Explain in What Ways, if any, International Trade Can Be Both Cause and Cure for Food Shortages in a World of Plenty.

> "Despite the fact that globally, and even regionally, adequate food is produced, several hundred million people are suffering from chronic undernutrition, i.e. from hunger."[1]

Currently the world as a whole produces enough food to feed its entire population comfortably, and predictions of population growth matched up against agriculture's ability to meet these demands is favourable. Despite this there are millions of people across the world, which daily, face the very real threat of starvation, and millions more besides in a constant state of under nourishment. I aim to show that the cause of these problems lies within the systems under which world trade is directed - in both food produce and all other commodities.

Firstly it is necessary to determine who the starving are and to identify the direct problems they face attaining a sufficient level of food to sustain a healthy lifestyle, before going on to examining the wider problems inflicted by the organisation of world trade, as it stands.

In *Poverty and Famines*, published in 1981, Amartya Sen tackled the issue of why so many people are left starving, and came up with an answer based upon what he called the entitlement approach. He concluded that hunger was caused not by a lack of food availability, but rather that:

> "A person's ability to command food – indeed, to command any commodity he wishes to acquire or retain – depends on the entitlement relations that govern possession and use in that society. It depends on what he owns, what exchange possibilities are offered to him, what is given to him, and what is taken away from him."[2]

The entitlement approach enables us to see by what means an individual is able to acquire the food they and their dependants need. People either have a direct entitlement to food, because they grew it for themselves, or an exchange entitlement based on their power to trade. The changing pattern in the Third World has been a shift away from subsistence farming to greater urbanisation and industrialisation, leaving a larger number of people dependent upon their exchange entitlements. This shift towards a greater reliance on markets as the main source of food acquisition leaves people - and especially those with only their labour to sell – much more vulnerable: changes in their income and

[1] K.S. Parikh, *The Political Economy of Hunger*, p114

[2] A. Sen, *Poverty and Famines*, p154

price rises will hit them the hardest, and put them in a position where they will struggle to get enough food.

The current system of world trade involves massive amounts of export/import trading in food across the globe. Food production is an industry, and is therefore, run to be as efficient as possible and to maximise profits. To this end farms are large and intensive, so as to cut costs; and areas of the world are farmed according to what will grow most effectively in that particular climate and soil type. For many years western governments and economists have espoused the view that the best route for economic and social development in the poorer countries is through international trade. Poor countries have been urged to use their 'comparative advantage', that is to concentrate on exporting certain products, which they can price competitively on the international markets. For many poorer countries their comparative advantage is seen to lie in raw materials, often cash crops such as sugar, coffee, cocoa, all of which are of little use as a direct source food. This is due partly to the influence of the old colonial powers, which set up the plantations, specialising in the most cost effective crop for that region, while concentrating their own economies, back home, around manufacturing.

This faith in the free market as method to promote global prosperity seems a little optimistic (or rather, integrally dubious considering the benefits the richer countries enjoy), as the results it hopes to achieve have failed to materialise. The case as it stands at the moment is increasingly that:

> "Third World countries find themselves producing more and more for less and less"[3]

There are a few factors contributing to the failure of the markets. We must look at the way - and by whom (for whom) - they have been organised, as well as looking at the Third World debt problem, and how the IMF proposals to deal with it actually hinder the debtor nations progress.

One of the problems recognised is the dependence of the Third World on food imports, which has its origins in U.S. domestic farm policy, after the Second World War. The U.S. government supported its agriculture by uniquely, at the time, guaranteeing to purchase farmers wheat at a pre-arranged price if it dropped below a set value. This led to the government holding massive surpluses of grain. For a long time the U.S. had exported vast amounts of wheat, grown on huge Midwestern farms, over to Europe; and after the war Europe, under the encouragement of a U.S. wishing to see Europe rebuilt, sought to end its dependence on American wheat by producing its own again. A new market for the surplus wheat needed to be found. The solution was food aid: subsidised American wheat, making it cheaper for Third World countries to rely on American imports, rather than domestically grown produce.

> "Food aid was the combined solution to American surpluses and to further integrating Third World agrarian societies into the capitalist sphere of the world economy"[4]

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[3] B. Jackson, *Poverty and the Planet*, p68

This policy was attractive to Third World regimes desperate to undergo industrialisation. Food aid enabled, and forced, because they couldn't now compete, a great number of people previously engaged in agricultural work to move to the cities and aid industrialisation. These governments encouraged cheap food policies, and this coupled with surplus labour kept wages low. The lasting legacy of food aid is poor countries still dependent on imported food because of the underdevelopment their agriculture suffered.

