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The Rising Threat of Food Security:
A Keynesian Solution to a Global Problem

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Abstract

Is food security a threat to Global security? Recent history suggests so. After all, since 1947 the international community has struggled to implement agreements on agriculture in the name of preserving peace. Most recently, in the last of the Doha Development Round negotiations, efforts have been made to enhance food security (with measures such as equal access to resources, trade liberation, and the removal of tariffs for developing countries).

In my thesis I will explore both the theory of these policies and their efficacy in practice. More specifically, I will examine the limitations of past policies (such as "anti-dumping") aimed at promoting food security in the world, and propose more effective alternatives. My case study focuses on the practice of "dumping" in Haiti – namely, the underselling of cheap food grains by developed nations to gain market shares and trade advantages. This phenomenon has caused great harm to the Haitian economy, damaging their food production, increasing their food dependency on exports, and making them vulnerable for price spikes – all of which has, in turn, lead to social unrest and riots.

In the case of Haiti, dumping has also been the result of an international shift towards liberalization without limits: the promotion of free and open trade through the removal of all barriers. This is, perhaps, one reason why international efforts to curb practices such as dumping (which compromise food security) have been unsuccessful: they fail to impose and enforce the limits needed to preserve a more level playing field and balance of trade. With this in mind, I will examine current agricultural and trade policy with an eye towards reform, returning to the theories of John Maynard Keynes to illustrate that truly "free" trade requires limits and international enforcement, and that such limits can, theoretically and in practice, benefit the entire world – rather than, simply, increase the divisions separating rich and poor, haves and have nots, developed and developing nations. And this sort of understanding is, ultimately, a necessary foundation upon which to address a problem – food security – that is growing and threatening to pose an increasingly serious threat to world security.

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Introduction

One of the earliest recorded stories about food security comes from France. Just before the revolution, Queen Marie Antoinette famously told her starving peasants to “eat cake” when they did not have enough bread to feed themselves. She was soon beheaded, and the revolution began – inspired in part by hunger. This story – exaggerated or not – emphasizes an important point: food security is deeply linked to political security.

Even more strongly, in this thesis I will argue that food security is one of the most important, yet underrated, threats to *global* security. By food security I mean:

a situation that exists when all people, at all times have physical, *social* and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life.¹

Although only recently “defined” in International Relations (in 1974), the term has gained increasing prominence as a subject for scholarly and policy debate. Unfortunately, in spite of this added attention, problems related to food security have only seemed to increase. From the Caribbean to Africa and the Middle East to Asia, the world has seen an increase in riots and conflicts related to food shortages, and increased dependency on Trans National Corporations for food supplies. So, in spite of the fact that the international community is producing more food than ever, and talking more and more about how to distribute food to those in need, food insecurity seems as big a problem as ever.

¹ For the sake of parsimony, I am using this – the most recent – definition of food security. However, as we will see, the term is far from definitive. See: Food and Agriculture Organization of the United Nations. “Trade Reforms and Food Security: Conceptualizing the Linkages,” *Food and Agricultural Organization Corporate Document Repository*, under “document & report,” <http://www.fao.org/docrep/005/y4671e/y4671e06.htm> (accessed July 21, 2011).

As I will argue, this is a problem International Relations must not ignore. Especially in a growing, interconnected, globalized world with increasingly limited resources, in which the gap between developed and developing countries is getting bigger, I believe we must reconsider food security as one of the most important pillars for global security. To understand where, why and how international policy has failed to solve problems related to agriculture, I will start by discussing the definition (and evolution) of the term “food security.” Next, I will look at John Maynard Keynes. An economist who recognized that in an increasingly interdependent world, economic prosperity and global security go hand in hand, Keynes is especially helpful in examining the topic of food security. Keynes argued that economic regulations, norms, and multilateral agreements were necessary to preserve economic stability, and therefore help foster world peace. He also believed that because relative economic prosperity was important to political stability, international authorities were needed to establish shared agreements and legal frameworks to protect, preserve and encourage free, transparent world trade, for the benefit of both developed and developing countries.²

Keynes was very influential. The international community took his advice, and began implementing new institutions, agencies and agreements – everything from New Deal legislation to the Marshall Plan – guided by his understanding of the relationship between economic and political security, and his belief that prosperity was interconnected (i.e. if one trading partner suffers an economic downturn it will effect all his partners, such as the current case of the Euro zone). His economic theories are therefore clearly still

² When Germany had to pay hefty penalties for their involvement in the Word War I, it backfired. It created fertile soil for the rise of Nazism. Greece is in an economic turmoil, affecting prices on Wall Street. As EU, known’s we life in interdependent world.

applicable today, especially concerning food security. Not only is food security a *global* problem requiring an international solution, it is also a complex, rapidly evolving problem that requires (as Keynes said) “flexible” institutions that can adjust to new circumstances. Furthermore, Keynes insisted that helping those in need is mutually beneficial; promoting food security protects *all* nations, developed and developing alike. Put another way, in the context of food security, making sure that as many people in the world as possible have access to clean, nutritious, affordable food means that the world will be a safer place for all.

Keynes understood that working towards a common goal helped everyone mutually. The problem however, especially regarding agriculture, is that nations and companies often choose short-term gains over long-term prosperity. Furthermore, and especially when it comes to agricultural policies, increasing gaps between developed and developing nations hurts *everyone* in the world. By contrast, liberal international trade policies that support free and open exchange, national industry, steady employment, and relative prosperity will benefit the entire world.

Unfortunately, rather than level the playing field (as Keynes suggested) international trade generally, and agricultural policy more specifically, looks more and more like a Marie Antoinette story – benefitting those who have power and influence, while leaving the poor increasingly hungry, alienated, and without recourse. Lacking income and industry, people in parts of the world also lack the resources to feed themselves. International intervention is now required. Even though agencies as the United Nations, the World Trade Organization, The International Monetary Fund and the World Bank have attempted to solve the problem of food security through international

regulations, their efforts have, unfortunately, arguably not helped much. Indeed, states are increasingly acting in self-interest and looking for loopholes for short-term self-economic gain. Numerous agreements have been made which hurt suffering economies, taking away their ability to secure food for their nations and citizens. For the last three decades this problem has only increased due to the growing role of dominant Trans National Corporations who act under the auspices of “free” trade but create agricultural dependencies. This is also true of powerful nations such as the United States, who have protected their own private companies instead of acting in the best interests long-term global prosperity. At the same time as calling for trade liberalization and the removal of price distorting measures, they maintain the highest level of subsidies to their farmers and control almost unlimited market access. Yet they do so at the expense of world security. These are policies that must change.

At heart, therefore, this thesis is about multilateralism and how the market needs stricter rules and agreements that benefit everyone by returning to Keynesian theory and putting his advice to practice. As I will argue, the rules regarding agricultural policy should be more clear, transparent and enforceable. They should reflect the reality that agricultural policy is directly related to food security, which is directly related to global security. To preserve world peace, therefore, we must find a way of improving peoples’ access to safe, affordable nutritious food supplies. And to do so as an international community we must recognize that our own stability is linked to the stability of our global partners, both developed and developing.

To make this argument I will start by explaining the complex concept of food security, the difficulties in defining it and how it has evolved over time. Next, I will

discuss globalization to put the problem of food security in a modern geopolitical context. Next I will turn to Keynes, to clarify his economic theories and show how they are relevant to the problem of food security. Then I will examine the history of the international organizations founded by Keynesian principles (beginning with Bretton Woods) that, since the early 1970s, have attempted to address problems of food security. I will then show how their efforts have fallen short, before turning to Haiti as a specific case study that highlights problems of food security. Finally, I will offer my own possible policy solutions to promote greater food security because, as I hope to show, without food security there is little hope in believing we will have *any* lasting security in our globalized, interdependent world.

Food Security: A History of the Definition

For the last four decades food security has been a topic of increasing concern in international relations. However, as the Food and Agriculture Organization of the United Nations (FAO) has noted, the concept itself is “flexible” and inconclusive.³ According to Smith and Maxwell, over 200 definitions existed as recently as the early 1990s. Furthermore, our understanding of “food security” itself has continued to evolve “as an operational concept in public policy... reflect[ing] the wider recognition of the complexities of the technical and policy issues involved.”⁴ This flexibility and inconclusiveness suggests at least two things: it is a complex issue dependent on a very wide range of variables, from environmental issues to geopolitics and world trade; and these variables have very serious policy implications.

One reason that food security lacks an authoritative definition is that it is relatively young. The concept first began in the mid-1970s following two major famines – in Bangladesh and Africa – which inspired the United Nations to hold the first Food Summit in 1974 for governments of the world meet to examine food security: what was it, how was it compromised, and how could it be preserved? Given the relatively frequency of famine during the time, it is no surprise that the first official definition of food security, formed at the Summit, revolved around supply:

³ Food and Agriculture Organization of the United Nations. “Trade Reforms and Food Security: Conceptualizing the Linkages,” *Food and Agricultural Organization Corporate Document Repository*, under “document & report,” <http://www.fao.org/docrep/005/y4671e/y4671e06.htm> (accessed July 21, 2011).

⁴ *Ibid.*

Availability at all times of adequate world food supplies of basic foodstuffs to sustain a steady expansion of food consumption and to offset fluctuations in production and prices.⁵

In other words, providing “supplies and basic foodstuffs” was deemed necessary to both prevent hunger (and the related problems of politics and security), and provide some stability regardless of fluctuations in supply, markets, and environment. Furthermore conference members declared that “every man, woman and child has the inalienable right to be free from hunger and malnutrition in order to develop their physical and mental faculties.”⁶ This was the first step not only to identify food security as a key component of global security, but also to associate food security with a universal Human Right. At this nascent stage, the main emphasis was therefore focused on promoting the steady supply of basic food necessities at affordable prices. Having indentified the problem (inadequate food supplies), conference members bravely promised to “eradicate hunger within a decade, linking up food securiy to universal human rights issues.”⁷

More than simply bringing the concept of food security to the front of international policy debate, the conference put in place a framework to provide information and resources to publicly debate problems and potential solutions to food insecurity. The conference also identified people and places at risk. Recognizing the problem and locating specific groups and regions (such as Africa and Bangladesh) laid the groundwork

⁵ Food and Agriculture Organization of the United Nations. “Trade Reforms and Food Security: Conceptualizing the Linkages,” *Food and Agricultural Organization Corporate Document Repository*, under “document & report,” <http://www.fao.org/docrep/005/y4671e/y4671e06.htm> (accessed July 21, 2011).

⁶ Foreign Agricultural Service. “World Food Summit: Basic Information,” *United States Department of Agriculture, Foreign Agriculture Service* (November 1995), under “Summit,” <http://www.fas.usda.gov/icd/summit/basic.html> (accessed July 21, 2011).

⁷ Foreign Agricultural Service. “World Food Summit: Basic information,” *United States Department of Agriculture service* (November 1995), under “Summit,” <http://www.fas.usda.gov/icd/summit/basic.html> (accessed July 21, 2011).

for future discussions to refine the concept of food security and suggest more nuanced solutions over the years.

If supply – meaning availability of goods at stable prices – was the biggest concern initially, the next major assessment of policies to support food security expanded to focus on access. This followed a conceptual shift in 1983, when the FAO now focused on the balance between supply *and* demand. Food security was now defined as “ensuring that all people at all times have both physical and economic *access* to the basic food they needed.”⁸ This new definition included both individuals and households – on national and regional levels. In other words, the definition became more complicated: international agencies recognized that theoretically there was enough food available to feed the starving; yet how to make that food available *in practice* proved difficult. For example, food aid to alleviate famine can take three to six months to reach those in need, long after acute problems of food shortages have passed.⁹ In other words, providing food aid is just as important as recognizing who needs it.

Food access is complicated. Food should be physically available to all households – especially groups at risk – in local markets at reasonable prices. But lack of market access is caused by many factors. First, insufficiencies in infrastructure (from roads to supply chains) can cause serious distribution problems. Second, political instability is a frequent catalyst for lack of access to food. For example, warlords often use food as weapons during conflicts to gain support or threaten citizens with starvation. This happened in 1992 in Somalia when Marauding gangs stole a majority of the harvests and

⁸ Food and Agriculture Organization of the United Nations. “Trade Reforms and Food Security: Conceptualizing the Linkages,” *Food and Agricultural Organization Corporate Document Repository*, under “document & report,” <http://www.fao.org/docrep/005/y4671e/y4671e06.htm> (accessed July 21, 2011).

⁹ Ger Roebeling. “Dumping Food Aid: Trade or Aid?” *Food Trade and Nutrition Coalition*, (April 2005): 31.

then hindered the arrival of food aid to gain control of the country by driving Somalis into starvation.¹⁰ Third, diplomatic tensions and ideological conflicts often provoke sanctions which prevent food aid, such as when the U.S. government stopped aid to Bangladesh in 1974 because of their trade relations with Cuba.¹¹ Fourth, natural disasters affect food access – such as the monsoonal floods or, alternately, droughts which destroyed crops throughout Bangladesh and pushed the country into famine in the 1970s.¹² And finally, fifth, access can boil down to simply being able to afford food – which requires relatively stable affordable prices and incomes commensurate with these costs.¹³

Having now investigated the many problems related to food access the international agencies looked as closely at the causes of food insecurity. This led to an important 1986 World Bank report titled “Poverty and Hunger” which made a crucial new distinction between “chronic” and “transitory” causes for food insecurity. Chronic food insecurity was associated with structural issues such as low national incomes, low employment, and lack of industry. Transitory food insecurity was caused by environmental or political crises, such as everything from hurricanes and earthquakes, to recessions and military coups.¹⁴ If chronic and transitory forms of food insecurity have different causes, the effects are similar: namely, both pose a threat to food security now

¹⁰ It was not until the U.S. government sent U.S. troops to ensure delivery of food aid that the situation started to unravel. See: Abdi Ismail Samatar. “Genocidal Politics and the Somali Famine,” *Aljazeera*, (July 30, 2011), under, “In Depth,” <http://english.aljazeera.net/indepth/opinion/2011/07/2011726135256169831.html> (accessed August 7, 2011).

¹¹ Caf Dowlah. “The Politics and Economics of Food and Famine in Bangladesh in the early 1970s – with special reference to Amartya Sen’s interpretation of the 1974 famine. *International Journal of Social Welfare*, no. 15. (2006): 350.

¹² *Ibid.*, 347-348.

¹³ R.P. Sharma. “Monitoring Access to Food and Household Food Security,” *Food and Agricultural Organization of the United Nations*, under “Corporate Document Repository,” <http://www.fao.org/docrep/U8050t/u8050t02.htm> (accessed July 29, 2011).

¹⁴ Food and Agriculture Organization of the United Nations. “Trade Reforms and Food Security: Conceptualizing the Linkages,” *Food and Agricultural Organization Corporate Document Repository*, under “document & report,” <http://www.fao.org/docrep/005/y4671e/y4671e06.htm> (accessed July 21, 2011).

redefined as “access of all people at all times to *enough food* for an *active healthy life*.”¹⁵

If the definition became more specific, so did the understanding of its causes. Ongoing debates on how to resolve food security reflected the need for more clarity and specificity, leading to the 1995 Global Database on National Nutrition Policies and Programs to “monitor and evaluate the progress in implementing the World Declaration and Plan of Action for Nutrition” implemented in 1992, and indicative of an increasingly “systematic” approach to food security.¹⁶

This led to more specificity and complexity in the conceptualization of food security, one which now included socio-economic and cultural factors, as well as a new emphasis on nutritional intake.¹⁷ Furthermore in the mid-1990s, policy makers and international organizations increasingly understood food security as an issue with both micro (i.e. individual malnutrition) and macro (i.e. global trade and politics) consequences.¹⁸ This new breadth of understanding created policies and programs monitoring nutrition intake, like the Plan of Action for Nutrition. Until this point nutrition had not held a significant role in the debate, but the United Nations Children’s Fund (UNICEF) put the spotlight on the importance of nutrition for mothers and children.

Once again, this conceptual shift changed practical approaches to the problem. As in the past, access and supply were still important in examining food security; but nutrition now became a vital point of focus. This shift brought new attention to issues

¹⁵ Ibid.

¹⁶ World Health Organization. “Global Database on Nutrition Policies and Programmes,” *World Health Organization*, under, “Programmes and Projects,” <http://www.who.int/nutrition/databases/policies/en/index.html> (accessed August 7, 2011).

¹⁷ Timothy R. Frankenberger and M. Katherine McCaston. “From Food Security To Livelihood Security: The Evolution of Concept,” *Care, USA*, (September, 1998): 1.

¹⁸ It has enabled policy responses focused on the promotion and recovery of livelihood options. See: Food and Agricultural Organization of the United Nations. “Food Security,” *Agriculture and development Economic Division*, 2 (June 2006): 1.

such as sanitation, disease and food intake as a preventative measure for illness.¹⁹ The definition of food security was again becoming more multidimensional, and more focused on both individual care (nutritional intake) and public health (sanitary water supplies).

Following this conceptual shift, the United Nations Development Programme (UNDP) 1994 Human Development Report identified food security as a “component” of human security. The 1996 World Food Summit expanded the UNDP’s “human rights perspective” on food security, defining it as something

at the individual, household, national regional and global level [that is achieved] when people, at all times, have physical and economic access to sufficient, *safe and nutritious* food to meet their dietary needs and *food preferences* for an active and healthy life.

Supply, access, economics and safety were included in the definition of food security, but what about cultural differences? Food is and has been intertwined with peoples’ roots and religions. Muslims are prohibited to eat pork products. Indians considers cows sacred and do not eat them – so even if there were supplies, good access, and affordable prices (like cheap McDonald’s burgers) this would not provide them with food security.

Sensitivity to cultural preferences therefore indicated a more nuanced approach to food security; understanding social conditions would soon follow.

