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CURRENT ROUND OF WTO NEGOTIATIONS AND FOOD SECURITY CONCERNS OF NET- FOOD IMPORTING DEVELOPING COUNTRIES: THE CASE OF BANGLADESH

Abstract

Access to food is a fundamental human right. Rapid globalization has been changing the traditional system of food availability and leaving the fundamental demand for food in the hands of market forces. Moreover, food security in Net-Food Importing Developing Countries (NFIDCs) is likely to face further challenges as a result of the current round of World Trade Organization (WTO) negotiations on agriculture. Although most of the developing countries depend on agriculture for their employment and livelihood, a large number of them are NFIDCs. These countries have opened up their agricultural sector to import food at a reasonable price; as a result, they have forced their farmers to face the global competition. In this backdrop, this paper examines the overall food security situation in Bangladesh as one of the NFIDCs. Countries like Bangladesh have often been made to adopt unilateral liberalization measures by the pressure from international financial institutions that in turn contribute to the stunting of the agriculture sector. To face the challenges of food security, the paper emphasizes on long-term measures such as supporting domestic food production, policy spacing to expand public expenditure on agriculture, harmonizing policies of international financial institutions, etc.

1. INTRODUCTION

Access to food is attached high priority in any development agenda. The Universal Declaration of Human Rights and several other

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international covenants have accorded the right to food to the poor, vulnerable and disadvantaged groups and individuals and to the enforcement of this right¹. For developing countries, food security and feeding of their people is no less important than the "security" of a country². However, rapid globalization has been changing the traditional system of food availability, diverting development priority from the vital focus on food security and leaving the poor peoples' fundamental demands for food in the hands of market forces. The world food situation is currently being determined by multi-dimensional new driving forces. Globalization, income growth, climate change, energy prices, gradual influence of private sector and urbanization have now become the major determinants of food production, distribution, stock, consumption and marketing. The availability of food at affordable prices is likely to face further challenge as a consequence of the current round of negotiations on agriculture under the World Trade Organization (WTO). Completion of the round with a deeper cut of domestic supports, eliminations of export subsidies and high reduction of tariff in the present round of negotiations will bring better opportunities for the competitive food producers and exporters but it will increase global food prices³. This will obviously hamper food consumption and food security in the developing countries and the poorest section of people may face worsening situation in the days ahead.

Food security depends on adequate supply, distribution, and access to appropriate level of food for every individual. It is a function of intricate social, cultural, economic, and political relationships that differ enormously from place to place and over time. Clearly, the result of the negotiations will not uniformly affect all the developing countries. The concern of the NFIDCs was raised during the Uruguay Round (UR) negotiations where members adopted a *"Decision on Measures Concerning the Possible Negative Effects of the Reform Program on Least Developed and Net Food Importing Developing Countries"*. The decision agreed to review the level of food aid situation, ensuring an

¹ The Universal Declaration of Human Rights Article 25 (1), Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.

² Chakravarthi Raghavan, "Food Security as Important as National Security". Third World Network Available at: <http://www.twinside.org.sg/title/ns-cn.htm>, accessed on October 10, 2008.

³ WTO Website: <http://www.wto.org>, accessed on October 10, 2008

increasing proportion of basic foodstuff provided to LDCs and also expressed willingness to extend support for increasing the agricultural productivity and infrastructure of the poor countries. However, the Doha Round launched with high ambitions in 2001 is yet to succeed. The Mini-Ministerial of WTO at Geneva in July 2008 collapsed like other earlier efforts over longstanding disagreements on agricultural issues. The failed talks signal a growing understanding that trade liberalization has destabilized local food systems, contributing to both long-term and short-term food crises⁴. Now, policy makers, both in developing and developed countries, are re-thinking about their current agricultural and trade policies. In response to recent food price hike, some food-importing developing countries have lowered their tariffs to mitigate the high prices of foods. Though importing countries can reduce tariff to solve the problem temporarily, in the long run their farmers will need local markets and incentives for them to revive agriculture production.⁵

About 850 million people throughout the world chronically go hungry and under-nourished, notwithstanding record growth of food production in the last decades. This situation is most acute in LDCs that are overwhelmingly net-food importing countries. Bangladesh happens to be one of these countries. The precarious hunger, malnutrition and poverty situation in the NFIDCs have become further fragile due to the soaring food prices in recent years. Bangladesh, with its stable exchange rate, had to endure highest impacts on domestic prices of food grains. In countries like Bangladesh, where majority of people live below the poverty line directly or indirectly, due to the planned measures in WTO the poor majority of their populations will face the real threat to maintain their livelihood⁶. It is therefore important to investigate the possible impact of agriculture negotiations on the food security of NFIDCs, particularly in Bangladesh.

The paper mainly concentrates on the trade aspects of the food

⁴ Alexandra Spieldoch, "The Food Crisis and Global Institutions" (Washington, DC: Foreign Policy In Focus, August 5, 2008). Available at: <http://fpif.org/1fpiftxt/5442> accessed on August 12, 2008.

⁵ For further details see Khor M. The impact of trade liberalization on agriculture in developing countries: the experience of Ghana. TWN, Penang, 2008.

⁶ Debapriya Bhattacharya, *The Daily Star*, 25 May 2008. Available at: <http://focusweb.org/publications/1999/WTO%20Food%20Politics.htm> accessed on August 12, 2008.

security. This paper establishes linkages between food security and agricultural trade policy reform in the context of Doha Round Negotiations and at the end it will come up with some policy recommendations.

