

Trading Food: Food Security Policies in Latin America, Southeast Asia and Southern Africa and Their Implications for Trade and Regional Integration

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1. Introduction

In the last few decades concerns over food security have provided the rationale for agricultural and trade policies in both developed and developing countries. They have also served as a justification for the national positions of both types of countries in negotiations for the liberalization of agricultural markets in the World Trade Organization (WTO).

The rise in agricultural prices in the period before the eruption of the 2008–10 global economic crisis and the perception that these prices would continue to rise in the future brought the issue of food security onto the agendas of both countries and international institutions with renewed emphasis.

Most countries responded to the 2006–08 food prices crisis with a similar package of policies, regardless of these countries' agricultural endowments, their trade situation in relation to their positions as net food exporters or importers, or their capacity to import food. Many of these responses concentrated on short-term policies that attempted to decrease the price of food. As a result, they tended to increase trade barriers and, in some cases, negatively affected intraregional trade.

This policy brief draws on three regional papers prepared for the Trade Knowledge Network's project on Food Security and Trade¹ describing the policies responses adopted by countries and (less often) regional organizations to deal with the recent food crisis. The content of these policy responses is assessed in light of their economic sustainability and impacts on trade and regional integration.

2. Assessing food security policies

Even though there is broad consensus on what caused the global food crisis, there is less agreement on how to confront the likelihood that it could happen again in the future. The main concerns are (1) how to obtain a balanced combination of short- and long-term interventions and (2) how to achieve in practical terms a balance among cautious macroeconomic measures, effective compensatory social policies and a lasting supply-side stimulus without distortions.

Many developing countries and regions analyzed in this research, particularly most Southern African countries, live in an almost permanent situation of food insecurity, and a food crisis is thus no novelty for poor households in these areas. Global food aid supplies are the most evident and frequent short-term response to food emergencies, but they do not address the long-term determinants of food (in)security.

This does not mean that short-term responses to emergency situations are useless. This research stresses that some modalities of short-term responses have proven to be useful in the context of the recent global food crisis; the provision of safety nets and the adoption of compensatory social measures for the most vulnerable consumers in both rural and urban areas, and initiatives to enhance the short-term supply response by smallholder farmers are among the most successful policy initiatives put in place in the three developing regions. Putting in place relevant social safety nets and compensatory policies may also be a fundamental step in assuring the social and political

sustainability of policies aimed at dealing with food security while simultaneously retaining an open trade regime.

The main warning that arises from this research as far as short-term policies are concerned is that some of these responses could run counter to the goal of addressing the longer-term determinants of food (in)security. Short-term measures can generate tensions with medium- and long-term objectives. For example, interventions aimed at stopping or mitigating the rise in prices will decrease the potential net income of food sellers, removing the incentive to increase production and ultimately risk undermining the very food security they were designed to support. Moreover, measures to restrict exports can generate protectionist responses by other countries, harm food security in net food-importing countries and possibly contribute to the volatility of international markets.

The exclusive use of compensatory social measures may address one dimension of the problem, but does not tackle its productive or macroeconomic side. A combination of responsible and cautious macro policies, on the one hand, and measures that effectively support agricultural diversification and competitiveness, on the other, must accompany efforts to expand a social protection system that is really effective in dealing with future crises.

As far as short-term responses are concerned, a good way of assessing them and their compatibility with longer-term policies is provided by the Latin American policy report in this series. This report argues that a package of short-term measures may be considered desirable when (1) it has a broad or targeted coverage of the poorest sectors of society; (2) it has a low or even positive fiscal cost; (3) it produces low levels of distortion or generates positive incentives; and (4) it is easily reversible once it has achieved its goal.ⁱⁱ

Beyond short-term responses, the food crisis should be treated as an opportunity that encourages the continuing implementation of wide-ranging social and agricultural production reforms. Policies that forcefully address the fundamental dimensions of food security can help to overcome food insecurity over the long term. Increasing investment in agriculture, improving the infrastructure needed for the production and commercialization of food, granting subsidies to the production process and the raw materials it requires, increasing credit for the agricultural sector, and improving natural resources management are

some of the supply-oriented policies that can address the fundamental dimensions of food security.