Take, for example, this commonly accepted 2001 redefinition from the State of Food Insecurity:

Food security [is] a situation that exists when all people, at all times have physical, *social* and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life.²⁰

¹⁹ The concerns was sufficient food in the mid 1990s, more specifically, Protein energy malnutrition. If children from birth to 3 years old were given nutritious food they are more likely to thrive and developed normally and are able to fight against diseases, after 3years of age the window closes to help undernourished children to thrive. Even though the problem was identified in the 1990s no real solutions were made until 2005, with product called Plumpy’nut. See: Anderson Cooper. “Miracle Food Saves Lives,” *CBS News.com* (June 24, 2008) under “video,” <http://www.cbsnews.com/video/watch/?id=4201082n> (accessed July 30, 2011).

The new definition put the attention on consumption, demand, and access by people vulnerable to food shortage – regardless of, or even *because* of, their social status. In the world today there are socially vulnerable groups as women and children, especially in societies such as Afghanistan and India. These groups – specifically women and lower castes – do not have stable access to food. It is difficult for these groups to gain access to markets. Afghanistan women, for example, have limited capability to work outside their homes and physically access markets, while the untouchable are prohibited to buy food from the same markets as “higher” social groups in India. This creates unique problems – and challenges – in meeting adequate nutritional needs.

As we can see, “food security” has evolved from being a relatively narrow concept limited to food supply, to a broader, more complex concept incorporating everything from politics, the environment and access to human rights and respect for cultural roots. Even so, in some ways the concept of food security has become narrower, focusing on *individual* repercussions like hunger, nutrition and personal vulnerability. It is therefore extremely difficult to condense the definition of food security to a few compact lines, since one solution does not fit all. Since threats to food security vary greatly from case to case, it is both difficult and ill-fated to create a universal policy applicable to all scenarios. Food insecurity can apply to short-term situations such as harvest failure or war, or long-term situations such as income disparities, structural failings, or poor economic policies. On an individual level it gets even more complicated, meaning some social groups might

²⁰ Food and Agriculture Organization of the United Nations. “Trade Reforms and Food Security: Conceptualizing the Linkages,” *Food and Agricultural Organization Corporate Document Repository*, under “document & report,” <http://www.fao.org/docrep/005/y4671e/y4671e06.htm> (accessed July 21, 2011).

not have access to food due to their persecuted minority status, ethnicity, gender or religion.

Even single case studies of food insecurity can have both overlapping and independent causes. Let us again consider Afghanistan. Women in Afghanistan are prohibited to work or leave the house without a male (husband or relative) escort, making them especially vulnerable to food insecurity. And on a broader level, the country's infrastructure has been ravaged by continuous state of war. Industry, especially traditional farming, has been compromised. And the nation's political situation is volatile at best, characterized by intense tribal conflict.²¹ The country is a failing state with no infrastructure, political turmoil, and high level of unemployment and social clashes – all of which makes it acutely susceptible to food security crises with numerous sources.

Furthermore, the Afghanistan example illustrates that food security has direct consequences for *global* security,²² exacerbating frictions that threaten prosperity far beyond any one nation's borders. As we will see in Chapter 3, Keynes understood that national problems often have international consequences. Similarly, national solutions – in this instance, policies that would enhance food security in a particularly volatile part of the world – would have internationally beneficial consequences. And, as Keynes realized, hunger was ultimately a security issue:

[m]en will not always die quietly. For starvation, which brings to some lethargy and a helpless despair, drives other temperaments to the nervous instability of hysteria and to a mad despair. And these in their distress may overturn the remnants of organisation, and submerge civilisation itself in their attempts to satisfy desperately the overwhelming needs of the individual. This is the danger against which all our resources and courage and idealism must now co-operate.

²¹ Or as Keynes said that misery would be a fertile soil for totalitarian regime, causing instability and insecurity.

²² E.M. Young. "Globalization and food security: Novel questions in a novel context?" *Progress in Development Studies* 4, no. 1 (2004): 4.

To reiterate, food security is clearly a problem of global scope that poses both macro and micro problems. Yet despite the growing awareness related to food security, subsequent policy efforts have had little positive affect on the situation. We are now dealing with an escalating problem, one whose growing scope has been matched by lowered policy expectations. History reinforces this point. In 1974, the world leaders promised to “eradicate” hunger – within one mere decade. By contrast, the 1996 World Food Summit promised to reduce the number of hungry and undernourished by only 50 percent – by 2015, or almost two decades later. And in 2000, the United Nations put in place an ambitious *The Millennium Development Goal* to halve hunger and poverty by 2015. Yet according to one FAO estimate, the number of undernourished or hungry in 2010 actually *rose* to 925 million, an increase of 75 million from initial 1996 estimates.

What does this suggest? At the least, that progress thus far is disappointing. So how might we improve conditions of food security? As I will argue, I believe a return to Keynes is the first step in improving food policy. After all, he realized the global community would never be stronger than its weakest link. He wanted to impose international regulations to preserve balance and fair, free open markets, avoiding desperate situations like hunger that would threaten to economic prosperity and lead to conflict. As the World Development Report 2011 reiterates:

Lack of food has been the source of many past and recent conflicts. Food insecurity has clearly been a factor behind outbreaks of social unrest or worse, yet conflict also has induced notable instances of food insecurity.²³

²³ Saswati Bora, Iride Ceccacci, Christopher Delgado, Robert Townsend. “Food Security and Conflict. *Agriculture and Rural Development Department, World Bank* (October 22, 2010): 1.

Despite all of the research, resources and political will to eliminate the issue of food security, the problem is getting worse. It is therefore time to reassess our approach, to determine where theory and policy have failed us, and how we might improve.

Globalization

In the 1930s, the cost of making a three minute telephone call between New York and London was approximately \$250.²⁴ In 2011, I am able to speak with my mother in Iceland and daughter in Denmark – with video, using Skype – for free. This example may seem trivial, but at the same time it highlights what many people understand about contemporary life: we live in a globalized world, defined by the unprecedented ease of communication, travel, and exchange.

“Globalized” is, therefore, an accurate description of our world today. Instead of getting fresh fruits once a year, they are available – shipped from Chile and Argentina – through every seasons. The smells of India come alive in local grocery stores, along with Swiss chocolates and Korean kimchi. The chocolate pairs wonderfully with Cream Sherry from Spain, but to avoid headaches the day after it is necessary to take painkillers, created by American Scientists and produced in China. If you desire to travel, you are able to reach the other side of the world within 24 hours (by plane) or 24 seconds (by internet). And before turning off the lights, you can check on the children again, connecting through Skype and sending them virtual kisses. Does globalization sound beautiful, or what?

One of it’s biggest supporters Jagdish Bhagwati. He reports in his book *In Defense of Globalization* that the term has become a *buzzword*, meaning the issue is controversial and associated with a new form of colonization. Yet like it or not, Bhagwati reminds us that globalization is part of our world. As he defines it, economic globalization

²⁴ As measured in 1991 currency values. Richard Smith. “Distance is Dead: The World will Change.” *BMJ*, 313 (December 1996). 1572.

constitutes integration of national economies into the international economy through trade, direct foreign investments (by corporations and multinationals), short-term capital flows, international flows of workers and humanity generally, and flows of technology.²⁵

Bhagwati is dismissive of critics regarding the World Bank, The International Monetary Fund or the World Trade Organization – whose policies he promotes as *progressive liberalization* – while dismissing criticism of the Bretton Wood System as *rubbish*.²⁶

Bhagwati is firm believer in international trade as a catalyst for prosperity, arguing that open access to markets and goods allows specialization to flourish. Everyone, he believes, benefits from this system – even if the beneficiaries are unequal.

Globalization therefore seems to provide opportunities to improve lives of people. It is also increasingly blurs borders, at the same time emphasizing that countries should take competitive advantage of their specialties. Globalization therefore suggests harmony in the world, but it also has created friction. Critics²⁷ contend that too often, it has given rise to a new form of competitive *disadvantage*, domination by wealthier western nations who take advantage of emerging markets and developing countries to acquire cheap labor sources and cultivate new markets for goods and services. Developed countries need to expand their markets for surplus production, which in theory is encouraging. As liberal theorists argue, reducing barriers and allowing trade to flow between states should lead to economic growth for all. The Congressional Research Service Report on the Doha

²⁵ Jagdish Bhagwati. *In Defense of Globalization* (New York: Oxford University Press, 2004), 3.

²⁶ The only critics he is going to answer are feminist point of view regarding IMF conditionalities. See: *Ibid.*, 4-5.

²⁷ Critics like: Ralph Nader; Stanford's Jeremy Bulow; Clem Tisdell; Raj Kuman Sen and Joseph Stiglitz, claim that globalization is making the developing countries more dependent on developed countries, at the same time the trickle down economics are not working. Developing countries are getting a small part of the surplus created in global trade. Globalization partially invades state sovereignty, like when NTC are acting within their borders. Their power and influence can worked against the will of the government. See: James Raymond Vreeland. "What is the IMF?" *The International Monetary Fund* (New York: Routledge, 2007): 23. Furthermore, the trend seen in USA, Britain and Canada after is transfer of wealth from local producers to TNC, See: E.M. Young. "Globalization and food security: Novel questions in a novel context?" *Progress in Development Studies* 4, no. 1 (2004): 3.

Development Agenda, for example, reports that if all trade barriers in agriculture, services and manufacturing were reduced by 33 percent the global welfare would increase by \$574 billion.²⁸ Liberalization therefore seems to be a peaceful way of achieving global economic growth.

Yet as Scott Burchill writes in his book *Theories of International Theories* states, “[l]iberalism has had a profound impact on the shape of all modern *industrial* societies.”²⁹ The key word here is *industrial* (i.e. nations who have developed their industry, market system and access to capital). What happens when liberal principles are forced onto developing countries? Does liberalization help them gain prosperity? According to Lucy Walker, there is reason to believe that liberalization produces relatively small gains for developing countries.³⁰ This emphasis on developing countries is noteworthy because liberalization policies have in fact been implemented “more thoroughly in the developing world.”³¹ Developing countries participate in international trade in hopes of getting a bigger piece of the economic pie, but so far the trade has been far more beneficial to developed countries. One reason for this is that developed and developing countries do not compete on a level playing field. They do not have the same resources and power to enhance or promote their trades and goods.

²⁸ Not all studies agree about how beneficial world trade would be, but all agree that it is beneficial. See: Ian F. Fergusson. “World Trade Organization Negotiations: The Doha Development Agenda,” *Congressional Research Service* (August 18, 2008): 10.

²⁹ Scott Burchill, Andrew Linklater, Richard Deveta, Jack Donnelly, Nardin Terry, Matthew Paterson, Christian Reus-Smith and True Jacqui. *Theories of International Relations* (England: Palgrave Macmillan, 2009), 37.

³⁰ Lucy Walker. “The Uruguay Round and Agriculture: How Real are the Gains?” *Review of African Political Economy* 21, no. 62 (December 1994): 539-558.

³¹ Even though developing countries have liberalized more than the developed countries it has not transferred to increased prosperity, more importantly, farmers have lost their land and capitals due to competitiveness and increased specialization. See: .M. Young. “Globalization and food security: Novel questions in a novel context?” *Progress in Development Studies* 4, no. 1 (2004): 12.

Why does this matter? Simply put, one core idea of liberalization is that everyone should compete on similar terms. Often referred as the *laissez-fair* approach – no involvement from the government – this requires an absence of regulatory restrictions like taxation, regulations and tariffs, and a faith that markets regulate themselves. Yet as E.M. Young contends, free markets are “fevered imaginations of the hyperglobalizers,” dreams very different from the “set of manipulated marketplaces dominated by powerful corporations posing as the friends of free consumers” that exist in practice.³²

To make matters more problematic, the common practice of subsidizing goods and services in developing countries has distorted world agriculture prices, creating a distinct threat to food security. Countries using subsidies (such as the US and the EU) are able to sell commodities under their “real” value, lowering the world price to increase their market share and make them competitive exporters. This manipulated advantage has driven farmers out of farming in the developing world, lowering countries’ capabilities to produce food while making them dependent on imports. The main goals of the WTO’s Doha Development Round were removal of trade barriers and open market access. Yet these came with a rise in subsidies, and subsequent threat to local food production. The use of subsidies is often justified by providing cheap food to poor countries and keeping local farmers in business. Yet this is often not the reality. Subsidies, and the subsequently artificial reduction of prices, has caused local food production to decrease more often than not.³³ In the long run, local farmers are unable to compete with cheap food from developed countries, often losing their farms and moving to the city. This policy impacts

³² Ibid., 13.

³³ Raj Bhala. “Resurrecting the Doha Round: Devilish Details, Grand Themes, and China Too,” *The Texas International Law Journal* 45, no 1. (2009): 14-36.

food sovereignty, as farmers go out of business and stop producing local crops. It also creates economic dependencies on imports of mass produced food goods from abroad – not necessarily the best or most nutritious, but the cheapest.

The downside is that small farmers throughout the world – and especially in the U.S. and EU – are being driven out of farming, replaced by large companies who benefit from the subsidies system.³⁴ The system works better in mass production of limited items, so production per unit becomes cheaper. Small farmers are simply unable to compete. In the Food Summit in Rome 2008, the U.S. representative continued to pressure for further liberalization (open markets and lack of regulations) just as the U.S. Congress was passing a *Farm Bill* increasing the nation’s agricultural subsidies. According to the agreement under the Uruguay Round Agreements, the U.S. was obligated not to increase their overall subsidies beyond the 1992 level. However, these increased from \$16.3 billion in 2002 up to approximately \$19 billion in 2005.³⁵ In the Food Summit of 2008, United States Trade Representative Susan Schwab declared that “it was unconceivable that developing countries were insisting on shielding their farms.”³⁶ It is official policy of both the EU and the U.S. to remove all barriers and protectionist policies but the reality is they are defending their domestic agricultural protectionist policies.³⁷ Bhagwati fights back and supports the use of subsidies in developed countries, claiming that they support “inputs”

³⁴ Clement Allan Tisdell and Raj Kuman Sen. *Economic Globalisation: Social Conflicts, Labour and Environment Issues* (Northampton, MA, USA: Edward Elgar Publishing Limited, 2004),156.

³⁵ Mehdi Shafeddin. “The Political Economy of WTO with Special Reference to NAMA Negotiations,” *European Association of Development Research and Training Institutes* 22, no. 2 (2010): 183.

³⁶ *Ibid.*, 181.

³⁷ Bruce R. Scott. “The Great Divide in the Global Village,” *Foreign Affairs* 80, no. 1 (January-February 2001): 177.

like electricity and water,³⁸ thereby raising standards of living and giving citizens access to basic necessities (such as clean water).

Part of the rationale of economic liberalization is therefore the subsequent prosperity and increased living standards that it encourages. That said, the World Development Report declared that real income for the richest one-third of countries in the world rose by 1.9 percent annually, between 1970-1996, at the same time that the bottom third showed no increase in their income. The average income has been growing in the developing countries, but the number of people living on less than 2\$ a day are almost the same, indicating a steady economic gap between developing and developed countries. According to Bruce R. Scott there are two reasons for this. One is caused by developed countries' unwillingness to liberalize agriculture and allow a steady flow of immigration. The second is that developing countries are failing to attract foreign investments.³⁹ Bhagwati counters that "globalization cannot be plausibly argued to have increased poverty in the poor nations or to have widened world inequality.⁴⁰ The evidence points in just the opposite direction."⁴¹ Yet clearly, the issue is not black or white. Tisdell and Sen claim on the other hand that income gaps and inequality have risen as globalization has increased, noting "it seems that the higher income countries are the major economic beneficiaries from globalisation."⁴² Tisdell and Sen criticize Bhagwati about his orthodox

³⁸ Jagdish Bhagwati. *In Defense of Globalization* (New York: Oxford University Press, 2004), 5.

³⁹ Bruce R. Scott. "The Great Divide in the Global Village," *Foreign Affairs* 80, no. 1 (January-February 2001): 162.

⁴⁰ Sometimes it is not about the income even though it is relative. In Kerala India, average income is \$350 meanwhile average income in India is \$450, but citizens of Kerala are able to maintain higher living standard and higher level of human development due to their co-operation and social type. See: B.N. Gosh. "Globalization and Food Policy Dilemmas in Developing Countries: Contextualizing the Indian Scenario," *Journal of Third Studies*, 26, no. 2. (2009): 115.

⁴¹ Jagdish Bhagwati. *In Defense of Globalization* (New York: Oxford University Press, 2004), 67.

⁴² Clement Allan Tisdell and Raj Kuman Sen. *Economic Globalisation: Social Conflicts, Labour and Environment Issues* (Northampton, MA, USA: Edward Elgar Publishing Limited, 2004), 3 and 69.

optimism, saying it has nothing to do with reality. Moreso, the reality is that countries *do* have different access to markets, and not all have the financial capability to compete due to western subsidies or access to capital.

Clearly, globalization has not provided equal prosperity for the world, affecting developing countries' abilities to protect sustainable agriculture and local production. In some areas there have been progress, but in some areas progress has come to an halt. The inequality brought by globalization has created another problem. Increased global food dependency has caused spikes in food prices, leaving people living on less than \$2 dollars a day even more vulnerable.⁴³ Causes for price spikes may be due to transportation costs, but even more significantly to the rising role of Trans National Companies (TNC).

