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**Reports & Analyses**

# From Market- to Development Orientation – The Trade Aspect of Food Security and Agriculture

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What Nexus Foundation is engaging in Geneva?

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## Abstract

Trade rules are suggested to be one of the reasons for the hunger in the world and environmental damage. As current trade rules encourage market orientation and therefore specialization and industrialization of agriculture, which has as side effects rural hunger and environmental damage, there is room for improvement in the international trade regime. One main finding of Nexus Foundations' work in Geneva is a possible new orientation for agricultural and food markets – an orientation on development, rather than purely on markets. This development orientation consists of several elements from development of soil fertility to local markets and consumer relatedness. Since the Bali Ministerial in 2013, the WTO has set up a four year work programme on the issue of food security related to food reserves. This opens the chance to discuss broader food security issues in the realm of trade negotiations.

**Keywords:** *Trade rules; Food security; Environmental damage; Market orientation; Development orientation*

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## Introduction

There are many reasons for the hunger in the world. Current international trade rules are suggested to be one of them (Friel and Lichacz 2010). In the wish to help to fulfil the Millennium Development Goals (MDGs), especially MDG one (halving the number of the poor and hungry till 2015) (United Nations, MDGs) one could be tempted to go where the trade rules are made – the World Trade Organization (WTO), and, besides, the United

Nations Conference on Trade and Development (UNCTAD), both situated in Geneva, Switzerland. That is what Nexus Foundation did, when being founded as a think tank and civil society organization (CSO) in 2010. There are quite a few non governmental organizations (NGOs) and CSOs in Geneva (around 250, Schweizerische Eidgenossenschaft), but only very few in respect to agriculture and trade.

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In fact, in 2010 the NGO „3D“ (3D – Trade – Human Rights – Equitable Economy) closed its door, and, even more importantly, the Institute for Agriculture and Trade Policy (IATP) shut down its Geneva-office in summer 2011. Since 2008 the hope had more and more diminished, that the WTO Doha Round would ever come to an end (Maier, 2013). NGOs and CSOs, mainly living on donations, can hardly address themes and issues, where there is no progress over years.

Still the hunger issue remains a burning issue, also in respect to trade. Solutions are dearly needed and new efforts have to be made, to finally come to terms with the trade issue of food security and agriculture. That is, why Nexus Foundation still made its way to Geneva. The presented paper first addresses the agricultural and food security issue in the WTO and then presents the main findings and alternative proposals for a possible future trade prospect.

### **Agriculture and food security in the WTO**

When the American Congress in 1947 dismissed the founding of the International Trade Organization (ITO) as a third Bretton Woods Organization besides World Bank and International Monetary Fund (IMF), it was mainly because of agriculture (McMahon 2006). The United States wanted to protect their agricultural sector. So only the General Agreement on Trade and Tariffs (GATT) came into force, an institution focussed on industrial goods and services, but without agriculture.

It took nearly 40 years, till GATT officially included agriculture again, with the Uruguay Round in 1986. Since then, a special Agreement on Agriculture

(AoA) is part of the trade framework, as well in the World Trade Organization WTO founded in 1995, and its newest round, the Doha Round, having started in 2001 (McMahon 2011).

Food security was dealt with as a non-trade-concern since Uruguay, which should be respected, but which would not be part of the trade negotiations (McMahon 2006).

Only with the Bali Ministerial Decision of December 2013, food security became an official issue at the WTO for the first time. The exemption for India, to be allowed to purchase specific staples locally for national food reserves takes food security concerns into account.

With Bali and this exemption, the WTO started a four year work programme in the search for permanent solutions of comparable issues to that of India (WTO, Bali Decisions). So now would be the time, to invest in concepts on longer term solutions for food security and agriculture in international trade terms, a task as well for civil society and academia. Nexus Foundation and others are currently taking up this task to work on and formulate constructive proposals for the food security issue in the WTO.

### **The main findings about trade rules, food security and the environment**

Nexus Foundation, being mainly a think tank, came after three years of extensive work to the following observations, resp. findings (a rough and a bit simplified picture):

Current international trade rules are getting increasingly liberalized; the more countries are gaining membership in the WTO – 159 in 2014. This also applies to the agricultural trade, being

dealt with in the WTO Agreement on Agriculture (AoA). At least since agriculture became part of the negotiations when the Uruguay Round started in 1986, agricultural goods are, although dealt with specifically in the AoA, trade items in the negotiations as any other goods and services. Especially agricultural exporters want the international agricultural markets liberalized in turn for opening their borders to other goods and services. Again in turn, exporting countries of other goods and services are forced in the 'give and take' attitude of trade negotiations to open up their agricultural markets.