Food security is a difficult and multidimensional issue that requires not only long-term policies in a wide number of areas, but also substantial changes in what have been the usual actions in a number of public policies directly related to food production and availability. Socially and economically sustainable policies geared at achieving food security will require well-developed institutional capacities and the exercise of strong, sustained political will to develop and apply them. In addition, these policies cut across the traditional structures of government and simultaneously involve many government ministries, departments, etc. Thus, it is difficult to find ways to ensure coordinated action by the different ministries and agencies that are responsible for one or more of the many policies and programs related to food security.

Countries in developing regions have been grappling with this issue and have adopted different solutions. However, contrary to what happens in other areas of government where there are often generally accepted best-practice organizational models, there are few models of this kind for food security policy.

3. Trade and food security

While international trade is only one of the many factors affecting food security, its importance to the ability of many countries to achieve food security objectives is increasing because of the rapid growth of the global food trade. Trade and trade policies not only influence food availability at the global level, but also food production and food imports, including food aid, at the national level.ⁱⁱⁱ Increasingly, world markets are becoming an important source of food for many developing countries. This is particularly true of countries where food production is constrained by natural and other factors.

In general, international trade, and agricultural trade in particular, affects food security to the extent that it (1) increases economic growth, creates employment prospects and increases the income-earning capacity of the poor; (2) increases domestic food supplies to meet consumption needs; and (3) reduces the variability of overall food supplies (e.g. by making out-of-season foods available, etc.).

A particular country's food security policy is normally defined in terms of either food self-sufficiency or food self-reliance, and this affects its trade policies dealing with food. While the former policy emphasizes the production of various food items for domestic consumption within national borders, the latter focuses more on the availability of food for domestic consumption obtained through all means, including international trade.

Consequently, countries that pursue food self-sufficiency are reluctant to rely on the (international) marketplace and imports as the source of their food supplies. On the other hand, countries that adopt a policy of food self-reliance generally promote market liberalization and export-oriented agriculture, supported by a strong local market through improvements in physical infrastructure and credit facilities.

A country that pursues food self-reliance generally imports food not only to ensure domestic supply, but also because certain commodities can be procured cheaper abroad than produced domestically. Advocates of strategies of food self-reliance thus generally consider international trade as an essential component of a country's food security strategy, arguing that trade contributes to the promotion of food security in a number of ways, including augmenting domestic supplies to meet consumption needs, reducing supply variability (but not necessarily price instability), fostering economic growth, maximizing comparative advantage by using global resources more efficiently and allowing global production to take place in those regions that are most suited to it.

Both food self-sufficiency and food self-reliance, however, have their drawbacks. Given the greater capacity of the world to produce rather than to consume food, the few restrictions imposed on food items in countries that possess excess capacity, and the availability and efficiency of the international transport system, food self-sufficiency, according to its critics,^{iv} makes little economic sense. In fact, as such critics further argue, countries should use their comparative advantages and focus instead on their ability to generate the foreign exchange earnings needed to import whatever quantities of food they consume over and above what it is efficient for them to produce.

On the other hand, critics of the strategy of self-reliance contend that the potential gains from trade liberalization cannot be guaranteed and its ability to improve the food

security status of all groups within society remains questionable. A country that pursues a food self-reliance strategy needs to take two key issues into account: its capacity to import food (resulting from its capacity to earn the foreign exchange need to pay for these imports) and the capacity of the world market to reliably supply affordable food when it is needed.

In terms of import capacity, there is evidence to suggest that developing countries are increasingly able to either maintain or improve their ability to finance food imports. However, as far as the reliability of world markets is concerned, the inflation of international food prices in 2006–08 shows the risks associated with the volatility of these markets.

