

CENTRAL INTELLIGENCE AGENCY
NATIONAL FOREIGN ASSESSMENT CENTER

MEMORANDUM

MEETING GLOBAL FOOD NEEDS:
MODEST PROGRESS; CONTINUING PROBLEMS

Hunger and malnutrition continue to be a problem in almost all developing areas of the world, even though world grain harvests have generally been good in recent years. The World Food Conference of 1974 urged national governments and international agencies to assign greater political priority to solving food problems within the context of domestic development and international economic cooperation. This ambitious shift in priorities has not yet taken place. In countries of particular concern to the Conference--those food deficit countries that lack foreign exchange to finance import needs--progress in stimulating food production has been slow, and population growth rates continue to exceed agricultural production growth rates.

The World Food Conference was convened by the United Nations in response to the harmful effects of the world grain shortage of 1973-74. This article reviews the status of the institutions set up as a result of the Conference and finds that limited progress is being made toward Conference goals. The World Food Council functions as a forum for an international dialogue on food and agriculture, although it is generally recognized that the Council's limited authority is incommensurate with its responsibility for overseeing food policy and the implementation of international food programs. Negotiations continue on a new International Wheat Agreement, though at a slower pace than the developing countries would like. The OPEC- and OECD-funded International Fund for Agricultural Development went into operation in December 1977, but it is expected to disburse only a relatively insignificant amount of money in its first year.

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The key finding of this study, then, is one of modest progress amid continuing problems in international efforts to cope with global food needs. Despite these problems, however, a joint effort to meet global food needs will probably be one of the few instances of productive cooperation between LDCs and the OECD states. This record of perceptible progress could serve as an incentive to keep the North-South dialogue going, even if, as now seems likely, the general tone of North-South relations becomes more strained during the coming year.

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The World Food Council

The World Food Council, the food policy oversight and evaluation body for all agencies affiliated with the UN, was established in 1975 on the recommendation of the World Food Conference. After a slow start, in which ministerial sessions became mired in bloc politicking, the Council issued a comprehensive food policy statement in 1977. Both the developing and the industrialized countries consider this document, the Manila Communique, to be a good compromise on issues of food production, security, aid, and trade.

The Manila Communique recommends a commitment by the developed countries to provide \$8.3 billion in agriculture production aid annually. This is the amount of external assistance that the Council Secretariat estimates is needed to achieve a 4 percent rate of growth in food production in developing countries. Traditional and potential new food aid donors are requested to increase their food aid commitment to ensure that a minimum annual level of 10 million tons in cereals is available for delivery in 1977-79. The Communique recommends establishing an international system of nationally held grain reserves. It calls on all countries, particularly those that are developed, to stabilize, liberalize, and expand world food trade, and urges national governments and international agencies to give higher priority to nutrition and rural development in development plans. It also recommends that governments and international agencies support the basic human needs approach to foreign aid.*

The generally constructive pattern of the 1977 meeting in Manila, the tone and substance of the Manila Communique, and the election of

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a potentially strong Council president from a developing country (Arturo Tanco of the Philippines) raised hopes that the organization would be able to function as the world food security agency that the World Food Conference had envisaged. Basic structural problems which became especially evident at the June 1978 meeting, however, now inhibit the agency from performing a command function. In particular, the Council was not given direct authority on food policy matters over other UN entities or members, as the Conference had recommended. Although a number of UN agencies are requested to make periodic reports to it, many comply only minimally.

The fourth ministerial session of the Council was held in Mexico City from 12 to 15 June of this year. The meeting was devoted almost entirely to the line-by-line drafting of the "Mexico Declaration," to the intense dissatisfaction of some high-level participants.* In informal discussions in Mexico City, the ministerial and plenipotentiary-level delegates demanded fuller participation in substantive preparations for the Council's Ministerial meetings by governments of developing countries and by regional bodies, as well as the World Bank, the UN Food and Agriculture Organization (FAO), and the UN Development Program. They emphasized the need to develop information on internal resource commitments to increased food and agriculture production and on plans to reduce food losses due to inadequate storage facilities. They suggested that future meetings of the Council would be more productive if they concentrated on recording varying country viewpoints rather than producing a fully agreed text. If these recommendations are not implemented, it is likely that a drop in the level of representation at Council meetings will occur, thus reducing its usefulness.

Nonetheless, although there is some legitimate concern about the Council's bureaucratic viability, and though the results of the Mexico meeting are not expected to affect directly the production, consumption, transfer or stockpiling of food, it was able for the second consecutive year to issue a coherent set of food policy recommendations. The developing countries continued to press the advanced countries for funds and technology, and the industrial countries continued to press IDCs to increase agricultural production. Although there was no sign of

* *The Mexico Declaration is a long, innocuous document that reproduces most of the substance of the Manila Communique, but with increased emphasis on the difficulties of increasing food production in developing countries and in formulating national food plans.*

increased resource commitment on either side, there was an obvious desire to sustain a discussion. The WFC has proved to be one of the least acrimonious of forums for high-level discussion of North-South problems, and in the next year it may be the only such meeting to proceed with relative congeniality.

