

A dialogue on trade and development in South Asia

Vol. 7, No. 2, 2011

● **TRADE** ●

insight



POLITICAL ECONOMY OF INTERNATIONAL SUPPORT

■ AID FOR TRADE ■ CLIMATE FINANCE GOVERNANCE ■ PROGRAMME OF ACTION FOR LDCs ■ FOOD AID

The political economy of aid is an interesting dimension of development assistance of the post-Second World War politics. In fact, there is a huge body of knowledge which addresses the aid question in terms of effectiveness in delivering development. Major parts of the works of Paul

Collier and Jeffery Sachs build a thesis of poverty eradication around the idea of aid effectiveness in less developed countries.¹ Apart from the use of development aid for poverty eradication, there has been a sense of strategic locations of East Asia vis-à-vis communist countries which played an important

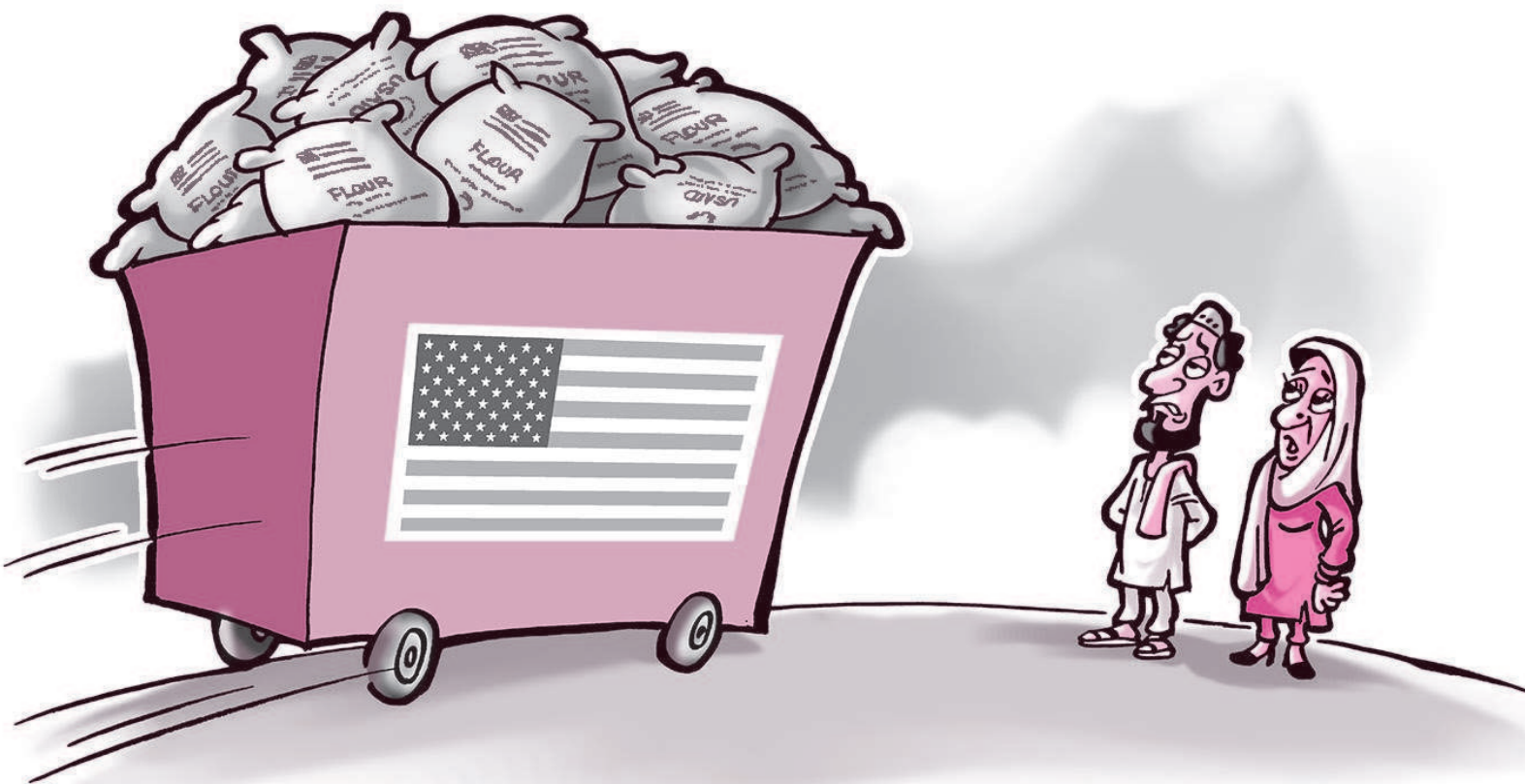
role in creating the famous Gang of Four economies of South Korea, Singapore, Taiwan and Hong Kong that could stage growth miracles.²

