

# **Trade in Food as an Engine for Development**

A Policy Brief to the NGO Committee on  
Financing for Development

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THE NEW SCHOOL - GRADUATE PROGRAM  
IN INTERNATIONAL AFFAIRS (GPIA)

## Summary

With 925 million people around the world chronically hungry, the need to reduce hunger and poverty levels remains imperative.<sup>1</sup> However, the reduction of world hunger has been uneven and certain trade practices and policies have been shown to create market volatility and threaten food security. “Food security exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food which meets their dietary needs and food preferences for an active and healthy life”,<sup>2</sup> both during crisis and non-crisis situations. This paper highlights several elements of trade that affect food security. The main elements of trade that affect food are: 1) Official Development Assistance: food aid and investment in agriculture; 2) Agricultural practices: genetically modified organisms, biofuels, and investments in foreign land (land grabs); 3) Trade policy in agriculture: protectionism; and 4) Speculation in agricultural markets & commodities.

## Elements of Trade and Recommendations

### 1) Official Development Assistance (ODA)

Several considerations should be made on where to supply ODA (food aid and investments in agriculture for development).

- Food aid – In situations involving food shortages, the best option may be in-kind food aid from rich countries. However, each case should be evaluated depending on the country’s situation in terms of whether it faces extreme poverty, or an emergency crisis situation of conflict or natural disaster. Where viable, conditional cash transfer programs such as the Cash-For-Work programs are the best mechanism to address food insecurity. Such programs will provide long-term benefits and reduce dependence on foreign assistance.
- Investment in agriculture – ODA directed towards investment in agriculture for development should increase considerably, as this form of ODA can provide long-term benefits to the agricultural and economic growth of a country. Investment is needed in technology, infrastructure and capacity building, knowledge transfer through North-South and South-South collaborations as well as in local agri-businesses and entrepreneur innovations. The rural and agricultural sectors of aid beneficiaries should be given high priority in terms of aid flows to ensure that the livelihoods of smallholders are supported in extended crisis situations.

Corruption has been found to be a major problem in ODA programs where government officials and aid workers mismanage funding and exchange monetary or food assistance

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<sup>1</sup> “Number of Hungry Dips, but Still ‘Unacceptably High’.” World Food Programme. September, 2010. [www.wfp.org/stories/number-hungry-dips-still-unacceptably-high](http://www.wfp.org/stories/number-hungry-dips-still-unacceptably-high) (accessed November 12, 2010).

<sup>2</sup> Trade Reforms And Food Security: Conceptualizing the Linkages.” FAO. Rome, 2003. <http://www.fao.org/docrep/005/y4671e/y4671e00.htm> (accessed October 22, 2010).

in exchange for sexual favors with their beneficiaries. Innovative ways to address this issue can be put in place. Drama clubs can inform aid beneficiaries about corruption and empower them to take action against it; media outlets, independent agencies and civil society can act as watch dogs and offer anonymous hotlines to report corruption. We encourage a stricter implementation of the UN Convention against Corruption (the only global initiative of broad scope that provides a framework for putting an end to cross-border corruption).

Finally, to increase transparency and accountability for donors and recipients, a collaborative effort to set benchmarks can incentivize recipients to achieve their agricultural goals and avoid corruption. Programs such as Cash-on-Delivery use benchmarks where additional investments are made only after meeting goals that have been predetermined by the donor and recipient. This has only been done previously though foreign aid programs in the education sector, but it could be used in the agriculture sector in the future.

## 2) Impacts of Agricultural Practices on Global Food Security and Development

- **Genetically Modified Organisms (GMOs)** – A mandatory universal labeling system for all foods, not just manufactured food products, should be encouraged so that consumers of GMO foods can be informed of chemicals used and allergens which may have been transferred during the gene-altering process. We support a further sharing of GMO research with developing nations who may not have the funding to research GMOs on their own. We advocate against the use of suicide seeds and other similar forms of gene-patent-technologies, as these can bankrupt small farmers who have traditionally relied on farm-saved seeds.
- **Biofuels** – Currently, the most popular crop for biofuel production is corn. As more is used for fuel, less is available for use as food, which raises its price, contributing to food insecurity. Support for research into alternatives to traditional biofuel production such as algae or cellulosic ethanol is necessary so that food crop prices remain stable and arable, fertile land that is available for food production is not used for biofuel crop production.
- **Land Grabs: Foreign Investment in Developing Country Land** – Foreign-direct-investment (FDI) in investments in land should take place in an ethical manner with greater transparency. Deals should include a development *quid pro quo*. For example, jobs should be created for the local population to create income and provide benefits to them as well as the government, and foreign investors should work to improve local infrastructure.

### 3) Trade Policy in Agriculture: Protectionism

- A certain level of trade with reduced tariff and quota rates should be implemented so that all international trading partners, producers and consumers, can benefit from lower prices and fair competition. Low-income and developing countries should be allowed to maintain a certain level of protectionism to support their domestic farmers, especially if they are unable to afford to pay them adequate subsidies. Finally, the Fair Trade system is the best option and the variety of commodities available under this system should be expanded.

### 4) Speculation in Agricultural Markets & Commodities

- Trade in agricultural commodities should take place on open exchanges so that it is transparent and subject to appropriate regulation and in order to reduce volatility in food prices. Speculation in these markets must be better understood and better controlled. While speculation in agricultural commodity markets has contributed to volatility and resultant food shortages and surpluses, it is also an essential mechanism to ensure that resources are allocated appropriately and the market functions optimally. The processes by which speculation in these markets leads to volatility in food prices needs to be studied, so they can be better understood, and so that the positive aspects of trade can be harnessed and the negative aspects can be mitigated.

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