidies lead to overproduction, which is often disposed off in the form of food aid that destroys the domestic capacities of the poor countries¹⁵. Thus the potentiality of the agricultural sector of the developing countries did not flourish

¹⁵ UNCTAD 2006: The Persistence of Export Subsidies.

and millions of poor small farm holders are thus deprived of ensuring their sustainable livelihood.

8.3.4 US Farm Bill

Since the United States is the largest donor of in-kind food aid, the impact of US agricultural policy is widely felt beyond their domestic producers. Specifically, the US Farm Bill aims to provide support and a safety net to their farmers, but has also often resulted in excess supply of cereal grains, which are then dumped on the global market, depressing prices for local producers in other countries. Therefore, the renewal of the US Farm Bill has implications on food production and food security worldwide. The Farm Bill, 2007 retains billions of dollars of subsidies and appears to make only modest changes from previous versions.

8.4 Doha Mandate for Negotiations on Agriculture

Negotiations on agriculture began in early 2000, under Article 20 of the WTO Agriculture Agreement. Article 20 of AOA states, “*Recognizing the long-term objective of substantial progressive reduction in support and protection resulting in fundamental reform is an ongoing process, Members agree that negotiations for continuing process will be initiated one year before the end of the implementation period (i.e. 2000).*” WTO Doha Ministerial conference in November, 2001 provided following mandates for negotiations on agriculture.

1. Substantial improvements in market access;
2. Reductions of, with a view to phasing out, all forms of export subsidies;
3. Substantial reductions in trade-distorting domestic support.
4. Special and differential treatment for developing countries shall be an integral part of all elements of the negotiations and shall be embodied in the schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development.
5. Non-trade concerns will be taken into account in the negotiations as provided for in the Agreement on Agriculture.

Following the Ministerial mandate, negotiations for further reforms began in Geneva. There was a decision to review the progress and further recommendations in the Fifth Ministerial Conference. The Cancun Ministerial Conference in September 2003 failed to adopt a formal Declaration mainly due to disagreement over further reform proposals on agriculture and negotiations on four new issues (Agreements on Trade Facilitation, Competition Policy, Government Procurement and Trade and Investment; commonly known as Singapore issues). The deadlock continued till the first half of 2004. At last a broad framework agreement was adopted by the General Council on 01 August, 2004, familiarly known as July Package.

July Framework opened the gateway for further negotiations for establishing modalities on agriculture during the next Ministerial Conference. Unfortunately, Hong Kong Ministerial Conference failed to produce agreed modalities on Agriculture. However, the conference

provided further guidelines for establishing modalities on agriculture on the basis of which the draft modalities was published on 17 July, 2007 with subsequent revisions for a number of times. The latest version of the modalities was published on 10 July, 2008.

8.5 The Main Elements of Draft Modalities

The main elements of the draft modalities are highlighted below with a view to have an idea of its overall impact on the agriculture and on the food and livelihood security of the LDCs in particular.

8.5.1 Domestic Supports Provisions in the Modalities

The modalities propose the reductions of Overall Trade Distorting Domestic Support (OTDS) in 3 bands for the developed country Members in five years by six equal instalments. A total cut of OTDS by [75-85] percent for the amount of subsidies over US\$ 60 billion, [(66)(75)] percent for the amount of subsidies ranging from US\$ 10-60 billion and by [(50)(60)] percent for the lower band below US\$ 10 billion.

It further proposes the reductions of AMS (Aggregate Measurements of Support) in 3 bands for the developed country Members. A total cut of OTDS by 70 percent for the AMS support over US\$ 40 billion, 60 percent for the AMS ranging from US\$ 15-40 billion and by 45 percent for the lower band below US\$ 15 billion.

The Developing Country Members shall reduce two-thirds of the reduction applicable for Developed Country Members and shall implement in nine equal instalments over a period of eight years.

The *De-Minimis* level (permitted trade distorting support is 5% for developed and 10% for developing countries on the value of total agricultural production separately both for product specific and non product specific) is to be reduced by no less than 50% by the developed countries in 5 equal instalments from the first day of implementation period. The developing countries with Final Bound Total AMS commitment shall reduce two thirds of the amount of developed countries.

NFDCs that include Least Developed Country Members of the WTO, shall not undertake any reduction commitments on OTDS, AMS or *de minimis*.

The criterion and availability of blue box (production limiting) supports revised with the maximum that can be provided is 2.5 % of the average total value of agricultural production during 1995-2000 base periods.

The Green Box support (supports that have ‘no’ or minimal trade distorting effects) conditions reviewed to include programmes of developing country members. Among others these include Government policies and programmes related to farmer settlement, land reform programmes, rural development and rural livelihood security, public stockholdings for food security purposes, payments for relief from natural disaster including government’s participation in crop insurance programmes and like on.

In addition, the developing country members are allowed to continue cost of transport, handling, processing, up gradation and marketing till 2021.

8.5.2 Impact of the Domestic Support Reduction

The present modalities consider all LDCs and other NFIDCs as one group in respect of making commitment and concessions. As has been mentioned earlier, the NFIDCs include WTO Members like Trinidad and Tobago having per capita income as high as US \$ 15,905 dependent mainly on tourism, oil rich Venezuela with 8,596 per capita incomes in one hand while Members like Burundi having income as low as US \$ 128 dependent mainly on agriculture on the other hand. The average per capita GDP of the LDCs is US \$ 971, while the average per capita income of other developing NFIDCs is US \$ 4,930. The other NFIDCs have high per capita income and are not dependent on agriculture for livelihood of majority of its people. Considering these two categories of countries in one group in the modality is totally unjustified which virtually ignores the vulnerable situations of the LDCs in making commitments and concessions.

As mentioned in 8.3.1, more than 88% of the green box supports and 94% of the total domestic supports in general are provided by the industrialised countries, the corresponding figures are 11.7% and 6% for the developing countries and .10 and 0 percent for the LDCs. They had never crossed the level of *De Minimis* permitted in the AOA due to lack of their financial capacity to provide such supports. Hence, the proposal for no reduction commitment by the LDCs in the area of domestic support virtually does not carry any meaning to them the inability of the LDCs to provide such supports will erode competitiveness and put their entire agriculture sector in a very disadvantage position.

