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International organisations in time of crisis



The impacts of the financial and food crisis

International Organisations
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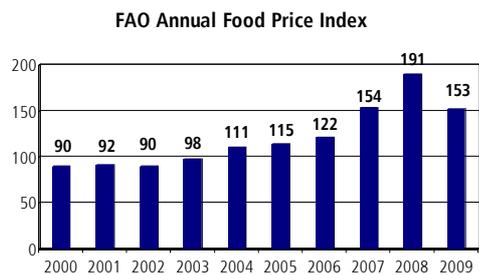
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Triple crises: finance, food and climate

- **Financial crisis**
 - Drop in trade, capital flows, remittances, domestic investment
 - Drop in growth
 - **Food crisis**
 - Price increase
 - Shortages
 - **Climate change**
 - Droughts and flooding
 - Migration
 - Biofuel as an alternative energy
- ⇒ **Combination may result in human crisis**

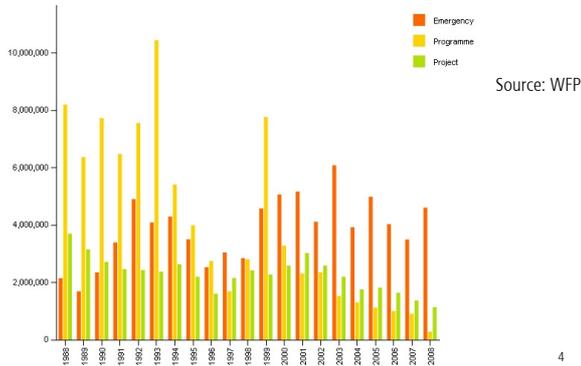
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The facts: Price increase for food (1/3)



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The facts: food aid declines (2/3)



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The facts: Hunger and Poverty (3/3)

- **Increasing income poverty**
 - 1.4 billion people live on an income below the poverty line, i.e. of less than US \$1.25 a day in purchasing-power parity terms.
 - Poor families spend up to 80% of their income on food
- **Worsening nutrition, health and education indicators**
 - The number of people suffering from chronic hunger reaches an unprecedented total of 1.02 billion in 2009
 - Deterioration of household food security
 - Poor people reduce dietary diversity and spending on health care and education

Source: Rising Food and Fuel Prices: Addressing the Risks to Future Generations, The World Bank, 12 October 2008; The State of Food Insecurity in the World, FAO, 2009.

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Who is involved?

- Food and Agriculture Organization (FAO)
 - World Food Programme (WFP)
 - Food Aid Convention (FAC)
 - World Bank (IBRD)
 - International Monetary Fund (IMF)
 - United Nations (UN)
 - World Trade Organisation (WTO)
- } **food crisis**
- G-20
 - Financial Stability Board
 - BIS
- } **financial crisis**
- Intergovernmental Panel on Climate Change (IPCC)
 - United Nations Environment Programme (UNEP)
 - etc.
- } **climate change**

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Food has many aspects...

- **Nature of food**
 - Essential for human living
 - Tradable good
- **Food security**
 - Availability: The availability of sufficient food
 - Access: Access by individuals to adequate resources (entitlements) to acquire appropriate foods for a nutritious diet
 - Stability: Permanent access to the resources needed to consume adequate food
 - Utilization: Health, safety, including the sanitary conditions across the entire food chain

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Legal aspects (1/2)

- **Human right to food**
 - Individual subsistence
 - Minimum calorie intake
 - Adequate standard of living
 - Food security as an important element
 - Cultural dimension (e.g. Japanese rice, Mexican corn for tortillas)
 - Need for food aid
 - Human right to food is not addressing all aspects of food
 - Trade is not mentioned

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Legal aspects (2/2)

- **WTO Agreement on Agriculture**
 - Liberalisation of trade with food
 - Market access
 - Domestic Support: Subsidies for foodstuffs
 - Export competition: Reducing/phasing out of support for exports
- **Food Aid**
 - Intersection of food security and liberalising trade in agriculture
 - Definition of emergency?
 - Coincides with surpluses not with food crises
 - Problem of re-exports

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Biofuel, environment, right to food

- **Environmentally friendly? Scientific evidence mixed**
- **Economically sound?**
- **Use of foodstuff for creating energy**
 - Ethically responsible?
 - Responsibility under the right to food?
- **Compatibility of preferences (e.g. EU) for biofuel under WTO law?**
- **Compatibility of restrictions under WTO law?**

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Reasons for the food crisis (1/2)

- **Cyclical factors**
 - Weather-related production shortfalls
 - Decline in global stock levels
 - Increasing fuel costs
 - Exchange rate swings because of decline of US \$: Most commodity prices are expressed in US \$
 - Short-term policy actions: Export bans and increased export taxes exacerbated the short-run volatility of international prices
 - Financial crisis?

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Reasons for the food crisis (2/2)

- **Structural factors**
 - Low productivity yields in low-income countries
 - Changing structure of demand
 - Economic development, income and population growth, urbanization in developing countries
 - Diversifying diet patterns
 - More meat and dairy products
 - Higher demand for feed grains
 - Biofuels and agricultural commodities
 - Increased demand for sugar, maize, cassava, oilseeds and palm oil.
 - Growing production due to government support for bioethanol and biodiesel in selected OECD countries

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The way forward (1/4)

- **Conceptual issues**

- Food crisis is man-made
- What exactly are the impacts of the financial crisis?
- Involves different disciplines:
 - Agricultural research and agricultural policies
 - Economics
 - Trade policy and trade law
 - Social policy and human rights
 - etc.

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The way forward (2/4)

- **„New Deal“ suggested by the World Bank**

- Immediate action to dampen the worst effects of the crisis on vulnerable populations
- Financial and technical support to stimulate agricultural supply response
- Launch a new commitment to agriculture in developing countries
- Re-examine policies towards bio-fuels in industrialized countries
- Coordination between big exporting and importing countries
- Build a well-functioning international trading system (ongoing Doha Round) to avoid such crises in the future

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The way forward (3/4)

- **FAO: World Food Report, 16 October 2009**

- Investing in agriculture and public goods
- Safety nets for the short term and long term
- Strengthening governance mechanisms for world food security: the right to food

- **G-20 and Financial Stability Board**

- Focus on economic recovery
- Concern about social impacts not implemented

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The way forward (4/4)

- **Institutional challenges**

- Different concepts in different organisations for achieving food security
- Which organisation should take the lead?
- How can the humanitarian issues be mainstreamed in the activities of economic and financial organisations?

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Conclusions

- **Three main crises have manifold, interrelated reasons**
- **Interdisciplinary approach is necessary**
 - Economics and finance
 - Law (trade, human rights etc.)

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