The paper is primarily based on secondary sources of information such as WTO documents, FAO publications, Bangladesh's policies and strategies on food security, other relevant documents and study reports. Against such a backdrop, the paper is organized in five sections, including the introductory one. The second section provides conceptual clarity of food security, linkages between trade liberalization and food security. The third section presents the salient features of the WTO negotiations on agriculture in the context of NFIDCs. The fourth section highlights the overall food security situation in Bangladesh. The final section offers a set of recommendations and makes some concluding remarks.

2. LINKAGES BETWEEN FOOD SECURITY & TRADE POLICY REFORM

This section attempts to relate the concerns of NFIDCs with respect to trade, food security and economic policy in the context of Doha Round negotiations. Food security is a multi-faceted concept and it is defined and interpreted in a variety of ways. At one end, food security involves the availability of adequate supplies at a global and national level; at the other end, the concern is with adequate nutrition and well-being. Basically, food security can be described as a phenomenon relating to individuals; it is the nutritional status of the individual household member that is the ultimate focus. *“Food security exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food which meets their dietary needs and food preferences for an active and healthy lifestyle”*⁷. Food security depends on adequate and stable food availability, access to adequate and appropriate food, and proper use and good health to ensure that individual consumers enjoy the full nutritional benefits of available, accessible food.

Trade policy has significant influences on both the global (in case of a major importer and exporter) and national food availability (through imports and production). In general, countries attempt to achieve an adequate level of food security by two broad options: food self-

⁷ In 1996 World Food Summit agreed definition was endorsed at the follow-up conference in Rome 2002 in World Food Summit.

sufficiency and food-reliance. The former requires production of food in quantities consumed domestically, while the later one requires domestic availability. Self-sufficiency rules out import as a major source of supply while self-reliance has no such restriction. A wide range of countries follows the self-sufficiency approach in which substantial part of consumption requirements are fulfilled by domestic resources. It does not necessarily imply that all households in that country have access to all the food they require. In a number of food exporting countries, sizeable number of households are suffering from malnutrition. In contrast, self-reliance approach implies a set of policies where the sources of food are determined by international trade patterns and the benefits and the risks associated with it. As global trade has become more and more liberal, this approach becomes more common to the NFIDCs.

In general, trade policy reform includes a combination of domestic support measures; export subsidies and tariffs. The implications of trade policy reform in developed countries for NFIDCs can be discussed by way of three cases - (1) The removal of domestic price support on agricultural products will lower output and raise its price in the world markets. Competitive developing countries will benefit via production and export. Conversely NFIDCs that continue to be importers after the removal of the support will lose and those that switch from being importers to exporters may benefit or lose. (2) A reduction in tariffs by the developed importing countries will increase the world price of the product, benefiting exporters, hurting NFIDCs and leading to an ambiguous effect on those turning from importers to exporters. (3) The reduction in export subsidies raises the world price of the product, benefiting exporters, hurting NFIDCs and yields ambiguous effect on those turning from being importers to exporters. The deeper cuts in subsidies in developed countries will result for NFIDCs in higher food import prices and increased food import bills, which would finally be transformed into high food prices. Since poor people spend a larger proportion of their income for purchasing food, an increase in food price would compel them to compromise their dietary habit and substitute for less nutritious food.

The linkage between trade policy reforms and food security is of vital concern to NFIDCs. Ensuring food for all also poses enormous economic, political and technological challenges. Different studies also reveal that elimination of global subsidies and protection could lead to reduction of supplies, increase prices of most foodstuffs. Aksoy and Beghin (2005) using multiple sources show that rice prices would increase by an average of 33 percent with some varieties almost doubling

in price. In other food items such as sugar, dairy, and wheat, price estimates show increases of 40, 20-40, and 5-10 percent respectively. Econometric and other modeling exercises, which use general equilibrium frameworks, find slightly lower but still significant price increases, especially for the foodstuffs. Panagriya (2006) argues that global reforms would hurt these poor countries, especially the low-income countries in Sub-Saharan Africa as well as the poor rural households in the poorest countries. Changes in import capacity have direct implications for the food security of low-income countries where food import dependency has increased because of greater demand stemming from income and population growth, as well as slow gains in domestic production. For highly import-dependent or highly food-insecure countries, any decline in import capacity stemming from rising food prices can have challenging food security implications.

3. SALIENT FEATURES OF WTO NEGOTIATIONS ON AGRICULTURE

Agriculture is relatively a new concept in the multilateral trade agreements. Up to 1995, the multilateral rules were largely ineffective in disciplining key aspects of agricultural trade. During the UR (1986-1994) a framework was set up to reduce agricultural support and protection by establishing disciplines and rules on market access, export subsidies and trade distorting domestic support. The Agreement On Agriculture (AOA) came into force on 1 January 1995. The preamble recognizes the long-term objective of the reform process initiated by the UR reform programme to establish a fair and market-oriented agricultural trading system. The reform programme comprises specific commitments to reduce support and protection in the areas of domestic support, export subsidies and market access, and through the establishment of strengthened and more operationally effective GATT rules and disciplines (Table-1).

