

TRADE LIBERALIZATION AND AGRICULTURE-A POLICY PERSPECTIVE

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Once upon a time, we proudly used to say that our dependence and reliance on agricultures is higher than any other sector of our economy. But this 'myth' is gradually being eroded and the fact is that now our dependence on agricultures has largely reduced from 70% to 23%, which is alarming. The neglect of agriculture in the budget 2006-07 seems literally to be a compromise on our food security and agricultural sovereignty as our farm sector needs subsidies in terms of reduced rates of inputs including electricity, diesel, seeds and fertilizers and it does not need subsidizing agriculture imports.

Agriculture and food security are interlinked but unfortunately our ruling elite think only in terms of 'state security' and not 'human security'. They have raised money for defence to ensure the 'state security' at the cost of the human and food security by doing lip service to agriculture sector despite the fact that, according to Economic Survey 2005-06, performance of agriculture sector has been extremely poor during the outgoing year. The agriculture growth went down to 2.5% from 6.7% of the last year. It is even far less than the target of 4.2% set for the year 2005-06 with a major decline in growth of main crops (3.6%) and forestry (5.7%). Both caused a cumulative negative impact on food security and food availability; and environment that led to adverse weather conditions, a cause cited for low agriculture production.

Cotton production remained 13% less than the last year, sugarcane 6.2% and pulses masoor, mong and mash witnessed negative growth of 13.5%, 12.6% and 9.8% respectively. Wheat production remained almost the same as last year and rice and maize recorded increase in production. But the prices of wheat, rice and maize have been increased almost two times during last couple of years. Decrease in production and price hike are literally reducing access to and availability of food for the poor.

The issue of food security in terms of its availability and access is fairly important for the people who have long been dependent on agriculture for their food security and livelihoods. The World Food Programme (WFP) in Pakistan and a research think tank 'Sustainable Development Policy Institute (SDPI) conducted a Food Security Analysis (FSA) in 2003 which indicated several amazing trends regarding food security situation in Pakistan. Food availability in the FSA was measured on the basis of food production and consumption. Out of the 120 district settings chosen for FSA, 74 (62%) were found to be food deficit in terms of net food availability. Wheat, a staple catering for 48% of calorie needs in Pakistan was found deficit in terms of net availability and the shortage was estimated at 3.2 million tons annually.

The FSA findings are revealing. Based on data, they disagree with the opinion that Pakistan has been moderately food secure at macro level and they support the argument that hunger is more than what macro picture of food security presents. The number of malnourished population reached 35.2 million during 2001-03 jumping from 27.8 million during 1990-92.

Per Capita Food Availability (Kg/Capita/Year)

Food Item	1996-97	2002-03
Cereals	156.9	147.3
Wheat	130.85	116.31
Rice	16.85	17.24
Edible Oil	11.42	11.95
Meat	17.25	14.56
Pulses	6	5.80
Calories/day (Kcal)	2522	2466
Protein/day (grams)	66.6	64.3

If we look at the table above, we find that per capita availability of wheat has been reduced from 130.85 kilogram per capita per year in 1996-97 to 116.31 kilogram per capita per year in 2002-03. Similarly, per capita availability of cereals and meat has been reduced. If we look at the sources of calories, we find that wheat is the biggest source of calories in Pakistan comprising 53%, followed by vegetable oil/ghee 15%, sugar, rice and milk 7% each and pulses only 3% of source of calories.

Over 40 million farmers are directly linked to food production for their own food security and livelihoods as well as for making food available to rest of the population. Farmers in Pakistan are undergoing the gravest ever crisis in the history of Pakistan as under international trade regimes particularly trade liberalization under the World Trade Organization, in the absence of subsidies to agriculture and increasing trend of import of agricultural items, the farmers are literally backing out of farming switching to other livelihood options. This has largely reduced our dependence on agriculture to 23% from traditional figure of 70%. Due to these changing patrons, rural poverty and food insecurity is growing as the tradition of free lunch in villages is vanishing.