The modality proposes reduction of a sizable amount of trade distorting domestic supports for the developed and the developing countries. The remaining supports that would be available to developed and developing countries is still huge in amount compared to what has been proposed for the LDCs. Apart from trade distorting support, developed country members are allowed cash support in decreasing acreage of production and number of cattle heads (Blue box support). This would otherwise mean providing incentive to their farmers to remain competitive in global trade. The modalities did not recognise this inequality & injustices to the LDCs. It failed to propose concessions and provisions to overcome the inequalities to the LDCs.

8.5.3 Market Access Provisions in the Modalities

The modalities propose the reductions of tariff in four bands by the developed country Members in five years. A total tariff cuts by 50 percent for the tariff range 0-20, by 57 percent for the tariff ranging from 20-50 percent and by [(66) (73)] percent for tariff level above 75 percent. The minimum average cut shall be 54% from the bound tariffs.

The developing country members shall reduce two-third of cuts applicable for developed country members of final bound tariffs in four bands namely 0-30%, 30-80%, 80-130% and above 130 percent. The minimum average cut shall be 54% from the bound tariffs.

Sensitive Products: Developed countries can designate up to [(4) (6)] percent of the tariff lines to be declared as Sensitive Products. Developing countries shall have the right to designate up to 1/3 more of the tariff lines as Sensitive Products. The tariff cut for the sensitive products are to be lower than the normal tariff reduction.

Special Products: In addition, the developing countries shall be entitled to self designate 10-18 percent of tariff lines as Special products. There would be no tariff cut up to 6 percent of the special products. The overall average tariff reduction will be 10-14 percent.

Special Safeguard Mechanism: The modality further proposes establishment of a Special Safeguard Mechanism (SSM) for the developing countries to protect domestic producers from import surge or price depression. The volume based SSM will be applied on the basis of rolling average of import in the preceding three-years. Tariff will be increased up to 25 percent for 110-115 percent increase of import volume, by 40 percent for 115-135 percent increase of import and by 50 percent on the volume of imports exceeding 135 percent. The remedies would not apply when the absolute level of imports is negligible in relation to domestic production and consumption. The price based SSM shall be applicable on shipment by shipment basis when the c.i.f. import price of the shipment falls below a trigger price equal to 85% of the average monthly MFN source price for that product expressed in terms of domestic currency. The above provision on triggers and remedies apply subject to the limitation that the pre-Doha bound tariff is respected as the upper limit and shall prevail as such. The LDCs may apply the maximum remedy breaching the pre-Doha bound tariff with 40 ad valorem percentage points or 40 percent of the current bound tariff, whichever is higher.

It is to be noted that recent WTO mini-ministerial meeting held in Geneva from 21-31 July, 2008 failed to reach consensus due to wide divergence of views on Special Safeguard Mechanism. There were unbridgeable differences within G7 (United States, European Union, Brazil, India, China, Japan and Australia) regarding the triggers for breaching the pre Doha bound rate, how far one can go above that rate and how often. The fundamental issues were whether Members can breach pre Doha bound rate and, if so, on what terms and conditions.

Least Developed Countries: LDCs are not required to undertake reductions in bound duties. To have better market access for their agricultural products, developed country Members and developing country Members declaring themselves in a position to do so, shall provide duty-free and quota-free market access for all products imported from LDCs. But Members facing difficulties at this time to provide 100% market access shall provide DFQF market access for at least 97% of the tariff lines.

For cotton, the draft of the modalities proposes that the developed country Members and developing country Members declaring themselves in a position to do so, shall give duty- and quota-free access for cotton exports from LDCs from the first day of the implementation period.

8.5.4 Impact of the Market Access Provisions

The defensive interest of LDCs that they are not required to undertake reductions in bound duties is not much meaningful to them. As all of them are net food importing countries, they apply duty at a very low rate on imported food items. However maintenance of bound duty will allow the LDCs to protect their domestic agriculture sector in the event of surge of imports of agricultural products.

The offensive interest of LDCs is ignored in the modality by proposing duty and quota free market access of 97% of the products instead 100 percent. LDCs have limited number of

exportable agricultural products. There is thus room for denying duty-free and quota-free (DFQF) market access of the crucial exportable items of LDCs by including them in the remaining 3% of the tariff lines. Apart from this, the obligation of providing DFQF market access of the LDCs products is conditional. It can be denied if any developing country members that are at similar level of development faces difficulties due to according such preferential market access to LDCs. It is an ugly attempt of denying preferential market access of LDCs products and creating division among the poor people of the developing countries. Such provision is totally against the long established classification of WTO Memberships. The modality thus denies the demand of DFQF market access by the LDCs.

The modalities allows for designating a substantial part of the tariff lines of the developed and developing countries as Sensitive Products and a good number of tariff lines of the developing countries as Special Products on which deviation from formula reduction of tariff would be permissible. Such protection will further restrict market access of LDCs agricultural products in the developed and developing countries in the normal course of business.

8.5.5: Export Competition Provisions in the Modalities

The draft modalities proposes complete elimination by the developed country Members of their remaining scheduled export subsidy entitlements by the end of 2013. Developing country Members shall reduce their entitlements to zero in equal instalments by the end of 2016.

The developing country members shall continue to benefit from the provision of Article 9.4 of AOA (subsidies to reduce cost of internal transport and freight charges on export shipments) until the end of 2021.

The Modalities proposes maximum repayment period of 180 days for export financing support with flexibilities for LDCs and NFIDCs comprising allowance for a repayment terms between 360 and 542 days for acquisition of basic food stuffs.

Rules and disciplines on food aid (cash or in kind) has been revised to meet food needs in emergency situations in the ambit of safe box as well genuine in kind food aid in non emergency situations outside the safe box. This has been done with a view to avoid commercial displacement.

8.5.6 Impact of the Export Subsidies Reduction Commitment

Export subsidies is insignificant portion of the total supports, hence it would not significantly contribute to import price increase. However, the longer duration of export credit may adversely affect the import of basic food stuffs during food crisis. The exporters in a free market economy will be unwilling to sell the food items for longer repayment period; will look for the buyers who can repay the credit within a shorter period of time. Further food aid has insignificant contribution in meeting the food security of the LDCs as discussed in Chapter in VI and VII.