Multilateral Aid for Agricultural Development

The 1974 World Food Conference heavily emphasized the need to intensify cooperative international efforts directed toward the goal of food self-sufficiency for developing countries. Primary responsibility for rapid rural development and population control was declared to rest with the developing countries, with the industrial states providing sustained technical and financial support. The outlook for this Conference goal is not encouraging. In 1977-78, cereal imports for all developing countries are expected by the FAO to achieve record levels in excess of 65 million tons. More important, however, dependence on imports among the countries the UN considers to be "most seriously affected" by recent adverse economic conditions is projected to increase to 17.4 million tons in 1977-78, or some 7 percent above the previous year's levels.* According to the World Food Council, the growth of food production in these countries fell from 2.5 percent annually during the 1960s to 2 percent during 1970-77. While a 2 percent agricultural growth rate is historically acceptable, production has not kept pace with population growth. Per capita production growth in these countries has thus continued to decline in this decade.

External financial assistance for increasing food production is still substantially below the recommended target of \$8.3 billion, but international efforts to stimulate and divert funds to food production continue. For example, among the terms of a new economic and technical cooperation agreement between the USSR and Ethiopia was the stipulation that such aid be channelled to food industries and agriculture, at least for the present. The World Food Council's most important contribution has been its role in the creation of the International Fund for Agricultural Development (IFAD), with a \$1 billion commitment from the OPEC and OECD countries. The Fund will provide grants and low interest loans to stimulate food production in low income, food deficit countries. The

* *This group of 45 countries includes India, Bangladesh, Burma, Ethiopia, and Egypt.*

Fund's contribution to agricultural investment, while not impressive in terms of the amounts already being spent, is expected to act as a catalyst, spurring other financial flows. Another objective of the Fund is to help the poor and landless by fostering the use of appropriate technologies and generating rural employment. So far, however, the Fund's executive board has approved only two projects, and it is expected that less than \$100 million will be disbursed in the first year of operation. IFAD commitments are expected to average less than \$350 million a year, at least during the first three years.

World Bank loans for agriculture and rural development increased from \$956 million in 1974 to an estimated \$3.3 billion in 1978. This occurred as a part of a World Bank rural development strategy, established in 1973, which is aimed at sustaining increases in per capita output and incomes, expanding productive employment, and achieving greater equity in the distribution of the benefits of growth. For example, about 25 percent of the Mexican rural development program during 1977-79 is being financed by World Bank and Inter-American Development Bank loans. Most of this foreign money will go into directly productive infrastructure, such as irrigation, livestock, and development credit.

Another international activity to stimulate food production is the FAO's International Fertilizer Supply Scheme to expand fertilizer and pesticide production in developing countries. In addition, a number of countries have informed the World Food Council that they are willing to provide a wide range of technical agricultural assistance, such as irrigation, to countries with serious food shortages.

Grain Reserve Negotiations

The most important food-related issue to developing countries probably is the attempt to establish a multilateral system of grain reserves intended to stabilize prices and assure adequate supplies even during bad crop years. Such reserves were first proposed in the 1940s, and the FAO revived the idea in 1973 when North American grain stocks became depleted, and the United States declared its intention not to build up government stockpiles again. The 1974 World Food Conference recommended the establishment of food security stocks, and subsequent meetings of the World Food Council have emphasized the importance of establishing such a system of reserves.

Extensive discussions of the subject of reserves have taken place in the International Wheat Council in London, to some extent in the Multilateral Trade Negotiations in Geneva, and most recently in a United Nations Negotiating Conference held in February and March 1978 to try to reach a new agreement to replace the International Wheat Agreement (IWA) of 1971. The proposed agreement represents a substantial departure in concept from earlier ones, which had no provisions for price stabilization or buffer stocks. The emphasis in the current discussion is on specific obligations regarding reserve stocks or other measures to influence supply and demand on international markets, such as production adjustments and assurance that export markets remain open. Such measures are intended to meet the primary objectives of price stabilization and food security.

So far, about the only concurrence of views in these discussions has been on a target for food aid of 10 million tons of wheat and other grains annually and on the desirability of a wheat buffer stock. The Interim Committee of the Negotiating Conference, which met in June in London and in July in Geneva, has been trying to redraft the substantive economic provisions of the wheat trade convention and coarse grain trade convention; no substantive work on the food aid convention has been undertaken since the Negotiating Conference. Some progress has been made with the wheat trade convention on "trigger" price mechanisms by which decisions to release from, or add to, reserves are made, but no further progress has been made on target size and appropriate allocation of reserve stocks. The Interim Committee will reconvene on 16 October, and a full Negotiating Conference is planned for November in London, unless the Interim Committee decides further progress is not possible.

