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You are here: Home » News » India Stands Up to World Trade Organisation Over Food Security

India Stands Up to World Trade Organisation Over Food Security

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Anand Sharma, India’s trade minister, is heading for a showdown with the World Trade Organisation over
India’s ambitious food subsidised program which would deliver free grain to around 70% of the country’s 1.2 billion people.

Speaking ahead of the WTO Summit in Bali, which got underway this week, Mr Sharma said “We cannot continue to have rhetoric of development agenda without even a reasonable attempt to address the issues which are of primary concern to developing economies.” Mr. Sharma noted Monday that developed markets such as the U.S. and the European Union have been subsidizing their farmers for decades, adding “We can no longer allow the interests of our farmers to be compromised at the altar of mercantilist ambitions of the rich.” (Wall Street Journal)

Image Anand Sharma, India’s trade minister. Horasis via Flickr

Mr Sharma’s comments echoed the sentiments of Olivier De Schutter, UN Special Rapporteur on the Right to Food, who has called for policy changes that will allow developing countries the freedom to use their reserves to help secure the right to food without the threat of sanctions under current World Trade Organization (WTO) rules. “Trade rules must be shaped around the food security policies that developing countries need, rather than policies having to tiptoe around WTO rules. The Bali package should now enshrine the rights of developing countries to use public food reserves for food security without facing sanctions.

“Supporting local food production is the first building block on the road to realizing the right to food, and trade must complement local production, not justify its abandonment,” the expert said, warning that food security is at high risk when countries become overly dependent on global markets, as shown during the global food crisis of 2007-08.
They must develop ambitious and innovative food security policies that support their own production base, building on successful experiences in a growing number of countries.

Food reserves are a crucial tool, not just in humanitarian crises, but in the everyday struggle to provide stable income to farmers and to ensure a steady flow of affordable foodstuffs for poor consumers, many of whom lack a basic social safety net.

“The risks of trade distortions must not be exaggerated. It should not be forgotten that developed countries are able to subsidize their farmers to the tune of more than $400 billion per year without breaching WTO rules,” Mr. De Schutter said, insisting that any agreement in Bali must give developing countries sufficient guarantees to be able to push ahead with ambitious food security policies. He noted that the Indian Food Security Bill is aimed at stocks for domestic distribution rather than export onto world markets.

The recent Indian government legislation has made the right to food legally enforceable in a country that is home to about a quarter of the world’s undernourished. The National Food Security Act, which was signed into law in September, is designed to provide staple foods at highly subsidised prices for more than 800 million people across the country, making it the largest food safety net in the world.
The WTO has long been criticised over its rules and sanctions and the impact of agricultural subsidies in developed countries upon developing-country farmers and international development. Generally, developing countries have a comparative advantage in producing agricultural goods, but low crop prices encourage developing countries to be dependent buyers of food from wealthy countries. So local farmers, instead of improving the agricultural and economic self-sufficiency of their home country, are forced out of the market and perhaps even off their land. This occurs as a result of a process known as “international dumping” in which subsidized farmers are able to “dump” low-cost agricultural goods on foreign markets at costs that unsubsidized farmers cannot compete with. Agricultural subsidies often are a common stumbling block in trade negotiations. In 2006, talks at the Doha round of WTO trade negotiations stalled because the US refused to cut subsidies to a level where other countries’ non-subsidized exports would have been competitive.

India and some other emerging-market countries want to be allowed to boost their government subsidies on food, citing the importance of food security and combating hunger. India has emerged as the leader of a group of dozens of less-affluent countries pushing for the changes.

Under current WTO provisions, India could face WTO sanctions if it goes ahead with the program to deliver
free grain to over a billion people in the country. (Wall Street Journal)

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