8.6 *WTO Negotiations on Agriculture and Bangladesh's Concerns*

In the current Doha Round of WTO negotiations, Bangladesh and other LDCs have been proposed exempt from undertaking any commitment for reduction of tariff and subsidy. Apparently anyone would feel comfortable with the proposal. But the real scenario is

somewhat different. The country had never provided support and subsidies to its farmers crossing the limit allowable in the agreement. In fact it does not have the capacity to provide subsidies that are permissible in the agreement.

The negotiators of Bangladesh were prudent to bound duties of most of the agriculture products at 200% during Uruguay Round of negotiations. This otherwise permitted Bangladesh to impose import duty up to 200% on imported agricultural products. In practice Bangladesh could never use this flexibility to protect the domestic producers. The country's average applied duties is only 12.24 percent at present, down from 47.4 percent in 1992-03. The constant pressures from donors, particularly World bank and IMF compelled Bangladesh to cut tariff on imported agricultural commodities and minimise the scant subsidy provided to the growers. This has not only reduced the sources of revenue earnings, it has reduced the competitiveness of the farmers *vis a vis* the imported subsidized agricultural products. The farmers were forced to leave agriculture and involved in other economic activities or to remain unemployed. Like all other developing countries, the ill subsidy practice of developed world has destroyed the country's potential agricultural base and it has gradually become import dependent for almost all food items.

In this present round of negotiations, there is mandate to reduce high subsidies provided mostly by the developed countries. The reduction subsidy will obviously result increase in global food prices. As a Net Food Importing Least Developed Country, the increase of food import bill will deteriorate the country's balance of payment positions, increase the domestic price level and exert inflation in the domestic economy. In fact, Bangladesh is facing enormous pressure on balance of payments due high import bill of cereals. The prospect and full potential of agriculture of Bangladesh remains unexplored due to limited infrastructural facilities, poor linkages with the market, high input cost, lack of availability of fertilizer and seeds in due time and often frequent natural disasters. The country thus needs support to improve its agricultural productivity to attain food and lively security of its people which it cannot provide from the domestic resources.

CHAPTER IX RECOMMENDATIONS

The analysis and discussions in the previous chapters reveals that the WTO Agreement on Agriculture (AOA) is highly imbalance and heavily tilted towards the developed countries at the expense of the poor farmers of the developing countries. It failed to ensure food and livelihood securities of the poor people of the developing countries, particularly in the LDCs. The draft modalities of negotiations circulated on the basis of WTO Hong-Kong Ministerial Conference did not recognise the special difficulties faced by the LDCs. It did not incorporate specific provisions that are needed to boost up the agriculture sector of the LDCs. The proposed modalities that would be translated into agreement would lead the LDCs in more uncomfortable position and further marginalise them in the global trade.

In the above context, a set of recommendations are proposed below. It is expected that the WTO and other international organization dealing with agriculture would incorporate these recommendation in their current development agenda so that the poor people of the globe would have enough opportunity to ensure their food security and livelihood security.

9.1: Recommendations for establishing modalities of negotiations in Agriculture for LDCs in the WTO

- The present modalities considered all LDCs and a number of developing countries in the group of NFIDCs. The problems and prospects of agriculture of the LDCs are quite different than the other group of WTO Memberships. The LDCs should thus get separate treatment in the modalities.
- A preferential access to market is the key to develop any sector in the LDCs. For example, the duty and quota free access to the market granted by the EU, availability of quota in the US market under MFA helped Bangladesh to grow its garments sector. Similarly a firm commitment of DFQF market access of all agricultural products of the LDCs by the developed and the advanced developing countries will boost up their agriculture sector. Considering the economic and social vulnerabilities of the LDCs, such commitment must be made before the end of 2008.
- To protect the livelihood of small and marginal farmers of the LDCs, the agriculture sector needs to be reconstructed totally. The sector needs investment for developing agriculture infrastructure, credit facilities, insurance coverage, cancellation of debt in the event of crop failure, input subsidies, cash support and so on. The weak financial capacity of the LDCs does not permit them to provide the much needed support. The ill subsidy practices of the developed countries have destroyed the agriculture base of the LDCs. It is the responsibility of the developed countries to provide the needed support to the LDCs as a compensation of their long term unfair trade practices. The developed countries should be asked to create a compensatory fund to reconstruct agriculture sector of the LDCs.
- The needed supports in some cases are permissible in the agreement on agriculture. In general, there is limit (up to 10 percent of the total value of agricultural production in a year) of domestic supports. Subsidies beyond that limit are considered trade distorting. In other words, the needed supports may not be covered

in the agreement. The agreement on agriculture should not and must not stand on the way of providing any kind of support to the poor farmers of the LDCs. They should be allowed to provide whatever subsidies and support they need to develop their agriculture.

- In the WTO agreement, there is obligation on the part of the developed countries to provide trade related support to the LDCs. Trade capacity building support programmes are now implemented through Integrated Framework (IF) and Aid for Trade. However the allocation of fund is meagre and the process of disbursement from is very cumbersome. The proposed compensatory fund for rehabilitation of LDCs' agriculture must be fully in the grant form, free from encumbrances and easy for disbursement.
- There is commitment by the developed countries in the Decision of NFIDCs to provide technological supports to improve agricultural productivity of the LDCs. There is hardly any evidence of providing such supports in a fruitful manner. A mandatory provision in the agreement should be included with a view to providing meaningful technologies to the LDCs as according to their individual requirements.
- A number of food exporting countries are imposing export restriction on food items under Article 12 of AOA and Article XI:2(a) of GATT with the aim of controlling the global food business. A new rules and disciplines on export restrictions is urgently needed for preventing circumvention of the provision. It should also have provision for continuing food exports to the LDCs at affordable prices even during the period of critical shortages.

9.2 Recommendations for food security

Food security is an integral component of the Agreement on Agriculture. In order to ensure food security, the Decision on NFIDCs has to be made effective considering the following issues.

