

**REPORT ON THE CONFERENCE ON WTO RULES AND THE FOOD CRISIS  
IN THE LDCS**

Communication from Lesotho on behalf of the LDC Group

The following communication has been received from the Delegation of Lesotho on behalf of the LDC Group.

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**I. GENERAL**

1. In light of the current food crisis, affected countries are implementing measures aimed at addressing the plight of the vulnerable and suffering populations. In this context, policy responses have also emanated from the relevant organisations and from the international financial institutions (IFIs) at the bilateral, regional and multilateral levels.
2. The LDCs are the most challenged by these events and are struggling to put into place mechanisms, frameworks and policy measures to tackle the food crisis and to shield their countries from the socio-political difficulties that the situation is creating. Some LDCs have already been hard hit by violent public protests that have often resulted in serious casualties.
3. Against this background, the LDC Group in the WTO organised a "Policy Reflection" on the food crisis in Geneva on 17 July 2008 in partnership with the Centre for Socio-Eco-Nomic Development (CSEND), a research and development organisation focusing on global issues, under its Trade Policy and Governance Programme (TPGP) and Diplomacy Dialogue (CSEND/TPGP, [www.csend.org](http://www.csend.org)).
4. The objective of the event was to provide an organised forum for the WTO and development community and relevant stakeholders ó government officials, negotiators, experts, academics and private sector representatives ó to reflect on existing mechanisms and solutions under the framework of the multilateral trading system to cope with the food crisis. It was hoped that the event would generate ideas and information useful to discussions on the measures that could be taken at national and regional levels.

5. The basis for the discussions was provided by a Concept Paper on "The implications of trends in food production and of trade rules on agriculture on food security for all", prepared by the CSEND/TPGP.<sup>1</sup>

6. Topics addressed by the conference included:

- Do the WTO rules constitute impediments? Or do they provide basis for solutions to the food crisis?
- What policy responses are the LDCs undertaking to face the food crisis?
- What responses can we get from a technology-based monitoring system?
- What are the non-trade solutions?
- What are the specific actions to be taken at the national, regional, bilateral and multilateral levels?

7. Conference facilities were generously provided by the Geneva Centre for Security and Peace (GCSP) and H.E. Ambassador Professor Fred Tanner, Director of GCSP gave the welcoming address to the delegates and presented his organisation to the public. He also indicated that GCSP is strongly interested in the food crisis issue as it encompassed many systemic links with security, peace and human rights, which are at the core of the GCSP mandate and work.

8. Dr. Raymond Saner, Director, CSEND and Diplomacy Dialogue delivered a keynote address touching on the core elements underlying the food crisis. He also set out the fundamental questions to be addressed via constructive dialogue. The meeting was timely as the WTO was hosting from 21 July 2008, a mini-ministerial meeting aimed at stimulating discussion on the *Doha Development Agenda* (DDA) with a view to securing a positive conclusion. Noting that the "train has not yet departed", he advised the LDCs to avail themselves of this timely opportunity for devising relevant proposals to be submitted to the Chairman of the agriculture negotiations.

9. The conference was chaired by H.E. Ambassador Dr. Mothae A. Maruping, Permanent Representative of Lesotho to the UNO/WTO and Coordinator for the LDC Group in the WTO. He stressed elements related to the food crisis, in particular:

- Considerable social strains and unrest resulting from the food crisis
- Population growth that is increasing demand for food
- Wasted food in developed countries which suggested that available food is not being used optimally
- Poor storage and inefficient distribution systems
- Speculation in commodity markets that is driving up the price of food products
- Problems caused by climate change
- Most farmers are still dependent on rain-fed agriculture which underlined the importance of climate change

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<sup>1</sup> "The implications of trends in food production and of trade rules on agriculture on food security for all", CSEND/TPGP, also for other ppt presentations and papers presented during the conference see: <http://www.csend.org/Annoucements.aspx?id=40>