The millennium development goals also articulate a vision for development assistance to fight poverty and hunger through various means of

The Political Economy of Food Aid in South Asia

Lessons from Pakistan

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international development cooperation. It has been argued³ in the United Nations Millennium Development Goal Report 2010 that poverty and hunger might have increased owing to the global food and financial crises. The report argued that “aggregate food availability globally was relatively good in 2008 and 2009, but higher food prices and reduced employment and incomes meant that the poor had less access to that food”⁴

Globally, as a share of all cross-border food shipments, food aid is no longer of great significance. In the early 1970s, international food aid still made up about 10 percent of all cross-border food flows, but food aid declined in relative importance as commercial trade expanded and now it makes up only about 3 percent of total cross-border food flows (Box).⁵

While there are many bottlenecks and issues related to the political economy of aid, food aid is also not devoid of the strategic direction it picks up in reaching out to the poor. Food aid is a transfer of food resources from one country to another, which is not commercial.

The commercial part of the food transactions comes under international trade. The largest player in food aid is currently the World Food Programme (WFP) of the United Nations while there are instances of food being given by one government to another and also by a government to a non-governmental entity.⁶

In the United States (US), when farm subsidy policies began to generate surplus quantities of wheat in the 1950s, international food aid was one way to get that surplus out of government storage bins. Under Public Law 480 enacted in 1954, also known as the Food for Peace Programme, government-owned surplus commodities were shipped directly to recipient governments in the developing world. To avoid complaints of unfair trade from export competitors, and also to respect sensitivities in recipient countries, “payment” was accepted for food in non-convertible local currencies that could only be spent by the US ambas-

The notion put forward in the early 1990s that the food aid regime had become largely “depoliticized” must today be questioned.

sy inside the local economy. Because long-term and low-interest credit terms were also allowed, the food was essentially given away free.

The Public Law 480 programme played a significant role in helping the US government dispose of its grain surplus when commercial export markets were not growing. By 1960, fully 70 percent of US wheat exports were in the form of concessional food aid rather than commercial sales. Later in the 1960s, when the US began supporting farm income with cash payments rather than by purchases of grain, the amount of surplus food owned by the government declined, but the food aid programme by then had become a convenient tool in the conduct of American foreign policy, so it did not disappear. The US has supplied food aid worth US\$32 billion to the Third World since 1954.

Experience of Pakistan

Being part of Western defence systems such as the Southeast Asia Treaty Organization (SEATO) and the Central Treaty Organization (CENTO), Pakistan has received food aid from the US under the Food for Peace Programme.

The purpose of food aid can be to address a temporary famine emergency, to cushion food-price inflation (as in the case of the 2008 world food crisis), to feed a dependent refugee population, or to support local work or education activities (through “food for work” programmes or school lunch programmes). It can generate cash income through local sales in the

market (monetization), dispose of a surplus, or in some cases, reward recipient governments for taking foreign policy actions pleasing to the donor government.⁷

There are some studies which refer to food aid that created food price distortions and kept the prices depressed, leading to low incentives for local farmers. However, the low food prices caused by food aid were conducive to rapid industrialization by keeping the pressure on wages low.

Pakistan witnessed one of the most devastating floods in 2010. A report, *The Long Road*, on the Australian humanitarian agency’s response to the 2010 floods in Pakistan says that over 480,000 metric tons of food has been delivered and on average six million people are currently receiving monthly food rations on a regular basis. The food crisis continues: livelihoods have been severely affected with 80 percent of food reserves lost. This has caused massive food insecurity across Pakistan that could last up to five years. Harvests for the next 12 months are anticipated to yield a negligible output due to the damage caused by the flooding. Monthly food rations continue to make up most of the assistance provided, with 80 percent of the affected communities reliant on agriculture.