Food Aid

Food aid is a vital but relatively small element in the global food situation. Large-scale dependence on food aid is considered an inhibition to agricultural development, although there are cases, as in Bangladesh and some Sahelian countries, where food aid is necessary regardless of its effect on development. The logistics of emergency food aid are complicated by the location of cereal stocks (which are concentrated mainly in a few grain-exporting countries), by donor delay in responding to requests for food aid, by weak delivery and distribution infrastructures in poor countries, and by a tendency on the part of governments to delay official announcement of emergency situations.

The UN World Food Program seeks to stimulate economic and social development through aid in the form of food that may, for example, be used as a partial substitute for cash wages paid to workers in development projects. It also tries to meet emergency food needs. Allocations to the international emergency food reserve scheme, operated through the World Food Program, increased substantially in the last year, reaching a level of 421,000 tons of cereals, reasonably close to the 500,000-ton target. There was general agreement at the 1978 ministerial session of the World Food Council on the need to establish a more permanent reserve, with yearly replenishment and commitments by governments for more than one year in advance.

The Manila Communique recommended that a Food Aid Convention of the International Wheat Agreement be established to contribute to the attainment of the 10 million ton target, and that negotiations provide for an increase in the amount of food aid moved through the World Food Program. In the IWA negotiations the US has endorsed the 10 million ton target, and has proposed that a new "Special Provision for Emergency Needs" be negotiated as part of the Food Aid Convention, providing for an increase in the flow of food aid of up to 20 percent above the minimum level in times of critical or exceptional food needs in developing nations. If the Convention with this special provision is negotiated and ratified, the US would be obligated by treaty to provide at least 4.47 million tons of grains for food aid annually, and perhaps as much as 5.4 million tons under extreme circumstances. To cover this possible obligation, the Carter administration has proposed legislation that would authorize the Secretary of Agriculture to buy and hold an International Emergency Wheat Reserve of up to 6 million metric tons of wheat.

The food aid convention of the IWA is considered by the developing countries to be one of the most important elements under consideration in the political and economic dialogue between developed and developing countries. The Group of 77, the UN caucus of the developing countries, has expressed concern at the slow pace of the talks. The group suggested at the 1978 World Food Council ministerial session that, in the event a new IWA cannot be concluded by the end of this year, a food aid convention should be negotiated independently of the new trade convention, and that it be incorporated in the trade convention when that is concluded.

A major component of the world food security system is the FAO's Global Information and Early Warning System on Food and Agriculture. This system, which operates to alert food donors to emerging critical food shortages, worked well during the recent food crisis in Ethiopia. Ethiopia has been on the FAO's list of food-shortage countries for the last two years. In March the FAO, using data from monitoring stations it had set up in Ethiopia late last year, alerted foreign donors to the probability of a major food emergency, even though the Ethiopian Government was still issuing optimistic reports. When foreign donors responded too slowly to this appeal to be of immediate help--mostly because they feared that the food they sent would rot on ships waiting to be unloaded in Ethiopia's clogged port--the FAO quickly supplied an emergency 10,000 tons of cereal in early June.

Outlook

Several years of good crops and the accumulation of substantial reserves in several countries have lessened the pressure on both developed and developing countries to make the necessary changes in national and multinational policies to solve food distribution problems. Nonetheless, the world is somewhat better equipped to deal with another food crisis--in terms of food aid--than it was in 1972-74: a food policy oversight mechanism is now operating, and talks on reserves are under way. Food production in the food-importing poorer countries is growing, and some countries, such as India, have been able to build substantial reserves. Food production, however, is still generally not able to keep pace with population growth in these countries. The aid commitment by developed countries to agricultural development has increased, but a larger commitment is needed to adequately support developing country efforts toward food self-sufficiency. International financial institutions have increased their efforts in rural development, but the increase in funding recommended by the Manila Communique has not materialized. Most important, however, channels for international cooperation, negotiation, and discussion, laboriously set up since 1974, are now open. Progress in the coming year will be measured by developments within the IWA negotiations in London and by the World Food Council's attempts to gain the active cooperation of governments and agencies for its programs.

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In particular, further movement toward agreement in IWA negotiations, which now seems possible, might have an impact broader than just ameliorating the specific grain supply and price problems under discussion. If the industrialized countries can develop positions on those issues sufficiently of interest to the developing countries to justify convening the full Negotiating Conference in November, then this advance might encourage the Group of 77 to limit acrimony in other international forums in order to provide a cordial climate for these important talks.

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