- All NFIDCs are not economically and socially equal. LDCs are more vulnerable as they have limited capacity to purchase food from the global market. The problems of food security of the LDCs must be treated separately;
- FAO/WFP and WTO follows their own definitions in identifying the food deficit countries. This often creates confusions in identifying the real needs and priorities. A common definition of food deficit countries are to be used which would not only take into account the trade flows but also consider the affordability of the countries in purchasing food from the competitive global market.
- The negotiations on agriculture totally ignore the food security and livelihood security. The food security and livelihood security are now vested on market forces where the play grounds are highly skewed in favour of the rich countries. Thus the whole agreement is needed to be reviewed from perspectives of food security.
- It is important to identify the products where LDCs still have comparative advantages. They must be supported to develop their agricultural base, utilize their

potentialities and improve their productivities for regaining their comparative advantages.

- Food security can best be achieved through domestic production. LDCs should be assisted to build up their own capacities for ensuring sustainable food supplies and developing their agricultural systems. There should have provisions in the AOA for achieving food sovereignty, encouraging the development of local markets, supporting sustainable small-scale farming, safeguarding local production from dumping and implementing genuine agrarian reforms;
- Food aid contributes a very insignificant portion of food requirements. Thus disciplining of food aid cannot alone solve the problem of food security of the NFIDCs. Moreover, WTO is not the forum for dealing with food aid. The food aid needs and delivery must be entrusted on the FAO. There should be a strong monitoring mechanism to determine the needs of food aid for ensuring food security. Food aid commitment must be assessed independently. Developed countries should provide food aid on the basis of independent assessment jointly undertaken by the recipient countries, donor communities and the FAO/WFP.

9.3 Agenda for Campaigning Sustainable Rural Livelihood (CSRL)

- Food is a human right and inclusion of food as part of global trade negotiations means negotiations with human life. Food security must be placed in the top of any development agenda and must not be diluted under any pre-text of negotiations.
- Bio-fuel is a global threat for food security. It is a crime against humanity. Production of bio-fuels using cereal must be stopped unless and until the producing countries could ensure that all human beings have sufficient food for survival.
- Global warming is a threat for sustainable agriculture of the poor countries. An independent assessment is needed to analyse the real impact of global warming on the food security of the LDCs. It should also identify the various agents responsible for the climate change. Agencies involved should compensate to the extent they are responsible for threatening food security of the poor countries.

9.4 Conclusion

During the Uruguay Round of trade negotiations, the Decision of NFIDCs was taken based on mere apprehension of food shortages of the LDCs and a number of developing countries. The actual problems that the LDCs are currently facing are much more acute than it was presumed. Food and livelihood securities of the rural people of the LDCs are now threatened due to long term ill agricultural and trade practices of the rich countries. This cannot be addressed within the framework of the proposed Draft Modalities. A separate Decision thus needs to be adopted; which would address the needs and priorities of the LDCs for developing their agricultural base and ensuring their food and livelihood securities.

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Appendices

Countries in Food Crisis Requiring External Assistance (Total: 37 Countries)**Part: I****AFRICA (21 countries)*****Exceptional shortfall in aggregate food production/supplies***

Lesotho	Multiple year droughts until last season
Somalia	Conflict, adverse weather
Swaziland	Multiple year droughts until last season
Zimbabwe	Deepening economic crisis, drought last season, recent floods

Widespread lack of access

Eritrea	IDPs, economic constraints
Liberia	Post-conflict recovery period
Mauritania	Several years of drought
Sierra Leone	Post-conflict recovery period

Severe localized food insecurity

Burundi	Civil strife, IDPs and returnees
Central African Republic	Refugees, insecurity in parts
Chad	Refugees, conflict
Congo, Democratic Republic of	Civil strife, returnees
Congo, Republic of	IDPs
Côte d'Ivoire	Civil strife
Ethiopia	Insecurity in parts, localized crop failure
Ghana	Drought and floods
Guinea	Refugees
Guinea-Bissau	Localized insecurity
Kenya	Civil strife, adverse weather
Sudan	Civil strife
Uganda	Civil strife in the north, localized crop failure

ASIA (10 countries)***Exceptional shortfall in aggregate food production/supplies***

Iraq	Conflict and insecurity
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Widespread lack of access

Afghanistan	Conflict and insecurity
Korea, Dem. People's Rep. of	Economic constraints and effects of past floods

Severe localized food insecurity

Bangladesh	Past floods and cyclone, avian influenza
China	Disastrous cold, ice and snow in the south
Nepal	Poor market access, conflict and past floods
Sri Lanka	Conflict and floods
Tajikistan	Severe cold, floods/landslides, poor market access
Timor-Leste	IDPs, past drought and floods
Viet Nam	Cold spell in the north

LATIN AMERICA (5 countries)

Severe localized food insecurity

Bolivia	Floods
Dominican Republic	Past floods
Ecuador	Floods
Haiti	Past floods
Nicaragua	Past floods

EUROPE (1 country)

Exceptional shortfall in aggregate food production/supplies

Moldova	Drought, limited access to inputs for winter cropping
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Part II

Countries with Unfavourable Prospects for Current Crops

AFRICA	
Ethiopia	Insufficient rainfall
Kenya	Insufficient rainfall
Somalia	Adverse weather, conflicts
Zimbabwe	Early Floods and late dry spells in parts, shortage of inputs

Millennium Development Goals and Targets

Goals	Targets
1. Eradicate extreme poverty and hunger	1. Halve the proportion of people whose income is less than one dollar a day by 2015 2. Halve the proportion of people who suffer from hunger by 2015
2. Achieve universal primary education	3. Make sure that all boys and girls are able to complete a full course of primary schooling by 2015
3. Promote gender equality and empower women	4. Get rid of gender differences in primary and secondary education by 2005
4. Reduce child mortality	5. Reduce the number of under-five children who die by two thirds by 2015
5. Improve maternal health	6. Reduce the maternal mortality ratio by three quarters by 2015
6. Combat HIV/AIDS, malaria and other diseases	7. Halt and begin to reverse the spread of HIV/AIDS by 2015 8. Halt and begin to reverse the spread of malaria and other major diseases by 2015
7. Ensure environmental sustainability	9. Integrate the principles of sustainable development into country policies and programmes; reverse loss of environmental resources by 2015 10. Halve the proportion of people without sustainable access to safe drinking water by 2015 11. Make a significant improvement in the lives of at least 100 million slum dwellers by 2020
8. Develop a global partnership for development	12. Develop further an open trading and financial system that is rule-based, predictable and non-discriminatory. Includes a commitment to good governance, development and poverty reduction—nationally and internationally 13. Address the least developed countries' special needs. This includes tariff- and quota-free access for their exports; enhanced debt relief for heavily indebted poor countries; cancellation of official bilateral debt; and more generous official development assistance for countries committed to poverty reduction 14. Address the special needs of landlocked and small island developing States 15. Deal comprehensively with developing countries' debt problems through national and international measures to make debt sustainable in the long term 16. In cooperation with the developing countries, develop