The Third World still has the problem that although it must import its food, as individual countries in a global market they are small time players.

> "The countries which harbour the hungry play only a modest role in international food trade, because they lack the financial means to import large amounts of food … consequently, these countries' policies have little impact on world prices, while being affected by these prices."[5]

So markets harm the poorer countries because they have little control over the price of foodstuffs that they have come to be dependent upon.

Crop failures as a result of natural phenomena, hit rich and poor countries alike, but the impact they have is another example underlying the way in which markets benefit those that are already better off.

> "A production shortfall in the north is mostly transmitted to the world market and not absorbed domestically, whereas a production shortfall in the developing countries is largely absorbed domestically."[6]

This means that a large failing in the American wheat crop, say, would increase world prices – obviously affecting those with the smallest incomes most dramatically; but local crop failures in poorer countries have only a local effect.

One of the major stumbling blocks to Third World development, through the free markets, are the constraints enacted on them by institutions such as the World Bank and IMF in relation to the Third World debt crisis. The origins of the debt crisis arose in the early seventies. Private banks, safes bulging with the profits of Middle Eastern oil tycoons, began lending Billions to countries in the Third World, eager to industrialise and modernise. The banks presumed their investments to be safe – 'countries do not fail to exist.'[7] And western governments encouraged the loans, hoping they'd create new export markets and prevent a deepening of recession in their own economies.

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[4] H. Friedmann, *The Food Question*, p16
[5] K.S Parikh, op. cit., p117

[6] ibid., p130

[7] *World Development Report 1989*, cited in *Poverty and the Planet*, B. Jackson, p103

The bubble finally burst in 1982 when Mexico announced it was unable to meet it's repayments, the others quickly following suit. The pressures resulting in this inevitability were the oil price increase in 1979; a rise in world interest rates ostensibly to fund U.S. tax cuts and increased military spending as the cold wars grip again intensified; and most importantly the continuing decline in the value of Third World raw materials. The IMF stepped in to protect the banks; the western governments and the international bodies that pander to their needs were adamant that the banks would not fall, and new guidelines were drawn to restructure the debt repayments under debilitating regulations. Debtor countries were ordered to cut public spending and increase their exports.

Financing debts has left severe under investment in poorer countries own industry and domestic agriculture, leaving them in a worse position still. The debts must be repaid in U.S. dollars, which often makes the poor countries even more reliant on raw materials, as these are their only viable export. This brings its own problems, whereby people may be starving but have to grow cash crops, which they are then unable to eat to alleviate their hunger. The IMF's policy of limiting public spending also makes it impossible for the state to provide adequate welfare for its citizens, which in truth, is the reason the poor in countries such as our own do not starve to death as they frequently did during the period when their labour was used to fire our own industrialisation in the nineteenth century. Perhaps worst of all, the problems of debt are circular in nature: it helps to perpetuate the existing problems:

> "Debt starves agriculture and industry of money; less wealth is created; countries have less to pay back debts and meet people's needs; investment is cut back still more – and so it goes on."[8]

One method of attempting to help people from poorer countries is Fair Trade; this is supported by charities such as Oxfam. It aims to bring about change with consumer choice, encouraging shoppers to buy commodities with a guarantee that the Third World producer has been given a fair price. This so far has had little impact: the higher prices means it only really appeals to those who are well off; Whereas, other consumer driven campaigns that have succeeded, such as dolphin friendly tuna, made no real difference to the price. But Fair Trades salient point, essentially, paying the real value for the goods received, could make a very real difference if it became normal practice, and to these ends should be taken up internationally.

The market system as a path towards solving the world food problem can be seen to have failed, and by it's nature will continue to do so. It is a myth that poverty, hence hunger, can be eradicated through free market economics and capitalist ideals, as they require an exploited class of people to function effectively. Free markets are as organised as controlled markets; those with the power and money to dictate international prices and extract crippling debt repayments from countries (people), used systematically as a source of cheap labour and raw materials, can continue to do so for as long as they wish; providing of course they are capable of easing their consciences, which is why we have to have comic relief, I suppose.

[8] B. Jackson, op. cit., p97

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