Table-1: Numerical target for cutting agricultural subsidies and protection agreed in the Uruguay Round

	Developed Countries (6 years: 1995-2000)	Developing Countries (10 years: 1995-2004)	Least Developed Countries⁸
Tariffs⁹			
Average cut for all agricultural goods	36%	24%	No reduction commitment
Minimum cut per product	15%	10%	No reduction commitment
Domestic Support			
Cuts for sector (Aggregate Measures of Support)	20%	13%	No reduction commitment
Export Subsidies			
Value of Subsidies	36%	24%	No reduction commitment
Subsidized quantities	21%	14%	No reduction commitment

Source: WTO

The AOA makes a concession to developing countries and LDCs by allowing a longer implementation period (ten rather than six years) and lowering reduction commitments for programmes that support agricultural production and trade. The principle of Special and Differential (S&D) treatment was used to provide developing countries with these more favourable terms. LDCs are exempt from tariff reductions (although they must bind them to a maximum level) and allowed to cut domestic support programmes (although they are subject to a spending ceiling). LDCs are also exempt from export subsidy reduction requirements.

Decisions on NFIDCs and problems of the decisions

The NFIDCs decision establishes mechanisms which provide for:

- Provision of sufficient level of food aid;
- Initiation of negotiations in the appropriate forum to establish a level of food aid commitments sufficient to meet the legitimate

⁸ LDCs do not have to reduce tariffs or subsidies.

⁹ The base level for tariff cuts was the bound rate before 1 January 1995; or for unbound tariffs, the actual rate charged in September 1986 when the Uruguay Round began.

needs of developing countries during the reform program;

- Adoption of guidelines to provide food stuffs in fully grant forms/or on appropriate concessional terms;
- Financial and technical assistance under aid programmes to improve agricultural productivity and infrastructure; and
- Favourable export credit conditions in the negotiation on the AOA.

Moreover, according to Article 16.1 of the AOA, developed member countries of the WTO are required to take action within the framework of the NFIDC decision. In general, the agreement ignored the issue of food security in the food deficit countries. It did not consider how the adequate food supplies will be ensured in the poor food deficit countries. Therefore, the concern of livelihood and food security of the NFIDCs is left to the mercy of the market mechanism. There are more rudimentary problems with the decision:

- The decision is a best endeavor clause only. Therefore, there is no binding commitment for implementing the decision;
- It is a temporary measure which is valid during the reform process in agriculture. Temporary measure would not solve the concern of food security in NFIDCs;
- Food security is intended to be ensured through food aid. However, food aid is a short-term measure; it cannot be a substitute for food security. The reference of '*legitimate needs during the reform program*' makes it more complicated;
- The capacity of importing foodstuffs and food security cannot be an identical issue. Though the decision considers the difficulties of financing commercial foodstuffs as a short term measure, it fails to capture the long-term chronic shortages of foodstuffs; and
- The decision does not bind any member country to follow the specific guidelines about the requests for technical and financial assistance to improve the agricultural productivity and infrastructure.

Moreover, the AOA seriously overlooked the issue of food security in the food deficit countries. It allows export prohibition or restrictions to

prevent or relief critical shortage of foodstuffs¹⁰. In undertaking such measures, certain members will duly consider the importing members' food security. In reality it provided safeguard to the food exporting countries or food surplus countries, not the food deficit LDCs. The Agreement did not consider how the adequate food supplies will be ensured in the poor food deficit countries. Thus, the food security and the livelihood security of the NFIDCs, particularly the LDCs, are left to the mercy of the market mechanism, where they cannot compete in a fair play ground as their capacities are destroyed through a long-term plan.

Doha Mandate for Negotiations on Agriculture and Aftermath

Since the inception of WTO in 1995, the developing countries witnessed with deep frustration that the developed countries did not create real market opportunities for their agricultural products. So they desperately wanted real market opening commitment from their developed countries-partners during the Fourth WTO Ministerial Conference held in Qatar, Doha in November 2001. In the Doha WTO Ministerial conference, the trade ministers provided the following mandates for negotiations on agriculture:

- Substantial improvements in market access;
- Reductions of, with a view to phasing out, all forms of export subsidies;
- Substantial reductions in trade-distorting domestic support;
- Special and Differential (S&D) treatment for developing countries shall be an integral part of all elements of the negotiations and shall be embodied in the schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development; and
- Non-trade concerns will be taken into account in the negotiations as provided for in the AOA.

Following the Ministerial mandate, negotiations for further reforms started in Geneva. There was a decision to review the progress and recommendations in the Fifth Ministerial Conference held in September 2003, but the conference failed to adopt a formal declaration. The July

¹⁰ Article XI of GATT, 1947 and Article 12 of the AOA

Framework was adopted by the General Council on 1 August 2004 and it was a gateway for further negotiations. Unfortunately, Hong Kong Ministerial Conference failed to produce agreed modalities on Agriculture by 30 April 2006. However, the conference provided guidelines for establishing modalities on agriculture which, however, has not yet been materialized. In the conference it was decided to establish a 'safe box' for emergency food aid.

A serious deadlock was created in the WTO negotiations after the Hong Kong Ministerial Conference. Thereafter the draft modalities were published on 17 July 2007 with subsequent revisions for a number of times. Finally, the modalities were published on 19 May 2008 containing lots of issues particularly the reduction of the overall trade distorting domestic supports, *de minimis* support, tariff reduction at the highest slap of the tiered formula and designation of the sensitive product. Moreover, the issue of expansion of the tariff quota still remains unresolved. It is argued that the Doha Round as is currently envisioned would intensify the crisis by making food prices more volatile, increasing developing countries' dependence on imports, and strengthening the power of multilateral agribusiness in food and agricultural markets. Developing countries are likely to lose further policy space in their agriculture sector, which would in turn limit their ability to deal with the current crisis and to strengthen the livelihood of small producers.