What would be the problem with liberalized agricultural markets?

Liberalization means foremost „market orientation“, which, in turn, means opening the sector for more competition. Competitive markets tend to force their actors to more efficient production, which, in turn, means specialization and industrialization (United Nations, 2014). But specialization and industrialization for agriculture means mostly monocropping (or industrial animal holdings). Agricultural monocrop plantages generally offer, for untrained labourers, only seasonal, and often precarious jobs, with little development perspectives (Sinaga, 2013). Besides, the environmental impact of monocropping is high (Altieri, 2009). In all three areas, where civilization has overstepped the planetary boundaries already – climate change, biodiversity loss and nitrogen load (Rockström et al., 2009) – there is a strong connection with industrialized agriculture. After all, mass production aims in respect to food security to serve the *availability* of food, but is not taking enough into account *accessibility* and *adequacy* (Gualtieri, 2013).

Liberalized trade rules tend as well to serve the „big few“ (international corporations, Ishii-Eitemann 2013), whereas smaller producers have to re-organize or disappear. Liberalized trade rules help to make food cheaper, which is mostly good news for urban dwellers, and, as well, for net food buyers in rural areas. But it is not so good news for rural small scale farmers, who live on selling their products. They can hardly compete with – often subsidized – cheap imported food from industrial farming (Ching and Khor, 2013). Most of the hungry live in rural areas (FAO, 2012), many of them being small scale farmers. If they can't sell anything, they even can't buy the cheap food which is imported. Liberalized trade rules give so far no answer to the hunger question of the rural dwellers, and as well no answer to the challenging environmental problems. Social safety nets, often called on to compensate trade liberalization effects (McMahon 2006) are too often flimsy and thin. And as long as externalities of industrialized production are not internalized, the environmental problems remain more or less unsolved.

### **The core issue – which orientation for agricultural and food markets ?**

To address the hunger and environmental issues in respect to trade, in accordance to the respective needs, the question arises, whether the current orientation for trade in agricultural and food markets could be re-adjusted.

At the heart of the AoA is the statement, that agricultural markets should be „fair and market oriented“. Market orientation, which is often read as „export orientation“, has the above mentioned effect on industries – the tendency to specialization and industrialization, in order to best yield the comparative advantage. But this

tendency, which might be good with any other, not nature related industry, is problematic in respect to agriculture. Agriculture is different to other industries, in several aspects: agriculture is bound to the land, agricultures specialization potential is limited due to its nature relatedness, agricultural markets are extremely exposed to price volatility and agricultural goods (food) are essential to people (right to food). Besides, food being not just calories, it should be safe and it is strongly correlated to trust (Fuchs, 2013). Due to this agricultural specificity agricultural and food markets might need a different orientation than „market orientation“. Olivier de Schutter, UN Special Rapporteur on the right to food, argues in his final report to the Human Rights Council in March 2014 (United Nations, 2014), where he draws the conclusion from his six-year mandate, that export-led agriculture has led to increased rural poverty (Paras 23/24), to markets, where luxury tastes compete with basic needs (Para 23) and to environmental harm (Para 6). If the right to food shall be fulfilled and the planetary boundaries shall be kept, agricultural markets obviously need a different orientation (he calls for a new paradigm focused on well-being, resilience and sustainability).

Having dealt with the issue for quite a while and having thought it all over again, from Nexus Foundation's point of view agricultural and food markets need not a market -, but a *development* orientation. This development orientation would consist of the following elements:

### **Development of soil fertility**

In order to provide enough food for all, to keep the scarce resource 'water' in

the soil, to be resilient to climate shocks and to store carbon, humus content of soils should increase (Müller and Gattinger 2013).

### **Development of (local) seed exchange systems**

In order to keep adaptability to ever faster changing conditions seed resources should be able to develop. This can happen through community seed banks and seed fairs, and community registers of peasant varieties (see recommendations by the Special Rapporteur on food (A/HRC/25/57, Annex A, 2 d.)

### **Development of (agro) biodiversity**

(Agro)Biodiversity is extremely important in respect to sustainable food systems and for resilience to climate change. Not only should the much required halt of loss of biodiversity be the aim, but enhancement and up-scaling (United Nations, FABPs).

