

# **PROSPECTS FOR STRENGTHENING FOOD SECURITY THROUGH INTERNATIONAL TRADE**

**Speech by Mr. Anand Panyarachun  
on the Occasion of the FAO's Celebration of its Fiftieth Birthday  
given at the FAO Regional Office on October 16, 1995**

Your Royal Highness, distinguished guests, ladies and gentlemen:

Fifty years ago, the Food and Agricultural Organization was founded to alleviate poverty and hunger by promoting agricultural development, improved nutrition and the pursuit of food security – “food security” being defined to mean the access of all people at all times to the food they need for an active and healthy life. It is time therefore that we take a long term look at how successful Asians have been in achieving these laudable objectives.

Many of us will recall the threat of famine that hung over Asia in the unsettled aftermath of the Second World War. Soon after that fear was removed, there arose a new fear that Asia's food production capacity would not be able to meet the accelerated growth of population. It is amusing now to hear that there was concern in the early 1950s that Japan might not be able to feed her population. For those who had to live through that period, the outcome for Asia was still highly uncertain, as the region was hit by food crises of differing degrees of severity, first in the mid-1960s, and then again in 1972-74. Since then, the food situation in Asia has become far more secure, and the problem of food supply seems to have occupied less of political leaders' time than it did only two decades ago. Nevertheless, the food crises of the 1960s and the 1970s seem to have generated a mind-set which is no longer relevant to the needs of Asia today.

The searing experience of the 1960s and the 1970s seems to have etched on the minds of many political leaders in Asia, that the international markets for food cannot be relied on. Looked at objectively, who can blame them? To take a few examples:

- the US has never been allowed to forget that in 1973, it imposed a ban on soybean exports.
- similarly, Thailand also banned rice exports in 1972.
- the US government was believed to have held up aid shipments to wring political concessions from India.

Even at the best of times, the international markets for food are greatly distorted by the actions of the major players, mainly, but not exclusively, the OECD countries.

Consequently, the great food crisis of 1972-74 was followed by a much greater emphasis on self-sufficiency among Asian policy-makers. It was also followed by an upsurge in food production throughout Asia. It would be nice to report that the slogan of food self-sufficiency caused the increased food production. However, sloganeering does not make plants grow. In the end what made the

difference was the widespread adoption by farmers of new genetically improved varieties of rice and wheat – a phenomenon that has acquired the popular title of the Green Revolution. No doubt, the slogan of self-sufficiency helped to the extent that it set up a clear target, as well as pushing governments to undertake many activities in favor of farmers, for example, to invest heavily in irrigation. But without the varieties from the experiment stations, the investments would not have borne much fruit.

By the 1980s there was agricultural surplus everywhere. Asian countries had their Green Revolution. China had that *plus* a drastic reform of their agriculture. The OECD countries also weighed in. Prices having been high in the 1970s, their farmers refused to see them fall. Now in all OECD countries, agricultural prices are completely innocent of market forces and determined entirely by politics. When prices rose in the 1970s, and threatened to fall, their governments obliged the farmers by paying them much higher prices than what the markets could absorb.

Thus it came about that the great food crisis of the 1970s was followed by the great farm crisis of the 1980s. The farm crisis in turn led to hugely increased spending in OECD countries on farm support. Hence we arrived at a paradoxical situation, that countries that suffer from problems of over nutrition are also throwing the largest amount of public subsidies at food production creating a worldwide surplus, while hundreds of millions of malnourished people are unable to obtain a share of that surplus. Various mechanisms to rebalance the situation, most notably food aid, prove inadequate to the task. Commercial international trade also could not alleviate the situation, as what the malnourished poor suffered from was inadequate purchasing power.

The subsidies to agriculture in the OECD countries continued to grow, until they faced a real budget crunch. This crunch was ultimately responsible for the introduction of agriculture into the Uruguay Round. It came to be realized, certainly among the food exporting countries, that the state of anarchy that characterized international agricultural trade could not continue. Hence the long and arduous negotiations during the Round. It is a matter of some disappointment that the Round has as yet achieved little in the way of true liberalization, although I sincerely hope that over time, agricultural trade would be subject to less arbitrary interventions, particularly on the part of OECD countries.

