

PolicyPennings by Dr. Daryll E. Ray

Doha: Agricultural negotiations and the Hippocratic oath

Like the figure of speech concerning cats, the Doha round of trade negotiations seems to have many lives. We have heard so many declarations that if deadline X (you name the date) is not met, the current round of World Trade Organization negotiations is over.

A month ago Doha was declared deader than a door-nail over the issue of "special safeguard mechanisms" that would allow countries to protect themselves from a flood of low priced agricultural imports. In the last week or two, WTO Director-General Pascal Lamy has visited both India and the US in an attempt to revive the trade talks.

When talks failed a month ago, many commentators suggested that given the coming elections in the US, achieving an agreement at this late date would be futile. It is expected that Congressional Democrats would be unlikely to accept a deal negotiated by an unpopular Republican administration.

From our perspective it makes little sense to restart the agricultural portion of the negotiations and the reason has little to do with politics. It has more to do with the Hippocratic oath.

If agricultural producers and food consumers, especially the poorest ones, are really a central concern of the Doha round, the likelihood of WTO practitioners doing harm is so great that even Lloyd's of London could not compute a premium large enough to offer malpractice insurance.

This failure to understand the differences between the needs of agriculture and other sectors was made clear to us a month ago in a conversation we had on a flight to a meeting we were attending. On this particular flight our seatmate turned out to be an MBA student from a major university. As a part of the usual chitchat, he asked what we do and we told him about our work in agricultural policy.

The discussion turned to high grain and oilseed prices and we explained that if the US or some other country had maintained reserve stocks of grains and oilseeds, the release of these stocks would have moderated the level of price increases we are seeing in the markets.

His response was "But, with world trade we don't need to maintain reserves. If a country runs short, it can just import it from somewhere else in the world." In a perfect world, he might be right about the balancing role of trade.

This perfect world would need to have a significant number of countries involved in the production of exportable surpluses of the various grains and oilseeds. In addition the carryover stocks would need to be balanced among a number of countries as well. As some Enron

employees found out, when you have all of your eggs in one basket, your risk rises dramatically.

For six grains (barley, corn, oats, rice, sorghum, and wheat), just two countries, the US and China, have held an average of nearly 58 percent of the world's ending stocks over the last ten years (1998-2007).

To make things more risky, the difference between the high and low stocks of these two countries, 239 million tonnes, is greater than the highest level of carryover of the rest of the countries in the world, 217 million tonnes in 2001. Most of the world's carryover stocks are in two baskets-the US and China.

If either of these countries has a spike in demand, or a major shortfall in production, or both when stocks are at their low point, there is virtually nowhere else to go to obtain any significant amount of grain if a country needs to supplement its production with imports.

That is the situation the world finds itself in at this time. When pipeline needs are taken into account, there is precious little grain available to meet emergency needs or serious production shortfalls.

None of this would be serious if grains were like cotton tee-shirts. If the world ran into a shortage of cotton tee-shirts, the worst consequence is that we might have to keep some holey ones in our wardrobe until a new supply came online.

But with food, people cannot wait a couple of months for a new supply to arrive in the marketplace. In the absence of a continuous supply of foodstuffs of which grains are a major component, people die.

A trading system that does not take this issue into account is likely to run into problems as countries resist becoming dependent for their food on a system that is unstable. For many countries, including many developing countries, food security is a major issue.

All we have to do is count up the countries that have restricted their exports of rice to see how true this is. We can lecture them about their responsibilities to the world trading system or we can take their food security concerns seriously.

At last check the only country we know of that has exported grains at the expense of feeding its populace is Sudan and they depend upon various international aid organizations to feed their hungry.

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