TNCs have one captain: profit. They do not have to act in the best interests of a nation. In 2007 there were spikes in food prices in Latin America, causing long lines at the supermarkets. Prices doubled on basic foods such as grains and corns, staples for Latin America's diet. In the case of Mexico it turned out that the TNC Cargill had bought a majority of their 2006 harvest but did not sell it, creating artificial shortages in Mexico which caused food shortages and price spikes – ultimately creating more profit for Cargill. The same year in Venezuela the President put a ban on exports due to food shortages caused by a private sector manipulating the market causing riots from there to Mexico. The same pattern was identified all over the world, with riots arising in numerous places including Bangladesh, Brazil, Cameroon, Egypt, Pakistan, Indonesia, Russia and

⁴³ Reducing hunger in developing countries has slowed down the number of people who are undernourished has increased. China has been successful reducing malnutrition by 74 million people, but overall the number of undernourished people has increased. Undernourishment is an underlying cause accounting for approximately 5 to 10 percent deaths annually. See: E.M. Young. "Globalization and food security: Novel questions in a novel context?" *Progress in Development Studies* 4, no. 1 (2004): 5.

Somalia.⁴⁴ In one year, high food prices caused numerous conflicts all over the world, threatening stability and prosperity.

Another threat to food security is decreased crop diversity due to globalization. For the developing countries globalization means opening up their borders, competing with TNCs without any protection of their livelihood. It has caused numerous farmers to leave their farms, making them dependent on food imports and vulnerable to price spikes. Their food sovereignty is at risk—meaning the country is not able to control imports, how much and what products they prefer to participate in agricultural free trade. According to the FAO, this is a leading threat to food security in the developing countries. Even more they state that price instability could be caused by the multilateral agreements such as the Doha Development Round. One rationale for liberalization is to allow trade to flow smoothly between markets without any hindrance, and to secure food supplies around the world. The reality of it, however, threatens small farmers' livelihoods, as we will see later in the case study on Haiti.⁴⁵

The downside of globalization for developed countries is that, fewer companies are controlling the markets, with a limited variety of grains developed for profit. Wheat, grain, rice, and soya beans are being produced at the lowest costs, using fewer strains of seeds. This is a threat to food security because if fewer foodstuffs are being produced, one fungus or agricultural disease can theoretically destroy the whole harvest. This is what happened in the Great Irish Famine, when the potato bug destroyed the potato crop.

⁴⁴ Peter Rosset. "Food Sovereignty in Latin America: Confronting the 'New' Crisis," *NACLA Report on the Americas* (May/June 2009):16-18.

⁴⁵ One example of devastating result of liberalization is in the case of Mexico. Since Mexico allowed import of subsidized corn from the U.S. it had driven over 2 million corn farmers out of business, making them dependent on imports from the U.S. See: Anup Shah. "Food Aid as Dumping," *Globalissues.org*. (October 31, 2005), under, "Issues," <http://www.globalissues.org/article/10/food-aid-as-dumping> (accessed August 1, 2011).

Lack of crop diversity makes us vulnerable for agricultural disease.⁴⁶ Another aspect of globalization is cross border contamination. The latest e-coli outbreak caused deaths around Europe, yet began in Germany, and caused international friction, economic harm, and the destruction of crops due to suspicion of contamination.⁴⁷

So what is the solution? Perhaps we should return to an economist who both supported free trade and recognized global interdependence as a political reality, but also saw the benefits of greater balance in trade arrangements. After all, Keynes favored liberalization, and thought it was part of the solution regarding global security. But he also recognized the threat weak economies posed to democracies, and wanted to level the playing field through international regulations. In the long run, Keynes argued, this would be beneficial to all and a practical means of ensuring world security. As he wrote:

[t]he greater part of the population, it is true, worked hard and lived at a low standard of comfort, yet were, to all appearances, reasonably contented with this lot. But escape was possible, for any man of capacity or character at all exceeding the average, into the middle and upper classes, for whom life offered, at a low cost and with the least trouble, conveniences, comforts, and amenities beyond the compass of the richest and most powerful monarchs of other ages. The inhabitant of London could order by telephone, sipping his morning tea in bed, the various products of the whole earth, in such quantity as he might see fit, and reasonably expect their early delivery upon his doorstep; he could at the same moment and by the same means adventure his wealth in the natural resources and new enterprises of any quarter of the world, and share, without exertion or even trouble, in their prospective fruits and advantages; or he could decide to couple the security of his fortunes with the good faith of the townspeople of any substantial municipality in any continent that fancy or information might recommend. He could secure forthwith, if he wished it, cheap and comfortable means of transit to any country or climate without passport or other formality, could dispatch his servant to the neighboring office of a bank for such supply of the precious metals as might seem convenient, and could then proceed abroad to foreign quarters, without knowledge of their religion, language, or customs, bearing coined wealth upon his person, and

⁴⁶ *The Future of Food*, DVD, directed by Deborah Koons Garcia. (Lily Films: 2004, DVD).

⁴⁷ Bryan Walsh. "Why Health Authorities Are So Worried about Europe's Mutant E. Coli Outbreak," *TIME INC.*, (June 2, 2011), under "Health," <http://healthland.time.com/2011/06/02/why-health-authorities-are-so-worried-about-europes-mutant-e-coli-outbreak/> (accessed July 31, 2011).

would consider himself greatly aggrieved and much surprised at the least interference. But, most important of all, he regarded this state of affairs as normal, certain, and permanent, except in the direction of further improvement, and any deviation from it as aberrant, scandalous, and avoidable. The projects and politics of militarism and imperialism, of racial and cultural rivalries, of monopolies, restrictions, and exclusion, which were to play the serpent to this paradise, were little more than the amusements of his daily newspaper, and appeared to exercise almost no influence at all on the ordinary course of social and economic life, the internationalization of which was nearly complete in practice.

Like it or not, globalization was part of modern life; yet, as we will now see, it requires regulations to secure future prosperity.

Keynes

Writing in the 18th Century, Immanuel Kant argued that free trade was vital to promoting world peace because

Trade... increase[s] the wealth and power of the peace-loving, productive sections of the population at the expense of the war-oriented aristocracy, and... would bring men of different nations into constant contact with one another; contact which would make clear to all of them their fundamental community of interests.⁴⁸

In other words, trade contributes to prosperity, encouraging economic growth instead of physical conflict. Perhaps most important, it forces trading partners to recognize and accept their shared “community of interests.” Trade therefore promotes a very productive type of competition *and* collaboration in which economic gain and mutual self-interest lowers the potential for physical violence.

Two centuries after Kant, John Maynard Keynes revived these concerns, writing compellingly about the connection between economics and international security. According to Keynes, war must be avoided at all cost if we are to experience stability and prosperity.⁴⁹ Yet during his own time – specifically between World Wars I and II – he observed that economic instability often led to political rivalry and severe conflict. As evidence, he looked to totalitarian regimes such as Nazism in Germany, Fascism in Italy and Communism in the Russian Federation. These regimes arose in times of economic crisis and what Bellais and Coulomb have labeled a “neo-mercantilist” economic climate, one defined by policies designed to *conquer* new markets rather than foster a Kantian “community of interests.” As Kant suggested earlier, Keynes again reminds us that not

⁴⁸ Burchill, Scott., Linklater, Andrew., Deveta, Richard., Donnelly, Jack., Nardin, Terry., Paterson, Matthew., Reus-Smit, Christian., and True Jacqui. *Theories of International Relations*. (England: Palgrave Macmillan, 2009), pg. 37.

⁴⁹ Renaud Bellais and Fanny Coulomb. “The Fight of a ‘Citizen Economist’ for Peace and Prosperity: Keynes and the Issues of International Security,” *Defence and Peace Economics* 19, no. 5 (October 2008). 365.

only is peace crucial for economic prosperity, economic prosperity is also crucial for peace.

How to accomplish this? Keynes argued that in order to have and preserve peace, countries needed to have international agreements to encourage cooperation between nations, particularly to regulate finance and trade. This was to both regulate currencies and establish shared rules under which trade was conducted. As he argued, world peace would not come without some kind of international agreement, such as regulated currency, fixed monetary standards, and a framework for the international community to come together to act as international lender to countries in need. Furthermore, because shared interests and shared prosperity made countries less likely to go into conflict, even nations such as Germany (who start wars!) must be encouraged to rebuild and cooperate with others.

This was a practical point. As Keynes had predicted before the Great Depression started, the compensation Germany had to pay for their part in World War I⁵⁰ helped lead to the rise of their totalitarian regime and “left a miasmatic pond of misery which awaited Hitler’s image.”⁵¹ Crippled with debt, Germany lacked trade opportunities, stable foundations and infrastructure upon which to build up their economy. These problems, combined with high unemployment and devalued currency, led the German population to starvation.

Here then is one of the first examples in the 20th century of food security being linked to global security. In economic turmoil, deprived of political stability, and

⁵⁰ Keynes worked hard to get the U.S. government to give Germany loans to counteract what he feared were the negative effects of the Versailles Treaty, under which Germany had to take responsibility for their part in the war and pay hefty penalties.

⁵¹ Herbert Feis. “Keynes in Retrospect,” *Foreign Affairs* 29, no. 4 (July 1951): 566.

detached from the world, the German people were also unable to meet their most basic subsistence needs. In other words, they were starving. And this failure to put food on the table – a microcosm of the security issues Keynes warned us about – made Germany uniquely susceptible to totalitarianism.

Germany was not the only nation effected; unless you were on the South Pole you were effected by the rise of the Nazi regime. The fall of one nation had international consequences. This is why, as Keynes argued, “a strong international system of order permeated by morality,” enforced standards and norms informed by the realization that national welfare was a matter of *international*, interdependent concern.⁵² Without such a system there would be a constant threat to safety and fight for power.

Initially the U.S. was skeptical of this idea, rejecting Keynes’ plea for financial assistance to Germany after World War I. But after World War II, the U.S. government revisited Keynes’ ideas and put in place the Marshall Plan. The Plan extended financial assistance to all allies and enemies who suffered economic devastation because of WWII. As Keynes had argued for years, any form of aid in the long run would benefit all; finally, the international community applied his theories to practice.⁵³ Intended to rebuild Europe’s economy, “[t]he Marshall Plan was also intended as a means to preserve the prosperity the war had brought to US society. At the very end of the war, the United States took the lead in establishing an international system of ‘free trade’.”⁵⁴ In summary, Keynes’ theories on peace and relative prosperity, international cooperation, and links

⁵² Herbert Feis. “Keynes in Retrospect,” *Foreign Affairs* 29, no. 4 (July 1951): 566.

⁵³ Jeff Madrick. “The IMF Approach: The Half-Learned Lesson of History,” *World Policy Journal* (Fall 1998): 29-42.

⁵⁴ Wayne C. McWilliams, and Harry Piotrowski. *The World since 1945: A history of International Relations* (Colorado: Lynne Rienner Publishers, Inc., 2009), 42-43.

between economic and political security were put into practice, creating incentives for mutual aid and regulations of international trade.

In addition to policies such as the Marshall Plan and (in America) New Deal legislation, Keynesian theory was also the inspiration for the founding of such international regulatory agencies as the International Monetary Authority, the League of Nations, the UN, the IMF, the World Bank, and the International Trade Organization.⁵⁵ The goal was to make create networks of international support and regulation to preserve international peace, establish economic self-sufficiency, foster healthy trade relations while maintaining protectionism policy, promoting development of domestic industries and investments, maintaining stable currency and employment levels, and fostering “economic patriotism” – the idea that citizens were committed to developing their local economies.⁵⁶

The underlying rationale was clear: a strong, stable international economic system required strong trading partners. As Bellais and Coulomb elaborate,

Economic interdependencies are required and even desirable, even if they must be regulated through international institutions. Economic multilateralism is a long-term objective, and represents a guarantee for the revival of growth and international peace.⁵⁷

And while Keynes clearly favored free trade, he believed that a purely laissez-faire approach (free-flowing of goods and services without regulation) was counterproductive

⁵⁵ Keynes also contributed to the *Outline of Conventions for the Financial Assistance by the Society of Nations*, which outlined future prevention of outbreaks of conflict by the League of the Nations (SDN). Specifically, he proposed that international organizations stop financial support to any country causing conflicts, and levy additional economic sanctions.

⁵⁶ Renaud Bellais and Fanny Coulomb. “The Fight of a ‘Citizen Economist’ for Peace and Prosperity: Keynes and the Issues of International Security.” *Defence and Peace Economics* 19, no. 5 (October 2008): 363.

⁵⁷ *Ibid.*, 365.

to international peace, promoting the conquest of foreign markets and causing friction (economic and political) between countries.

Yet because regulations were so important, there is an apparent contradiction in his economic philosophy. While promoting multilateral agreements for unrestricted trade, at the same time he was advocating the usage of tariffs and barriers. In other words, he saw international free markets, open trade and capitalism as key ingredients to global peace and prosperity, but he recognized that capitalism needed to be contained. Why is this so difficult? Because as much as Keynes believed in free market principles, he was aware that the free market was, by nature, highly protective (of national markets) and predatory (prone to conquer foreign markets). It is a difficult balance, to protect *national* interest while instituting norms and regulations to stabilize the *international* trade balance.⁵⁸ This is possible because there are two conflicting incentives: one for limited short-term economic gains; and the other for broader mutual interest and common or shared wealth. The more prosperity the less need for regulations.⁵⁹ But during times of recession and, just as important, development, regulation and intervention are required.

Keynes clearly favored regulations, as expressed in his concept of economic multilateralism, “a policy of expanding international trade between many countries, rather than restricting it to bilateral deals between just two countries” which required a stronger system of global regulations.⁶⁰ This is why, as early as the 1922 Geneva Conference,

⁵⁸ Ibid., 363.

⁵⁹ As Keynes argues, in times of prosperity the removal of barriers is key: “The interference of frontiers and of tariffs was reduced to a minimum, and not far short of three hundred millions of people lived within the three empires of Russia, Germany, and Austria-Hungary. The various currencies, which were all maintained on a stable basis in relation to gold and to one another, facilitated the easy flow of capital and of trade to an extent the full value of which we only realize now, when we are deprived of its advantages. Over this great area there was an almost absolute security of property and of person.” See: John Maynard Keynes. *The Economic Consequences of the Peace*. (New Brunswick: Transaction Publishers, 2004). ISBN 0765805294.

⁶⁰ Economics-Dictionary.com, <http://www.economics-dictionary.com/definition/multilateralism.html>

Keynes asked “for an international economic agreement to help organize international relations in terms of peace, trade freedom and economic wealth.”⁶¹ In other words, he argued that multiple countries should work together under the guidelines and agreements established by international institutions to achieve the common objectives of economic growth and international peace. The only way to establish long-term piece was if economically independent countries participating in international commerce cooperated around this shared understanding that cooperation served their mutual self-interest.⁶²

Keynes tried to approach global welfare pragmatically. Instead of looking for the quick fix, he understood that reform took time. As he wrote about the League of Nations in 1919,

The treaty would be altered and softened by time. Much in it which now seemed so vital would become trifling, and much which was impracticable would for that very reason never happen. But the League, even in an imperfect form, was permanent; it was the first commencement of a new principle in the government of the world; truth and justice in international relations could not be established in a few months.⁶³

International institutions are not perfect. But they are necessary, and over time they should respond to fluctuations in the international political environment. In order to be effective, these global agencies must adopt over time. This is especially true concerning global finance and trade, which is why, to bring his theories into practice, Keynes designed the blue print for the Bretton Woods system.⁶⁴

⁶¹ Renaud Bellais and Fanny Coulomb. “The Fight of a ‘Citizen Economist’ for Peace and Prosperity: Keynes and the Issues of International Security.” *Defence and Peace Economics* 19, no. 5 (October 2008): 364.

⁶² *Ibid.*, 361-371.

⁶³ John Maynard Keynes, *The Economic Consequences of the Peace*. (New Brunswick: Transaction Publishers, 2004). ISBN 0765805294

⁶⁴ Keynes, policy was rejected, (it was development oriented) instead alternative proposal by White was accepted, root of this imbalance according to the article, all in favor of the developed countries. See: Shafaeddin, Mehdi. “The Political Economy of WTO with Special Reference to NAMA Negotiations,” *European Associations of Development Research and Training Institutes* 22, no. 2 (2010): 176.

Bretton Wood system

Concerned with promoting world peace and international cooperation, Keynes dedicated himself to finding financial regulations to monitor worldwide currencies, maintain stable trade relations, and (subsequently) curtail frictions between nations.⁶⁵ Because, as he argued, nations are interdependent – their welfare depends on the welfare of their trading partners – a vibrant global trade system meant a higher level of prosperity for *all* partners, both developed and developing. To participate in the global economies, nations needed strong *local* economies. And to support local economies, the international community needed to act as international lender to help those in need, without prejudice, develop strong economic foundations and participate in the international economy. Therefore, international standards and regulations were needed; to encourage good relationship, rules needed to be clear.

(1) The impartial justice meted out must involve no discrimination between those to whom we wish to be just and those to whom we do not wish to be just. (2) No special or separate interest of any single nation or any group of nations can be made the basis of any part of the settlement which is not consistent with the common interest of all.

(3) There can be no leagues or alliances or special covenants and understandings within the general and common family of the League of Nations.

(4) There can be no special selfish economic combinations within the League and no employment of any form of economic boycott or exclusion, except as the power of economic penalty by exclusion from the markets of the world may be vested in the League of Nations itself as a means of discipline and control.

(5) All international agreements and treaties of every kind must be made known in their entirety to the rest of the world.⁶⁶

⁶⁵ Keynes predicted capital flights. After the WWII and the creation of Bretton Wood system, there were “enormous capital flight from European countries to the US immediately after the WW Two, and it contributed greatly to the region’s economic crisis in 1947-8.” See: Eric Helleiner. “The Politics of Global Financial Reregulation: Lessons from the Fight Against Money Laundering,” *Center for Economic Policy Analysis* (April 2000):15-17.

⁶⁶ John Maynard Keynes, *The Economic Consequences of the Peace*. (New Brunswick: Transaction Publishers. 2004) ISBN 0765805294.