Amid this debate, we need to discuss the budgetary measure in which the government in the federal budget 2006-07 has announced subsidies worth Rs 12 billion on import of sugar, pulses and wheat, apparently in a bid to bring prices of food items down. The government instead of giving subsidy to the farmers and growers of food in the country has given huge subsidy to importers of agricultural produce and ultimately benefited the farmers of the exporting countries. If we look at the source of calories, pulses are at the bottom with only 3% share. It is ironic that the focus of the budget speech of the minister of state for finance has been on subsidizing pulses that too on their import.

If we consider providing subsidy to our farmers, we should not have to set aside a huge subsidy for importers. Last year, we spent Rs 4 billion on the import of sugar, wheat and pulses which has now gone double (Rs 8 billion). This has forced the farmers to switch off from production of these commodities because they did not get reasonable return on their production against their expenses. Providing subsidy to

importers is not a sustainable solution to low production of food at home rather there is a need to provide sufficient sum in subsidy to farmers so that they can grow reasonable quantity of pulses, wheat and sugar for domestic consumption. This could bring them back to cultivation of these food items on permanent basis, making it a sustainable solution.

The budget seems to be unrealistic as it has not addressed the real sector of Pakistan's economy 'the agriculture', the backbone of our food security and livelihoods. The recipe of subsidizing import pulses, sugar and wheat to artificially reduce prices of these commodities shows that the government apparently under a hidden agenda is promoting agricultural import surges instead of booting agriculture in the country. This lack of interest or vested interest may further harm our agriculture whose growth has already been reduced to 2.5% from 6.7% of the last year.

The issue of agricultural import surges and their perceived negative impacts on producers and agro-industries in importing countries, particularly in the developing world, has largely been recognized since 1980s. Experts often relate this phenomenon to the implementation of Structural Adjustment Programmes and the WTO's Agreement on Agriculture (AoA). Both push for trade liberalization and opening up of domestic markets. There is a dilemma in the developing countries that they have been doing little efforts to understand the phenomena of import surges and their impacts on national economies.

If we look into agriculture in trade liberalization perspective, we see that three agreements under the WTO regime including Agreement on Agriculture, Agreement on Sanitary and Phytosanitary (SPS) and Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) largely and negatively impact Pakistan and other developing countries' trade potentials in agriculture sector. The two big negotiating blocs in the WTO negotiation the United States and the European Union (EU) continue to give subsidy to their farm sector while the developing countries do not have capacity to compensate their farm sector making them competitive in the world agriculture products market. So in this regime of manipulation, developing countries lose their comparative advantage and the rich agriculture importing countries get the market access in place.

The recent collapse of the Doha Development Round in Geneva on July 24, 2006 is like "operation successful but the patient died". Now the future of the trade talks is uncertain the collapse reached mainly due to disagreement on subsidies on agriculture. Though a bad deal could not strike in Geneva, yet the world has lost opportunity to negotiate trade rules. According to data available the EU and the U.S. still spend \$100 billion per year on farm subsidies that undercut producers in poor countries. All rich countries promised was a re-packaging of existing domestic support rather than real cuts to the amount of money going to rich farmers and corporations. There is no guarantee that the rest of the WTO membership would have accepted it. Similarly, the US and Japan vetoed a deal for 100% duty-free, quota-free access for the world's poorest countries and the US and EU failed to offer real cuts to their enormous farm subsidies, particularly on cotton.

Though the multilateral trading regime, the WTO, still exists but its operational seizer now would pave way for more and more bilateral and regional trade agreements.

Bilateral trade agreements lead toward compromise on national production and domestic industry and services.

In this situation, Pakistan People's Party which is largely backed by the poor in general and the farmers in particular must take a pro poor farmers stand. We should categorically take political line that we do not support agricultural import surges by providing subsidies to importers of farm goods, thus paying to the farmers of the rich countries at the cost of our own poor farmers.

The PPP should highlight the mistake the government at federal level has committed by providing huge subsidy to importers of agricultural produces such as pulse and sugar. Instead, it should profess that these sums should have been spent to strengthen our own farm sector.

The PPP needs to advocate for a fair trade regime and trade liberalization under a genuine multilateral trading system such as the WTO but by pro actively supporting the farmers' rights as Pakistan is an agro based economy and is part of both agriculture importing and exporting countries in the negotiating groups in the WTO. The PPP being a centre left party should not support multilateral negotiations to promote fair world trade.

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