

## Food aid and impact on developing economy

**Poverty and hunger are not just simple economic issues then; they are results of complex factors and decisions and aspects of a political economy; an ideological construct. Food aid, even though it is a worthy cause in emergency, does not help impoverished nations if lasts longer; rather it hurts them. The giving of free food can undermine an agriculturally-based developing economy. The free food hurts local farmers. They cannot earn enough money from their crops because people are getting food for free. This hinders an economy and allows poverty and dependency on other nations to continue.**

ZULFIQUER AHMED AMIN

PEOPLE are hungry, not for lack of food. Enough food is available to provide at least 4.3 pounds per person a day worldwide: two and half pounds of grain, beans and nuts, about a pound of fruits and vegetables, and nearly another pound of meat, milk and eggs. Appallingly enough, now eight hundred fifty million people worldwide are suffering from chronic malnutrition. Ironically, we are in hunger amidst abundance of food.

Food aid is usually free, subsidised, or below market prices, which undercuts local farmers, who cannot compete and are driven out of jobs and into poverty, slanting the market share of the larger producers such as those from the US and Europe. Highly mechanised farms on large acreages can produce units of food cheaper than even the poorest paid farmers of the Third World. When this cheap food is sold, or given, to the Third World, the local farm economy is destroyed. When hunger's roots are to be found in the inability to purchase available food, and in the lack of access to available food, then such food

"aid" doesn't do much for addressing such issues.

First World countries can afford food aid as they have surplus as a result of huge agri-based subsidy and provide the hungry nations the "generous assistance." Europe subsidises its agriculture to the tune of some \$35-40 billion per year, even while it demands other nations to liberalise their markets to foreign competition. The US also introduced a \$190 billion dollar subsidy to its farms through the US Farm Bill, while inexorably criticised any other nations' protectionist measures. Such is the double standard of the developed countries that it forces developing nations, through the Western-dominated WTO and IMF, to open up their economies when their agriculture sector is the most subsidised in the world.

In Jamaica, some 3,000 poor dairy farmers are being put out of business because of unfair competition from heavily subsidised European milk dumped on their market. The subsidies on the 5,500 tons shipped annually cost the European taxpayer \$3 million. Many of the farmers are women running their own small businesses. They are literally throwing

away thousands of litres of milk from overflowing coolers. Many are leaving the industry that has supported their families for decades.

In 1986, Haiti imported just 7,000 tons of rice, the main staple food of the country. The rest was grown in Haiti. In the late 1980s, Haiti complied with free trade policies advocated by the international lending agencies and lifted tariffs on rice imports. Cheaper rice immediately flooded in from the United States where the rice industry is subsidised. By 1996, Haiti was importing 196,000 tons of foreign rice at the cost of \$100 million a year. Haitian rice production became negligible. Once the dependence on foreign rice was complete, import prices began to rise, leaving Haiti's population, particularly the urban poor, completely at the whim of rising world grain prices. A hungry nation thus turns hungry.

The International Relations Centre (IRC) notes the profit motive behind food aid dumping: "Agro-exporters such as Cargill and Archer Daniels Midland, which provide one-third of US food aid, and US charity organisations such as Care, World Vision, and Catholic Relief Services, which account for

four-fifths of food aid delivery, directly collaborate with and benefit from this" food aid policy.

When US levels of assistance last boomed, under Ronald Reagan in the mid-1980s, the emphasis was hardly on eliminating hunger. In 1985, Secretary of State George Shultz stated flatly that "our foreign assistance programs are vital to the achievement of our foreign policy goals." But Shultz's statement shouldn't surprise us. Every country's foreign aid is a tool of foreign policy. Whether that aid benefits the hungry is determined by the

been conditioned on the adoption of structural adjustment packages designed by the WB and IMF. Making a grant or loan conditional on some action being taken by the recipient is called "conditionality." Conditionality works by "tranching" economic assistance packages -- that is, dividing the total sum to be donated or loaned to a recipient country into a series of smaller disbursements to be made over time, called tranches. Before each disbursement is made, the recipient must make policy changes spelled out in the "cove-

national on more than twenty structural changes in the domestic economy. These included eliminating a grain marketing board that assisted small farmers; slashing support prices for locally grown corn, beans, and rice; allowing more imports from the United States; easing regulations on foreign investment and capital flows; and complying with specific clauses in similar agreements signed with the WB and the IMF. Such conditionality works in a carrot-and-stick fashion.