Leading up to the creation of the Bretton Wood system, the Great Depression hit the world in the 1930s, affecting everything from severe drops in Gross National Income and employment level to the rise of World War II. Everyone was in survival mode, devaluing their currencies to compete against other nations for export markets, limiting imports, restricting trade, and escalating competitiveness to capture shrinking markets. The downward spiral had started, resulting in economic trading blocs – The Japanese Co-Prosperity Sphere, The British Empire, the French Union, Germany, Russia and Eastern Europe, and America – which evolved into military blocs that helped form alliances in World War II.⁶⁷ Economic instability was leading to political turmoil. World leaders therefore looked to Keynes (who, as we already have seen, clearly understood the relationship between economics and political instability), and started to form the first international institutions to foster international economics and trade: the International Monetary Fund; the World Bank; and the International Trade Organization. Keynesian ideology clearly influenced how world leaders viewed international relationship.

Previous to the Great Depression, leading economic policies,⁶⁸ required wages cuts to keep up the level of employment, raise taxes to hinder people spending their money. Part of Keynes ideas was to keep the level of wages so people keep their consumption level and stimulate the economy, creating demand so businesses would be able to hire or keep their employees. This way government would sooner unravel the economic downturn. Keynes policy was not put into action in the earlier stages of the Great

⁶⁷ Lester Thurow. "New Rules for Playing the Game," *National Forum* 72, no. 4 (Fall 1992): 1-10.

⁶⁸ Economist like: Gustav Cassel; Edwin Cannan; Arthur C. Pigou, and Lionel Robbins. See: New School, "The Keynesian Impact on Public Policy," *The New School*, under "search result," <http://www.newschool.edu/searchresults2.aspx?cx=012693106714645627845%3Ad47rqpn2cag&cof=FORID%3A9&je=UTF-8&q=keynes-gret+depression&sa.x=0&sa.y=0&siteurl=www.newschool.edu%252Fsearchresults.aspx%253Fcx%253D012693106714645627845%253Ad47rqpn2cag%2526cof%253DFORID%253A11%2526q%253Dkeynes%2526sa.x%253D0%2526sa.y%253D0#1033>

Depression, but in 1936 President Roosevelt announced his stimulus package called “The New Deal” which promoted government spending to keep up level of employment by investing in American infrastructure, and get the economic wheels going, and later on in 1946 the U.S. Congress passed the *Employment Act*, which focused on the responsibility of the government to maintain *maximum employment*. During this time Keynesian become more known and respected within the U.S. government. Powerful politicians started to take notes of his ideas and his approach to international cooperation, economic multilateralism – a policy to encourage international trade between nations. In the aftermath of the Great depression he proposed a “Clearing Union” which would give countries in need access to resources. The main goal for Clearing Union loan was meant to provide a pool of resources for countries facing balance of payment deficit. The borrower should have to adjust their spending to relief the debt problem, and it should be financed with contribution from countries with the biggest surplus.⁶⁹

How did it happen? In July of 1944, at a conference held in the Mount Washington hotel in Bretton Wood, New Hampshire, under the Temporary Presidency of Henry Morgenthau, JR., Chairman of the Delegation of the United States of America.⁷⁰ Members from 44 nations came together to finalize the agreement that established the Bretton Woods System of international rules, institutions and procedures to regulate the international monetary system to avoid friction between states and create political and

⁶⁹ Even though Keynes ideas were included, the final outcome was a compromise with the U.S. who came with a proposal called “Stabilization Fund,” (creator was Harry Dexter White representative from the U.S.) making countries contribution lower than Keynes wanted. See: James Raymond Vreeland. “What is the IMF?” *The International Monetary Fund* (New York: Routledge, 2007): 7.

⁷⁰ The U.S. became leading force during this time in the negotiations (Kennedy Round and Tokyo Round). Part of the Keynesian ideology was, U.S. prosperity was built on prosperity of other economies. It has been called *unilateral global Keynesianism*, because the U.S. was “single-handedly prepared to direct and maintain the system.” See: Lester Thurow. “New Rules for Playing the Game,” *National Forum* 72, no. 4 (Fall 1992): 1.

economic stability. In the economic field, three main international institutions were established: the International Monetary Fund, the International Bank for Reconstruction and Development (later the World Bank), and the International Trade Organization (ITO).

The IMF and the World Bank are “twin intergovernmental pillars supporting the structure of the world’s economic and financial order.”⁷¹ The IMF and the World Bank role is to act as an international lender, the IMF gives out short-term loans and the World Bank long-term loans. Both are *owned* and directed by the governments of member nations. The World Bank and IMF’s is development institution. One role is to complement the United Nation to achieve Millennium Development goals (MDG)⁷² of eradicate poverty and hunger in the world by: providing resources; information; and promote partnership between private and public partners.⁷³ The IMF is a cooperative institution who seeks to maintain a system of payments and receipt between nations, and to foster *global monetary cooperation* by promote; international trade; international financial stability; sustainable growth. The third wheel in the system was the International Trade Organization which never materialized.

The World Bank was the first one of Bretton Woods financial institution to start its operation in 1944. Their main objective is to help developing countries in their fight against poverty. It does no operate as traditional bank, and is based on two other

⁷¹ David D. Dricoll. “The IMF and the World Bank: how do they differ?” *The International Monetary Fund*, under “about the IMF,” <http://www.imf.org/external/pubs/ft/exrp/differ/differ.htm> (accessed July 21, 2011)

⁷² The United Nations Development goal are: eradicate extreme poverty and hunger; achieve universal primary education; promote gender equality and empower women; reduce child mortality; improve maternal health; combat HIV/AIDS; malaria and other diseases; ensure environmental sustainability; and develop a global partnership for development. See: United Nations Development Programme, <http://www.beta.undp.org/undp/en/home/mdgoverview.htm>

⁷³ The World Bank. “About Us,” *The World Bank Group* (29 June 2011), under “About,” <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/0,,pagePK:50004410~piPK:36602~theSitePK:29708,00.html> (accessed July 20, 2011).

institutions: The International Bank for Reconstruction and Development (IBRD), which provides loans to middle-income countries; and the International Development Association (IDA), which finances the poorest countries. They work dependent from one another, but collectively provide;

low interest loans, interest-free credits and grant to developing countries for a wide array of purpose that include investments in education health, public administration, infrastructure, financial and private sector development, agriculture and environmental and natural resource management.⁷⁴

It has six themes, it delivers technical, financial, and other sources for those in needs, that is, the poorest countries, and fragile states. The World Bank helps solving global public goods issue: delivering knowledge and learning services; building capacity; educate government officials; create infrastructure, by implementing legal and judicial system; to encourage business and trade; protect individual and property rights; develop financial system to support modern infrastructure; and finally promote transparency and combat corruption.⁷⁵

The World Bank has come under criticism of their operation, their agenda conflicting with the MDG, specially the debt payments and structural adjustment requirement, which is intertwined with the IMF operation.

The IMF started its operations in 1947. According to their own description they foster global monetary cooperation and secure financial stability, in addition promote employment and sustainable growth, they are:

The IMF provides loans to countries that have trouble meeting their international payments and cannot otherwise find sufficient financing on affordable terms. This

⁷⁴ The World Bank. *About Us*, The World Bank Group (October 4, 2010), under “About” <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/0,,pagePK:50004410~piPK:36602~theSitePK:29708,00.html> (accessed June 26, 2011).

⁷⁵ There are three other divisions within the World Bank, the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA), who promote private-sector investment. See: Ibid.

financial assistance is designed to help countries restore macroeconomic stability by rebuilding their international reserves, stabilizing their currencies, and paying for imports—all necessary conditions for relaunching growth.⁷⁶

In other words, the IMF was founded to help nations in economic need. To do so, they provide cohesive support, including short-term loans, economic consulting, and stimulus packages. Other facets of their operation include serving as supervisory body for exchange rate, and to acting as international lender.

If a country seeks the IMF's assistance and the IMF approves, the country has to meet the IMF's conditions and change its fiscal policy.⁷⁷ This is called IMF "conditionalities." Conditionalities have been very controversial due to all the strings attached. As we have seen, the central goal in creating the IMF was to help countries in need. And as Keynes argued, assistance required a relatively level playing field. In theory, IMF reforms help level the field, but practices such as conditionalities are arguably perpetuating inequalities⁷⁸ by making developing nations even more dependent on developed nations who dictate the terms of their assistance.⁷⁹

It is written into Article V of the IMF Articles of Agreement that members of the IMF can request a loan from the IMF if they are experiencing difficulties with the balance of payment. As an guarantee the IMF has installed conditionality to protect its interests.⁸⁰

Controversy over this clause started right from the beginning. In front of the British

⁷⁶ International Monetary Fund. "About the IMF," *International Monetary Fund*, under, "About the IMF," <http://www.imf.org/external/about.htm> (accessed July 18, 2011).

⁷⁷ Josep Stiglitz former Chief Economist at the World Bank, states that every country gets the same plan, regardless of their political, economical and social status.

⁷⁸ Clem Tisdell and Raj Kumar Sen. *Economic Globalisation: Social Conflicts, Labour and Environmental Issues*. (Norhampton, MA, USA: Edward Elgar, 2004, 74-77)

⁷⁹ A recipient of and IMF assistance often re-negotiates condition, so short-term loans are re-negotiated with higher interest rates, and stricter conditionalities. See: James Raymond Vreeland. "What is the IMF?" *The International Monetary Fund* (New York: Routledge, 2007): 13-19.

⁸⁰ James Raymond Vreeland. "What is the IMF?" *The International Monetary Fund* (New York: Routledge, 2007): 21.

Parliament, Keynes argued lending should not interfere with domestic matters. Yet the reality of the IMF's lending practices, conditionalities, are intrusive into domestic matters.⁸¹ Keynes was afraid that the power of the institution would be too great and would penetrate state sovereignty by stating "of the undesirability of starting off by giving so much authority to an untried institution."⁸² The IMF and the World Bank have considered power to design economic policies for its client. In time of need government turn to IMF and World Bank as lender of last resort, status of their economy is estimated to be too risky to get loan from free market, and if they get loan the interest rate are too high. At this point the government does not have access to other resources and needs to turn to international lender, IMF and World Bank, and accept their condition to get the loan.⁸³

In the case of Peru who started to get IMF's assistance in 1954, as the time past and the Peru economy did not recover the IMF gradually expended their conditionalities. In 1993, the bilateral agreement between IMF and Peru included fiscal and monetary target. The IMF put limitations on foreign debt by install import restriction, promoting liberalization, privatization and deregulate labor laws.⁸⁴

Part of the IFM's conditionalities are changes in borrowers fiscal policy. They include: reducing government spending; raising taxes and revenues; limitations on imports; and, in limited cases, devaluation of national currency. Devaluation of currency

⁸¹ The conditionality of IMF was not incorporated in to their policy until 1968, but it was practiced from beginning. The first IMF loan was given to France in 1947, but after the IMF disapproved their exchange rate policies, it disqualified France from using its resources. See: *Ibid.*, 21.

⁸² *Ibid.*, 22.

⁸³ Thomas Oatley and Jason Yackee. "American Interest and IMF Lending," *International Politics* 41 (2004): 417-418.

⁸⁴ The process went from being macro-conditionality to being micro-conditionality. See: James Raymond Vreeland. "What is the IMF?" *The International Monetary Fund* (New York: Routledge, 2007): 22

makes export cheaper for other markets, at the same time import becomes more expensive for country who devalues their currency. Instead of listening to Keynes – the main idea for international lending was to ease up their financial hardship, the IMF increased their level of conditionalities. In the 1970s, they extended the range of conditionalities, to include fiscal pre-conditions as a requisite for seeking their assistance. After the IMF had given loan to all Latin American, between 1950 and 1980, without being able to pull them out of their crises, the IMF wanted to intensify its measures. The IMF insisted that its policy was not failing, rather that their measures did not far enough. Now, *structural adjustments* were needed. What worked for the developed countries must work for developing countries: namely, privatization, liberalization and deregulation. To make this happen the IMF started to increase its conditions for granting loans and responded to global financial crises (specifically in Latin America and East Asian) by implementing even *more* conditions, a policy called “micro-conditionality.” Critics such as, Kenneth Rogoff, Stanford’s Jeremy Bulow, Clem Tisdell, Raj Kuman Sen, and Joseph Stiglitz; or as Vreeland puts it “[t]here are too many critiques of specific policies – too many to list,” contended that micro-conditionality, like in the case of Peru of interfering with national labor law, and privatization. Privatization includes selling government businesses on the ground that private owners are more efficient. Deregulations is to remove any restriction on the market, allowing market to operate without government involvement – individuals respond better to the market and are more efficient. Rather than concede that conditionalities did not work – or, at least, did not uphold the organization’s founding goals – the IMF insisted that enforcement was to blame. The IMF started to work on programs to make it more efficient, focusing more on macroeconomics

and financial sector policies, with less intrusive methods and with more respect to the borrowers national policies.⁸⁵

After 65 years of operation, it seems that the IMF has not lived up to their mission statement. More specifically, their increased reliance on conditionality has arguably done more harm than help to borrowers' economies. In the article "IMF'S Four Steps To Damnation," Joseph Stiglitz former Chief Economist at the IMF and the World Bank, argued more specifically that every borrower receives the same "solutions" regardless of their needs.⁸⁶ The general plan for all countries includes four steps: 1) *privatization* of local business and industries; 2) *capital market liberalization* to attract direct foreign investment and promote trade; 3) *market-based pricing* to raise the cost of goods and services, and 4) *free trade* to lower tariffs and open up new markets, often for the US and the EU.

Theoretically globalization and free trade will benefit all those involved, promoting peace and encouraging nations to become more specialized by capitalizing on their production. It will increase communications between nations and understanding between different cultures. It will remove barriers between nations, allowing good and service to flow freely between nations. That being said, the reality is different. Developing countries have not been able to capitalize on globalization or free trade. They are not in position to compete on free market, lacking resources and opportunities. They are lacking technology to increase their efficacy, to produce in massive quantities to lowering the cost on per unit. Taking down barriers and open up market in the developing

⁸⁵ Ibid., 24-25.

⁸⁶ If this was not harmful enough, it is indicated that the IMF supported "social unrest." See: Gregory Palast. IMF'S Four Steps to Damnation: interview with Joseph Stiglitz. *The Guardian*, (29 April 2001).

countries has led to flow of cheap food, driving local farmers and companies involved with agriculture out of business. The country becomes dependant on imports of food, vulnerable for increases in prices and supply. In the end it could leads to food insecurity for the developing countries. At the stage of starvation and nothing too lose there potential risk of riots, or as Stiglitz puts it

[w]hen a nation is down and out, [the IMF] squeezes the last drop of blood out of them. They turn up the heat until, finally, the whole cauldron blows up – as when the IMF eliminated food and fuel subsidies for the poor in Indonesia.

Like the IMF, the World Bank promotes liberalization through its practice. It is forced through structural adjustment program, which country in need must approve, Joseph Stiglitz calls it ‘country assistant strategy.’ Within the World Bank there is “an assistance strategy for every poorer nation, designed, says the World Bank, after careful in-country investigation.”⁸⁷ This analysis, is according to Stiglitz, is conducted from a five star hotel interviewing finance minister who are handed ‘restructuring agreement’ for “voluntary” signatures. The political, economics or social situation within the country is not relevant in this matter. Everyone gets the same four-step program; fist step is privatization; second step is liberalization; third step is market-based pricing and fourth step is free trade.⁸⁸

The reality of Stiglitz’ accusation is clear. In the case of Haiti, after troublesome political, social and economic past, Haiti was on the verge of being bankrupt. In 1994, Jean-Bertrand Aristade president asked for help from the IMF and the World Bank who

⁸⁷ Gregory Palast. “IMF’s Four Steps to Damnation,” *The Observer* (April 29, 2001).

⁸⁸ Joseph Stiglitz was fired after his critics from the World Bank after his expressing his dissent on the World Bank and IMF policies.

provided Haiti with their assistance.⁸⁹ Haiti had to follow neo-liberal lines: lowered tariffs; tight government spending; and privatization of government enterprises.

Fiscal constraints meant Haiti needed to cut their spending by downsizing the civil service. It had to implement hiring and wage freezes. The consequences were that two-thirds of the work force was unemployed, and a high proportion of the population fell into poverty; therefore were unable to participate in the consumption needed to stimulate the economy; and social unrest. There was less government involvement and subsidized education was cut. All maintenance or expansion of infrastructure came to a halt: this meant no sewage piping, and no electrical grids or telephones were maintained or expanded. It became too expensive for the population to pay for these services from the private companies. In a November 2007 Letter of Intent, the government of Haiti stated that

all of the technical work has been completed toward the modernization/privatization of the main public enterprises (the electricity, telephone, and water companies, port and airport) with the assistance from the World Bank.⁹⁰

The problem was, despite Haiti's compliance with World Bank and IMF loan conditions, modernization and privatization hurt the Haitian people who could no more afford these services as discussed in the chapter regarding Haiti.

⁸⁹ Haiti has difficult political past, totalitarian government had been in control, and Aristide who was a former priest who worked with population, and was not a mouthpiece for the elite. He had the support from the international community to be reinstated as president but with the condition to maintain *western* economic policies. He had to approve otherwise Haiti would become under military rule which, according to Human Right Watch, was responsible for arbitrary arrests, brutal behavior and thousands of people killed.

⁹⁰ Jane Powell Leadbeater. "Structural Adjustment Programs: Mortgaging Haitian Sovereignty," *Undercurrent Journal* 6, no. 2 (2009): 52.

