
Free Trade or Food Security – Did India succeed at WTO Bali?

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Abstract

In this article, we critically analyse the imbalanced outcomes of the WTO Bali conference and briefly examine the evolution of India's public food subsidy programme. We show that India did not completely succeed at the Bali negotiations. The result of this "half-victory" is that the WTO structurally continues to favour powerful nations from the North at the cost of food security for millions of poor people living in the South.

Keywords: *Free Trade, World Trade Organization (WTO), Indian National Food Security Act*

Introduction

This month in Bali, the World Trade Organization (WTO) has once again made it clear that for this powerful global institution, food security acts primarily as a barrier to free trade in agriculture. Under the WTO's free trade rules, governments should be prohibited from buying food at state-regulated prices and then redistributing that food to citizens in need.

This outcome of the WTO Ministerial Conference in Bali is being ignored thanks to reports emanating from influential think tanks such as the

Peterson Institute which estimate that the Agreement could create 21 million new jobs, generate extra trade worth up to one trillion U.S. dollars and also lower the costs for international trade up to 10 percent (Hufbauer et al, 2013). The reduction of bureaucratic barriers and costs for trade is of major interest to export-oriented industrialized and emerging economies. The "Bali package," however, has few things to offer to countries with long-term problems of food security.

India's victory?

During the negotiations at the WTO Bali conference, the Government of India wanted to assure that its public stockholding of rice and other food grains for food security purposes - in order to supply its 800 million poor citizens - would fall under an indefinite exemption from WTO rules. This initiative faced special opposition from the industrialized countries who are implementing large farm subsidies themselves. The industrialized countries argued that India's grain policy would probably violate WTO limits on subsidies as established under the Agreement on Agriculture (AoA) ("WTO deal", 2013). India remained firm till the end of the negotiations in order to be allowed to subsidize staple crops under its new food security law (Walker, 2013) and succeeded in establishing a "peace clause" under which members have agreed to refrain from WTO disputes against the country.

But the "victory" of India's government, explicitly stated in the light of upcoming national elections, is only a half-truth – if not even a half defeat. The Government of India is restricted from expanding its subsidy policy to more nutritious foods such as lentils or milk (Behn, "Die WTO am Scheideweg", 2013). Further, the Indian government has to accept strict WTO controls so that subsidized products do not negatively affect trade interests of other countries (Bali Ministerial Declaration, 2013). As the "peace clause" is a temporal exemption that might be renegotiated in four years, India has only bought time for itself. Other countries from the G-33 group are not included in this agreement and have to stick to the limits on WTO subsidies.

"The negotiations have failed to secure permanent protection for countries to safeguard the food rights of their peoples, exposing

hundreds of millions to the prospect of hunger and starvation simply in order to satisfy the dogma of free trade." - John Hilary of War on Want (*"WTO 'deal' condemned"*, 2013).

India's Public Distribution System (PDS) as a top-down approach

India's Public Distribution System (PDS) is a food subsidy program that has been in existence since pre-independence days (from 1939) and is meant to address both national-level and household-level food security. The PDS is also a minimum support price mechanism for Indian farmers. The PDS has passed through several stages since its inception. In the current era of economic reforms, the logic of neoliberal economics and the logic of populist politics influence the PDS in contradictory directions (Mooij, 1998). The PDS used to be a scheme for all consumers, but in 1997, the Indian government redesigned the PDS, creating the Targeted Public Distribution System (TPDS) in order to enhance subsidies to the poor and reduce those to the non-poor. TPDS distinguishes between APL (above poverty line) and BPL (below poverty line) households, and (since 2002), the poorest of the poor households were categorized under the AAY (Antyodaya Anna Yojana). State governments are responsible for identifying the APL, BPL and AAY households. Furthermore, the central or federal government purchases food grains from Indian farmers through the Food Corporation of India (FCI) at minimum support prices. The central government also determines the price at which FCI sells food grains to various state governments to distribute through the TPDS's fair price shops.

The TPDS has not been particularly successful in meeting the food security needs of the poor households due to many reasons. For example, only 37.6

percent of the rural households that fall below the poverty line have BPL cards, according to the NSSO 2004-05 survey (Jha et al, 2013). So the majority of the below poverty line households cannot even buy grains from fair price shops as they don't have the required cards. The extent of leakages from TPDS are also significant: 36.7 percent of the subsidized grains intended for poor households ends up as sales to non-poor households, 10 percent of all grains are spoiled during storage and transportation, and the government ends up spending 8.5 rupees to transfer one rupee to the poor (ibid).