- Criticism of the liberalization of policies and structural adjustment programs that had failed to produce growth and yet restricted the range of policy measures that countries could employ to address the food crisis
  - Food aid is welcome but in the mean time medium to long term solutions should be developed in the meantime
  - What could the WTO offer?
  - Subsidies in developed countries are harmful to LDCs
  - Supply side constraints need to be removed
  - Markets should be opened to least developed and developing countries to provide them with incentives to produce more
10. The conference was divided into two sessions:
- **Session 1 – *Mapping the food crisis in the LDCs: Factors and Trends***, was chaired by H.E. Dr. Bhattacharya, Ambassador, Permanent Representative of Bangladesh in the WTO and dealt with three presentations on the following topics:
    - *Food security: Are trade rules a problem or a way forward?* This topic was introduced by DR Christian Haerberli, Senior Consultant at the Swiss National Centre of Competence in Research (NCCR) and Professor at the World Trade Institute (WTI);
    - *Food crisis seen from a LDC perspective*, by Mr. Jean Claude Pierre, Minister Counsellor and Chargé d’Affaires at the Permanent Mission of Haiti to the UNO/WTO;
    - *Food security and Early Warning: Scenario seen from the Technology-Based Monitoring System Perspective*, by Mr. Claude Heimo, Managing Director, Environment-Ecology-Forestry of Switzerland.
  - **Session 2 - *Food Security: Future Scenarios***, chaired by H.E. Professor Arsene Balihuta, Ambassador, Permanent Representative of Uganda in the WTO and H.E. Ambassador Fisseha Yimer of Ethiopia. Presentations included:
    - *Will free trade solve the food crisis? Scenarios seen from the international trade arrangement perspective*, by Carine Smaller, Trade Information Project, Institute for Agriculture and Trade Policy (IATP), Geneva;
    - *How can WTO Rules and Regulations contribute to food security? Scenarios seen from a LDC perspective*, by Mr. Mbaye Ndiaye, First Counsellor, Permanent Mission of Senegal to the UNO/WTO;
    - *Vers une nouvelle stratégie de développement*, by H.E. Mr. Jean Feyder, Ambassador, Permanent Representative of Luxembourg to the WTO;
    - *How can WTO rules and regulations contribute to food security: Scenarios seen from the agricultural sector perspective?*, by Mr. Peter RALF, UNCTAD.

11. The participants to the meeting included:

- Geneva-based Ambassadors and Representatives of LDCs and other WTO Member countries;
- delegates from the Geneva missions;
- representatives of a number of international organizations;
- representatives of non-governmental organizations (NGOs);
- representative of the academic institutions;
- staff members of CSEND, Diplomacy Dialogue and the TPGP.

12. Dr. Lichia Yiu, President, CSEND, acted as the Co-Coordinator of the conference together with Mr. Eloi Laourou, Second Counsellor, Permanent Mission of Benin to the UNO/WTO. Three rapporteurs were responsible for presenting thematic summaries of the presentations, which formed the basis for recommendations at the close of the conference:

- Rapporteur for Session 1: Mrs. Peggy Mlewa, First Secretary, Permanent Mission of Zambia to the UNO/WTO, Acting Focal Point for Agriculture negotiations in the LDCs Group in the WTO;
- Rapporteur for Session 2: Mr. Eloi Laourou, Second Counsellor, Permanent Mission of Benin to the UNO/WTO, co-Coordinator of the conference;
- General Rapporteur: Dr. Falou Samb, Trade Policy Analyst and Regional Coordinator for Africa, TPGP, CSEND, Geneva.

## **II. DO THE WTO RULES CONSTITUTE IMPEDIMENTS OR DO THEY PROVIDE BASIS FOR SOLUTIONS TO THE FOOD CRISIS?**

13. The delegates to the conference discussed at length the question of whether the trade rules and, in particular, the WTO Agreements and provisions provided a sound basis for solving the food crisis. In this regard, differing views were expressed on the role that the WTO could play to assist LDCs. The presentations articulated a variety of factors and analysis pertaining to the food crisis. Notably some presentations highlighted that further liberalization of agricultural products may worsen the crisis. This was mainly due to the tremendous trade distortions created by developed country agricultural subsidies.

14. WTO provisions that are relevant to the subject of food crisis were identified as follows: tariffs, including the issue of tariff escalation; safeguards; three pillars of the Agreement on Agriculture (AoA) and negotiations (domestic support, market access and export competition); exports restrictions under GATT Article XI:2; and special products.