The Haitian population held a massive demonstration against privatization but privatization continued. State owned companies who had produced annual profits of \$20-30 million, was sold off to the Haiti elite for \$9 million.⁹¹

The next step for Haiti was liberalization. It meant free flow of commodities into Haiti. In Haiti's case, overflow of Miami rice from the U.S., but rice is the foundation for Haitian diet. Haitian had been self-sufficient with their rice production until that point. The Americans rice import started in the mid-1980s and by 1990s, they had taken over the rice market. This put large portion of poor Haitian rice farmer, millers and traders out of work and put them into greater poverty. The Haitian government had to reduce their import tariffs from 25 percent down to 3 percent, due to conditionality's measures from the IMF and the World Bank. When the American rice import started, the price was low, and huge supply, but after some period of time or in April of 2008 the price of food in Haiti had doubled, causing social unrest.

Writing about one country of the 65 years of operation might not show the whole picture, the World Bank has worked in numerous of countries with different outcome, it has helped in some cases. In 1995, the a project was launched by the Bangladesh Integrated Nutrition Project, with the support from The Word Bank and the UNICEF. It involved 120,000 children and 140,000 malnourished pregnant women. The program provided food security services. After three years of operation and the progress was measured, there were significant changes to be seen. Severe malnutrition had declined from 13 percent to 2 percent. Number of low weight infant born decreased by 30 percent. These changes has increase productivity and increased learning capability from those who

⁹¹ Gregory Palast. "IMF's Four Steps to Damnation," *The Observer* (April 29, 2001).

participated in the program.⁹² According to the Meltzer Commission, commission established in 1998 by the U.S. Congress to decide U.S. future policy regarding international institution like the IMF and World Bank. Their findings showed that the World Bank had failure rate of 55-60 percent for their activities in all developing countries, and even higher rate of failures in Africa.⁹³ This has influenced the World Bank, and to respond to the critic they have put in place policy like *Just-in-time-policy advice to address immediate concerns*. Under the World Bank expanded safety net programs and food, to help protect vulnerable groups. In India the World Bank helped informed the effects of high prices on food, and provides various policy instrument like *cash transfers program*⁹⁴, which has been put in place in the developing countries.”⁹⁵

The International Trade Organization (ITO) role was to compliment IMF and World Bank. Even though the ITO was not established it was one part of the Bretton Woods system. Under the guidance of the United Nations (UN), four conferences on trade were organized. The first one, “Preparatory Committee,” was in 1946, in London. The second one, “Drafting Committee,” was held in 1947. Later that same year the Geneva Conference produced a temporary measure to organize international trade. The agreement was the General Agreement on Tariffs and Trade (GATT). Later this agreement became the foundation for managing international trade in the post war era. The Havana

⁹² The World Bank. “Bangladesh Intensifies Efforts to Fight Malnutrition,” *The World Bank Group*, under, “Projects & Operation,” <http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/0,,contentMDK:20012534~menuPK:64282137~pagePK:41367~piPK:279616~theSitePK:40941.00.html> (accessed July 20, 2011).

⁹³ Mark Engler. “Abandoning the World Bank: Pitfalls when Right and Left Agree,” *Dissent* (fall 2006): 59.

⁹⁴ Includes cash transfers based on human capital investments, but is sufficiently broad to encompass other schemes such as work-fare programs or consumption transfers. See: The World Bank. “Condition Cash Transfer and the equity-efficiency debate”, *The World Bank Group* (1. April 2004), under “Data and research,” http://econ.worldbank.org/external/default/main?pagePK=64165259&piPK=64165421&theSitePK=469372&menuPK=64216926&entityID=000009486_20040520150423 (accessed July 21, 2011).

⁹⁵ The World Bank. “Rising Food Prices: Policy options and World Bank response,” *The World Bank*, 2010: 7.

Conference took place between November 1947 and March 1948. One of the Havana Conference's offspring was the foundation of a regulatory organization, the International Organization. The Havana Conference objectives was not only to reduce barriers, but also get "higher standards of living, full employment, and conditions of economics and social progress and developments envisaged in Article 55 of the UN Charter."⁹⁶ It specially referred to number of issues that were written into the ITO Charter:

[T]he expansion of production, and industrial development 'particularly of those countries that are still in early stages of industrial development', access to the markets, products and productive facilities '(for example, access to technology) and removal of restrictive business practices."⁹⁷

The ITO Charter addressed many of the issues that are controversial today; that is, work creation, development, labor standards, reduction of restrictive business practices, and commodity agreements for stabilization of commodity prices, which is essential for food security. Like Keynes predicted in his book, *The Economic Consequences of the Peace*,

the increase in the real cost of food and the diminishing response of Nature to any further increase in the population of the world [is] a tendency which must be especially injurious to the greatest of all industrial countries and the most dependent on imported supplies of food.

In other words, does not matter if your rich or poor food security effects everyone; especially the wealthiest with the highest population are dependent on food. Unstable prices and resources affects rich and porter, importers and exporters. This is another way Keynes these refluctuations, he is warning us again, that one-man misery effects another. The U.S. missed the point. However, the U.S. Congress did not ratify the ITO Charter, at

⁹⁶ Mehdi Shafaeddin. "The Political Economy of WTO with Special Reference to NAMA Negotiations," *European Associations of Development Research and Training Institutes* 22, no. 2 (2010): 179.

⁹⁷ *Ibid.*, 179.

the same time the GATT treaty was signed, based on the interest of the 10 development countries. It became the end of ITO, but there was a need for international trade regulations.

The World Trade Organization

A free trade union should be established under the auspices of the League of Nations of countries undertaking to impose no protectionist tariffs whatever against the produce of other members of the union. [This] free trade union... might do as much for the peace and prosperity of the world as the League of Nations itself.⁹⁸

— John Maynard Keynes

As Keynes identified in 1919, international institutions that preserved free trade unions were key for global peace and prosperity. But as we have just seen, these institutions were much easier to talk about than bring to reality and make successful. In part, this is because consensus is very difficult to achieve – especially when it comes to matters of economics and agriculture. Still, as Keynes insisted, one of the challenges to creating stable lasting international institutions was remaining flexible and responsive. These institutions would never be perfect to start, which is why they required revision over time. Perhaps with this spirit in mind, the international community continued to meet and revise agreements to promote a system of international trade which benefitted both developed and developing nations.

Following Bretton Wood the next most significant development came with the 1947 GATT, established to promote principles of economic liberalization, equal and open market access, transparency in trade, and the removal of protectionism and discrimination in international trade⁹⁹ to, in the words of Hartwick and Peet, allow trade to “flow smoothly from one country to another, without disruption or distortion, supposedly permitting all countries to achieve larger output levels and ultimately increasing the level

⁹⁸ John Maynard Keynes. *The Economic Consequences of the Peace*. (New Brunswick: Transaction Publishers, 2004), ISBN 0765805294

⁹⁹ R. Sharma. “Agriculture in the GATT: A Historical Account,” Food and Agriculture Organization of the United Nations, under “corporate document repository,” <http://www.fao.org/docrep/003/x7352e/x7352e04.htm> (accessed July 4, 2011).

of economic growth everywhere.”¹⁰⁰ One of the fundamental tenets of GATT (as influenced by Keynes) is the absence of “discrimination” amongst trading partners: “each contracting party is required to treat all contracting parties in the same way that it treats its ‘most-favored-nations.’”¹⁰¹ While Keynes’ influence is clear – especially in the emphasis on the *mutual* benefits of global economic cooperation – GATT still did not effectively address one of his most vocal concerns, namely that international prosperity required a relatively level playing field. More specifically, GATT did not provide a means of correcting pressing problems facing developing countries such as undeveloped technology sectors, insufficient natural resources, and inept governments or political institutions. As Keynes had warned, these shortcomings left developing nations unable to compete on a free market with more powerful developed TNCs. Which is why, from a policy perspective, GATT did not go far enough to implement regulations which might be able to preserve a Keynesian balance between rich and poor. More specifically, it did not incorporate measures to adequately “develop” the economies and infrastructures of developing countries.

This was particularly true when it came to agriculture. Lester Thurow once warned that “[n]o government is going to sign an agreement that forces large numbers of its farmers to leave agriculture.”¹⁰² This is because agriculture holds a uniquely prominent role in national identity, as well as economies and trade.¹⁰³ Agriculture is, in

¹⁰⁰ Hartwick, Elaine and Peet, Richard. “Neoliberalism and Nature: The Case of the WTO.” *Annals of the American Academy of Political and Social Science*, 590 (November 2003): 191.

¹⁰¹ R. Sharma. “Agriculture in the GATT: A Historical Account,” Food and Agriculture Organization of the United Nations, under “corporate document repository,” <http://www.fao.org/docrep/003/x7352e/x7352e04.htm> (accessed July 4, 2011).

¹⁰² Lester Thurow. “New Rules for Playing the Game,” *National Forum* 72, no 4 (fall 1992): 6.

¹⁰³ Under the New Deal legislation, a fiscal recovery plan based on Keynesian ideology in the U.S. The New Deal gave special treatment to their farmers. The farmers got government payments to cultivate land, “coupled with tight

other words, deeply intertwined with politics and economics, as well as (more explicitly perhaps) food security.¹⁰⁴ This is why nations are often very protective of their agricultural policies even when these policies are inefficient or outdated, such as when the European Community (EC) founded the Common Agricultural Policy (CAP) in 1962 to “protect” Europe from outside domination. Yet rather than solve anything in the long run, CAP fed speculation that Europe was more interested in protecting and preserving its own short term, geographically limited gains than in working on an international level to promote agricultural policies which benefitted the world as a whole. As a result, they seemed to ignore the interests of developing countries. This is why, as one critic noted, it was perhaps “better to be a cow in EU than a denizen in a least developed country.”¹⁰⁵ This is also why, as another anonymous participant admitted, “not only did agriculture receive ‘special treatment’ in the GATT, but this treatment appeared to have tailored to the [European and] US farm programs then in existence.”¹⁰⁶ Flow of free trade was the official objective, but the agreement contains numerous clauses such as subsidies and quantitative restrictions which favored the interests of developed countries, oftentimes at the expense of developing countries, as detailed later in this chapter.

Take, for example, subsidies. As Article XVI of GATT states, contracting parties should “avoid” use of subsidies to increase its competitive status, i.e. lower prices. In other words, contracting parties should not artificially increase agricultural exports via

controls on imports.” See: Kevin Watkins. “Agriculture and Food Security in the GATT Uruguay Round,” *Review of African Political Economy*, no. 50 (March 1991): 39.

¹⁰⁴ R. Sharma. “Agriculture in the GATT: A Historical Account,” Food and Agriculture Organization of the United Nations, under “corporate document repository,” <http://www.fao.org/docrep/003/x7352e/x7352e04.htm> (accessed July 4, 2011).

¹⁰⁵ Raj Bhala. “Empathizing with France and Pakistan on Agricultural Subsidy Issues in the Doha Round,” *Vanderbilt Journal of Transnational Law* 40, no. 949 (2007): 964.

¹⁰⁶ R. Sharma. “Agriculture in the GATT: A Historical Account,” Food and Agriculture Organization of the United Nations, under “corporate document repository,” <http://www.fao.org/docrep/003/x7352e/x7352e04.htm> (accessed July 4, 2011).

subsidies. The problem with GATT's proclamation, however, was: 1) the language is vague ("seek to avoid") to the point of being ineffective; and 2) these clauses are closer to suggestions than legal mandates, raising the problem of enforcement. In other words, it *sounded* good; but what would it actually change? In practice, not much since historically with the rise of international trade, influential developed nations such as the US have taken advantage of GATT's initial vagueness, taking loopholes to use subsidies to expand their exports – again at the expense of a more level international playing field, a central Keynesian idea that GATT had initially sought to promote.

Similarly, "quantitative import restrictions" prohibited the usage of quotas (which can be used for artificial price manipulation and product placement) with multiple exceptions such as during financial crises, food shortages, and "temporary" waivers such as those granted to the US for 40 years.¹⁰⁷ Soon people realized that these exceptions – written to assist developing countries – were not working, and further reforms were needed.

To help provide exceptions better suited to assist developing nations, Article XI stipulated: export restrictions could be used to secure national food security and appropriate international standards on food safety; and import restrictions could be used to enforce governmental measures that restrict the production or marketing of similar domestic products.¹⁰⁸ While these sounded promising in theory, in practice the Article XI

¹⁰⁷ The exception mostly irrelevant to developed countries, and those who are under the guidance of IMF and the World Bank are going through structural adjustment or conditionality requirements which forces them to liberalize their export and imports. See: R. Sharma. "Agriculture in the GATT: A Historical Account," Food and Agriculture Organization of the United Nations, under "corporate document repository," <http://www.fao.org/docrep/003/x7352e/x7352e04.htm> (accessed July 4, 2011).

¹⁰⁸ R. Sharma. "Agriculture in the GATT: A Historical Account," Food and Agriculture Organization of the United Nations, under "corporate document repository," <http://www.fao.org/docrep/003/x7352e/x7352e04.htm> (accessed July 4, 2011).

exceptions were undermined by *additional* exceptions. And, according to policy analyst Dale Hathaway, these additional exceptions were customized to help promote the protectionist agricultural policies of powerful developed nations such as the US and EC.¹⁰⁹

Despite GATT's suggestions to avoid subsidies both the U.S. and EC ignored this advice, increasing price distortion measures to gain greater agricultural market shares. This reflected a broader failure: GATT, initially conceived to apply Keynesian theory by regulating global trade for the benefit of all nations, was not meeting these goals. More specifically, developed nations were finding ways to exploit exceptions for their own short-term economic gains, further widening the economic gap between developed and developing countries.¹¹⁰

To be fair, and as Keynes predicted earlier, international institutions need time to adjust to new circumstances, redefine their goals and reevaluate their enforcement mechanisms. This is what happened with GATT. Over time, members became increasingly aware of the harmful use (and abuse) of GATT's "subsidies" policy. The effects were clearly harmful to global trade, and clearly failed to bring Keynes' idea of a level playing field to life. Instead, the rise of subsidies led nations such as the U.S. and the EC to pay farmers based on their production (rather than give fixed financial support as practiced in the past). This created incentives for overproduction, which therefore led to surpluses, which in turn reduced prices – especially for agricultural goods. This meant that local farmers in developing countries could no longer compete with artificial low

¹⁰⁹ Still, these changes were not sufficient enough to protect US subsidies and in 1955, the U.S. Congress raised their concerns about its position within GATT and threatens to terminate the agreement. The negotiations parties at GATT, came up with Temporary Waiver, which was enforced for 40 years, allowing the U.S. to use subsidies, provided them with border control: allowed them to export their overproduction, under market prices – method known as dumping. These three sections removal of: *export subsidies* – goods and service; *non-trade barriers*; and *market access* became main subjects in the next negotiation round. See: Ibid.

¹¹⁰ Clement Allan Tisdell, and Raj Kuman Sen. "Economic Globalisation: Social Conflicts, Labour and Environmental Issues," (Northampton, MA, USA: Edward Elgar Publishing Limited, 2004), 72-77.

agricultural prices. As result, many – in places like Haiti, Latin America, and Indonesia – stop farming and increasingly relied on food imports. This in turn created new levels of food dependency, and new threats to food security in the form of more elaborate price distortion measures and the practice of “dumping,” i.e. selling goods under their real value to gain market share.

How did this happen? Put in another way, how did international agreements instituted to preserve a Keynesian balance of power in trade fail to level out the playing and actually *increase* food insecurity throughout the world? Lack of an international consensus and conflicting agendas seem to offer some clue. For example, the U.S. wanted to liberalize trade in the agriculture sector to expand their markets, and reduce subsidies to the EC to minimize competition.¹¹¹ The EC (now EU), on the other hand, wanted increased liberalization in global trade to expand their own market shares, while limiting the pace of reforms aimed at expanding the markets of developing nations.¹¹² Meanwhile, the Cairns Group – consisting of 19 countries united by a support of sharp tariff reductions and subsidy eliminations – faced disputes amongst its own members. Despite the Group’s commitment to *laissez faire* economics, Japan and South Korea

¹¹¹ U.S. goals are substantial reduction of trade distorting domestic support; elimination of exports subsidies, and improved market access. Some had looked to a potential Doha Round agreement to curb trade-distorting domestic support as a catalyst to change U.S. farm subsidies in the 2007 farm bill, but this source of pressure for change dissipated with the continued Doha impasse. In addition, Member of Congress likely will carefully scrutinize any agreement that may require changes to U.S. trade remedy laws. See: Ian F. Ferugsson. “World Trade Organization Negotiations: The Doha Development Agenda,” *Congressional Research Service* (August 18, 2008).

¹¹² The objectives are reforming the world trading system and make it a more market oriented multilateral trading system, at the same time maintaining its social, economic and environmental sustainability. It is ready to continue to reform their own system, CAP, by reducing support to their farmers, and improve market access. See: European Union. “Commitment to Free and Fair Trade,” under, “Policies and Activities,” http://europa.eu/pol/comm/index_en.htm (accessed July 6, 2011).

sought opposing protectionist policies to keep their local rice farmers safe from outside competition.¹¹³

This lack of consensus created policies without effective enforcement methods, and a new need for a greater level of trade balance between developed and developing nations. As it was, agricultural policy in developing countries was very much dependent and directly related to their relative positions as food producers, exporters or importers. For example, countries dependent upon food imports worried about spiked prices if food subsidies were dropped. Food exporters, on the other hand, were primarily concerned with increased market share, at the same time benefitting from “Special and Differential Treatments” such as grace periods and financial supports.¹¹⁴ Clearly, when it came to implementing Keynes theories on the shared, mutual benefits of an open, transparent trade system, agriculture policy fell very short.