Protection of Agriculture Sector

OECD data reveal that total OECD countries' support increased from US \$367 billion in 1995 to US \$371 billion in 2006 and Producer Support Estimate, which is most trade distorting and major portion of the total subsidies (more than 70%), remains stagnant during this period. A comparison of the domestic support measures among various groups of countries shows that more than 88 percent of the green box supports and 94 percent of the domestic support are provided by the industrialized countries, the corresponding figures are 11.7 and 6 percent for the developing countries and 0.10 and 0 percent for the LDCs (Appendix Table A1). As of January 14, 2005 the status of WTO member notifications on domestic support shows that since 1995 total domestic support is gradually declining, but at the same time the US support initially declined but it started increasing since 1997. In 2001, the USA alone provided more than 38 percent of the total support. Actually, the USA added more subsidies when it passed the "2002 Farm Bill" that increased government aid to agriculture by 80% (Appendix Table A2). In June 2003, the EU took a step towards liberalizing trade in agriculture by

approving reforms to its Common Agriculture Policy (CAP). Prior to these reforms, the CAP had provided European farmers with market price support, direct payments and rural development schemes aimed at raising the standard of living of agricultural workers, ensuring adequate food supply and adopting measures toward environmentally sustainable farming. Domestic supports are not the only way of protecting farmers. A large number of developed countries are protecting their agriculture through farmers by export subsidies and high tariff barriers.

The volumes of export subsidies are much lower compared to the domestic supports. In 2000, the total domestic support was US \$201.9 billion, while the export subsidy was only US \$3.21 billion, i.e. only 1.59 percent of the value of domestic support. The developed countries provide more than 90 percent of the export subsidies. Among the developed countries, the EU provides about 80 percent, Switzerland accounts for about 6 percent and the USA contributes about 1-2 percent of the export subsidies, while the rest of the world provides for 2-4 percent (Annex Table A3). It is important to note that the developed countries drastically reduced the export subsidies in 2000, one year before the final implementation of the UR agreement. Apart from the export subsidies, additional protection is provided through export credit, and export restrictions, which are not accounted for in the traditional measures of export subsidies. OECD statistics show that wheat and flour, coarse grains, sugar, rice, dairy products, meat, eggs, wine and fruits and vegetables received substantial export subsidies. Except wines and fruits, all other items are extremely important for food security. Once the export subsidies are eliminated, obviously, the exporting countries will not be able to sell those items at the present prices, hence the prices of those items will increase affecting the food security of the importing countries adversely.

The average bound tariff for the agricultural products in the OECD countries is 41.21 percent, but the average applied tariff is 22.67 percent. Countries like Japan, Norway, Mexico and Turkey have very high bound and applied tariffs, while Australia and New Zealand both have very low bound and applied rates. Although the USA has low applied duties (6.5%), but the bound duties are more than 25%, keeping rooms for increasing the applied duties (Appendix Table A4). The average discrepancy between the bound and the applied rate is 18.54. Beside domestic supports, export subsidies and tariff protection, agricultural products are subjected to various kinds of arbitrary barriers like sanitary and phyto-sanitary measures and technical standards.

4. FOOD SECURITY SITUATION IN BANGLADESH: A CASE OF NFIDC

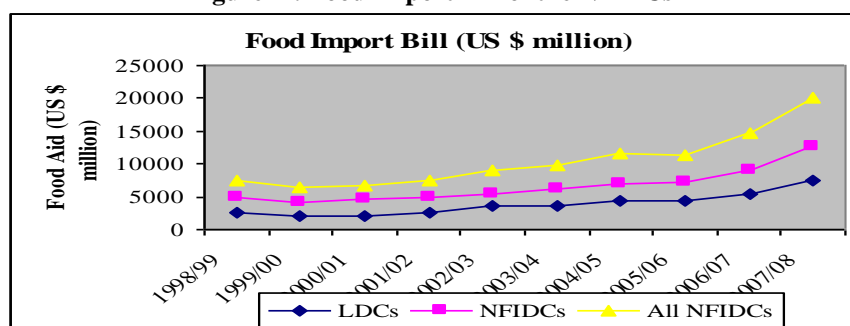
WTO identified 75 developing countries that are considered as NFIDCs¹¹. These countries include 50 least-developed countries¹², plus some developing member countries of WTO which are net importers of basic foodstuffs in any three years of the most recent five-year period¹³. In 1996, the number of NFIDCs was 64 and it increased to 69 in 2001 and finally it reached to 75 in 2005. According to the state of the Food Security Study Report 2006, about 294 million undernourished people live in the 54 NFIDCs, which is more than 27 percent of the total population of these countries. In terms of the absolute number of population, Bangladesh had the highest prevalence of under nourishment in 2003 (43.10 million), followed by Congo (37 million), Pakistan (35.20 million) and Ethiopia (31.50 million).

The total volume of cereal imports in 2007/08 was about US \$ 201 billion (FAO), which was US \$146 billion in the previous year. During this period, the volume of import increased only 3.46 percent. Because of the sharp increase in international cereal prices, freight rates and oil prices, the 2008 aggregate cereal import bill of the NFIDCs rose by 39 percent from 2007 (Figure-1). This will have a negative impact on the balance of payments and current account positions of the NFIDCs in general and in particular on those among LDCs where prevalence of hunger is more and the per unit import cost is US \$22 higher. FAO's analysis reveals that until 1981, LDCs were the net food surplus countries and they have gradually turned into food deficit countries through the global mechanism of market. FAO statistics show that a food surplus of US \$1 billion of LDCs in 1970 was transformed into a deficit of US \$11 billion in 2001, which is continuously increasing.