While the Round was going on, in Asia (and indeed in other developing regions as well), many countries were beginning to liberalize unilaterally their economies in all sectors *except agriculture*. For many of these countries this resulted in a rapid export-driven industrialization. Agriculture and the rural sector in general have become increasingly marginalized. Because of these developments, the mind-set acquired from the food crisis of an earlier era is no longer relevant. In that era, the objective was clear and simple: a bigger pile of grains – almost regardless of costs. Now the problem is far more complex.

The spreading industrialization in Asia still requires a healthy agriculture alongside industry. But it will have to be a different kind of agriculture. The

simple rule of maximising the pile of grains is no longer sufficient. As young people leave agriculture, rural areas tend to become increasingly depressed.

Faced with this new sort of farm crisis, it is tempting for industrializing Asia to close off its agriculture from the rest of the world. Without access to cheap food from abroad, and as people leave the farms, the lower supply would automatically increase food prices. The high food prices would then allow the remaining farmers to have higher incomes through higher prices, alleviating what would otherwise be a depressed agriculture. This is the path that Japan and Korea had chosen to follow. These are successful economies, and who can argue with success? But, ladies and gentlemen, I submit that this is the wrong path for the rest of us to follow.

It is a wrong path because it would freeze our agriculture to a pattern which would be increasingly irrelevant. Japan and Korea have made great strides in moving into technologically more and more advanced areas in industry, and conquering world markets. At the same time, its farmers are paid to go on producing rice (and they are paid generously), while its people are eating less and less of the stuff.

Can the rest of us afford this luxury? Can we not do better? Mythology seems to cloud all discussions of food and agriculture. To do better, we have to start by clearing our minds of some of these myths.

The first myth is that agriculture is static and technologically backward. This is simply false. Throughout this century, the application of genetics has borne fruit, and will continue to do so. It is precisely because of this dynamism that food prices have increased less than the prices of manufactured goods over the last hundred years. Of course, these scientific and technological advances do not fall like manna from heaven, but have to be striven for – they have to be invested in, both by the national government and by international agencies. In this context, FAO should be congratulated for its assistance in this respect, both directly and through the Consultative Group on international Agricultural Research (CGIAR).

Falling food prices, although of great benefit to mankind generally, not least to the urban poor, place increasing burden on agriculture everywhere. The burden is for every farmer to increase its productivity to keep ahead of the falling prices. And that productivity increase can only be obtained by putting more scientific resources into research. Past history has shown, and current science is indicating that further strides can be made in increasing farmers' productivity.

But scientific resources are not exactly abundant. A poor, or even middle-income Asian country cannot afford to spread its efforts on every commodity, and certainly not in areas where it is unlikely to have comparative advantage or ever to acquire it. We have to learn how to invest our effort wisely and with discrimination. An agricultural economy which is divorced from the world markets is unlikely to be able to invest its scientific resources wisely.

An open food economy is sometimes held to be antithetical to food security. I now turn to this central issue of food security.

Food security can be considered at different levels. One can talk about world food security, or national food security, or food security at the household level. From a policy perspective, it is natural to center the discussion at the national level.

National *food* security is sometimes conflated with national security, with its military, life-and-death connotations. Since few can question action taken in the name of national security, it can be used to justify any measure. In particular, it is often claimed that national security can be ensured by food self-sufficiency – and this is the second of the myths that cloud discussions of food issues. If anything serious is to be read into this argument, it means that a country should prevent any disruption in its food supplies. Supplies from imports are deemed to be more vulnerable, particularly during a war, as international transport lifelines are the easiest to sever. Imports are thus naturally thought to be a less secure source of food than domestic supplies. Consequently, an agricultural work force has to be set aside to keep on producing food, even if it is not very productive in that line of work.

Consider another alternative to prevent supply disruption in times of emergency. Suppose the country stores grains and other food items to be used during emergencies. To reach the objective of national security in this manner is surely much less costly than keeping people unproductively occupied in agriculture, particularly when people so retained are mostly grandfathers and grandmothers.