Nothing was agreed upon until the 1991 Dunkel Draft and, later, the Blair House Accord, which banned subsidies – with several key exceptions.¹¹⁵ The WTO firmly stated that the agreement would help developing countries, but the reality was different. Take, for example, newly established Trade-Related Investment Measures (TRIMs). In theory, TRIMs were supposed to level out the playing field so the trading partners would be

¹¹³ The Cairns Group Vision Statements states; The Vision Statement reaffirmed the Group's support for the principle of special and differential treatment for developing countries (including least developed countries and small states remaining an integral part of the next WTO agriculture negotiations). See: The Cairns Group. “An Introduction,” The Cairns Group, under “introduction,” <http://cairnsgroup.org/Pages/Introduction.aspx> (accessed July 6, 2011).

¹¹⁴ The Special and Differential Treatment (SDT), was first introduced in 1979 as part of the *Enabling Clause*, which gave developing countries special markets access. Earlier developed countries helped paying for the implementing cost, but now the cost falls on the developing countries. Empirical data show that developed country have not benefitted from the STD. See: Bernard Hoekman. “Operationalizing the Concept of Policy Space in the WTO: Beyond Special and Differential Treatment,” *World Bank, Groupe d'Economie Mondiale, Sciences PR and CEPR*, (October 2004): 1-3.

¹¹⁵ The permitted volume of subsidized export was reduced to 21 percent from the original proposal of 24 percent; The base period used for establishing the baseline from which export subsidies would be cut was made more flexible, and had the effect of initially raising the level of permitted export subsidies; Direct income payments made under production limiting programs such as EC's scheme under the reformed CAP and US'S deficiency payment were made exempt from domestic support reduction commitments. See: R Sharma. “Agriculture in the GATT: A Historical Account,” Food and Agriculture Organization of the United Nations, under “corporate document repository,” <http://www.fao.org/docrep/003/x7352e/x7352e04.htm> (accessed July 4, 2011).

treated equally, but in practice it took away governments' abilities to protect themselves from TNC's. In another words TRIM's sound Keynesian in their emphasis on equalizing trade relations. However, they ignored one crucial piece from Keynes: for nations lacking prosperity, some of form of protectionism is required.¹¹⁶ This is why TRIM's made local governments in developing countries vulnerable: they could not constrain TNC operating within their borders. They lacked the legal means to constrain TNCs. If developing countries already had relatively open markets, TRIMs paralyzes them further, limiting the ability of the government to set conditions for TNCs operations, like purchasing local "inputs." This enables TNCs to break into new markets, using their power and resources to outsell local companies.¹¹⁷

The developing countries under the TRIPs were allowed to protect their infant industry of their new technology for 20 years. The U.S. representative to the United Nations Economic and Social Council stated in 2007 that it was necessary to protect technology industries: "technological change is driven by protection of Intellectual Property Rights (IPRs). If we do not provide the incentives of IPRs, our technological progress will slow or dry up."¹¹⁸ It is not clear why technological changes are in need of protection but not agriculture. The reality of WTO agreements suggests a double standard.

Developing countries have to liberalize their trade across the borders, while developing

¹¹⁶ The legal text of TRIM's states. "The agreement recognizes that certain investment measures restrict and distort trade. It provides that no contracting party shall apply any TRIM inconsistent with Articles III (national treatment) and XI (prohibition of quantitative restrictions) of the GATT. To this end, an illustrative list of TRIMs agreed to be inconsistent with these articles is appended to the agreement. The list includes measures which require particular levels of local procurement by an enterprise ("local content requirements") or which restrict the volume or value of imports such an enterprise can purchase or use to an amount related to the level of products it exports."

¹¹⁷ Trade Related Intellectual Property Rights (TRIPS), TRIP's was intent to provide protection for copyright, trademark, patent and industrial design. The goal is to create set of international rules and standards and to avoid modern piracy and breach on trademarks, and copyrights. See: Mehdi Shafaeddin. "The Political Economy of WTO with Special Reference to NAMA Negotiations," *European Associations of Development Research and Training Institutes* 22, no 2 (2010): 182.

¹¹⁸ Mehdi Shafaeddin. "The Political Economy of WTO with Special Reference to NAMA Negotiations," *European Associations of Development Research and Training Institutes* 22, no 2 (2010): 182.

countries' technology sector gets protection. TRIP's agreement hinders developing countries access to new technology needed to upgrade their systems, and to keep up with the developing countries.¹¹⁹ More specifically, new technologies can enhance food security by increasing local agriculture production, making it more efficient, and promoting economic growth.¹²⁰ Simply put, they are lacking the technology to modernize their agriculture.¹²¹ Furthermore, Clement Allan Tisdell and Raj Kuman Sen estimate that TRIP's are costing developing countries about \$40 billion a year in payments to developed countries, further limiting resources that could promote food security.¹²²

Another serious facet of TRIP's is protection of patents, it including all biotechnological innovations, more specifically micro-organisms. It means that every new version of plants or seeds is a subject to patent law. This includes so – called “suicide” seeds, genetically modified to die after one crop. This is especially true of “suicide seeds, which decreases biodiversity and create an artificial dependency. As stated in the documentary film “*The Future of Food*“ whoever controls the seed, controls the food market.”¹²³ Genetically modified seed (GMO) are from the developed countries and for developing countries means that farmers would have to buy new supplies of seed from them, making them more dependent on the developed countries, and lose biodiversity.¹²⁴ Meaning increased cost for farmers limiting their resources to finance the next crop or farmers leaving their farms, and causing drop in food production. New emerging problems

¹¹⁹ Ibid., 178.

¹²⁰ Ibid., 182.

¹²¹ Under the safety rules there can be no traces of pesticide (which has not approved by WTO) it has made it difficult for Kenyan farmers sell to the developed countries even though it is non-edible, like flowers, it has not meet a zero residue level. See: Clement Allan Tisdell, and Raj Kuman Sen. “Economic Globalisation: Social Conflicts, Labour and Environmental Issues,” (Northampton, MA, USA: Edward Elgar Publishing Limited, 2004), 158.

¹²² Ibid: 159.

¹²³ *The Future of Food*, DVD, directed by Deborah Koons Garcia. (Lily Films: 2004, DVD).

¹²⁴ J.M. “GATT, The Dunkel Draft and India,” *Economic and Political Weekly* 27, no. 4 (January 2such5, 1992): 141.

regarding food aid has occurred, dumping genetically modified organs (GMO). GMO food is given as food aid or seeds, companies use food aid as commercial opportunity get foothold in a new foreign markets. Now food aid was no longer an instrument of foreign policy it was more about commercial opportunity.¹²⁵

Even though there are several flaws in the agreement at least the stalemate of the most powerful negotiations group came to an end, but still the issue regarding subsidies and other distorting measures — like dumping — were not resolved. The U.S. wants to have resources to use trade sanction against countries seeking to hinder growth of TNCs.¹²⁶ Still, the frustrations of reaching an agreement, parties continued the negotiations, the U.S. and the E.U. continued to fight for increased market access. The United States Department of Agriculture states, “U.S. agriculture must continue to look abroad for markets, and the most promising are rapidly growing developing countries.”¹²⁷ The developing countries had hoped that the agreement would open market access to the developed countries but it didn’t.¹²⁸ With all these different agendas and past failures, parties turned to the negotiating table in hope they would be able to influence some future agreement.

Consensus came in 1994 with the Agreement on Agriculture (AoA). The original goal was to address the issue of price distortion in agriculture, by using liberalization in

¹²⁵ Deborah Koons Garcia, “The Future of Food,” DVD, Directed by Deborah Koons Garcia (United States: Lily Film, May 30, 2003).

¹²⁶ J.M. “GATT, The Dunkel Draft and India,” *Economic and Political Weekly* 27, no. 4 (January 25, 1992): 140.

¹²⁷ The United States Department of Agriculture. “What are the best markets for U.S. Agricultural Trade?” The United States Department of Agriculture, under, “FAQs about Agricultural,” <http://www.fas.usda.gov/itp/Policy/tradeFAQ.asp> (accessed July 26, 2011).

¹²⁸ R. Thamarsajakshi. “Doha Declaration and Agriculture in Developing Countries,” *Economic and Political Weekly*, 37, no.1 (January 5-11, 2002): 23.

three areas, market access, domestic support and export subsidies.¹²⁹ Price distortion had become increasingly problematic, renewed efforts were made to stop subsidies. Which reduce global prices and distort trade, as we have seen in Haiti. Subsidies import foods compete with local products making it difficult for farmers to sell their production under real cost, and then ending in bankruptcy of local industry or farmers leaving their farms.¹³⁰ Again, contrary to Keynes' vision the creation of international trade institutions to level out the playing field it created a different reality: loopholes, such as box system of exceptions which gave developed nations definitive advantage.¹³¹

In the beginning of 2000, parties realized they had to turn back to the negotiation table and make some revisions to the AoA agreement. In 2001 the meeting was in Doha, Qatar. The negotiation process should address the problems facing the developing countries of implementing the WTO agreements. The WTO members set up a work program called *The Doha Development Agenda*¹³² The main objectives of the Doha Development Round was to reform the trade environment and issues of implementation the existing agreements such as TRIMs and TRIPs agreements.¹³³ The negotiations have three principal areas: agriculture liberalization; tariff liberalization for manufactured goods, and trade liberalization for services. The main issue for the developing countries was to secure special measures to protect their rural livelihood and food security. The

¹²⁹ Jennifer Clapp. "WTO Agriculture Negotiations; implications for the Global South," *Third World Quarterly*, 27, no. 4 (2006): 564.

¹³⁰ The agreement also binds signatories to the Agreement on the Application of Sanitary and Phytosanitary Measures, which includes the Agreement on Trade related Aspect of Intellectual Property Rights (TRIPS) and the Agreement on Trade in Services.

¹³¹ One of them was about the way the domestic subsidies were categorized into different boxes; the Amber Box, the Blue Box, and the Green Box. See: B.N Gosh. "Globalization and Food Policy dilemmas in Developing Countries: Contextualizing the Indian Scenario," *Journal of Third World Studies* 26, no. 2 (fall 2009): 110.

¹³² The World Trade Organization, *The Doha Round Texts*, The World Trade Organization, under "trade topics," http://www.wto.org/english/tratop_e/dda_e/dda_e.htm (accessed April 17, 2011).

¹³³ Hartwick, Elaine and Peet, Richard. "Neoliberalism and Nature: The Case of the WTO." *Annals of the American Academy of Political and Social Science*, 590 (November 2003): 192.

U.S. wanted to increase market access by reducing tariffs and export subsidies. The EU wanted to reduce levels of domestic support and changes to what would be classified as export subsidies and export competition, to make them more compatible to the U.S. While it serves the developing countries to deregulate markets, and gain more markets shares by taking down barriers, this puts developing countries at disadvantage. It is difficult for countries with internal problems like Pakistan, Afghanistan and Somalia to participate in global trade and compete against powerful nations with strong infrastructure. This was certainly true to the WTO. As Keynes realized, flexibility was needed in international institutions to meet different needs and economic statuses, prosperity needed to be in place in order to take down barriers. Task of negotiations are not easy and there is a need to correct earlier made agreements that promote food insecurity and dependency. Agreements made that put developing countries at disadvantage should be revised and ongoing negotiations should address the issue of food security.

Throughout the history of WTO “mistakes” have been made, creating loopholes in the agricultural trade agreements, Jennifer Clapp states that up to 60 percent of subsidies were exempted from any cuts, by manipulating the subsidies boxes under the AoA agreement. Subsidies in the Green Box category more than doubled between 1986-1988. In 2003, U.S. agricultural exports were sold between 10-50 percent under the real cost of production. The EU was practicing the same thing, also selling their exports under their real market value. During this time subsidies rose in developed countries, but the developing countries continued to face market access barriers. The average cuts made under the AoA agreement are deeper in the developing countries, compared to the developed countries. This was the opposite of what the original plan was set out to be. In

other words, loopholes provided the developed countries means to practice *dumping*, selling their products under their real value.

Anti-dumping measures, is a policy designed to prohibit companies “dumping” their product into foreign markets at lower price than its manufacturing cost really is. It allows the government to respond to *dumping* if it is hurting their national production. In order to do so the government has to prove that the price is under their real value, the extent of it, and if hurting national production. It also means that the burden of prove lies on the least capable of proving.

For governments to prove food dumping they needs strong to take the case to the WTO. In the case of food dumping the progress is difficult especially the U.S. is influential within the WTO and it is unlikely to make any difference.”¹³⁴ The U.S. has been very influential from the beginning of the WTO. Critics like Shafeddin, N.B. Gosh and others have described the WTO as U.S. tool to control, or manipulate, the world trade for their own benefits.

The practice of dumping first created a problem in the early 1980s, when the U.S. and the EU started competing for market shares. Heavily subsidized agricultural food was dumped into the developing country to get a foothold in new markets, because as E. M. Young said, “food is about politics and power.”¹³⁵ During this period the U.S. started to dump so called Miami rice into Haiti, as detailed later, causing long-term harm and suffering to the nation, less food production, lower level of employment, increased food import dependency, and harm to Haitian biodiversity. Agricultural production increased

¹³⁴ Mehdi Shafeddin. “The Political Economy of WTO with Special Reference to NAMA Negotiations,” *European Association of Development Research and Training Institutes*, 22, 2 (2010): 185.

¹³⁵ E.M Young. “Globalization and Food Security: novel questions in a novel context?” *Progress in Development Studies* 4, no. 1 (2004): 18.

between 1970-1989 worldwide, and at the same time agricultural subsidies quadrupled in the U.S. and doubled in the EC, making exports cheap and distorted world prices. Large quantities of subsidies food were dumped over the world, expanding the markets for the U.S. and the E.C, in places Indonesia and Haiti.¹³⁶ Yet dumping helped these powers to capture new markets, and disrupted, future export potential for the countries making them dependent on future trade.¹³⁷ The consequences for the country where that farmers were unable to compete against cheap imports or unable to sustain themselves.¹³⁸ Local food production is put in danger. The country becomes more dependent on food imports, which is one of the original plans of the export country – to secure market and future trade agreements. It decreases market access for low-income households. Cheap imported food creates temporary gains, cheaper food, at the cost of food security and dependency.¹³⁹ Temporarily the food becomes cheaper, but local food production drops and the country becomes dependent on imports and often the prices go back up.

The WTO has been passive addressing the practice of dumping – mainly because it is beneficial to the U.S. As B.N. Gosh warns the WTO lacks the ability to solve the matter: either they are not willing or capable addressing the dumping practice. Dumping in the form of the food aid is another method used by developed countries. Food aid risks the economic balance of local food production, also it takes between three to six months to arrive and the acute food situation has passed, and up to 50 percent goes

¹³⁶ Philip McMichael. "Rethinking Globalization: The Agrarian Question Revisited," *Review of International Political Economy*, 4, no. 4 (Winter 1997): 641.

¹³⁷ B.N. Gosh. "Globalization and Food Policy Dilemmas in Developing Countries: Contextualizing the Indian Scenario," *Journal of Third Studies*, 26, no. 2. (2009): 113.

¹³⁸ In Mexico, 2 million farmers have left their farms because they are unable to compete with subsidized corn from the U.S. See: Anup Shah. "Food Aid as Dumping," *Global Issues* (October 31, 2005), under "issues," <http://www.globalissues.org/article/10/food-aid-as-dumping> (accessed August 2, 2011).

¹³⁹ B.N. Gosh. "Globalization and Food Policy Dilemmas in Developing Countries: Contextualizing the Indian Scenario," *Journal of Third Studies*, 26, no. 2. (2009): 113.

towards transportation costs.¹⁴⁰ The results are the same as in dumping, reducing country ability to be self-sufficient, lowering employment rates and making them dependent on food imports. That is contrary to what Keynes wanted, that is: countries to be independent, and with high levels of employment.

Dumping food aid is a profitable business opportunity. Private companies are at both ends of the negotiating table. They are getting paid for their services from the U.S government but at the same time they are involved in exporting, using the aid to expand their markets – like in the cases of Cargill and Archer-Daniels Midland. Combined they provide one third of U.S. food aid. They work together with organizations like CARE, World Vision and Catholic Relief Service. Collectively they are able to benefit from it by adding on to the transportation cost as much as 80 percent.¹⁴¹ At both ends of the negotiations table they are able to raise the cost of transportations and/or bureaucratic cost. These companies selling food to USAID at the same time getting paid for their production in form of subsidies.

In 1985, Indonesia received a gold medal from FAO for achieving food self-sufficiency, but after the Asian Financial crisis Indonesian did not have the financial capability to buy food, even though the local food production was thriving. Indonesia got food aid from the U.S. and others. They got wheat and conditional loans to buy food. The end result was that Indonesia owed the U.S. for their loans and gave the TNCs opportunities to take over the grain markets.¹⁴² Also, private companies get tax breaks if

¹⁴⁰ Most countries have changed their food aid program, like EU. They funnel their food aid through the UN who buys local food and if that is not available they buy it regionally. See: Wemos, Health for Aid, Foundation. “Dumping Food Aid: trade or Aid?” *Wemos, Health for Aid foundation* (April 2005): 31.

¹⁴¹ *Ibid.*, 31.

¹⁴² Anup Shah. “Food Aid as Dumping,” *Global Issues* (October 31, 2005), under “issues,” <http://www.globalissues.org/article/10/food-aid-as-dumping> (accessed August 2, 2011).

they give food aid, giving them an opportunity to give away something they cannot sell.

Or as former U.S. Secretary for Agriculture, Dan Glickman explains;

Humanity and national self-interest both can be served by well-designed foreign assistance programs. Food aid has not only met emergency food needs, but has also been a useful market development tool.¹⁴³

Food aid is about profit motive. Not only has food aid being used as political tool but now it is used for private interest, to get a foothold in foreign markets and create dependency. Another problem is that government, warlords, corrupted political leaders, or local business men get hold of the food aid and sell it under market price, causing the same vicious circle as earlier mentioned.