The Food for Progress program,



motives and goals of that policy -- by how a government defines the national interest.

Aid is used as a lever to impose structural adjustment packages on the third world. Since the 1980s, US foreign assistance worldwide has

nants" of the aid agreement that they must sign with USAID.

Between 1982 and 1990 nine US economic assistance packages provided to the Costa Rican government contained 357 covenants that made disbursement condi-

another type of food aid, was created in 1985 to reward governments who undertake structural adjustment programs. According to the enabling legislation, Food for Progress was "designed to expand free enterprise elements of the

economies of developing countries through changes in commodity pricing, marketing, import availability, and increased private-sector involvement." In other words, food is once again being used as a lever to open markets for US-based corporations.

Of the 850 million hungry people worldwide, a third of them live in India. Yet in 1999, the Indian government had 10 million tons of surplus food grains: rice, wheat, and so on. In the year 2000, that surplus increased to almost 60 million tons -- most of it left in the granaries to rot. Instead of giving the surplus food to the hungry, the Indian government was hoping to export the grain to make money. It also stopped buying grain from its own farmers, leaving them destitute.

The farmers, who had gone into debt to purchase expensive chemical fertilisers and pesticides on the advice of the government, were now forced to burn their crops in their fields. At the same time, the government of India was buying grain from Cargill and other American corporations, because the aid India receives from the World Bank stipulates that the government must do so. This means that today India is the largest importer of the same grain it exports. It doesn't make sense -- economic or otherwise.

While it costs approximately \$400 to send a ton of food to Africa, IFAD estimates that for \$200 it can enable small landholders to produce a ton of additional food for each year for a lifetime (US House Select Committee on Hunger, 1985). Aid needs to be rethought and restructured, not necessarily withdrawn. But that will require fostering the political and economic changes necessary to make

it possible for food aid to really make a difference. To solve their food problems, Third World countries must become more inward looking and increase incentives to producers while protecting the lowest income consumers. Further, food aid must be made a small part of a country's overall food strategy, should primarily be used to multiply the opportunities for productive work and should be more strictly attuned to seasonal needs.

The news headline: "Eyes on relief, no heart for work" in The Daily Star on December 5 alleging that the labourers of the Sidr affected area are giving up the little works available, choosing to line up for hours to obtain relief materials instead, did not surprise me. It is just the signal of a greater catastrophe as an upshot from the foreign "food dump" and a more ruinous sequential events to follow to further cripple our impoverished economy if the food aid continues to prolong.

Poverty and hunger are not just simple economic issues then; they are results of complex factors and decisions and aspects of a political economy; an ideological construct. Food aid, even though it is a worthy cause in emergency, does not help impoverished nations if lasts longer; rather it hurts them. The giving of free food can undermine an agriculturally-based developing economy. The free food hurts local farmers. They cannot earn enough money from their crops because people are getting food for free. This hinders an economy and allows poverty and dependency on other nations to continue.

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## Three-tier local institutions and some contentious issues

**While the introduction of directly elected zila parishad, in the first phase, is regarded as practical agenda in the present context, it appears administratively feasible as well. Every district is well equipped with a civil administration at each of the 64 district capitals. These towns were established in the British colonial period and a proper physical infrastructure is currently in place. There will be no need to build any physical infrastructure in the initial period.**

MOAZZEM HOSSAIN

THE committee on local government formed by the interim government on June 3 delivered its report to the CA on November 13. The report has recommended three-tier local government at zila, upazila and union levels. Scrapping gram sarkar at village level, introduced by the immediate past elected government, has been proposed.