15. A number of presentations highlighted that the current draft text on agriculture under the Doha Development Round negotiations reflected little if any attention to addressing the issue of food crisis. Actually, several presentations stressed that existing flexibilities by which policymakers might address the food crisis, would be curtailed under the current draft text. Measures should be taken to further strengthen the ability of the LDCs to control imports, particularly subsidized ones, under the DDA negotiations.

16. Some delegates pointed out financial speculation as a major source of distortion. Studies from both the FAO and UNCTAD had identified speculation as an important source of volatility in food prices, which had increased drastically since 2000.

17. The DDA should establish flexibility in regard to agricultural tariffs for food security and allow LDCs to develop appropriate food security schemes, but not via "one size fits all" solution.

18. Against this background, the views were expressed in the conference that WTO rules included both solutions and obstacles to addressing the food crisis. WTO rules are part of the solution, but could not function to solve the food crisis in the absence of coherence with a variety of measures at different levels. Elements of a "holistic" policy approach to the food crisis might include the following:

- The LDCs should shift their macroeconomic policies towards supporting more vigorous agricultural-led policies. Where appropriate, these policy approaches should aim towards self-sufficiency in food products. This contrasts with the prescriptions followed under the Structural Adjustment Programs (SAPs), under which large cuts in agricultural subsidies and tariffs combined with heavily subsidised food imports severely reduced agricultural production in a number of LDCs.
  - DDA negotiations need to consider carefully the negative impacts of subsidies in developed countries on food production in developing countries. A strong correlation exists between agricultural subsidy levels in developed countries, volatility in prices for agricultural products, and the ability of developing countries to develop sustainable productive capacities;
- Developed country markets should be opened to food exports from LDCs and developing countries as a means to support their development of agricultural capacity.
  - The Decision on Net Food Importing Developing Countries (NFIDCs) must be strengthened such that it is effective in dealing with "food crisis-plagued LDCs". If need be, a separate ó effective ó instrument must result from the Doha Round negotiations. Two-thirds of developing countries are net importers of food and LDCs account for 40 out of the 49 countries comprising the NFIDCs. In this regard, compensation schemes would need to be implemented for NFIDCs and particularly the LDCs among them;
  - The food crisis and the current responses from all levels must be made more coherent. Policy mechanisms must be reinforced or created to support coherence;
  - The LDCs should benefit from a waiver and/or an exemption from all export restrictions on food products. This would give LDCs the ability to feed their populations over the short and medium term, especially the most vulnerable;
  - All current food aid programmes and capacity-building schemes must be structured to support the ability of LDCs to cope with the food crisis in the short term *and* to develop sustainable agricultural capacity in the medium and long term. Initiatives such as the "*Aid for Trade*", "*Enhanced Integrated Framework*" are the primary targets of this shift in allocations of resources for the LDCs.

### **III. WHAT POLICY RESPONSES ARE THE LDCS UNDERTAKING TO FACE THE FOOD CRISIS?**

19. The Representative from Haiti gave a resounding description on his country's situation, the magnitude of the crisis and on the policy responses undertaken so far, with the assistance from the international community. Elements he touched on included:

- The fact of self-sufficiency in food production collapsed in the 80s after the implementation of the Structural Adjustment Programme made Haiti dependent on food imports;
- Identification of the vulnerable groups of the populations that are most affected;
- Elaboration of insurance, risks and credit schemes to assist the local and small-scale farmers to cope with the deficiencies from the food crisis;
- Emergency measures to provide short-term relief to the most vulnerable populations;
- Development of early warning systems on food security;
- Measures for price stabilisation and support in favour of most affected populations.

### **IV. WHAT RESPONSES CAN WE GET FROM A TECHNOLOGY-BASED MONITORING SYSTEM?**

20. Technology can contribute to alerting the public to potential food shortages and a number of countries had systems in place prior to the food crisis, which had yielded such predictions. However, the warnings did not elicit any relevant responses from the politicians despite such clear reading of coming events by the specialists. Efforts are continuing to refine a *Food Security and Famine Early Warning System*, to enhance its reliability. An early warning process should provide information to countries so they can take action to avoid or minimize the risk of famine.