Subsidies in the OECD countries rose from \$271.2 billion in 1986-1988, to \$330.6 billion in 1998-2000, mainly because 60 percent of the OECD subsidies had exception (the boxes) because of the AoA agreement. In 2003, the U.S. was selling their agricultural production 10-50 percent under the cost of productions.¹⁴⁴ It severely added to the price distortion in addition to getting control of foreign food markets, which is a threat to food security. After getting control over food markets, TNCs are able to manipulate the markets, as they did in Latin America, when they created an artificial food shortage to undermine local governments, unfavorable to the U.S, and undermine a government involvement in markets. In 2007 President Evo Morales of Bolivia put a ban on exports of food commodities, but previous to the ban, TNCs had stockpiles of food to create artificial food shortages in order to increase food prices. The price spikes and shortages created waves of frustration ending in many cases in riots. The World media reported

¹⁴³ Ibid.

¹⁴⁴ Jennifer Clapp. "WTO Agriculture Negotiations: implications for the Global South," *Third World Quarterly* 27, no. 4 (2006): 565.

about food riots from Bangladesh, Pakistan and Russia and the Philippines.¹⁴⁵ When developing countries huge amounts of cheap, subsidized products, upsets their markets, driving local farmers out of business and making them dependent on imports and vulnerable for outside changes, as with Haiti.¹⁴⁶ If local food supplies and production are secured it reduces the likelihood of outside manipulation, food shortages, and price spikes. In the long run it is better for the world, to put in place regulations securing local food production.

As we will recall, Keynes wanted nations to be self-sufficient – promote their economic interests, to build prosperity and be able to trade with others. It was in the best interests of the global community to maintain healthy and strong trading partners. Strong trading partners resulted in increased trade and increased prosperity. Nations should act in the common interest of all for the long run. International policies should be implemented to secure nations independence and prosperity, and preserve peace. Keynes encouraged trade and liberalization, at the same time stating that prosperity needed to be in place to take down barriers. If nations had economic difficulties he wanted them to be able to protect their industry. As we saw earlier, Germany used protectionism to protect their iron industry instead of becoming dependent on imports, at the same time maintaining their levels of employment.¹⁴⁷ Every country should be allowed to use remedies to stimulate their economy and secure their food production. Trade liberalization might be

¹⁴⁵ Peter Rosset. "Food Sovereignty In Latin America: Confronting the 'New' Crisis," *NACLA Reports on the Americas* (May/June 2009)16-18.

¹⁴⁶ Haiti had to open up their borders do to structural adjustment requirements from the World Bank. Cheap Miami rice flooded the market, putting local farmers out of business. In 2008, the price had doubled.

¹⁴⁷ Renaud Bellais and Fanny Coulomb. "The Fight of a 'Citizens Economist' for Peace and Prosperity: Keynes and the Issues of International Security," *Defence and Peace Economics* 19, no. 5 (October 2008): 363.

good for many but not all as demonstrated for example in the case of South Korea and Japan who protect their food production.

In order to get a glimpse of the negotiation process, which cannot be described as a brilliant success, the former U.S trade representative, C. Barshefsky said, “the developing world is not hearing what we are saying and we are not hearing what the developing world is saying. We are passing each other like ships in the night.”¹⁴⁸

Keynes believed fair and equal trade promotes prosperity without any discrimination; *this* was the key to global prosperity.

[A]n economic system, to which everyone had the opportunity of belonging and which gave special privilege to none, is surely absolutely free from the objections of a privileged and avowedly imperialistic scheme of exclusion and discrimination. Our attitude to these criticisms must be determined by our whole moral and emotional reaction to the future of international relations and the peace of the world.

¹⁴⁸ Mehdi Shafaeddin. “The Political Economy of WTO with Special Reference to NAMA Negotiations,” *European Association of Development Research and Training Institute* 22, no 2 (2010): 193.

The Case Study – Haiti

Throughout the thesis issues regarding global and food security have been scrutinized, both theoretically and in practice. In the case of Haiti it is obvious that initiatives driven by International Institutions established to promote global peace have failed, causing food insecurity (i.e. throughout Haitian history access to food has been insufficient, both due to transitory and chronic reasons), with devastating results. According to the FAO report *Food Security Information for Decision Making*, from 2005 to 2007, 57 percent of Haitian were undernourished, 51 percent lived below \$1 per day, 17 percent had access to improved sanitation, and 62 percent had access to *improved* drinking water. The report also states that food security is improving overall but in some areas it continues to suffer from undernourishment. In brief, the “FAO hunger map describes a very high prevalence of undernourishment.”¹⁴⁹ Why is that?

The Political history of Haiti is driven by blood, a victim of colonialism, slavery, and foreign imperialism.¹⁵⁰ The famous Spanish explorer, Christopher Columbus, discovered the island of Hispaniola. He landed on the north shore of the island, Haitian side of the Island, the other side belongs to the Dominican Republic. Columbus brought with him slaves from Africa. Later the Portuguese, Dutch, British and the French established sugar plantations, but Haiti came under French domination in 1697.¹⁵¹ Under

¹⁴⁹ Food and Agriculture Organization of the United Nations. “Price monitoring and Analysis Country Brief: Haiti,” *Food Security Information for Decision Making, FAO & EU* (September-December 2010).

¹⁵⁰ Mark Shuller. “Haiti’s 200-year Ménage-à-Trois: Globalization, the State, and Civil Society,” *Caribbean Studies*, 35, no. 1 (January-June 2007): 158.

¹⁵¹ Haitian population is 95 percent are descendant of African slaves who speak Haitian Creole and French. Majority are Roman Catholic. Main exports in 2011 are: apparels; oils; cocoa; mangoes and coffee. The Human development

the domination of the French the colony became to be one of the most prosperous in the region. The prosperity was built on slavery and brutality. The average life expectancy of a slave was seven years.¹⁵² Haitian slaves rebelled and got their independence back, but the price was 13 years of war, and in the end the Haitian had to pay the French 150 millions francs as reparation, The penalties were to pay loss income due to elimination of slavery.¹⁵³ It destroyed Haiti's ability to recover and build up a strong state, leading to rise of dictatorships, military intervention and occupations.¹⁵⁴ Haiti became under U.S. occupation in 1915, they were protecting *the U.S.* national interest and open up Haiti for private foreign ownership.¹⁵⁵ Under the occupation an army was put in place which later under the leadership of President Palace, caused enormous suffering for the Haitian population, using the national army to press down social unrest, with arbitrary arrests, torture and killings.¹⁵⁶ In 1948 a U.N mission to Haiti put in place plan to stabilize the country included centralized authority and "implementation on the developmentalist

index ranks Haiti number 145 out of 169 countries. See: Emily Cavan. "Country Profile," *New Internationalist* (June 2011): 32-33.

¹⁵² In 1788 there were 27,717 white people, 21,808 free colored people and 405,564 slaves. See: Mark Shuller. "Haiti's 200-year Ménage-à-Trois: Globalization, the State, and Civil Society," *Caribbean Studies*, 35, no. 1 (January-June 2007): 149. Live expectancy for both sexes in Haiti was 62 years according to WHO. See: Food and Agriculture Organization of the United Nations. "Price monitoring and Analysis Country Brief: Haiti," *Food Security Information for Decision Making, FAO & EU* (September-December 2010).

¹⁵³ Keynes claimed regarding to Germany that it would only lead to more misery, the state would not be able to sustain itself, leading to weak economy and rise of totalitarianism. See: Renaud Bellais and Fanny Coulomb. "The Fight if a 'Citizen Economist' for Peace and Prosperity: Keynes and the Issues of International Security," *Defence and Peace Economics* 19, no. 5 (October 2008): 363-371. The penalties were to pay loss income due to elimination of slavery. See: Mark Shuller. "Haiti's 200-year Ménage-à-Trois: Globalization, the State, and Civil Society," *Caribbean Studies*, 35, no. 1 (January-June 2007): 149.

¹⁵⁴ Jane Powell Leadbeater. "Structural Adjustment Programs: Mortgaging Haitian Sovereignty," *Undercurrent Journal*, 6, no. 2 (2009): 49.

¹⁵⁵ History of liberalization goes back to 1915. The U.S. moved Haiti's gold reserve to New York during its occupation. See: Mark Shuller. "Haiti's 200-year Ménage-à-Trois: Globalization, the State, and Civil Society," *Caribbean Studies*, 35, no. 1 (January-June 2007): 149

¹⁵⁶ It is stated that since the U.S. occupation, starting 1915, almost no political decision had been made with the best interest of Haiti, furthermore all decision has been made for international intervention. See: See: Emily Cavan. "Country Profile," *New Internationalist* (June 2011): 33.

assumption that strong states are best for development.”¹⁵⁷ International Institutions like the U.N, World Bank and USAID supported this plan with funds and involvements. However, Haiti was not on the road to democracy, few other dictators took power but the turning point was in 1957 when Francois “Papa Doc “ Duvalier, became president, a period of pure terror began, the Haitian military pressed down social unrest with consistent violence and execution of those who spoke out. The international community backed up the Duvalier regime during his time.¹⁵⁸

The terror continued after Papa Doc died in 1971, his son Jean-Claude “Baby Doc” Duvalier or, took his place and continued the occupation of his father but made some changes. According to the Human Rights Watch and Amnesty International thousands of Haitian were killed, tortured or disappeared during Baby Doc regime.¹⁵⁹ The U.S. government under the leadership of Richard Nixon, decided to give them political support in exchange of;

favourable conditions and incentives for US investors, including ‘maintenance of an extremely low minimum wage, the suppression of labor unions and the right of foreign companies to repatriate their profits.’¹⁶⁰

The mutual agreement between Baby Doc and The U.S. beneficiary to both (i.e. two parties were able to capitalize on the trade agreement. Baby Doc amassed capital from the trade agreement while it hurt the Haitian populations did. Not only did the Haitian not benefit from this agreement but it hurt them, the low salary policy, put in place to keep

¹⁵⁷ Mark Shuller. “Haiti’s 200-year Ménage-à-Trois: Globalization, the State, and Civil Society,” *Caribbean Studies*, 35, no. 1 (January-June 2007): 150.

¹⁵⁸ *Ibid.*, 150.

¹⁵⁹ Rory Carroll. “‘Baby Doc’ Duvalier Charged with Corruption in Haiti,” *Guardian .co.uk* (January 19, 2011), under “World News,” <http://www.guardian.co.uk/world/2011/jan/18/haiti-baby-doc-duvalier-court> (accessed August 3, 2011).

¹⁶⁰ Jane Powell Leadbeater. “Structural Adjustment Programs: Mortgaging Haitian Sovereignty,” *Undercurrent Journal*, 6, no. 2 (2009): 49.

commodity price artificially low drove them into deeper poverty. Then in addition The U.S. benefitted also from the trade agreement, Haitian trade liberalization became very beneficial to the U.S. The U.S. involvement in Haiti was an indicator of what was coming on global level: liberalization and privatization of Haitian economy. Not only not liberalization and privatization of developing economies benefit of elite rulers and developed nations. From the 1970s to 1980s the Haitian export market flourished, as many manufacturing goods rose, economic growth rose annually by 5 percent between 1970s and 1980s, largely trading with U.S. sadly it came at a cost to the Haitian people.¹⁶¹ In 1982, the U.S. “development plan starved Haitian peasants and swelled Haiti’s cities with very low wage laborers for export processing zone.”¹⁶² Export processing Zone is a free trade zone working outside the jurisdiction of the country. Export processing Zone is one side of liberalization – often referred to as Free Zone where TNC puts up a factory. In the case of Haiti manufacturing factories. It provides jobs, at the same time the free zone has been criticized for paying low wages, do not pay taxes, and are able to manipulate free zone in their advantage. Workers get benefits like health insurance but too many times the free trade company does not fulfill, and when there are complaints or talks about unions, people are fired.¹⁶³ Nowhere was Haitian more hit than in food security sector.

Take the case of the Haitian Creole pig. This animal was well adapted to the islander’s environment, was both key source of nourishment and a crucial facet of Haitian sustainable agriculture (they ate waste, could live without unsanitized water for three days

¹⁶¹ Sadly even though there was economic growth during these years, the Duvalier regime took \$900 million in loans for their own personal use. Haiti debt in 1970 was \$40 million but by the time Baby Doc left office in 1986, the debt was \$844. Million. See: Mark Schuller. “Break the Chains of Haiti’s Debt,” *Jubilee USA Network* (May 20, 2006): 4.

¹⁶² *Ibid.*, 150.

¹⁶³ International Confederation of Free Trade Unions. “Haiti – Dominican Republic Export Processing Zones: Taking on Grupo M.” *International Confederation of Free Trade Unions*, no. 15 (November 2005): 3-4.

and fertilized the soil).¹⁶⁴ Still, under the auspices of diseases control (trying to limit swine fever), the U.S. government, World Bank, and USAID decided to replace Haiti Creole pigs with “high maintenance pink U.S. pigs.”¹⁶⁵ For the first time animal was imported, change the ecological system, and the clean water. This in turn was too expensive to the farmers. As a result farmers abandoned farming and moved to the city, where they became workers at sweatshops, or unemployed – with low income or none. Less money to buy food. This resulted direct in food insecurity: food production drooped, protein intake of dropped, and there was 30 percent drop in enrollment in rural school. Population increased in urban areas, higher level of poverty. People were living in dense area, in *shantytowns*; associated with unstable architecture the consequences of the earthquake became much severe.¹⁶⁶ The death toll in the 2010 earthquake is partially so high because farmers moved from their farmers to the city.¹⁶⁷ Not only move farmers into the urban area but some try to leave the country. Some go to the Dominican Republic and work as illegal immigrants or they try to move to nearby Islands or to the U.S. – often referred to as the boat people, many of them never reach destination. Those who success become illegal immigrants, so spill out effects are clear. It is not just domestic matter it becomes international matter, when financial hardship is so severe people are willing

¹⁶⁴ Jane Powell Leadbeater. “Structural Adjustment Programs: Mortgaging Haitian Sovereignty,” *Undercurrent Journal*, 6, no. 2 (2009): 49

¹⁶⁵ Mark Shuller. “Haiti’s 200-year Ménage-à-Trois: Globalization, the State, and Civil Society,” *Caribbean Studies*, 35, no. 1 (January-June 2007): 150

¹⁶⁶ Jane Powell Leadbeater. “Structural Adjustment Programs: Mortgaging Haitian Sovereignty,” *Undercurrent Journal*, 6, no. 2 (2009): 49

¹⁶⁷ Beverly Bell and Tory Field. “‘Miami Rice’: The Business of Disaster in Haiti,” *CommonDreams.org*, under, “view,” <http://www.commondreams.org/view/2010/12/09-9> (accessed August 6, 2011).

becoming illegal immigrants in other countries, without any legal rights and vulnerable for exportation.¹⁶⁸

Clearly, the daily life of urban and rural Haitian worsened, despite the increasing decline in food prices, agriculture export declined, between 1980s and 1990s average salary dropped 50 percent – forcing 4.5 million into deep poverty, living on less than \$1 dollar a day. During this period food security 25 percent. At this time of Haitian were getting the worse end of the liberalization – like before. Free zone factories had been established following low wage policy for hard work. Farmers had been losing their farms due to import competition, and extinction of the Haitian Creole pig, losing their income and access to food. They moved to urban area try to get a job, usually for low salary if some. Local food production had decreased due to these changes in Haitian economy.

Facing economic turmoil and increasingly more social tension, Baby Doc lost his power in 1986, and interim a series of Western leaders began, made up by military elites and supported by the U.S. Jean-Bertrand Aristide, former priest and leader of Fanmi Lavalas – left wing ideology, was elected president in December of 1990. With unprecedented difficulties ahead he started to reform the Haitian system, trying to uplift the standard of living for his people – including subsidizing Haitian agriculture, education and health care. For first time in a very long time leader of the country was working for the majority of Haitian but he provoked the Haitian elite, who until now were able to manipulate the market for their advantage. It led to coup in September of 1991, and for

¹⁶⁸ Josiane Georges. “Trade and the Disappearance of Haitian Rice,” *Canada Haiti Action Network*, under, “content,” <http://www.canadahaitiaction.ca/content/trade-and-disappearance-haitian-rice> (accessed August 5, 2011).

the next three years brutal governing returned.¹⁶⁹ Aristide returned to presidency in 1994 after gathering international support, but it came with a price tag: demanding more open market system, labor manipulation, price and wage control. Stuck between two bad choices, either lose his presidency and revisit devastating military rulings or accept western pressure to liberalize, he choosed the latter. Accepting western support, the UN and U.S. reinstated Aristide. Returning to even more economic and social difficulties, three years of military rulings sunk the economy further. Still Aristide did compromise a little, his leftish agenda came at the cost of international financial support. Without any real options Aristide turned to the lender of last resort, The IMF.

Cooperating with the IMF agenda, the first part was to address fiscal spending. The government suspended 5000 government workers, further increasing the employment rate. Keynes empathized on the role of the government, especially during recession, to keeping the level of employment to further stimulate the economy. Without wages recovery would be slower and, as the Haitian situation illustrates, low level of unemployment's leads to food insecurity (people do not have the financial access to food). In addition, government owned bank, Banque Nationale de Credit had to cut down their operation by closing down their brands and lay people off. The situation for citizen was becoming grimmer, less than one third of the formal workforce was employed, still majority of informal sector were farmers providing food security for Haiti producing rice, which was foundation for Haitian diet. Keynes wanted international funds to install "gradual adjustment of domestic consumption, lest loans of foreign exchange finance

¹⁶⁹ The coup was financially supported by the Haitian elite, backed up by the U.S. government, who awarded their support by allowing U.S. companies to reopen. See: Jane Powell Leadbeater. "Structural Adjustment Programs: Mortgaging Haitian Sovereignty," *Undercurrent Journal*, 6, no. 2 (2009): 50.

ever-widening balance of payment deficit.”¹⁷⁰ He wanted international institutions to avoid starvation at any cost as it would always lead to misery and more insecurity in the world. As part of the fiscal reform all subsidies were dropped: not only to agricultural but also education and health care, all of them according to Keynes vital for recovery and future prospect.