The committee's recommendation on building three-tier local institution has been anticipated. However, what was not anticipated is that it has delivered almost a similar recommendation in that of the Law 2000, with regard to the electoral process at the zila level. Indirectly elected zila parishad remain as the major contention of the new report.

The mechanism recommended

with regard to electing the zila parishad, in other words, is a signal towards making the district authority weak, to say the least. Our research on this subject over the last four years, however, suggests the opposite with respect to the roles a strong zila parishad can offer; for achieving a meaningful decentralisation in this meaning.

A weak district authority sandwiched between the national government and the upazila parishad would certainly become undesirable if not redundant in the course of time.

In this piece, my intention is to present a case for a strong directly elected district authority, which will bring the nation under the fold of a genuine homegrown decentralisation model. There are at least three major reasons for this -- functions, finance and accountability of the district authority.

Functions

While the functions of the zila parishad have been well laid out in the report and has the provision to strengthen the roles of the parishad, there remains a risk of duplicating the roles with that of the lower level institutions, particularly, upazila parishad.

It is clear that zila parishad's role would be limited to supervision and evaluation rather than having an authority to plan and implement major projects. This makes the zila parishad by all means a weak local government institution.

This agenda resembles and repeats the age-old structure without having significant devolution from centre to the district. One wonders, this outcome may be a compromise with the civil bureaucracy to safe guard their interests and power base at national level.

This compromise would make

the creation of zila parishad as a new tier undesirable and an ineffective body between the national government and the sub-district administration.

For a genuine devolution of power and functions from the centre to lower level, the zila parishad must get further autonomy, executive role and provision for a directly elected local institution.

Finance

A weak administrative structure has reflected clearly in the financial roles of the newly found zila parishad. The parishad will have mainly, among others, the following avenues to generate revenues in addition to limited grants from the centre -- it can levy tax, toll, and fees on transfer of property and can collect fees on use of roads, bridges and ferries it maintains and so on.

While it is possible to generate a fairly good amount of revenues from these sources, it is not possible to sustain and maintain a credible budget at the district level without having adequate devolution of funds from the state treasury. An efficient institution needs a permanent source of income, which is absent in this case.

The zila parishad even has no provision for a directly elected

position to be accountable to the day-to-day transactions of the district treasury. Since the functions of the zila parishad are deliberately kept at a low profile, the financial responsibilities of the parishad are also left at the mercy of the centre.

Although it appears that the centre will channel some funds every year to the zila parishad a clear direction or guidelines need to be mentioned. In other words, the zila parishad is going to be the weakest link among the three tiers of local government institutions if implemented with the present form.

To achieve a genuine devolution of funds from the top to the bottom, financial roles of the district representatives should be reconsidered by introducing a sophisticated annual budgeting process (revenues and expenditures), but not with an ad hoc allocation of resources from the centre.

Accountability

Since the zila parishad is recommended having a supervisory role, it is expected that the upazila parishad would be, to some degree, accountable to the zila parishad. However, the power and functions recommended for the district to perform such a duty seem limited.

In order to play a supervisory role effectively the zila parishad would need fairly good skills in coordination, dispute resolution and negotiation. It is possible to make the zila parishad an important contributor and influential partner to the whole process of decentralisation by giving it more power and responsibility in order to plan, supervise and oversee the activities of the lower bodies.

However, if it remains as another typical bureaucratic hierarchy, the zila parishad will fail to bring any genuine change in the decentralisation process. While there is a room for making the zila parishad relevant and effective, all depends on how the lower bodies recognise zila as a legitimate superior and partner due to its electoral legitimacy (since zila parishad is an indirectly elected body).

In conclusion, it can be emphasised that a phase-by-phase implementation of zila and upazila parishads starting with adopting adult franchise at district level at a time of general election is likely to be effective.

This strategy will satisfy the key outcomes of decentralisation such as successful devolution and transfer of power from centre to sub-national level, appropriate func-

tions and resources assigned to local administration, adequate implementation of electoral rules and accountability measures, and efficient management and monitoring of the newly established local bodies.