¹¹ G/AG/5/Rev.8

¹² Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Cape Verde, Central African Republic, Chad, Comoros, Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea - Bissau, Haiti, Kiribati, Laos, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sudan, Timor-Leste, Tanzania, Togo, Tuvalu, Uganda, Vanuatu, Yemen and Zambia.

¹³ Barbados, Botswana, Côte d'Ivoire, Cuba, Dominica, Dominican Republic, Egypt, Gabon, Honduras, Jamaica, Jordan, Kenya, Mauritius, Mongolia, Morocco, Namibia, Pakistan, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sri Lanka, Trinidad and Tobago, Tunisia and Venezuela.

Figure -1: Food Import Bill of the NFIDCs

Source: FAO Statistics, 2008

Bangladesh is one of the NFIDCs having 5.5 million food insecure and the highest number (43 million) of undernourished people. It is an agrarian country and its economy still depends on agricultural production. The overall contribution of the broad agriculture sector was almost 21 percent of GDP in FY 2007. The growth of broad service sector, particularly the growth of wholesale and retail trade, hotel and restaurants, transport and communication sectors are strongly supported by the agriculture sector. Besides, about 52 percent of the total labour forces of the country are engaged in agriculture (BBS Labour Force Survey, 2002-2003). Though the population of the country has increased from 120 million in 1995 to 140.6 million in FY 2007, cultivable agricultural land has decreased from 8.75 million hectares to 8.44 million hectares in 2003 and is expected to decline further thereafter. The population growth is also pushing up the food demand. Moreover, climatic change and natural disasters have adversely affected the domestic production. At present, about 27 million people (19% of the total population) in Bangladesh live in extreme poverty in terms of daily calorie intake (below 1805 Kcal per day)¹⁴. About 56 million people (40.4% of population) live below 2122 Kcal a day.

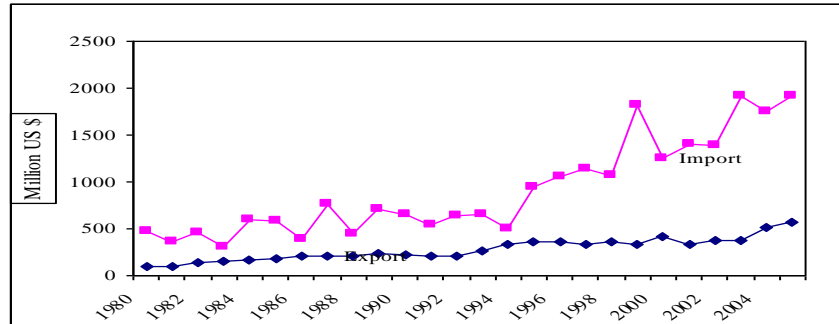
Cultivable agricultural land in Bangladesh has been degrading over time due to population increase and urbanization. At present, the net land area available for cultivation is about 8.44 million hectares and the total cropped area is about 13.74 million hectares. About 70 per cent of the cropped area is planted with rice every year. There is a little or no opportunity for bringing more land under cultivation. Yet, about 1 per cent of the total agricultural land is going out of agriculture every year for other uses (BBS, 2004). Land, even those with irrigation facilities, is continuously being shifted to non-agricultural use. Cropping intensity

¹⁴ Bangladesh Economic Review, 2007.

remains stagnant at around 175-177 percent, thus fails to mitigate the loss of land degradation. Climatic changes have been adversely affecting domestic production. Due to frequent floods and natural disasters, production of rice, wheat, onion, lentil and vegetables are seriously affected. Moreover, the use of mechanized technology is limited, yield per acre is low compared to many other developing countries, use of improved seed is still low, coverage of irrigated land is only 35.70 percent and ADP allocation remained stagnant around 1.5-2.00 percent for about 25 years. Thus the country has to depend on food import for ensuring food security.

The official statistics of the Ministry of Agriculture (Appendix Table A5) shows that until 1998-99, Bangladesh was a food deficit country; thereafter it became a food surplus country. A closer look at annual product specific demand and supply in 2005-06 exhibits that Bangladesh faces deficit for most of the essential food items except rice. The country can meet only 22 percent of wheat, 5 percent of edible oil, 13 percent of sugar, 42 percent of pulse, and 70 percent of onion and 31 percent of turmeric demand from the domestic sources (Appendix Table A6). As these items are essential in our day-to-day consumption, any change in international price and supply of these items would affect the domestic price.

Bangladesh's export-import situation of agricultural products reveals that it receives only 7 percent of total export earnings from agricultural products mainly from raw jute, jute goods, tea, frozen foods. On the other hand, the import of agricultural products constitutes almost 13 percent of total import payment. The major agricultural imports are cereals, pulse, edible oils and almost all kinds of spices. The total export in 2005 was around US \$572 million, while the country spent about US \$1,911 million for purchasing food items in 2005 (WTO Statistics, 2006). The country spent about 18.15 percent of its export earnings for purchasing food from the external sources in 2005-06. Food import bill of the country increased from US \$ 504 million in 1994 to US \$1,254 million in 2000 and further to US \$1,911 million in 2005. Since the global food prices are increasing at a very high rate during the last two years, it is reasonably expected that the food import cost will increase even further. Food import is increasing at a very fast rate since inception of WTO, 1995. A declining trend of food imports was witnessed between 2000 and 2002. Food grain imports marked a sharp rise during the year 2004 and 2005 reflecting a deterioration of food availability in the domestic frontier. Bangladesh has to depend on food import for ensuring food security. All the above ideas are shown in Figure-2.