	<p>decent and productive work for youth</p> <ol style="list-style-type: none">17. In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries18. In cooperation with the private sector, make available the benefits of new technologies—especially information and communications technologies
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List of Net Food Importing Developing Countries (NFIDCs)

WORLD TRADE

ORGANIZATION

G/AG/5/Rev.8

22 March 2005

(05-1201)

Committee on Agriculture

**WTO LIST OF NET FOOD-IMPORTING DEVELOPING COUNTRIES FOR
THE PURPOSES OF THE MARRAKESH MINISTERIAL DECISION ON
MEASURES CONCERNING THE POSSIBLE NEGATIVE EFFECTS OF THE
REFORM PROGRAMME ON LEAST-DEVELOPED AND NET FOOD-
IMPORTING DEVELOPING COUNTRIES
("THE DECISION")**

Revision

The following is the WTO list of developing countries eligible as beneficiaries in respect of the measures provided for within the framework of the Decision, revised to include Mongolia as decided at the Meeting of the Committee on Agriculture on 16 March 2005:

- (a) least-developed countries as recognized by the Economic and Social Council of the United Nations*; plus
- (b) Barbados, Botswana, Côte d'Ivoire, Cuba, Dominica, Dominican Republic, Egypt, Gabon, Honduras, Jamaica, Jordan, Kenya, Mauritius, Mongolia, Morocco, Namibia, Pakistan, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sri Lanka, Trinidad and Tobago, Tunisia and Venezuela.¹⁶

***LDCs (total 49)** - Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Cape Verde, Central African Republic, Chad, Comoros, Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea - Bissau, Haiti, Kiribati, Laos, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Sierra Leone, Solomon Islands, Somalia, Sudan, Tanzania, Togo, Tuvalu, Uganda, Vanuatu, Yemen, Zambia.

¹⁶ The statistical data accompanying the notifications in line with paragraph 2 of G/AG/3 can be consulted at the Agriculture and Commodities Division of the WTO Secretariat.

List of Low-income Food Deficit Countries (LIFDCs)

Africa	NFIDCs	Asia	NFIDCs	Europe	NFIDCs
Angola	Yes	Armenia	No	Albania	No
Benin	Yes	Azerbaijan	No	Belarus	No
Burkina Faso	Yes	Bangladesh	Yes	Bosnia and Herzegovina	No
Burundi	Yes	Bhutan	Yes	Latin America and the Caribbean	
Cameroon	No	Cambodia	Yes	Ecuador	No
Cape Verde	Yes	China	No	Haiti	Yes
Central African Republic	Yes	Georgia	No	Honduras	Yes
Chad	Yes	India	No	Nicaragua	No
Comoros	Yes	Indonesia	No	Near East	
Congo	Yes	Democratic People's Republic of Korea	No	Afghanistan	Yes
Côte d'Ivoire	Yes	Kyrgyzstan	No	Djibouti	Yes
Democratic Republic of the Congo	Yes	Lao People's Democratic Republic	Yes	Egypt	Yes
Equatorial Guinea	Yes	Mongolia	Yes	Iraq	No
Eritrea	Yes	Nepal	Yes	Somalia	Yes
Ethiopia	Yes	Pakistan	Yes	Sudan	Yes
Gambia	Yes	Philippines	No	Syrian Arab Republic	No
Ghana	No	Sri Lanka	Yes	Yemen	Yes
Guinea	Yes	Timor-Leste	Yes		
Guinea-Bissau	Yes	Tajikistan	No		
Kenya	Yes	Turkmenistan	No		
Lesotho	Yes	Uzbekistan	No		
Liberia	Yes	Oceania			
Madagascar	Yes	Kiribati	Yes		
Malawi	Yes	Papua New Guinea	No		
Mali	Yes	Tonga	No		
Mauritania	Yes	Tuvalu	Yes		
Morocco	Yes	Vanuatu	Yes		
Mozambique	Yes	Solomon	Yes		

		<u>Islands</u>			
<u>Niger</u>	Yes				
<u>Nigeria</u>	No				
<u>Rwanda</u>	Yes				
<u>Sao Tome and Principe</u>	Yes				
<u>Senegal</u>	Yes				
<u>Sierra Leone</u>	Yes				
<u>Swaziland</u>	No				
<u>Togo</u>	Yes				
<u>Uganda</u>	Yes				
<u>United Republic of Tanzania</u>	Yes				
<u>Zambia</u>	Yes				
<u>Zimbabwe</u>	No				
Sub-total	35		13		8
Total	56				

Source: Food and Agriculture Organization (FAO)

Appendix 5

UNCTAD List of 31 Land-locked Developing Countries (LLDCs)
List informally accepted by UN member States on geographical grounds.

	Afghanistan -NFIDCs		Malawi-NFIDCs
	Armenia		Mali-NFIDCs
	Azerbaijan		Moldova (Rep. of)
	Bhutan-NFIDCs		Mongolia-NFIDCs
	Bolivia		Nepal-NFIDCs
	Botswana-NFIDCs		Niger-NFIDCs
	Burkina Faso-NFIDCs		Paraguay
	Burundi-NFIDCs		Rwanda-NFIDCs
	Central African Republic-NFIDCs		Swaziland
	Chad-NFIDCs		Tajikistan
	Ethiopia-NFIDCs		Turkmenistan
	Kazakhstan		Uganda-NFIDCs
	Kyrgyzstan		Uzbekistan
	Lao People's Democratic Republic-NFIDCs		Zambia-NFIDCs
	Lesotho-NFIDCs		Zimbabwe
	Macedonia (Former Yugoslav Rep. of)		

**Among the 31 LLDCs 18 are NFIDCs*

Source: UNCTAD Website

UNCTAD’s Unofficial list of Small Island Developing States (SIDS)

