

How the food crisis could solve the Doha round

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Published: June 23 2008 03:00 | Last updated: June 23 2008 03:00

With the Doha trade round in danger of slipping from our grasp, the temptation is to grab hold of any opportunities for optimism. It has therefore become commonplace to assert that the food crisis, while a tragedy, is a shot in the arm for Doha. But of the three arguments that can be offered in support of such a pleasing proposition, only one passes muster; and even in this case, the argument is not a slam-dunk.

The first argument draws on the experience of the declaration of Doha itself. When this first World Trade Organisation round was launched after the September 11 tragedy in 2001, Robert Zoellick, the US trade representative, argued that this would be a resounding, western-values-affirming and unifying response to al-Qaeda and the terrorist onslaught. But Doha cannot be helped in this fashion: instead of our being able similarly to exploit the food crisis to push for trade and globalisation, many people and some governments wrongly blame the crisis itself on trade and globalisation.

The second argument, offered by many, is that completion of Doha can be sold as a solution to the crisis. In his new role as the World Bank president, Mr Zoellick recently offered a 10-point programme to combat the food crisis in the Financial Times (this page, May 29) and noted: "We should conclude a Doha WTO deal in order to remove the distortions of agricultural subsidies and create a more adaptable, efficient and fair global food trade. The need for rules that are agreed multilaterally has never been stronger." The head of the United Nations World Food Programme has made similar claims.

Alas, this argument cannot survive scrutiny. Agricultural liberalisation in the European Union and the US is good for several reasons, but it will not help moderate the food crisis. A key component of the proposed Doha agreement is a substantial reduction in agricultural subsidies. This would reduce the supply of grains from some countries that subsidise them and increase it from other countries, especially in the Cairns group. The net effect on supply would be negative.

Even in the Organisation for Economic Co-operation and Development countries, the impact of reduced tariff barriers on agriculture would be to aggravate food shortages. The reason is that such tariff reductions would lead to reduced food prices and increased demand for grains within the OECD countries.

But then we have a third, final argument favourably linking the food crisis and Doha: that the crisis has relaxed key constraints on the final compromises necessary to reach an agreement on agricultural liberalisation. The removal of subsidies on agriculture has been strenuously resisted, particularly in the US, causing India to argue that any opening up of agriculture would be doubly difficult politically because exposing one's farmers to the impact of highly subsidised foreign producers is regarded as yielding to unfair trade. The US's Food, Conservation and Energy Act, passed in May, has been a terrible step backwards, holding up the agricultural liberalisation without which Doha will fail. But now that food prices have risen dramatically, the payouts to US farmers will be almost negligible since they vary inversely with market prices. High prices are expected to continue, so the need for subsidy will also remain negligible. It should therefore be possible to soften significantly US opposition to restricting post-Doha agricultural subsidy payments to lower levels, making it likely that India would respond and making Doha success possible.

Sadly, instead of seizing this opportunity, Susan Schwab, US trade representative, seems focused more on pointing the finger at India for recalcitrance. The opportunity offered by the food crisis to push the US, and India in turn, towards the concessions that would clinch a Doha deal is therefore unlikely to be seized in this election year unless John McCain, a staunch free-trader, forces the issue and Barack Obama - who must surely see that "change" implies that the US should begin to take its professed multilateralism seriously - respond positively. Maybe we will be surprised after all.

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