- Data collection to monitor people's access to food so that it can signal when people's access to food is becoming more difficult;
- System implementation should cover three relevant actions on early warning: forecast and prediction, warning and reaction;
- Warning systems should provide information on possible impact on people and infrastructure;
- Satellite monitoring of environmental changes have not yet been effectively used to measure food security indicators;
- Use multi-sensor, multi-skill, multi-timing information to provide information to continental level and at the regional level and at the national level and then at the local level to determine floods, droughts, cloud cover, etc.

### **V. WHAT ARE THE NON-TRADE SOLUTIONS AND THE SPECIFIC ACTIONS TO BE TAKEN AT THE NATIONAL, REGIONAL, BILATERAL AND MULTILATERAL LEVELS?**

21. Trade is just part of the solution but not necessarily a major part of the solution. National development strategies are the most important factor in designing solutions to the food crisis. In this context, LDCs should reinstate agriculture as a key basis for development frameworks. A key element of their success will reside in removing supply side constraints. LDCs must be enabled to apply public expenditures to support their farmers to expand production in light of volatile international agricultural price fluctuations. Food aid is welcome but it should be delivered in a manner that supports and does not damage the development of agricultural capacity in the long term. In this respect food aid must be accompanied by concomitant policies to support the development of agricultural capacity, particularly where the potential exists for competitive agricultural production.

22. Globally 850 million people suffer from malnutrition and hunger. The current food crisis has added 100 million more. How will this figure change? The UN Millennium Development Goals (MDGs) include ambitious goals for poverty alleviation by 2015. How will the food crisis affect conditions for attaining them?

23. It should not be forgotten that even where food production is adequate, infrastructure to deliver the food can be a key hindrance to alleviating malnutrition. In this context, improvements in trade-facilitation as envisaged under the DDA could be particularly important for LDCs.

24. The participants in the conference discussed the following issues:

- The relationship between food supply and the fact that bio-fuels are reducing food availability;
- The use of the existing financing and compensation mechanisms from the IFIs, in particular from the IMF facility;
- The importance of common agricultural policies, to be implemented at the regional level;
- Importance of sound competition rules, as data show that the marketing of most foodstuffs are in the hands of few multinational companies. Around 80 per cent of agriculture trade is controlled by five large agro-industrial companies;
- New efforts at coherence must somehow address the range of international organisations with overlapping mandates relating to agriculture including: FAO, IFAD, WFP, UNCTAD and others. The challenge of achieving coherence can be understood when one considers the need to organize them all within a communal policy on agriculture;
- Responsibility should be taken to ensure that further fragmentation is arrested and sound cooperation is promoted;
- The practice in some developed countries employing allotments of food buffer stocks to organisations purely as a source of finance (by selling the stocks on the open market) highlights the level of dysfunction pervading agricultural subsidy regimes in developed countries;
- Capacity-building and technical assistance to the LDCs in agriculture to increase productivity, research and development, subsidizing inputs to increase production, etc.

## VI. CLOSING AND RECOMMENDATIONS ON THE WAY FORWARD

25. The delegates in the conference stressed the importance of taking a holistic approach and of striking a balance between the trade and non-trade consideration when implementing policy responses to the food crisis. Addressing many of these and other issues raised in the discussions would require a greater degree of cooperation at all levels between national authorities and relevant international/regional organisations handling issues relating to food, trade and industrial development. The workshop recommended further work in this area, this aspect should be given due importance.

26. The **Table** below presents a Summary of the Recommendations on the solutions to the trade and to the non-trade issues, as well as on the allocation of duties among the various stakeholders.