The UN never established criteria to determine an official list of SIDS. This unofficial list is used by UNCTAD for analytical purposes only. (Individual statistical profiles for the 10 SIDS that are also LDCs are available in PDF format)

 Antigua and Barbuda	 Palau
 Bahamas	 Papua New Guinea
 Barbados-NFIDCs	 Samoa-NFIDCs
 Cape Verde-NFIDCs	 Sao Tome and Principe-NFIDCs
 Comoros	 Seychelles
 Dominica-NFIDCs	 Solomon Islands-NFIDCs
 Fiji	 St. Kitts and Nevis-NFIDCs
 Grenada	 St. Lucia-NFIDCs
 Jamaica-NFIDCs	 St. Vincent and the Grenadines-NFIDCs
 Kiribati-NFIDCs	 Timor-Leste-NFIDCs
 Maldives-NFIDCs	 Tonga
 Marshall Islands	 Trinidad and Tobago-NFIDCs
 Micronesia (Federated States of)	 Tuvalu-NFIDCs
 Mauritius-NFIDCs	 Vanuatu-NFIDCs
 Nauru	

- *Out of 29 SIDS 17 are NFIDCs*
Source: UNCTAD Website

Per Capita Income of the LDCs and NFIDCs, 2006

Sl. #	Country	Rank	Per Capita Income (US \$)
1	Afghanistan	168	323
2	Angola	88	3,757
3	Bangladesh	157	455
4	Benin	145	692
5	Bhutan	112	2,012
6	Burkina Faso	155	508
7	Burundi	178	128
8	Cambodia	152	600
9	Cape Verde	100	2,891
10	Central African Republic	162	402
11	Chad	142	747
12	Comoros	146	691
13	Democratic Republic of the Congo	177	166
14	Djibouti	127	1,099
15	Equatorial Guinea	55	8,702
16	Eritrea	171	281
17	Ethiopia	173	252
18	Gambia		
19	Guinea-Bissau	175	206
20	Guinea	156	473
21	Haiti	151	630
22	Kiribati	147	686
23	Laos	150	656
24	Lesotho	149	665
25	Liberia	176	195
26	Madagascar	159	431
27	Malawi	172	264
28	Maldives	99	3,040
29	Mali	154	517
30	Mauritania	134	931
31	Mozambique	165	369
32	Myanmar	174	235
33	Nepal	163	400
34	Niger	169	313
35	Rwanda	167	353
36	Samoa	111	2,101
37	São Tomé and Príncipe	138	881
38	Senegal	136	910
39	Sierra Leone	170	290
40	Solomon Islands	144	704

Sl. #	Country	Rank	Per Capita Income (US \$)
41	Somalia	—	N/A
42	Sudan	125	1,242
43	Timor-Leste	158	440
44	Togo	164	387
45	Tuvalu		
46	Tanzania	160	415
47	Uganda	166	363
48	Vanuatu	113	1,989
49	Yemen	132	972
50	Zambia	135	918
	Average for LDCs		971.96
1	Barbados	44	13,605
2	Botswana	59	7,888
3	Côte d'Ivoire	129	1,045
4	Cuba		
5	Dominica	80	4,333
6	Dominican Republic	83	4,147
7	Egypt	117	1,739
8	Gabon	60	7,887
9	Honduras	118	1,635
10	Jamaica	81	4,172
11	Jordan	102	2,795
12	Kenya	139	845
13	Mauritius	74	5,520
14	Mongolia	121	1,486
15	Morocco	106	2,389
16	Namibia	94	3,584
17	Pakistan	137	909
18	Peru	86	3,886
19	Saint Kitts and Nevis	50	10,143
20	Saint Lucia	71	5,689
21	Saint Vincent and the Grenadines	75	5,229
22	Sri Lanka	120	1,506
23	Trinidad and Tobago	38	15,905
24	Tunisia	95	3,398
25	Venezuela	56	8,596
	Average for Other NFIDCs		4,930
	Average for NFIDCs		2,951

Source: Extracted and compiles from the website of Phrasebase, 2007

Dietary Energy Supply (DES): kcal/person/day

	Country	DES kcal/person/day		Change
		1990-92	2001-03	
1	Afghanistan			
2	Angola	1780	2070	290
3	Bangladesh	2070	2200	130
4	Benin	2330	2530	200
5	Bhutan			0
6	Burkina Faso	2350	2460	110
7	Burundi	1900	1640	-260
8	Cambodia	1860	2060	200
9	Cape Verde			0
10	Central African Republic	1860	1940	80
11	Chad	1780	2160	380
12	Comoros			0
13	Democratic Republic of the Congo	2170	1610	-560
14	Djibouti			0
15	Equatorial Guinea			0
16	Eritrea	1550	1520	-30
17	Ethiopia	1550	1860	310
18	Gambia	2370	2280	-90
19	Guinea-Bissau			0
20	Guinea	2110	2420	310
21	Haiti	1780	2090	310
22	Kiribati			0
23	Laos	2110	2320	210
24	Lesotho	2440	2620	180
25	Liberia	2210	1940	-270
26	Madagascar	2080	2040	-40
27	Malawi	1880	2140	260
28	Maldives			0
29	Mali	2220	2220	0
30	Mauritania	2560	2780	220
31	Mozambique	1730	2070	340
32	Myanmar	2630	2900	270
33	Nepal	2340	2450	110
34	Niger	2020	2160	140
35	Rwanda	1950	2070	120
36	Samoa			0
37	São Tomé and Príncipe			0
38	Senegal	2280	2310	30
39	Sierra Leone	1990	1930	-60
40	Solomon Islands			0

