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World Food Summit

Trade liberalization and food security

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Introductory remarks

It is still a long way to go to reach the goal of global food security. The WTO has an important role to play to achieve this common objective. The negotiations on agriculture, which are under way for two years now, aim at substantial improvements in market access, reductions of, with a view to phasing out, all forms of export subsidies, and substantial reductions in trade-distorting domestic support. Bringing these negotiations to a successful conclusion is the key contribution the WTO can make towards achieving global food security. Further trade liberalization will have a positive impact on food security both directly through better and secure access to food supplies on global markets and indirectly through its contribution to poverty alleviation.

Trade liberalization and food security

History has shown that food security does not equal self-sufficiency of a country. It has more to do with international trade in food products that makes them available at competitive prices and sets the right incentives for those countries where they can be produced most efficiently. Food shortages have to do with poverty rather than with being a net food importer. Food security nowadays lies not only in the local production of food, but in a country's ability to finance imports of food through exports of other goods. In this sense, an open multilateral trading system with a diversity of countries supplying food products might be a better guarantee for stable and secure supplies.

Trade liberalization poverty reduction

Poverty rather than a lack of global food production is the root cause of food insecurity, as was recognized by the 1996 World Food Summit. The continuation of the agricultural reform process through the ongoing WTO negotiations on agriculture can be expected to have significant positive effects on the purchasing power of the poor. According to World Bank estimates, in low-income and middle-income countries agriculture contributes an average 28 and 11 per cent, respectively, to gross domestic product. Even more importantly, in many countries more than half of the workforce earns their living in agriculture. For many of these

countries, including the poorest among them, economic development and overall export performance critically depend on how they do in agriculture.

For this reason, reducing or eliminating trade-distorting subsidies and improving market access opportunities, particularly on the part of developed countries will help boost domestic production and thus farmers' income where food can be produced most efficiently, including in many developing countries, where problems of food security are endemic and where production is currently suppressed due to subsidized import competition. Developing countries cannot compete with the fiscal profligacy of the industrialized nations which together, according to the OECD, currently pay out \$1 billion a day to their farmers in agricultural subsidies. That is more than 6 times all development assistance going to poor nations.

Let me also add that the negotiations on agriculture are not just a north-south issue. Already today, agricultural trade between developing countries is a major element of their total trade in agricultural products, as 40 per cent of all agricultural exports from developing countries go to other developing countries. Also, the most dynamic food markets over the next decades will be in the developing world, with suppliers increasingly coming from other developing countries. Thus, agricultural trade liberalization between developing countries has the potential to significantly expand the trade of those countries.

Concluding remarks

To conclude, food security is dependent on national production, access to international markets and the availability of foreign exchange to buy imports. The WTO negotiations on agriculture will contribute to all of this. The further dismantling of trade barriers and trade-distorting subsidies can be expected to strengthen the capacity of the global food system to feed a growing world population. It will induce a more efficient use of the global resources available for food production. It will mitigate the risks of food shortages that in closed markets exist due, for example, to the vagaries of the weather. It will contribute to the stability of world food supply, and, most importantly, it will help increase the incomes of the vast number of farm households in poor countries.

Thank you.