

## Principles for food trade

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Historically, food and agriculture policies have centred on the interests of producers, especially large scale producers. However, food has consumption value as well as commodity value. The governance of international trade in food should give special attention to the concerns of those most vulnerable to food insecurity. As specified by the World Food Summit in 1996, "Food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life." The definition of the human right to adequate food is similar:

The right to adequate food is realized when every man, woman and child, alone or in community with others, has physical and economic access at all times to adequate food or means for its procurement.<sup>1</sup>

There is a need to design a new normative framework and appropriate institutional arrangements for the governance of international food trade. The discussions now under way regarding the revision of the World Trade Organization's (WTO's) Agreement on Agriculture provide a good opportunity for reconsidering the principles under which international food trade is managed. This essay raises some key issues, not to resolve them, but to assure that they are on the agenda.

### Subsidies and dumping

Many countries subsidize selected food producers, directly or indirectly, resulting in overproduction in those sectors. To relieve the glut, some of these countries "dump" the products into poor countries. Reducing tariffs on primary commodities makes it easier for rich countries to dump their primary commodities into poor countries.

Dumping can do severe harm to food producers in the receiving countries. Since much of the employment in poorer countries is in small-scale food production, dumping can reduce the incomes of large parts of the population, thus reducing their food security. Dumping also can lead to excessive dependency of consumers on these under-priced products and subject them to considerable harm if the flow is interrupted. For example, under the North American Free Trade Association, roughly a quarter of the corn in Mexico is now imported from the United States, and many Mexican corn producers are going out of business. If that flow of corn from the United States is interrupted, or if the price suddenly increases, consumers in Mexico will have trouble getting their traditional food staple.

Large shares of the subsidies that are provided go to larger producers who are well off and have reasonable alternatives. They receive subsidies primarily as a result of their political power rather than their need. This "welfare for the rich" should be sharply reduced or eliminated.

However, the subsidies to poor, small-scale producers who have few alternative means of livelihood are a different matter. These producers may be inefficient by common eco-

nomical criteria. However, subsidizing them may be good public policy, in that subsidies to small-scale food producers are part of the social safety net. For this purpose, subsidies to small-scale food producers who produce for local consumption (not export) can be very cost effective. While subsidies to small-scale producers are not economically efficient, they may be socially efficient.

### Discriminatory tariffs, discriminatory pricing

Considerable attention is being given to the subsidy issue in ongoing debates about the WTO's *Agreement on Agriculture*. However, many other issues are being neglected, especially issues affecting poor countries.

There is currently a pattern of "escalating tariffs" under which tariffs are pushed down on primary commodities but left high on processed foods. Reducing tariffs on primary foods but not on processed food is discriminatory, preventing poor countries from engaging in more profitable value-added (processed) food industries. The liberalization of food trade through the reduction of tariffs should be accomplished in a way that does not discriminate against poor countries.

Even without discriminatory tariffs, the pressure on poor countries to open their domestic markets to foreign food suppliers can be very harmful to them. Local food producers in poor countries may not be able to compete with the imports. The result that their incomes plummet, destroying their food security. The effect of cheap imports can be devastating. Until alternative means of livelihood can be assured, providing protection of small producers through tariffs against cheap food imports may be just as sensible as subsidizing small-scale producers. This may appear to be economically inefficient in some frameworks of analysis, but from a social perspective it may be good policy.

In the idealized marketplace, the prices for the same product of the same quality would be the same throughout the world, with variations only due to transportation costs. However, in the real world, where prices must be negotiated, producers in poor countries often get paid less, even when they produce exactly the same products for the world market, as do producers in richer countries. For example, farmers from poor countries receive much less in real terms for a bushel of grain than farmers of the richer countries, even when their products end up in the same markets. The United Nations Development Programme observes, "... rich producers are paid more than poor ones for identical goods."<sup>2</sup> Their labour is paid less as well.

Even without discriminatory tariffs or discriminatory pricing, countries that export primary goods are likely to be disadvantaged by the fact that the prices they get for their primary goods remain essentially flat while the prices for their primary goods for their imports of processed goods rise rapidly. While it has long been known that the prices for primary goods exported by poorer countries tend to remain flat, it is now

being found that this is also true for their exports of processed goods.

The benefits received from a country's exports may be greatly diluted by the diversion of a large share of the benefits to owners from outside the country. This diversion may occur through acknowledged profit shares, or it may occur less visibly through transfer pricing. This is where prices for exchanges within branches of a corporation are manipulated through accounting practices that benefit the managers and stockholders. Multinational corporations may deal with their subsidiaries in a way designed to maximize the flow of benefits to headquarters, at the expense of the subsidiaries.

Richer countries promote trade liberalization in a way that suggests it would be beneficial to all, but it is not equally beneficial. Trade tends to provide its greatest benefits to those who are more powerful. It contributes to the widening of gaps between rich and poor.

Food flows mainly toward money, not need. Food trade is not about sending off unneeded surpluses, any more than the trade in automobiles is about getting rid of "extra" automobiles. And it is not about redistributing food to where it is most needed. On balance, food flows from food deficit countries to countries that have more than enough. The poor feed the rich.

In theory, the foreign exchange that compensates for the outflow of food could be used to meet the food needs of the poor, but often it is not. The poor are politically weak, and do not control how foreign exchange earnings are used. Since food in international trade tends to flow away from needy countries, special measures should be taken globally to assure that needs are met in those countries.

### **The priority of human rights**

Under the principle of food sovereignty, under the principle of subsidiarity (decisions should be made at as local a level as possible), and in recognition of their obligations under the human right to adequate food, national governments should not give up control over their own food systems. They should be supported in exercising their own judgement as to when increasing openness to trade or increasing self reliance would best serve their needs. Forced trade is not free trade.

Accordingly, all countries should have the right to set their own criteria regarding the character of the food they import. They should not have to justify their judgements or doubts regarding food quality to anyone outside the country. For example, they should be free to refuse to import genetically modified foods, or foods whose characteristics they may question for any reason at all.

Countries should be free to refuse to accept imports based

not only on the character of the product, but on other grounds as well. For example, they should be free to refuse to accept products that are likely to be misused because of difficult environmental, sanitary, economic, or other conditions. They should be free to refuse to import foods that are produced through the excessive exploitation of workers or with methods that pollute or deplete the environment.

Since food is so essential to human nutrition, health, and general well being, food trade should be managed on the basis of the obligation of all states and other actors to respect human rights, particularly the human right to adequate food. The liberalization of food trade through means such as the reduction of tariffs and other obstacles might contribute to the realization of the human right to adequate food under some circumstances, but under other circumstances it may not. The realization of the human right to adequate food should take priority over the liberalization of trade.

Under appropriate management, food trade could make a major contribution toward the realization of the human right to adequate food for all people. For this reason, poor countries should have a preferential role in the design and management of a new international regime for the governance of food trade. At the very least, principles of democratic global governance require that all people are equally represented. No matter what the rationale, given the compelling need for decisive action to assure the realization of the human right to adequate food for all people, the poor should be strongly represented in establishing these new arrangements.

Food, essential to the well being of every individual, should not be treated as just another commodity. There is an urgent need to create a new international regime governing international trade in food, fully considering the need to assure the realization of the human right to adequate food for all people.

### *References:*

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