<b>Recommendations</b>			
<i>Trade solutions</i>			
<p><b>National level</b></p> <p><b>Regional level</b></p> <p><b>International/ Multilateral levels</b></p>	<p>~ Waiver / Exemption for the LDCs on the food export restrictions and prohibitions</p> <p>~ Further operationalise the NFIDCs Decision in WTO and To Transform it into a <i>Food crisis-plagued LDCs</i> (PCPLDCs)</p> <p>~ Rethink and renegotiate the WTO Preferences for the LDCs in Agriculture</p> <p>~ Rethink possibilities for the LDCs to reconsider bound rates in the agricultural sector</p>	<p><b>National level</b></p> <p><b>Regional level</b></p> <p><b>International/ Multilateral levels</b></p>	<p>~ Monitoring mechanisms</p> <p>~ Assess the implementation and benefits of Duty-free export schemes</p> <p>~ Insert in EIF and in A4T provisions for sustainable agriculture and predictable resources for enhancing food outputs, including through allocations for food crisis emergencies</p>
<p><b>National level</b></p> <p><b>Regional level</b></p> <p><b>International/ Multilateral levels</b></p>	<p>~ Identify the provisions for flexibilities in genetically-modified crops</p> <p>~ Rethink the neo-liberal solutions in the agricultural sector in LDCs</p> <p>~ Re-assess the IMF conditionalities as linked to trade</p> <p>~ DDA negotiations on Agricultural to cater for solutions on the food crisis in relation to the three pillars in the AoA</p>		
<i>Non-Trade Solutions</i>			
<p><b>National level</b></p> <p><b>Regional level</b></p> <p><b>level</b></p>	<p>~ Insurance schemes for producers</p> <p>~ Buffer food stocks, in particular for the vulnerable segments of the population</p> <p>~ Productive capacities (quality, quantities, equipments, storage facilities, local)</p> <p>~ Value and supply chain strategy (processing of local food staples)</p> <p>~ Monetization of food aid</p> <p>~ Design of targeted projects on food aid to be financed</p> <p>~ Incentives for LDCs farmers to produce food staples</p> <p>~ Land reforms and farmers rights</p>	<p><b>International/ Multilateral levels</b></p>	<p>~ Increase the technical assistance for food crisis and food production in the LDCs</p> <p>~ Assess the feasibility for creating a "Common Agricultural Policy" (CAP)</p> <p>~ Support and enhance the support for current initiatives in creating a "Common Agricultural Policy" (CAP)</p> <p>~ Assess the impact of agricultural policies of OECD countries on the LDCs</p>



<p><b>International/ Multilateral levels</b></p> <ul style="list-style-type: none"> <li>" Assess the feasibility for crop Insurance schemes for producers on large-scale calamities</li> <li>" Alternative schemes on energy crisis</li> <li>" Swapping the non urgency food aid into capacity-building (transport, storage, fertilizers)</li> <li>" Technical assistance in putting in place buffer food stocks, through relevant international and regional organisations (FAO, WFP, IFAD)</li> <li>" Provisions for financing the targeted projects on food aid</li> <li>" Implementation of the actual commitments from the FAO Summit and the G8</li> <li>" Monitoring mechanism</li> </ul>	<p><b>International/ Multilateral levels</b></p> <ul style="list-style-type: none"> <li>" Increase the technical assistance for food crisis and food production in the LDCs</li> <li>" Assess the feasibility for creating a "Common Agricultural Policy" (CAP) in regional economic groupings</li> <li>" Support and enhance the support for current initiatives in creating a "Common Agricultural Policy" (CAP)</li> <li>" Assess the impact of agricultural policies of OECD countries on the LDCs</li> </ul>
<p><b>International/ Multilateral levels</b></p> <ul style="list-style-type: none"> <li>" Call for a HIPC-wise Initiative for the LDCs from the International Financial Institutions (IFIs) to cope with the financial difficulties, in particular on the BOP</li> <li>" To operationalise the Decision on Coherence between the WTO and the IFIs</li> <li>" Policy research and Development on the structural trends of the food crisis and on tentative solutions at the three levels: national, regional and international, as well as on trade and on non-trade issues</li> </ul>	

27. At the closing, Ambassador Maruping, Lesotho, further recommended that the discussions and the recommendations should be used in the current DDA negotiations. Attempts would be made to present the conclusions to the wider WTO membership and to derive concrete proposals to be submitted accordingly. Broader issues regarding the implications of the developments in the application of rules by countries relating to the food crisis should be submitted to the relevant authorities for further implementation at the global level.

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