Figure-2: Export and Import of Food Items by Bangladesh

Source: WTO Statistical Data base, 2006

If import price increases, a country pays more for importing food items, thus creating problems to existing foreign exchange shortfalls. Increasing prices of food stuffs, most likely, push up general price level, thus leading to high inflation. Bangladesh imports a large amount of food grain from overseas every year. Bangladesh has a two-way position in the arena of agriculture and international trade as it is a major producer of food grain especially rice and also a major importer of rice in the world market. Among the rice importing countries, Bangladesh stands second following Indonesia. Bangladesh also has a share of about 3.5 % of the total rice production in the world.

Bangladesh being an LDC is exempted from any commitment of tariff and subsidy reduction. However, the country has substantially reduced the average applied tariffs due to pressures from the IMF and World Bank. The bound tariffs in the WTO for most of the agricultural items are 200% (Table-3), except few items (13 items) where the average bound rate is 50%. The average bound rate for the agricultural products notified to the WTO is 188.5 percent, while the average applied rate is only 12.24 percent. This has not only reduced the sources of revenue earning but also forced the farmers to face open competition *vis a vis* the imported subsidized agricultural products and they were forced to leave agriculture and involve in other economic activities or remain unemployed.

Table-2: Tariff Protection in Bangladesh Agriculture

Item/Product	Bound Import Duty (%)	Applied Import Duty (%)
For all agricultural products (average)	188.5	17.3
Rice	200	0
Wheat	200	0
Lentil	200	0
Soybeans	200	15
Palm Oil	200	15
Refined Sugar	200	Tk. 5,000/ MT
Raw Sugar	200	Tk. 4,000/MT
Onion	200	0.00
Powder Milk	200	37.15

Source: Information on the applied tariffs was collected from National Board of Revenue and information on bound tariffs was collected from WTO.

When market fails to protect the interests of the majority, the has the due role to protect them from adversity - that is often made by subsidy mechanism towards the agriculture and any other thrust sector. Unfortunately, Bangladesh government has been providing very insignificant support towards agriculture since its independence until 2005 under the pressure and prescription of the WB and IMF. This means that agriculture sector received very limited attention or supports from the government. Around 1.5 -2.0 percent of the GDP is allocated to the development of the sector. But the trend seems to have changed in recent years. The amount of budget allocation for the sector increased significantly. In order to face the global food crisis, the present government has been putting more emphasis on agriculture. If these subsidies are properly managed and distributed, the sector would get a better boost in the coming days. This success of this initiative would need strict administrative and monitoring mechanisms and strong political commitment, which did not have good record in the past. Available data show that the support to agriculture as WTO defined Amber Box subsidy amounts to only 0.67 percent of GDP value addition of agriculture while it can be up to 10 percent under the negotiation made to AOA in UR.

Bangladesh has carried out a series of successive liberalization measures in agriculture sector under the guidance of the World Bank and the IMF. It has opened its agricultural market since 1980s, initially by liberalizing the input market. Agricultural markets in Bangladesh are now substantially liberalized. Reforms have been quite extensive in the areas of:

- fertilizer marketing and distribution
- minor irrigation
- seed development and marketing
- interest rate deregulation
- food import

The conspicuous economic strategy in the agricultural sector of the past decade shows a systematic withdrawal of protection afforded to farmers. Against the backdrop of liberalization of input market in the wake of reduced public expenditure in agriculture, they are exposed to market volatility and private profiteering without adequate regulation. While there has been arrested growth of agriculture, with lack of other non-agricultural economic activities, the farmer is suffering in a generalized rural crisis. In the backdrop of imperfect nature of the input market, liberalized at the fullest extent without regulatory regime in place, the farmers assert that the burden has fallen disproportionately on the majority of them belonging to small and marginal section, particularly worsening the tenant farmers and rural labourers.

From the discussion it can easily be inferred that Bangladeshi farmers received little support from the government to improve their productivity, adopt new technologies, and adjust themselves with the global competition. They are forced to face global competition through gradual elimination of tariff barriers. Recently, government has been trying to support the sector, but would really be difficult to regain the lost paradigm. A sustainable food production system will call for increasing productivity through optimal and scientific use of all inputs. Land is a scarce natural resource for Bangladesh. As the scope of further increasing cropping intensity is extremely limited, the increase in production will have to be realized by raising yield per unit area. Raising the yield per unit area is possible with the sustainable and optimum use of agricultural inputs like seed, fertilizer, water, credit, etc. But unilateral liberalization of agriculture sector makes the input market highly disfavoured one for small producers in Bangladesh that hinders the potential of yield raise per unit area. Government has hardly any control on the seed market as they supply only 5% of the total need of seed in the farming sector through BADC. Fertilizer market is also opened for private importers and Urea dealers often hoarding it during the peak season to make the artificial price hike. Means of irrigation is also highly concentrated to the rural elites. Though cultivable land is squeezing day by day, there is a possibility to increase production if support to agriculture is increased tremendously through technological innovation. Unfortunately, the reverse measures have been taken over the years

under the forced guidance of WB and IMF that is seriously hurting agriculture in general and the poor in particular. If it continues, there is virtually no hope for increased production to feed the nation.