FAO has given a nice definition of food security – “the access of all people at all times to the food they need for an active and healthy life.” The phrase “at all times” requires that there be certain stability in supply conditions. If that is so, then it seems to me that access of consumers to international markets (when and if necessary) would enhance food security more effectively than a closed supply system.

But the definition also says “access of all people.” We should pay special attention therefore, to the access of poor people, since they may not have the wherewithal to buy adequate quantities of food. We have seen that a bigger pile of grains by itself does not assure that the poor can buy food. Ultimately the poor will have to have better incomes to be able to buy the food. In other words poverty will have to be eliminated for food security to be attained.

Now Asian poverty is still primarily rural poverty. The fate of the rural poor is therefore, tied up with the health of the agricultural sector. A closed-in, protected agriculture is unlikely to be a healthy agriculture. If high prices are the objective of such protection, then they will benefit only those lucky enough to have access to farm lands, and will not trickle down to those who are landless or have small plots of land, surely the most vulnerable group. Those who wish to enter the ranks of the landed will find that land prices are usually prohibitive under protection. Furthermore, the high domestic price of food that a closed-in

system often produces is certainly not going to help those poor who have to purchase it.

A healthy agriculture, I submit, does not depend on high prices. It depends on efficiency. Efficiency cannot be gained by protection. What protection does is to freeze agriculture into becoming a museum piece.

Small farmers and landless laborers depend as much on an efficient agriculture to give them employment and improve their lives. The choice of what crops to grow, what technology to use, will take better account of their availability to provide their most important resource: their labor and their skills. And if their lives are sufficiently improved for them to aspire to own more land, they will find the land prices to be less prohibitive.

Therefore, to have a healthy agriculture, and with it wealthier farmers, a country needs to open up its farm economy to international trade. This will allow the farmers to specialize in those crops which best suit its resource constraints. To take a concrete example, normally most cereal grains (except rice) can be grown with relatively little labor and a great deal of machinery, as they are in the great grasslands of the “new” countries such as the US, Canada, Australia and Argentina. Asia on the other hand is blessed with a large population and work force, and relatively little land. With such resource structure, to insist on growing one’s own food to feed one’s own population is good neither for the urban poor who are forced to eat expensive grains, nor for the rural poor when the rural economy could be growing something else which yield higher value in the market place.

A more market-oriented policy *may* make farmers move away from grains, as in China, and they will do so only because it is profitable to them and to the rest of the economy. It *may* also make them move towards grains, as the example of Vietnam has shown. When Vietnam’s economy was opened up, it went back to the comparative advantage it has always had in rice production, to expand rice exports – this after twenty years of regular imports. Large exports since 1989 have not only increased rural incomes but allowed it to buy capital goods from the rest of the world to develop and diversify its economy.

I conclude, therefore, that for a *viable* and sustainable food security policy to emerge, therefore, a more open agricultural policy is necessary. But a government, having implemented this policy, should not sit back and pursue a completely laissez-faire policy toward agriculture. Agriculture has traditionally depended a great deal on public investments, particularly in Asia, where governments have poured in vast resources into irrigation. Of equal importance is investment in agricultural research, even though the sums involved are considerably smaller. Now, public investments in agricultural research are more necessary than ever, and have to be redirected to the new economic structures that Asia faces. I have no doubt that there are in Asian rural areas considerable productive potential that is suppressed by the misguided policies of today. The misguided policies have to be removed, but the productive potential has to be actively enhanced also.

The international community can in the meantime also continue to push for further doses of reforms to clear up the tangle that has bedevilled international agricultural trade. The US, EU and Japan have obtained great “benefits” from the Uruguay Round in that they are allowed to continue to waste more money on an over-priced agriculture. These rights should not give us in the rest of Asia the excuse to waste our own money too, for we can afford to do so less than they. We need therefore to advocate in the GATT and in APEC, among other fora, that the rich countries should be saved from their own follies.

Poor people do not need government handouts, whether those handouts take the form of cash or in the forms of distorted prices for things that they produce or consume. They need to be productive citizens. For many in Asia, agriculture is still their main business. The current system in world agriculture does not allow them to participate fully in it and make the full contribution that they can. And it is only when they have reached their full productive potential can they attain a long-lasting food security.