Emulating the US Opposed by the US

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The US once led the post-war global effort against hunger and food insecurity, but corporate influence on government trade negotiators now seek to prevent other countries from using some of the very measures it pioneered.

Seven decades ago, the US led international initiatives to eradicate hunger. This was the intention of the Roosevelts when they initiated the creation of the Food and Agriculture Organization of the United Nations as World War Two drew to a close. Three decades later, the same spirit ensured bipartisan support for the 1974 World Food Summit.

India's food security and stockholding programs use the same policies that the United States used in its early farm policy from the Great Depression, utilizing price supports, food reserves, administered markets and subsidies. Historically, the US farm and other related programmes have done much to raise productivity, as intended by the Indian and many other developing country efforts. The US used these measures because they work, but now seeks to prevent other countries from using them.

Food security

The US spends about $75 billion per year for its Supplemental Nutrition Assistance Program (SNAP), the main domestic food aid program. SNAP entitles about 47 million beneficiaries to buy, on average, 240 kg of grain valued at $1,608 per year.

Before expanding its food security program, India was reaching 475 million much hungrier people with food aid of just 58 kg of grain per person, valued at roughly $27 per year. Compared to the US program, India's food security program has ten times as many beneficiaries, and provides less than a quarter of the amount of grain per capita, valued at a sixth of the cost per person.

India's food distribution system was introduced decades ago. In 2009-10, the program was responsible for taking 38 million people out of poverty. India's procurement and stockholding program is for domestic consumption, and does not subsidize exports. But just to be on the safe side, restrictions on subsidized Indian food exports can be imposed.

Trade liberalization

The main difference has been compliance with the two decade old WTO regulations, with its Agreement on Agriculture. WTO-led trade liberalization has not only undermined industrialization, but also food production in many countries. Hence, most developing countries have seen at least some of their existing productive capacities and capabilities eroded, partly accounting for the slower growth since the 1980s.

The subsidy element in India's administered prices is calculated by comparing them to an international 'reference price' for 1986-88, not to market prices in India. The 1986-88 reference prices were especially low because the US and the EU were then 'dumping' huge food surpluses on the international market, pushing down prices.

Despite the recent decline of cereal prices internationally, food price inflation since 1986-88 has been very considerable, so any price support today looks very high, involving huge subsidies. Inter alia, India has asked that the reference prices be updated for inflation, so its administered prices can be reasonably compared to current market prices.

The allowed levels of trade-distorting support – the Aggregate Measure of Support (AMS) – for the US is about $19 billion. The level was set in 1994, based on prevailing high levels of trade-distorting support in the West and Japan, and has been reduced by only a fifth since then.

In contrast, like 61 of the 71 developing country WTO members in 1994, India's AMS was zero. Most developing countries then were under considerable pressure to cut government spending after facing fiscal and debt crises from the early 1980s.

The US has also been under reporting its trade-distorting subsidies for years. For example, a WTO dispute panel has ruled that insurance subsidies and direct payments should count as trade-distorting subsidies. If corrected, US AMS notifications for 2010 should have risen from $4 billion to $15 billion.

The WTO's 'Green Box' includes permissible, supposedly non-trade-distorting subsidies. About $120 billion of the US's $130 billion in food programs and farm supports qualify, much more than for other countries with larger populations.

Most US subsidies – AMS and Green Box – go to crops like maize, soybeans, wheat and cotton that are heavily exported. As maize and soybeans are used for livestock feed, maize is the main input for US bio-ethanol and the US exports both meat and ethanol, such input subsidies should be declared as trade-distorting, but are still treated as non-trade-distorting subsidies.

Peace Clause

In 1994, the US and the EU imposed a Peace Clause at the end of the protracted Uruguay Round of trade negotiations to protect themselves for nine years from WTO suits over their hugely distorting subsidies.

In 2005, the WTO committed to resolve, "in an expedited manner", the issue of the US's trade-distorting cotton subsidies, which hurt many of the world's poorest farmers. A decade later, cotton producers the world over are still awaiting US compliance.

Over the last two decades, WTO restrictions and pressures from international finance institutions have forced many developing countries to cut their food subsidies, with dire consequences for its mainly poor and hungry beneficiaries.

The 2013 Peace Clause offered to India and the G-33 group of developing countries excludes subsidies, prohibits expansion of existing programmes and introduction of new food distribution programmes, and may not apply beyond 2017 even if the outstanding Doha issues remain unresolved.

In the post-war period, the US has been prominent in the global effort against hunger and food insecurity despite not acknowledging the 'right to food'. Many innovations adopted by the international community have their origins in the US. Narrow corporate interests should not be allowed to undermine this heritage.

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