5. CONCLUSIONS: STRATEGIC OPTIONS

If the developed countries reduce subsidies during the current round of negotiations, global food prices will markedly increase. Bangladesh being a NFIDC will face difficulties, as its food import bill will increase. This will deteriorate its balance of payment positions, increase the domestic price level and exert inflation in the domestic economy. On the other hand, if the developed countries do not withdraw subsidies, farmers of NFIDCs cannot compete in the global market or with the imported goods available in the domestic market. Country like Bangladesh requires long-term vision and support to improve its agricultural productivity and supply of food from the domestic sources. An interesting and important point to note here is that the developing countries and NFIDCs have different interests in the arena of agriculture negotiations. All the developing countries do not necessarily have the same interests in the context of exemption of export subsidy of the developed countries. Negotiations on the Special Safeguard Mechanism would not also bring any fruitful benefit for food security of Bangladesh. From the viewpoint of food security, the following policy options are recommended to increase food production.

- The agriculture policy paradigm in NFIDCs must be allowed to change. NFIDCs should have policy space to expand public expenditure on agriculture. They should put greater emphasis on policies that increase food sovereignty, encourage local markets, support sustainable small-scale farming, safeguard local production, implement genuine agrarian reforms, etc.
- The negotiations did not deal with the role of International Financial Institutions like the World Bank, the IMF and other regional development banks which had forced LDCs like Bangladesh to eliminate subsidies to the poor farmers as part of the Structural Adjustment Policy (SAP). The policies of these institutions should be reviewed and revised so that the policies do not continue to be barriers to food security and agricultural development in NFIDCs. Bangladesh should also go for a strategy to make subsidies available to the needy, not to the resourceful. A different box can be created to support the poverty-stricken poor agricultural producers by pooling resources globally.

- NFIDCs should give high priority to the expansion of local food production and build up their own capacities. Government should provide and expand adequate support to the agriculture sector. Accompanying measures and policies should thus be put in place. These countries should be allowed to calibrate their agricultural tariffs in such a way as to ensure that the local products can be competitive and the farmers' livelihoods and incomes are sustained, and national food security is assured.
- Technical assistance for agricultural production, growth and infrastructure development is needed for ensuring food availability through capacity building. For a dynamic upgrading in the production situation, it is urgently required to make major investment in agricultural research, development and technological advancement. There is a need for global compensation fund to provide necessary support to the NFIDCs like Bangladesh as per the negotiations made at Marrakesh.
- A comprehensive package is needed to make agricultural production sustainable as well as maintaining livelihood of the poor. Elements of such package could be, amongst others: correction of inequities in access to irrigation; bringing all cultivators into the ambit of institutional credit, including tenant farmers; augmentation of farming through technology, extension, price and other incentives; encouragement of cheaper and more sustainable input use; greater public provision and regulation of private input supply and strong research and extension support; protection of farmers from high volatility in output prices and enhancement of rural economic diversification to more value-added activities and non-agricultural activities.
- To address the food security of the poor countries properly, a common definition needs to be followed by the international organizations like FAO, WTO, WFP and others. Moreover, all NFIDCs are not economically and socially similar. LDCs are more vulnerable as they are not only net food importing countries but also they have limited ability to purchase food from the global market. As such, the problems of food security of the LDCs must be treated separately.

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APPENDIX

Table A1: Total Domestic Support by WTO Members, 1996 (\$ million)

Country Group	Green Box	Domestic Support	Total
Industrialized Countries	139,650	114,118	253,757
Developing Countries	18,468	7,269	25,737
Least Developed Countries	112	0	112
All countries	158,230	121,387	279,617
Percentage Share (%)			
Industrialized Countries (23)	88.3	94	90.8
Developing Countries	11.7	6	9.2
Least Developed Countries	0.10	0	0

Source: South Asian Yearbook of Trade and Development, 2005, published by CENTAD

Table A2: Comparison of Total Domestic Support (Billion US \$), 1995-2001

Year	EU-15	USA	Japan	Rest of World	Total
Amber box (AMS)					
1995	64.4	6.2	36.8	12.2	119.2
1996	61.3	5.9	29.8	10.8	107.5
1997	56.6	6.2	25.8	10.4	99.0
1998	51.0	10.4	6.0	9.6	77.0
1999	47.6	16.9	6.7	5.4	76.7
2000	38.9	16.8	6.4	5.6	67.7
2001	35.2	14.4	5.3	3.5	58.4
De minimis					
1995	1.1	1.5	0.4	8.3	11.3
1996	0.9	1.2	0.3	3.8	6.2
1997	0.6	0.8	0.3	4.3	6.0
1998	0.4	4.8	0.6	2.8	8.6
1999	0.3	7.4	0.3	3.5	11.6
2000	0.5	7.3	0.3	3.3	11.4
2001	0.8	7.0	0.3	1.6	9.7
Blue Box					
1995	26.8	7.0	0.0	1.1	35.0
1996	25.8	0.0	0.0	1.1	27.0
1997	23.0	0.0	0.0	1.0	24.1
1998	22.4	0.0	0.0	1.0	23.5
1999	19.7	0.0	0.8	1.0	21.5
2000	19.8	0.0	0.8	0.1	21.5
2001	21.2	0.0	0.7	0.9	22.5
Green Box					
1995	24.6	46.0	32.9	26.3	129.3
1996	26.6	51.8	25.0	26.8	130.2
1997	20.5	51.3	21.6	26.0	119.4
1998	21.0	49.8	23.4	18.7	112.9
1999	19.8	49.7	24.1	14.7	108.5
2000	19.5	50.1	23.2	14.8	107.5
2001	18.5	50.7	20.4	8.8	98.3
Total					
1995	120.2	60.8	70.4	39.7	291.1
1996	121.2	58.9	55.3	31.4	266.8
1997	99.4	58.3	47.8	34.3	239.8
1998	97.3	65.0	30.4	29.2	221.9
1999	91.7	74.0	31.8	18.7	216.2
2000	80.4	74.2	31.3	16.0	201.9
2001	74.7	72.1	26.7	15.5	189.2