Challenges for the Indian National Food Security Act (NFSA)

Given the problems of continuing hunger (about a fourth of the world's hungry live in India, according to the World Food Program), widespread malnutrition (particularly among children and women of child-bearing age), an inefficient TPDS, and legal compulsions for the Indian state to provide food to all citizens, the Indian Parliament passed the much-heralded National Food Security Act (NFSA) in September 2013. The NFSA is a complicated program that could have very problematic impacts on the country's economy and food security. For reasons of space, we will look at only two of the problems. First, the NFSA promises heavily subsidized wheat, rice and coarse grains for those below the poverty line—about 67 percent of the total population. But this emphasis on cereals and aggregate calories does not target malnutrition (the result of inadequate consumption of non-staple foods, such as fruits, vegetables and pulses).

An even bigger problem with the NFSA is its complete silence on how food grains are to be produced (by small

farmers or corporate farms?) and how small farmers are to sustain their livelihoods and maintain their rights to food. India has arguably the largest contingent of farmers on this planet. More than 600 million Indians depend on agriculture as their source of livelihood. Ironically, many small farming households suffer from hunger and malnutrition because government policies encourage them to use costly inputs (fertilizers, pesticides, irrigation water, and improved seeds), grow cash crops or cereal crops (which have to be sold on the market in order to pay for costly inputs).

From food security to food sovereignty

However, despite its problems, the NFSA has initiated a much-needed national public and policy debate in India on various issues related to food security. The debates are based on many questions, such as: If food is a basic human right and the country is self-sufficient in food grains since many years, then why are cereal and caloric intakes insufficient among many millions of Indians? Is food security, which is a top-down approach to solving problems of availability and access to enough food, the right approach for India? After all, food security privileges food trade over self-sufficiency in food production. Should we pay more attention to the notion of "food sovereignty," which is a bottom-up approach that privileges small farmers and local communities right to decision-making regarding food? In a democratic country, what role should be given to state procurement of food and state provisioning of food? Given the developments at the WTO Bali meeting, is it feasible for even a large democratic country such as India to fashion its domestic food policies free of interference from powerful actors in the

global political economic system? After all, is the Right to Food a matter of charity or that of justice?

Further imbalanced outcomes

In light of these conflicts, it is indeed remarkable that the “Bali package” has been unanimously adopted as the WTO's first comprehensive agreement since its existence. WTO re-emerged strengthened as the platform for trade negotiations, after it seemed to be challenged by alternative regional and bilateral trade negotiations and mechanisms during the last few years. However, it is our contention that the WTO Bali Agreement cannot really overcome the basic problems and underlying contradictions in the development project and global trade system.

A further example of the weaknesses of the WTO Bali Agreement is that it failed to address other issues of utmost relevance to developing countries, such as how to deal with the promises made in the WTO's 2005 Hong Kong meeting regarding the United States' cotton subsidies and other export subsidies of rich states (“WTO ‘deal’ condemned”, 2013). The USA and the EU policy makers continue to heavily subsidize their richest farmers, but question other countries' right to protect their poorest citizens from hunger and starvation. There are about 2.5 billion small farmers in today's world that provide for more than 70 percent of the global food security. Thus, it seems inconsistent that the WTO considers buying food from small farmers at fixed prices as a distortion of fair competition (Behn, “Die WTO am Scheideweg”, 2013). Government-procured food feeds billions of people worldwide (Behn, “Zum Wohle der Unternehmen”, 2013).

The right to food as a basic human right according to the UN recognition (UNESCO 12.05.1999. E/C.12/1999/5, Art. 11), the question arises as to whether food security should be negotiated at the WTO level alone, or in a different framework that take this recognized human right as a basic criterion. Such a framework would involve more than just commercial interests; it would take political and ethical aspects into consideration (Behn, “UNO statt WTO”, 2013).

Conclusion

As shown with the case of India, WTO stays an institution that *de facto* continues to work against food security interests of developing countries. The question is whether developing countries will be able to achieve food security through global trade, or whether they should instead opt for food sovereignty. We argue that inside developing countries, important lessons have to be learned as they decide between free trade and local food sovereignty.

Furthermore, genuine global free trade has probably never existed and will probably never exist. The free trade doctrine is often used to impose conditions that favour access to southern markets for highly subsidized products from rich countries. U.S. cotton exports regularly outcompete the cotton produced by Indian and West African farmers and this constitutes a prominent example of how WTO structurally favours rich farmers over small ones. In this way, global inequalities are deepened. In contrast, promoting local smallholder agriculture and local food sovereignty promises a socially, economically and ecologically more equitable outcome.

The 2001 Doha Round aimed at a more just future for the world's poorest inhabitants, but the Bali Agreement shows how hollow this free trade argument is in reality. Even though increased market access and the reduction of trade costs for companies

from the south sounds like a good promise from a neoliberal economic standpoint, it is unlikely to resolve structural power imbalances that shape trade in the global political economy.

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