While the introduction of directly elected zila parishad, in the first phase, is regarded as practical agenda in the present context, it appears administratively feasible as well. Every district is well equipped with a civil administration at each of the 64 district capitals. These towns were established in the British colonial period and a proper physical infrastructure is currently in place. There will be no need to build any physical infrastructure in the initial period.

Moreover, since late 1970s, all the districts have been well connected with sub-districts under their jurisdiction and have a network of civil and police administration. An effective devolution of power and resources (revenue sharing) from the centre to local bodies can be achieved within a short period if the zila parishad is established in the first place.

It would be easy to coordinate and monitor the development projects of 64 directly elected district bodies than 463 sub-

districts from the centre in the initial period. The debate involving the conflict between the elected members of parliament (regardless of their advisory role) and the elected representative at the sub-district level can be avoided through having a directly elected zila parishad in the first phase since the status of the zila parishad head would be higher than the law-makers of the district.

Last but not the least, our research suggests that due to a pause in the upazila system over more than last 15 years, this tier is not yet ready to bear the burden of managing a huge sum of money every year. The lack of management skills available now to this level has been found to be the key shortcoming.

However, no solution or sequence of implementation of the three levels of local governments will be practical if a national consensus cannot be built within the government and the major political parties about the structure, participation and election process of the local bodies. Any unilateral decisions by an incumbent establishment are likely to be short lived and will pave the way for another drain in the already scarce funds.

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## How the next US president might deal with trade

**Economists celebrate rising US productivity, but it often translates into machines producing more goods while factories shed workers. Adapting to competition from low-cost labor in Asia, companies have substituted computers and robots for 3 million human workers this decade.**

EDWARD GRESSER

EDGAR Allan Poe's pioneering detective story "The Purloined Letter" turns on an obvious but clever insight. Police ransack safes, corners and the insides of books for the missing letter. After thinking a moment, Inspector Dupin finds it hidden in plain sight on top of a desk -- the only place where the police didn't think to look.

Observers of American trade policy, wondering about where a Democratic administration might lead the US, can take inspiration from Dupin. Before analysing speeches for coded messages, they should examine three clues available to all.

One might be surprised to find that the issues shaping trade policy have little direct relation to commerce as such -- health care and benefits for workers and growing automation of the US industry. The first clue can be found in the

actual decisions of the Democrats now running Congress. On taking over Congress a year ago, senior Democratic figures on trade policy -- Ways and Means Committee Chairman Charles Rangel and Senate Finance Committee chief Max Baucus -- both said that they hoped to make trade policy work. A year later they do so, with support from House leaders Nancy Pelosi and Dennis Hoyer.

The House has taken two steps in that direction by approving a new, more ambitious program of help for workers laid off because of imports and industry shifting overseas as well as moving on to pass a trade agreement with Peru, modified to accommodate party goals on "core labor standards" and environmental policies, and scaling back patent requirements for medicines.

This agreement is relatively modest. Covering about \$10 billion in annual US-Peru trade -- barely ten days' worth of the US \$600 billion in annual trade with Canada

-- its effects will be more important in South America than for the US.

The economy didn't end the Democrats' 40-year split over trade. Party members have doggedly argued over the topic since the trade union movement turned against President Lyndon Johnson's trade negotiating agenda in the 1960s.

The Peru agreement accordingly fell slightly short of a majority of the party in the House and aroused some spirited opposition. But it nonetheless received more House Democratic votes than almost any trade agreement of the last two decades.

Its passage indicates that the party's internationalist instincts remain intact and that the main questions, at least for next year, are more about the shape and speed of trade policy than the direction.

The second clue is real-world trends in American trade. Here, rapid improvement of export performance is an exception to the nation's generally gloomy eco-

nomie outlook. US exports rose by \$160 billion in 2006 and will probably match that pace this year.

Manufacturing exports have nearly doubled since 2004, services exports are likely to pass the half-trillion mark this year, farm goods approach the \$100 billion mark, and the national trade imbalance is beginning to drop. With financial troubles in housing and construction, and possibly weaker consumer spending, exports are the principal economic good news of the past two years for the US.