	Country	DES kcal/person/day		Change
		1990-92	2001-03	
41	Somalia			0
42	Sudan	2170	2260	90
43	Timor-Leste			0
44	Togo	2150	2320	170
45	Tuvalu			0
46	Tanzania	2050	1960	-90
47	Uganda	2270	2380	110
48	Vanuatu			0
49	Yemen	2040	2020	-20
50	Zambia	1930	1930	0
	Average for LDCs	2074	2166	93
1	Barbados			0
2	Botswana	2260	2180	-80
3	Côte d'Ivoire	2470	2630	160
4	Cuba	2720	3190	470
5	Dominica			0
6	Dominican Republic	2260	2290	30
7	Egypt	3200	3350	150
8	Gabon	2450	2870	420
9	Honduras	2310	2360	50
10	Jamaica	2500	2680	180
11	Jordan	2820	2680	-140
12	Kenya	1980	2150	170
13	Mauritius	2890	2960	70
14	Mongolia	2060	2250	190
15	Morocco	3030	3070	40
16	Namibia	2070	2260	190
17	Pakistan	2300	2340	40
18	Peru	1960	2570	610
19	Saint Kitts and Nevis			0
20	Saint Lucia			0
21	Saint Vincent and the Grenadines			0
22	Sri Lanka	2230	2390	160
23	Trinidad and Tobago	2630	2760	130
24	Tunisia	3150	3250	100
25	Venezuela	2460	2350	-110
	Average for Other NFIDCs	2488	2629	141
	Average for NFIDCs	2281	2398	117

Contribution of the Agriculture sector to GDP in LDCs and NFIDCs

SI #	Country	GDP contribution of the agriculture sector (%)
1	<u>Afghanistan</u>	38.00
2	<u>Angola</u>	9.60
3	<u>Bangladesh</u>	19.90
4	<u>Benin</u>	31.60
5	<u>Bhutan</u>	45.00
6	<u>Cambodia</u>	35.00
7	<u>Cape Verde</u>	12.10
8	<u>Central African Republic</u>	55.00
9	<u>Chad</u>	23.70
10	<u>Comoros</u>	40.00
11	<u>Congo Democratic Republic</u>	55.00
12	<u>Congo Republic</u>	6.70
13	<u>Djibouti</u>	3.00
14	<u>East Timor</u>	25.40
15	<u>Equatorial Guinea</u>	20.00
16	<u>Eritrea</u>	17.00
17	<u>Ethiopia</u>	52.30
18	<u>Gambia</u>	21.00
19	<u>Guinea</u>	24.00
20	<u>Guinea Bissau</u>	54.00
21	<u>Haiti</u>	28.00
22	<u>Kiribati</u>	8.90
23	<u>Laos</u>	45.50
24	<u>Lesotho</u>	18.00
25	<u>Liberia</u>	60.00
26	<u>Madagascar</u>	34.00
27	<u>Malawi</u>	40.00
28	<u>Maldives</u>	20.00
29	<u>Mali</u>	45.00
30	<u>Mauritania</u>	25.00
31	<u>Mozambique</u>	33.00
32	<u>Myanmar</u>	56.40
33	<u>Nepal</u>	38.00
34	<u>Niger</u>	41.00
35	<u>Rwanda</u>	46.00
36	<u>Sao Tome and Principe</u>	25.00
37	<u>Senegal</u>	18.50

SI #	Country	GDP contribution of the agriculture sector (%)
38	<u>Sierra Leone</u>	43.00
39	<u>Solomon Islands</u>	42.00
40	<u>Somalia</u>	65.00
41	<u>Sudan</u>	43.00
42	<u>Tanzania</u>	48.40
43	<u>Togo</u>	42.00
44	<u>Tuvalu</u>	16.60
45	<u>Uganda</u>	44.00
46	<u>Vanuatu</u>	26.00
47	<u>Yemen</u>	13.50
48	<u>Zambia</u>	24.00
<i>Average For The Ldcs</i>		32.77
<i>Other Developing Nfidcs</i>		
1	<u>Barbados</u>	6.00
2	<u>Botswana</u>	2.40
3	<u>Cote D Ivoire</u>	27.70
4	<u>Cuba</u>	5.50
5	<u>Dominica</u>	17.70
6	<u>Dominican Republic</u>	11.20
7	<u>Egypt</u>	14.00
8	<u>Gabon</u>	10.00
9	<u>Honduras</u>	
10	<u>Jamaica</u>	7.00
11	<u>Jordan</u>	5.00
12	<u>Kenya</u>	24.00
13	<u>Mauritius</u>	6.00
14	<u>Mongolia</u>	20.60
15	<u>Morocco</u>	15.00
16	<u>Namibia</u>	11.00
17	<u>Pakistan</u>	21.60
18	<u>Peru</u>	8.00
19	<u>Saint Kitts and Nevis</u>	3.50
20	<u>Saint Lucia</u>	7.00
21	<u>Saint Vincent and the Grenadines</u>	10.00
22	<u>Sri Lanka</u>	17.80
23	<u>Trinidad and Tobago</u>	0.70
24	<u>Tunisia</u>	13.00
25	<u>Venezuela</u>	
Total For Other Nfidcs		11.51
<i>Source: www.Phrasebase.Com</i>		

Appendix 10

Agriculture Export and Import by Bangladesh, 1980-2005 (million US \$)

Year	Total Agri Product			Food			Non-food/cash crop		
	Export	Import	Balance	Export	Import	Balance	Export	Import	Balance
1980	231	585	-354	92	468	-376	139	117	22
1981	212	489	-277	104	364	-260	108	125	-17
1982	239	546	-307	134	452	-318	105	94	11
1983	274	410	-136	152	300	-148	122	110	12
1984	311	732	-421	168	592	-424	143	140	3
1985	304	712	-408	174	587	-413	130	125	5
1986	310	459	-149	208	384	-176	102	75	27
1987	301	855	-554	204	770	-566	97	85	12
1988	368	476	-108	207	446	-239	161	30	131
1989	327	830	-503	238	713	-475	89	117	-28
1990	329	835	-506	223	650	-427	106	185	-79
1991	305	677	-372	214	544	-330	91	133	-42
1992	306	767	-461	214	633	-419	92	134	-42
1993	340	731	-391	267	652	-385	73	79	-6
1994	387	785	-398	338	504	-166	49	281	-232
1995	446	1124	-678	356	941	-585	90	183	-93
1996	432	1328	-896	357	1060	-703	75	268	-193
1997	442	1505	-1063	336	1144	-808	106	361	-255
1998	452	1451	-999	366	1073	-707	86	378	-292
1999	386	2215	-1829	336	1813	-1477	50	402	-352
2000	498	1716	-1218	418	1254	-836	80	462	-382
2001	380	1917	-1537	327	1398	-1071	53	519	-466
2002	426	1908	-1482	370	1387	-1017	56	521	-465
2003	431	2660	-2229	371	1918	-1547	60	742	-682
2004	615	2693	-2078	511	1747	-1236	104	946	-842
2005	726	2709	-1983	572	1911	-1339	154	798	-644