Fast and consistent intervention of food aid and cash is still critical for the survival of millions of Pakistanis. Agriculture fields have been damaged and farmers do not have seed, fertilizer, livestock or tools to prepare the

land and plant the next harvest. This is compounded by the chronic vulnerability of minority groups in northern Pakistan and the chronic malnutrition rates in the south.

In Pakistan's south, there is still flooding and the recovery phase cannot begin until the water recedes. It is likely that a significant proportion of the affected population will be dependent on food aid even after agriculture areas have been restored. In some areas, it will take up to five years for infrastructure such as roads and bridges to be fully rebuilt, which will further impact the restoration of livelihoods and the viability of local markets.

The biotech angle

There are new dimensions of food aid which need to be taken into consid-

eration. Jennifer Clapp, in the article "The Political Economy of Food Aid in An Era of Agricultural Biotechnology", has argued that it is unfortunate that the debate over biotechnology has been played out in the developing world through the politics of food aid. It has profoundly affected recipient countries, and their environments and future trade prospects may suffer from it.

The literature on food aid has to date paid insufficient attention to the question of genetically modified organizations (GMOs) and the impact they have on the food aid regime. Clapp argues that it is time to insert the question of agriculture biotechnology squarely into the debate on food aid. The food aid regime is being influenced by a number of factors that are unique to an age of agriculture biotechnology. These include the scientific debate over the safety of GMOs, as well as economic considerations linked to markets for GM crops. Both of these factors appear to have had an important influence on the policies on GM food aid pursued by both donors and recipients. In many ways, these factors are hard to separate from one another, and both are highly political. The notion put forward in the early 1990s that the food aid regime had become largely "depoliticized" must today be questioned. It is clear that the advent of agriculture biotechnology has fundamentally changed the nature of the regime. Pakistan needs to create debate around such issues as well.

Conclusion

Pakistan's choice of siding with the Western bloc during the cold war period played a significant role in its receipt of food aid, which kept the prices distorted and incentivized industrial development at the cost of rural farmers. However, like other South Asian countries, Pakistan focused on increasing per hectare yield and managed to fill food shortages by increasing productivity. Therefore, it was not food aid which worked for Pakistan but the *aid for food* such as green revolution technologies which

Table

Pakistan food aid facts, 2011

| | |
|-----------------------|-------------|
| Planned beneficiaries | 16,081,518 |
| Needs in metric tons | 551,620 |
| Needs in US\$ | 572,332,515 |
| Donors | US\$ |
| Multilateral | |
| contributions | 17,224,386 |
| USA | 70,140,933 |
| Japan | 70,000,000 |
| European Commission | 15,231,484 |
| Canada | 14,949,336 |
| Germany | 2,861,230 |
| Private donors | 2,570,850 |
| Switzerland | 1,688,573 |
| Finland | 1,634,877 |
| New Zealand | 773,994 |
| Luxembourg | 412,088 |
| Qatar | 276,981 |
| Denmark | 78,302 |
| Norway | 20,398 |

Source: www.wfp.org

did the miracles. However, the WFP and other organizations have played an important role in managing food supplies through aid during the recent floods in 2010 and the earthquake in 2005. ■

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Notes

- Collier, P. 2007. *The Bottom Billion*. New York: Oxford University Press; Sachs, J. 2005. *The End of Poverty: How We Can Make it Happen in Our Lifetime*. London: Penguin Books.
- Nayar, B. R. 2007. *The Geopolitics of Globalization: The Consequences for Development*. New Delhi: Oxford University Press.
- www.un.org/millenniumgoals/pdf/MDG%20Report%202010%20En%20r15%20-low%20res%2020100615%20-.pdf#page=13
- ibid*, p12.
- Paarlberg, R. 2010. *Food Politics: What Everyone Needs to Know*. New York: Oxford University Press.
- ibid*.
- ibid*.

Box

Which countries get food aid?

In the early 1950s, the most important recipients of international food aid were in Europe and East Asia. Most of the food came from the US to support reconstruction in these regions (e.g., under the Marshall Plan) following the damage of World War II. By the 1960s, the focus of most food aid had shifted to India and South Asia. In the 1970s and 1980s, a great deal of American food aid went to Vietnam and to the Middle East in the service of foreign policy objectives. By the 1990s, sub-Saharan Africa had become the target destination for most food aid. According to one calculation done in the mid-1990s, concessional international food aid provided more than 40 percent of total cereal imports for more than 40 recipient countries, most of them in Africa.