The policy issues raised by the linkages between food security and trade are likely to occupy a priority position in the international agendas of developing regions in the next few years. A joint Organization for Economic Cooperation and Development–Food and Agriculture Organization report, released in June 2010, foresees that developing countries will play an increasingly important role not only as consumers (i.e. the main driver of agricultural prices will be demand growth from developing countries, fostered by their rapidly growing populations and increasing per capita income), but also as producers of agricultural commodities.^v

In such a scenario, the interests of developing countries as far as the linkage between food security and trade is concerned will become more heterogeneous and, in some cases, divergent. Currently, developing countries' positions on this issue depend mainly on their net foreign trade position in terms of agricultural goods. The degree of food security—as perceived by national governments—is one of the major factors behind the diverse positions held by developing and least-developed countries in WTO negotiations on agricultural trade liberalization.

The purchase of land in developing and least-developed countries by overseas investors from other developing and developed regions will add another element to the already complex relationship among these countries around the linkages between food security and trade/investment. Examples of these investments are the purchases by China and some oil-producing countries of large tracts of land in Africa and Latin America. Some developing countries (such as Brazil) are planning to restrict the purchase of

land by foreign investors, and concerns over food security have been used to justify these decisions.

4. Regional integration and food security

Regional agreements are important instruments to improve economic development by increasing trade and providing better macroeconomic policies, greater economies of scale and stronger intergovernmental cooperation, all of which can contribute, in a general way, to food security.

Regional agreements are likely to result in stronger cooperation among countries in the form of information exchange, analysis of lessons learned regarding food security programs, and the possibility of establishing intergovernmental trade agreements on sensitive agricultural products that may provide some degree of price stability and assurance of a stable supply during the year. These elements could be an important contribution to food security in a particular region.

However, this hypothesis did not become a reality during the recent food crisis, at least in the developing regions analyzed in this publication series.^{vi} In Southeast Asia, the global food crisis triggered national policies that ran counter to the promotion of solidarity in the region that is supposedly essential to the objectives of the Association of Southeast Asian Nations (ASEAN).^{vii} The crisis further dampened ASEAN's regional solidarity as a result of the emergence of an initiative by rice-exporting countries in the region to form a cartel.^{viii} Although the Organization for Rice Exporting Countries never materialized, the fact that the idea had emerged in the first place illustrated how fragile ASEAN's regional solidarity may have become in the face of a challenge such as the 2006–08 food prices crisis.

There have been extreme discrepancies between policies concerning trade and those relating to food security pursued at the national level in nearly all ASEAN member countries. While ASEAN, as a grouping, is still committed to the principle of open regionalism, which should translate into the implementation of a food self-reliance strategy to improve the region's food security status, most member countries of the grouping remain adamant that this objective would be better achieved through a food self-sufficiency strategy.

In Latin America, despite an amazing number of high-level summits and intergovernmental meetings, no relevant initiative has been taken to address food security concerns either at the regional or subregional level, although the region has two well-established integration initiatives (the Southern Common Market and the Andean Community). In Latin America, the regional and subregional policy dimension has played no role in setting of policy responses to food security concerns. National responses have been the only player in this game and they do not seem to have taken into consideration, either in their design or implementation, the existence of regional and subregional trade and cooperation agreements.

5. Reconciling trade and food security

There is no doubt that the concerns over food security are not easily absorbed by a trade agenda oriented towards the objectives of liberalizing trade and investments flows and reducing the distortions caused by protectionist and subsidy-intensive policies.

The very fact that an economic issue (agricultural and food production) has been linked with the concept of security suggests a shift in the way in which this (economic) issue is considered. The dimension of security is linked to this specific economic issue through concerns over the impact of high food prices (or the sheer lack of food) on countries' socioeconomic cohesion and political stability.

If policymakers consider the risk of 'food insecurity' to be associated with international phenomena such as the volatility of global markets, it is highly likely that—attentive to the mood swings of their national constituencies—they will adopt measures to curb these threats that attempt to reduce the interaction (which occurs mainly through trade and investment flows) between the national economy and its external environment.