Source: WTO Statistics Data Base, 2006

Role of Food Aid in Total Consumption

Share (%) of food aid in total consumption				
Sl #	Country	1990-1992	1993-1995	2001-2003
1	Afghanistan			
2	Angola	7.4		8.8
3	Bangladesh	4.3		1.3
4	Benin	1.1		1.0
5	Bhutan			
6	Burkina Faso	2.5		1.0
7	Burundi	0.3		5.4
8	Cambodia	2.3		1.4
9	Cape Verde			
10	Central African Republic	0.6		0.8
11	Chad	2.8		1.0
12	Comoros	5.0		0.0
13	Congo, Dem Republic of	1.0		0.9
14	Djibouti	13.1		8.3
15	Eq Guinea			
16	Eritrea		33.0	45.7
17	Ethiopia		6.5	6.8
18	Gambia	5.3		2.6
19	Guinea	1.7		2.1
20	Guinea-Bissau	4.1		3.7
21	Haiti	8.0		7.6
22	Kiribati	0.0		0.0
23	Laos	1.0		1.4
24	Lesotho	7.4		5.0
25	Liberia	30.1		7.2
26	Madagascar	1.8		1.7
27	Malawi	14.8		3.4
28	Maldives	5.0		6.0
29	Mali	1.4		0.3
30	Mauritania	11.3		6.4
31	Mozambique	25.2		5.6
32	Myanmar	0.0		0.0
33	Nepal	0.1		0.1
34	Niger	2.6		1.1
35	Rwanda	2.1		4.0
36	Samoa	0.0		0.0
37	Sao Tome and Principe	35.3		9.8
38	Senegal	3.1		0.8
39	Sierra Leone	4.8		7.2
40	Solomon Is	0.0		0.0
41	Somalia			
42	Sudan	9.3		2.1

Share (%) of food aid in total consumption				
Sl #	Country	1990-1992	1993-1995	2001-2003
43	Tanzania, United Rep of	0.2		1.4
44	Timor-Leste	0.0		0.8
45	Togo	2.1		0.3
46	Tuvalu			
47	Uganda	0.9		1.6
48	Vanuatu	0.0		0.0
49	Yemen	3.4		3.9
50	Zambia	12.7		3.1
LDCs Total		5.57	19.75	3.90
Other NFIDCs				
1	Barbados	0.0		0.0
2	Botswana	1.7		0.0
3	Côte d'Ivoire	1.3		0.3
4	Cuba	0.1		0.3
5	Dominica	11.3		0.0
6	Dominican Republic	2.4		2.0
7	Egypt	7.4		0.1
8	Gabon	0.0		0.0
9	Honduras	9.7		3.2
10	Jamaica	40.0		1.0
11	Kenya	3.0		2.6
12	Mauritius	2.5		0.0
13	Mongolia	2.4		6.4
14	Morocco	4.3		0.5
15	Namibia	3.9		3.6
16	Pakistan	1.6		0.8
17	Peru	10.5		3.5
18	Sri Lanka	7.1		1.7
19	Saint Kitts and Nevis	0.0		0.0
20	Saint Lucia	0.0		0.0
21	Saint Vincent/Grenadines	0.0		0.0
22	Tunisia	7.5		0.0
23	Venezuela	0.0		0.0
Other NFIDCs Total		5.1		1.1
NFIDCs Total		5.32	9.88	2.52
<i>Source: FAO Statistics Division.</i>				

Note: Contribution of food aid shipments (cereals and non-cereal products) in total food consumption. Data on food aid in tonnes are converted in kilocalories using conversion factors by commodities in order to calculate the share of the food aid in the total Dietary Energy Supply.

Decision on measures concerning the possible negative effects of the reform programme on least-developed and net food-importing developing countries

1. *Ministers recognize* that the progressive implementation of the results of the Uruguay Round as a whole will generate increasing opportunities for trade expansion and economic growth to the benefit of all participants.
2. *Ministers recognize* that during the reform programme leading to greater liberalization of trade in agriculture least-developed and net food-importing developing countries may experience negative effects in terms of the availability of adequate supplies of basic foodstuffs from external sources on reasonable terms and conditions, including short-term difficulties in financing normal levels of commercial imports of basic foodstuffs.
3. *Ministers accordingly agree* to establish appropriate mechanisms to ensure that the implementation of the results of the Uruguay Round on trade in agriculture does not adversely affect the availability of food aid at a level which is sufficient to continue to provide assistance in meeting the food needs of developing countries, especially least-developed and net food-importing developing countries. To this end *Ministers agree*:
 - (i) to review the level of food aid established periodically by the Committee on Food Aid under the Food Aid Convention 1986 and to initiate negotiations in the appropriate forum to establish a level of food aid commitments sufficient to meet the legitimate needs of developing countries during the reform programme;
 - (ii) to adopt guidelines to ensure that an increasing proportion of basic foodstuffs is provided to least-developed and net food-importing developing countries in fully grant form and/or on appropriate concessional terms in line with Article IV of the Food Aid Convention 1986;
 - (iii) to give full consideration in the context of their aid programmes to requests for the provision of technical and financial assistance to least-developed and net food-importing developing countries to improve their agricultural productivity and infrastructure.
4. *Ministers further agree* to ensure that any agreement relating to agricultural export credits makes appropriate provision for differential treatment in favour of least-developed and net food-importing developing countries.
5. *Ministers recognize* that as a result of the Uruguay Round certain developing countries may experience short-term difficulties in financing normal levels of commercial imports and that these countries may be eligible to draw on the resources of international financial institutions under existing facilities, or such facilities as may be established, in the context of adjustment programmes, in order to address such financing difficulties. In this regard Ministers take note of paragraph 37 of the report of the Director-General to the CONTRACTING

PARTIES to GATT 1947 on his consultations with the Managing Director of the International Monetary Fund and the President of the World Bank (MTN.GNG/NG14/W/35).

6. The provisions of this *Decision* will be subject to regular review by the Ministerial Conference, and the follow-up to this *Decision* shall be monitored, as appropriate, by the Committee on Agriculture.

Source: WTO (1994). The Results of the Uruguay Round of the Multilateral Trade Negotiations, Legal Texts.