Source: USDA/ERS, WTO database, and WTO member notifications through June 1, 2005.

Table A3: Export Subsidies by Country, 1995-2000 (million US \$)

Country	1995	1996	1997	1998	1999	2000
EU (15 Countries)	6,496	7,470	4,857	5,989	5,854	2,517
USA	26	122	112	147	80	15
Switzerland	455	355	295	293	269	188
Norway	84	78	100	77	116	44
Rest of the World	267	228	195	162	177	443
Total	7,328	8,253	5,559	6,668	6,496	3,207

Source: Economic Research Service (ERS) calculations from WTO export subsidy notifications, <http://www.ers.usda.gov/db/wto>

Table A4: Average Tariffs for Agricultural Products, 2006, OECD Countries

Country	Simple		Gap between Bound and Applied Rate
	Bound	Applied	
Australia	3.4	1.2	2.20
Canada	16.90	17.30	-0.40
EC	15.40	15.10	0.30
Japan	28.40	24.30	4.10
Korea	59.30	18.20	41.10
Mexico	43.70	18.20	25.50
New Zealand	5.70	1.70	4.00
Norway	137.80	61.10	76.70
Switzerland	57.20	43.80	13.40
Turkey	60.10	42.00	18.10
USA	25.40	6.50	18.90
Simple	41.21	22.67	18.54

Source: World Tariff Profiles, 2006, WTO

Table A5: Food grain Production and Requirement 1971-72 to 2020
(Figures in Thousand metric tons)

Year	Mid-year population	Food grain requirement	Total Production	Total net production	Food surplus/deficit
1971-72	72.60	12019.73	9889.20	8744.03	-3275.70
1975-76	79.90	13228.33	12777.00	11297.42	-1930.91
1979-80	87.60	14503.15	13367.00	11819.10	-2684.05
1984-85	98.10	16241.54	16108.00	14242.69	-1998.85
1985-86	100.30	16605.78	16104.00	14239.16	-2366.62
1989-90	108.90	18029.60	18603.30	16449.04	-1580.56
1990-91	111.00	18377.28	18792.00	16615.89	-1761.39
1993-94	117.00	19370.65	19187.60	16965.68	-2404.97
1994-95	119.00	19701.77	18106.80	16010.03	-3691.74
1995-96	122.10	20215.01	19088.00	16877.61	-3337.40
1998-99	128.10	21208.37	21897.48	19361.75	-1846.62
1999-00	129.80	21489.83	25027.70	22129.49	639.66
2000-01	131.50	21771.28	26907.20	23791.35	2020.06
2001-02	133.45	22094.13	26078.40	23058.52	964.40
2002-03	135.00	22350.75	26903.85	23788.38	1437.64
2003-04	136.20	22549.42	27683.70	24477.93	1928.51
2004-05	138.05	22855.71	26488.00	23420.69	564.98
2005-06	139.10	23029.55	27787.00	24569.27	1539.72
Projected Population, Food grain Requirement and Production from 2005 to 2020					
2010	148.10	24519.60	31200.00	27587.04	3067.44
2015	156.70	25943.42	33700.00	29797.54	3854.12
2020	166.90	27632.14	35000.00	30947.00	3314.86

Source: Bangladesh Bureau of Statistics (BBS), Department of Agricultural Extension (DAE) and Ministry of Food (MOF)

Table A6: Demand, Supply of Essential Food Items, (Lac MT), 2005-06

Item	Annual Import 2005-06	Annual Production 2005-06	Annual Demand 2005-06	Domestic Surplus 2005-06	Annual Prod. 2006-07	Annual Demand 2006-07	Domestic Surplus 2006-07
Rice	10.00	265.30	230.29	35.01	266.00	233.00	33.00
Wheat	18.63	7.38	21.47	-14.09	6.50	28.29	-21.79
Edible oil	4.42	0.96	19.20	-18.24	0.96	19.20	-18.24
Sugar	1.99	1.34	12.00	-10.66	1.65	12.00	-10.35
Pulse (lentil)	0.75	1.20	3.18	-1.98	1.35	3.20	-1.85
Onion	1.69	7.69	9.65	-1.96	8.74	12.50	-3.76
Potato	no import	40.00	40.00	0.00	50.00	44.00	6.00
Ginger	0.10	0.57	0.67	-0.10	0.60	0.75	-0.15
Chile	0.03	1.55	1.60	-0.05	1.50	1.60	-0.10
Turmeric	0.01	0.92	0.93	-0.01	0.95	3.04	-2.09
Garlic	0.23	1.20	1.23	-0.03	1.05	1.53	-0.48
Salt	0.75	14.38	12.40	1.98	10.65	12.40	-1.75

Source: Ministry of Commerce, Bangladesh