American industries such as semiconductor manufacturing, some forms of medical equipment and even some entertainment businesses earn more from foreign than domestic sales. A new administration of either party must take this into account in forming trade and other economic policies.

The third clue rests in the presidential campaign -- in both parties. As January's Iowa caucuses and New Hampshire primary approach, the tone on trade is noticeably darker. Even the agreement with Peru has sparked some fears among Democratic candidates.

Frontrunners Hillary Clinton and Barack Obama have been cautious, coupling their endorsements of trade with unhappy com-

ments about the North American Free Trade Agreement and suggestions of a slow pace for future trade policy.

Lagging candidates are harsher. Senator Chris Dodd, once a champion of economic development in Latin America, warns that the Peru agreement will "take jobs away from hardworking Americans and ship them elsewhere." John Edwards attacks congressional Democrats backing the agreement for favoring "big multinational corporations."

Republican candidates so far have made trade a minor issue -- their substitute is immigration. Even for candidates whose states are full of immigrant scientists and entrepreneurs -- like Mitt Romney from Massachusetts and Rudy Giuliani from New York -- the topic evokes resentment over eroding job security.

To some extent, early-primary rhetoric in either party can be discounted. The 350,000 Iowa caucus and New Hampshire primary participants are likely to weed out half the early candidates by mid-January, and thus a few thousand votes can mean the difference between a second-tier candidate's extinction and survival.

So, leading candidates avoid positions that might antagonise a

bloc of voters. Their struggling rivals, meanwhile, adopt hot rhetoric and exaggerated positions designed for maximum appeal among organised constituency groups.

Still, the campaign rhetoric is revealing. Campaigns are not solely arenas for tactical maneuvering, but also, even in these early days, mirrors for public emotion. In this sense, the parallel angst over trade and immigration are evidence of anxiety over a changing economy -- and that anxiety has some strong foundations.

America's economy is flowing and changing rapidly. Global competition, information technology and the internet, mass immigration, economic integration in Asia and other forces all contribute. The changes are not all for the worse, of course. America's often-troubled manufacturing industry has grown from \$1.3 trillion to \$1.6 trillion since 2001, developing new specialties in medical technology, environmental products, nanotechnology and other 21st-century industries.

Economists celebrate rising US productivity, but it often translates into machines producing more goods while factories shed workers. Adapting to competition from

low-cost labor in Asia, companies have substituted computers and robots for 3 million human workers this decade.

As satellites, fiber-optic cables and broadband technology combine to create a global services industry, even larger upheavals could rumble in the future.

Such change, stressful enough on its own, is even more so in the context of other changes in American working life. Businesses have reduced their role as providers of health care and pensions. US workers choose more mobile, less secure careers, with advancement based on lateral moves among companies rather than the "corporate ladders" and shop-floor promotions familiar to earlier generations.

Both trends undo earlier guarantees of security in sickness and old age, raising risks for middle-class workers. Neither government nor unions have stepped forward to fill the gaps.

Even with five years of growth and relatively low unemployment, therefore, Americans are not wrong to worry and expect something more. The challenge for Democrats is to remain grounded in the instincts of their congressional leaders, with their international-

ism and willingness to adapt to the globalising world, while never forgetting core supporters among blue-collar workers and the poor -- and that means grappling with anxieties the primary campaigns reveal among the broad public.

Pelosi's comment after the passage of the Peru agreement is to the point: "How many people in America think they have lost their jobs over trade and immigration?" Her answer is "many more than those who have."

Perceptions of powerful immigrant and trade competition are widely felt and, even if the actual causes are diffuse and the problems less rooted in international factors than many believe, based on reasonable anxieties. Major achievements in either area, she suggests, will be difficult without progress on health care, pensions and other guarantees of security in a changing global economy.

Those who ponder future Democratic trade policy might find her comment a good place to start. Like all the best clues to American policy, it's hidden in plain sight.

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