### **Development of ecological intensification**

In order to provide enough food for all, agriculture working with nature has to be intensified. Agroecological approaches have to be developed to bring higher and more stable yields. The System of Rice Intensification (SRI) is a good example of this approach (Uphoff, 2011).

### **Rural development**

Food systems should work everywhere and serve the most in need. As most of the hungry live in rural areas, especially rural areas have to be developed (Withanachchi, Köpke and Frettsome, 2013, Weerasekara, 2013).

## Development oriented nutrition and diets

As the UN committee on Economic, Social and Cultural Rights in its general comment on the right to adequate food states “...each person should have access to a diet that as a whole contains a mix of nutrients for physical and mental growth, development and maintenance, and physical activity that are in compliance with human physiological needs at all stages throughout the life cycle and according to gender and occupation “ (UNCESCR, 1999).

## Development of sustainable agricultural and food markets

If market orientation, then, in respect to food, to local markets. Do people at any place have access to adequate and affordable food from sustainably managed agricultural and processing sources? Can people know where their food comes from? Along these lines agricultural and food markets should be developed (Fuchs and Hoffmann, 2013).

This *development orientation* would give a framework for agricultural (and trade) practices, whether they deliver on the above mentioned items:

Does this agricultural and food system

- keep or enhance soil fertility?
- provide incentives for farmers to invest in breeding and development of their agricultural resources?
- keep or enhance (agro)bio-diversity?
- develop ecological intensification?
- foster rural development?
- keep or increase the nutritional content of food and enhances nutritional diets?
- strengthen the connection of people with their food?

Observation shows, that the closer and the more direct the market relations, the more diverse agriculture will be. Agricultural markets seem to be closely linked to trust, - consumers increasingly want to know, where their food comes from. Localization is an important trend in the 21<sup>st</sup> Century (World Bank, 1999). Global value chains with many intermediate steps, as frequent food scandals show, are risky in this respect. Agricultural and food markets seem to be of regional/local nature. Therefore the formula for agricultural and food markets could be „regional/local is first choice“. Trade would have the role to complement local markets (Fuchs and Hoffmann 2013).

## “Protection” is not the answer

In order to fulfil the above mentioned items of „development orientation“one could be tempted to call for more protection of agricultural and food markets. Despite the fact, that western countries protected and developed their agricultural industries before opening them for liberalization, and „firewalls“ are still needed against dumping and infant industries sometimes need protection, protection of agricultural and food markets are medium term not the solution. Protected markets always tend to breed inefficiencies.

## Food Sovereignty contextualized

What might instead be relevant is the acceptance of specific forms of food sovereignty. That could be, on the one hand, a preference of local production in public procurement schemes, or on specific qualities like organic food. That could be, on the other hand, any civil society appointments on the food system, which are transparent and agreed upon in a democratic manner. People should have the right to decide

upon their food system, but, perhaps most importantly as a rule, as long as the decisions consist of conscious preferences, and not of systematic exclusions on other food offers.

### **The next steps**

As the WTO has decided upon a four year work programme on the food reserves issue, it is now time to work on alternative proposals. But besides the WTO work programme, the overall framework on food security, agriculture and trade is still to be optimized. All in all, from Nexus Foundation's perspective, an overhaul of the WTO agreement on agriculture – to be signposting to any other regional or bilateral free trade agreement – in the above mentioned development orientation (or else) is required.

Currently there are two working groups which are related to these tasks: The QUNO working group on trade and investment (QUNO, 2014) and a UNCTAD task force, where Nexus Foundation is involved in various ways. Both working groups are committed to the above mentioned tasks. Besides this engagement, Nexus Foundation is allied to a civil society working group led by IATP on food reserves, which gave a workshop with Nexus Foundation as co-organizer at the 2013 WTO Public

Forum on food reserves. This workshop was well attended, as well from some of the main actors in Bali like India and Australia. Besides, Nexus Foundation is laying down its main findings in articles and communicates them in lectures, workshops, WTO public fora and UNCTAD public symposiums (see homepage [www.nexus-foundation.net](http://www.nexus-foundation.net)). Nexus Foundation is as well engaged in representing the SEKEM Group in the core advisory group of the UN Global Conduct Food and Agricultural Business Principles initiative (United Nations, FABPs).

Medium term there is the hope, that some member or members group (the Group of Developing Countries G-33?) of the WTO table a new proposal for agricultural trade rules, which contains an improved trade contribution to reduce hunger and at the same time takes care of the environment. The WTO four year working programme on food reserves offers a first chance.

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