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WTO Doha Negotiations Threaten to Encourage Inefficient Food Aid Delivery

Proposed Rules Would Continue Wasteful U.S. System, Maintain Trade Distortions

Minneapolis/Geneva – Revised rules on food aid in the latest negotiating text at the World Trade Organization fail to reduce adequately the scope for the sale of food aid and encourage a highly wasteful, trade distorting system, according to a letter sent to trade ministers today from the Institute for Agriculture and Trade Policy, Canadian Foodgrains Bank and Oxfam International.

The WTO will hold a mini-ministerial beginning July 21 in Geneva, in a last ditch attempt to conclude the Doha Round of negotiations. The latest agriculture text, released on July 10, includes language that would continue to permit a broad scope for food aid monetization – a practice primarily used by the U.S. food aid program. Monetization is the sale of food aid in developing countries to generate cash, often for non-food activities. The recipients are generally NGOs, not governments.

Monetization encourages a very inefficient system – where U.S. food is shipped to the recipient country at great cost. The sale of food aid often displaces commercial sales of local or regional production, thereby undermining farmers in recipient countries. The sales frequently cause prices to drop temporarily in local markets, creating volatility and depressing prices overall in situations where production needs urgently to be encouraged.

“During this food crisis, we should be improving rules to ensure much-needed food gets to as many people as possible, not allowing a highly inefficient and trade distorting system to continue, ” said IATP’s Sophia Murphy. “Nearly all other food aid donor countries agree, an untied, cash-based system would make the best use of scarce and expensive food aid resources.”

The letter also points out that the principle framework for food aid was established by the Food Aid Convention, which is due for renegotiation. WTO rules supporting monetization would threaten the viability of the Food Aid Convention, which is better equipped to set a framework for all aspects of food aid.

You can read the full letter to trade ministers at: www.tradeobservatory.org

IATP works locally and globally at the intersection of policy and practice to ensure fair and sustainable food, farm and trade systems.