This behaviour tends to be encouraged when international mechanisms for the provision of stability and economic predictability as public goods are perceived as being incapable of performing their function. Suspicion of mechanisms and institutions that provide economic security internationally leads national policymakers to

search for unilateral substitution policies. China, for example, buys land in other developing countries to safeguard the future provision of food and establishes complex bilateral relationships with African countries to guarantee supplies of minerals and oil to its rapidly growing economy. Food-importing countries have often adopted policies to achieve self-sufficiency, even if these options are less economically and environmentally sustainable.

The presence of extensive production subsidies in the world's richer countries (often sheltered by the 'multifunctionality' cloak), the lack of mechanisms to reduce food vulnerability in least-developed countries, the sensitivity of agricultural prices to speculative activities in world commodity exchanges and the feebleness of regional cooperation mechanisms in this area make agriculture a fertile arena for the dissemination of unilateral or bilateral initiatives that result in the state's management of international trade and investment flows.

In this sense, what seems to be required in order to develop a method of dealing with the food security issue that is compatible with trade and investment liberalization objectives is 'a new agricultural deal' at the global level that promotes fair trade rules, contributes to lower price volatility in the international market and facilitates more investment in agriculture.^{ix}

From the perspective of the reformulation of trade rules, the basic guiding principle of the process should be that "the discussion about food security should be limited to the vulnerability of developing countries, using a different terminology for developed countries".^x All developed countries, when national food security indices are used as an analytical tool, are safe from this point of view:

... which suggests that the notion of food security used as part of agricultural multifunctionality or, more generally, among none-trade concerns, has a very different meaning in developed and developing countries. In terms of political implications and agricultural negotiations, keeping the same label for two different situations only serves to obscure the issues being negotiated.^{xi}

Reconciling trade and food security depends mainly on negotiations and agreements at the multilateral level, but

the regional dimension of cooperation can play a role in reducing the uncertainty and costs faced by developing countries in periods of crisis that challenge economic security in any of its dimensions (food, energy, etc.).

The fact that neither regional/subregional agreements in force in the three developing regions discussed in this publication series nor, more generally, the regional dimension of policy played any real role in the menu of measures taken in response to the food crisis means that these agreements are not perceived by the countries that established them as credible mechanisms for the provision of collective economic security.

Therefore, the institutional strengthening of regional (and subregional) agreements through the setting of rules and the establishment of disciplines that foster cooperative behaviour among developing countries constitutes a prerequisite for making these agreements more credible and ensuring that they play a more relevant role as crisis management instruments.

Despite the relevance of the interface between food security and the trade agenda, food security is a political issue that goes way beyond trade and has a strong domestic policy dimension. Its treatment as a policy (and political) issue includes some kind of trade policy, but also requires domestic agricultural policies to increase supply and foster innovation and productivity in all areas affecting the establishment and maintenance of food security.^{xii}

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Endnotes

- i Piñero *et al.*, 2010; Chandra & Lontoh, 2010; Zunckel, 2010.
- ii Piñero *et al.*, 2010.
- iii Diaz-Bonilla *et al.*, 2000.
- iv Such as Panagariya, 2002: 1.
- v OECD & FAO, 2010.
- vi Latin America, Southeast Asia and Southern Africa.
- vii Chandra & Lontoh, 2010.
- viii According to Chandra and Lontoh (2010), '[t]he most troubling development that affected regional economic solidarity in ASEAN during the global food crisis was the announcement by some ASEAN member countries of their intention to establish an Organization of Rice Exporting Countries ..., which was supposedly a project to organize the 21 major rice exporting countries around the world.' The project has been discussed since 2002 and was refloated in 2008, 'at the height of the global food crisis'. 'The revival of the idea ... caused mixed reactions both from the international community and other ASEAN member countries that were not expected to be part of the scheme.'
- ix Clapp, 2009.
- x Diaz-Bonilla *et al.*, 2000.
- xi Diaz-Bonilla *et al.*, 2000.
- xii Diaz-Bonilla *et al.*, 2000.

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