Contrary to Keynes, IMF wanted to stop government spending and reduce the demand for export goods. The key for Keynes prosperity is to maintain high level of employment so people can continue to buy, also so companies would continue to buy inputs, stimulating the economy by keep the economic wheel going. Role of the government during recession was to stimulate the economy by invest in infrastructure, like build roads or bridges, it was beneficial for the future, at the same time it would keep level of employment. As long people were able to work and get their wages they were able to buy necessities like food – and save. Savings were also important, it would provide resources for the government, instead borrowing from others and become dependent. Keynes thought one of the menace of the world was stupidity and ignorance so cut off government spending towards education as was done in Haiti is contradiction to Keynes ideas regarding prosperity.¹⁷¹

One key part of the IMF’s plan was privatization. It is good to bare in mind that Keynes did not want the IMF to be intrusive to national sovereignty.¹⁷² Despite this

¹⁷⁰ James Raymond Vreeland, “What is the IMF?” in *The International Monetary Fund* (New York: Routledge, 2007): 11.

¹⁷¹ This further proves Joseph Stiglitz points regarding IMF plan, that every nation was forced to follow the same plan. At this point overwhelming majority of Haitian barely had money to buy anything else than food. See: Gregory Palast. “IMF’s Four Steps to Damnation,” *The Observer*, (April 29, 2001): 1.

¹⁷² James Raymond Vreeland, “What is the IMF?” in *The International Monetary Fund* (New York: Routledge, 2007): 21. Reanud Balleais and Fanny Coulomb. “The Fight of a ‘Citizen Economist’ for Peace and Prosperity: Keynes and the Issue of International Security,” *Defence and Peace Economics* 19, no. 5 (October 2008): 363-369.

resistance and demonstrations in Haiti privatization, both from the public and government, against privatization the IMF went ahead and privatized government corporations. The idea is that private sector will always be more sufficient than the government sector. In order to privatize government owned companies were sold for part of their real value or \$9 million when annual profit was between \$20-30 million.¹⁷³ It decreased government future revenues, and slowed down their ability to recover. All service regarding infrastructure was now privatized and government was no longer able to maintain basic service, as water or sewage piping. Clearly, Keynes wanted government to invest in infrastructure to maintain even levels of employment, both to promote public spending and preserve national industry. Privatization became a reality despite of massive demonstrations on behalf of the people and the government. Conditionalities of IMF were more *important* than Haitian democracy. The will of the people and the government was dismissed, even though the government was elected by its people. IMF wanted full liberalization by privatizing government companies under the assumption that it would generate more revenues – intrusive to Haitian sovereignty.

Still, the most crucial element of the IMF's development plan was liberalization. Despite Haiti had already been liberalized. Ever since the U.S. occupation in 1915 Haiti had been taking steps towards free trade. The IMF wanted to liberalize trade further via the so-called *Sweeping Trade Liberalization Measures*. Sweeping Trade liberalization Measures means lowering tariffs and open market access. Its means higher level of competition from the developing countries, fighting over market control. Again as earlier,

¹⁷³ Not only was public company sold, many of them were sold to foreigners. Privatization deprived government revenues, because there was a foreign ownership capital was moving out of Haiti, not in. Price on the basic service, water, telephone and electricity, increased up to 80 percent. See: Mark Schuller. "Break the Chains of Haiti's Debt," *Jubilee USA Network* (May 20, 2006): 4.

more farmers left their farms and moving into city but job opportunities for farmers are very limited. Causing them into extreme poverty and no financial access to food. In 1995, import tariffs were lowered from 35 percent to 3 percent on food. It removed government ability to protect Haitian food security and it reduced Haitian government revenues. Although Keynes was a strong advocate for liberalization, he still believed some level of prosperity was needed in order to remove tariffs.

Imports of rice in the beginning of the 1980s caused temporarily relief in price of rice, the long-term affect was it started to compete to local farmers, driving them out of farming and into the city. Causing drop in local food production and Haiti came more dependent on food import and vulnerable for food spikes. Similar to the removal of the Creole pigs, removal of native product, places by foreign product. At higher cost, lower local food production as employment. Lowering of tariffs led to temporarily lower prices on rice, at the same time it doomed farmers. American subsidized rice, Miami rice, was dumped into Haiti at very low price. Farmers were unable to compete with cheap imported rice and they left their farms, food production decreased and now farmers were part of the unemployed moving to urban areas. Not only did the farmers become unemployed but also industries serving farmers, like millers and traders. Previous to IMF involvement Haiti had been self-sufficient in their rice production, but after the invasion of Miami rice they became dependent on rice imports and are still today. In 2008 price on Miami rice doubled and the country was still in economic turmoil with high level of unemployment and poverty.¹⁷⁴ The world media reported of massive demonstration, images of smoke coming from buildings and burned tires, blocking traffic. Despite of reported looting,

¹⁷⁴ Jane Powell Leadbeater. "Structural Adjustment Programs: Mortgaging Haitian Sovereignty," *Undercurrent Journal*, 6, no. 2 (2009): 52.

bystanders were helping each other out looking for food, not looting. Main cause of the riots was high prices on food the causes were both chronic and transitory causes. As said before Haiti history of dictatorship and short-term personal gain has been intertwined into Haitian history. Foreign manipulation of Haiti markets and exploitation of labor force, paying them low wages to provide higher yields for themselves, without giving something back to the society. In addition, natural disasters are frequent in Haiti: floods, landslides; hurricane; and earthquakes have escalated the problem. The floods and hurricanes have caused damaged to Haitian crops, causing hardship for local farmers who already are vulnerable due to their economic status. No crop no income – less food on the table. Not only because they cannot afford it but also because their ability to grow their own food has been temporarily removed. Farmers also need capital to rebuild their ability to grow food which is troublesome because Haitian farmers are poor and have limited access to capital.

Another underlying cause for transitory food insecurity was natural disaster. Even though most devastate natural disaster was in 2010 there is a long history behind it. Since the time of colonization earthquakes have been recorded, the first one in 1564 on the scale of 7.0 Richter on the eastern part. That's why the French started to build on the western part of the island. In the 18th century more than 100 earthquakes were recorded, limiting growth of the city. Due to frequent earthquakes in the 18th century people were encouraged to build stronger houses. Few of the earthquakes were on the scale of 7.0 Richter or higher during the 18th century. The earthquakes caused some casualties but nothing severe. In 1842 an earthquake on the scale of 8.0 was recorded, the whole city was in ruins and tsunami covered Port-de-Paix under 15 feet of water. History of natural

disaster was on record, scientist warned about strong earthquakes was coming but it was too late and no economic resources was to install new regulation or to rebuild Haiti. In January 12th of 2010, killing 230,000 people. The aftermath was human disaster. Those who lived the actual earthquake were trapped inside houses and aftermath was severe food insecurity, but the international community responded and aid started to arrive.¹⁷⁵ Haitian resident, Carlos Jean-Charles said: “[w]e’re hungry and our hunger is turning people into devils. Haiti is hell. We are living in hell.”¹⁷⁶

As Carlos Jean-Charles said the aftermath of Haiti earthquake food aid started to arrive, especially rice. The vital circle began again for farmers. One farmer said “the rice they’re dumping on us, it’s competing with ours and soon we’re going to fall in a deep hole.”¹⁷⁷ Since March of 2010 Haitian harvest had been stacked and unsold because of the U.S., more specifically USAID was dumping subsidized rice into the market.¹⁷⁸ Again risking the food security of the “hungriest population.” The matter is not simple. Privatized companies, like ERLY, are capitalizing on food insecurity. The U.S. is contracting companies to monitor food security and ERLY is one of them. ERLY industries are a parent company of American Rice which importer of American rice to Haiti since 1986, profiting from it.¹⁷⁹

¹⁷⁵ Jean-Francois Mouhot. “The tragic Annals of Haiti,” *History Today* 50, no. 4 (2010): 3-4.

¹⁷⁶ Martin Patriquin. “We are living in hell,” *Maclean’s*, 28, no. 123 (July 26, 2010): 26.

¹⁷⁷ Beverly Bell and Tory Field. “‘Miami Rice’: The Business of Disaster in Haiti,” *CommonDreams.org*, (December 9, 2010), under “view,” <http://www.commondreams.org/view/2010/12/09-9> (accessed July 24, 2011).

¹⁷⁸ The rice harvest was sold in June that year, for two-thirds of its value before the earthquake. See: *Ibid*.

¹⁷⁹ American rice agriculture is in the top five most subsidized crops in the U.S. Rice transported from Arkansas and California was cheaper than locally grown rice. See: *Ibid*.

ERLY industries Inc. is self-described as “one of the largest rice companies in the world... “it operates as an international agribusiness company.”¹⁸⁰ It exports American rice to places like Haiti, Puerto Rico, Saudi Arabia and Asia. Even though it started its operation in 1964 as Early California Foods, Inc., even though it gradually expanded its business by buying other companies it was not until 1985 it launched its global expansion and year after it changed its name into ERLY Industries INC., and in 1987 American Rice was incorporated. American Rice, Inc. is the largest rice miller and marketer in America because of their ability to globally source and market rice through traditional and new markets. Now two subsidiaries of ERLY Industries are profiting from *trade* in Haiti. The American Rice profits from importing rice to Haiti, Chemonics as contractor of USAID, government contract through USAID and Watershed Initiative for national Natural Environmental Resources (WINNER).

Another food aid problem emerged. Genetically modified seeds are being dumped as food aid creating new ways of problems, but as stated before food is about politics and power, and as stated in the documentary film, *The Future of Food*, whoever controls the seeds controls the food. Another subsidiary company of ERLY inc. is WINNER, has also contract with USAID.¹⁸¹ WINNER gives and distributes Monsanto’s corn and seed in Haiti as food aid. Monsanto seeds are referred to as suicidal seeds, they terminate themselves after one crop, those who use the seeds need to buy a new round for every harvest. It has

¹⁸⁰ Early Industries INC. “Company History,” *ERLY Industries Inc.*, under, “company-history,” <http://www.fundinguniverse.com/company-histories/ERLY-Industries-Inc-Company-History.html> (accessed August 6, 2011).

¹⁸¹ Another subsidiary company of ERLY Inc. is Chemonics, which runs USAID funded projects which is paid for monitor food security and report to USAID about prices, climate and market flows. (Chemonics also gets fund, \$126 millions, to monitor Haiti for Winner project). See: Beverly Bell and Tory Field. “‘Miami Rice’: The Business of Disaster in Haiti,” *CommonDreams.org*, (December 9, 2010), under “view,” <http://www.commondreams.org/view/2010/12/09-9> (accessed July 24, 2011).

been compared to a Trojan horse, seems to be working well in the beginning but then the devastating result becomes clear, again short-term gains against long-term gains. The Monsanto seeds are intrusive to food sovereignty, due to patent law, which would give Monsanto copyright for every harvest from here on due to cross-contamination. Haitian farmers have rejected the seeds, burning them publicly to demonstrate their dissatisfactions, still WINNER is pushing the seeds into the market.¹⁸² Food aid creates the same profit as other commercial export and have the same damaging affect, even more so.¹⁸³

In the cases above private companies are profitting from human misery. Food aid has become a commercial opportunity for private sectors, without taking any responsibility of the fall out. Liberalization has meant deregulation and companies have taken an advantage of of it. Keynes clearly understood 100 years ago that international regulations were needed to enforce *fair* trade. That is why he wanted to establish International Trade Organization which never became a reality instead WTO was established molded and adapted to the need of the developing countries. Now profit has become the most important regardless of the affect. Does the private company like WINNER give a damn though their genetically modified seeds are risking food security – meaning more dependency, less nutritious values, the knowledge of local agriculture is in danger, and loss of employment opportunities. The answer is NO. Their action has change the food landscape, they have driven local farmers out of business, rice is being shipped between the U.S. and Haiti – which harms the environment, subsidized rice paid by American people

¹⁸² Farmers need to pay patent fee to the Monsanto producer in the future, to begin with they give it for free to win the market without any guarantee that in the future it will be for free. See: Ibid. <http://www.commondreams.org/view/2010/12/09-9> (accessed July 24, 2011).

¹⁸³ Peter Rosset. "Food Sovereignty in Latin America: Confronting the 'New Crisis'," *NACLA Report on Americas*, (May/June 2009): 17.

so private industry can gain profit. It is hurting the environment without having to pay for it. At the same time they are ranking in the profit they do not want the responsibility. Pressing for more liberalization regardless of the spill out affect. Long-term solutions like sustainable agriculture, ecological policies and dependency is not in the spirit of liberalization – private profit, social losses.

There is no one cause for food insecurity in Haiti, it is a long history of political instability, slavery, corruption, social unrest and wrong policies where short term gains are chosen over long term gains and stability. International policies are important, especially when they are failing and need it to scrutinize why international agreements are not promoting global prosperity and peace.

Recommendations

Food security is increasingly complex and every aspect explored. Keynes stated starvation would lead to desperate measures and would be a threat to stability in the world, leading to a rise of totalitarian regimes and become a threat to peace. Throughout history we have seen this happen, people in desperate situation are willing to risk all to get a relief from starvation. The rise of Nazism was most extreme but most recently Al Qaeda have risen. Food is a basic for life, to be able to work and be productive. As a remedy Keynes wanted to put in place international institutions to regulate trade, including human development. His visions did not come through when the ITO was dropped and the GATT became the reality, leaving out human development part written in the United Nation Charter, but GATT Charter was developed by 10 biggest trading countries. International lenders needed to be put in place to help nations in need because in the long run it would be beneficial for all. He realized the pitfalls though: international institutions could become too powerful, and intrusive upon national sovereignty. An admirer of free trade and liberalization he realized without economic prosperity protections were needed.

Regardless of Keynes' plan to alleviate suffering the matter of food security is getting worse in the 21st century. In the first Food World Summit in 1974, leaders of the world promised to eradicate hunger in the world within one decade, but the fact is despite all the efforts being done the issue of food security has worsened and now expectations have lowered. Now the United Nations Millennium Development Goal number 1 is to halve the populations living in starvation and the baseline was 850 million people, number of malnutrition people in 2001, the reality is 925 million were experiencing starvation in 2011. What is wrong? Are international institutions getting it wrong?

Keynes is more relevant than ever, throughout this thesis I have tried to identify failures of the system, the WTO trade system, and active policies. Now I will propose alternatives.

1. Subsidies

Since the GATT negotiations started in 1947 liberalization in trade has prioritized as removal of all barriers. However, it was not until 1992, an agreement on subsidies was reached, meaning there was no consensus regarding their removal. Past negotiations came to a halt because the U.S. and the E.U. did not want to continue subsidizing their farmers. The Blair House categorized subsidies into three categories “Box”. Which created loopholes, as seen in the WTO chapter, that increasing the frequency of subsidies and world price world prices distortions.

The Blair house agreement banned all subsidies on food unless they fell under “boxes” but 90 percent of agricultural products do today. The problem is the definition of types of subsidies it is too vague and broad, creating loopholes that are the rule rather than the exception. As of now there is no enforcement mechanism in place to monitor compliance or report, furthermore, to the WTO. The reality is that despite the ban of subsidies the E.U and the U.S. have increased their level of subsidies

As seen in the case of Haiti, use of subsidies is troublesome. It has distorted world prices on food, enabling TNCs to get footholds in foreign markets. In countries often associated with structural poverty and low income, that is chronic situations. The TNCs is able force itself into the market offering low prices causing harm to the local workforce. It causes temporary drop in food prices – prices farmers cannot compete with. Low prices caused farmers to leave farming and move to urban areas, often associated with

unsafe and unsanitary environmental condition. It causes a drop in local food production, increasing the countries dependence on food imports. Haiti who used to be self sufficient in their rice production, in 2008 imports 80 percent of their rice.

Keynes believed that countries needed to be independent. Prosperity required strong industry and stable levels of employment so people would be able to buy food and commodities, as well as save money. Without high levels of employment economic recovery would come at a slower rate. Yet, the WTO agreement is causing higher levels of unemployment as countries are increasingly dependent on food imports and causing a vicious circle. The country is unable to push itself out of poverty, causing food insecurity and vulnerability of food spikes which create social unrest.

The easiest way to remove these distorting measures would be to ban them but history tells us that the U.S. and E.U. will not stop its practice, despite pressures from other governments and interest groups. The downfall of using subsidies is it distorts world prices on food giving rise to the practice of dumping – that also encourages mass production and less biodiversity because it is cheaper to produce one variety in big portions instead of many varieties in small portions. The upside is that countries like Sub-Saharan, a net importer of food is able to buy food at lower prices, but the downside it that it has caused million of farmers worldwide their livelihood and increased food dependency.

My solution is to allow countries to put up border protection to level out the playing field. Meaning, countries should use appropriate measures to protect the countries well being. Imports from countries using subsidies would be subject to special taxation, if subsidies account for 40 percent of the price the importing countries. It would decrease the

profit margin for countries using subsidies and in the long run discourage their use, and it would prevent dumping, that is if there is profit to be made TNCs stop practicing dumping. International trade would not be as profitable, discouraging TNCs to be aggressive importers. Locally grown food would have more competitive prices, grown locally, support the livelihood of farmers, and be ecologically sustainable.

To avoid high import taxes bilateral agreements could provide an alternative. Mutually beneficial trade, instead of opening borders for cheap imports without getting any benefits could change the nature of negotiations, giving negotiating power to the import country. For example Haiti, in order to import cheap subsidized rice from the U.S., could install import tariffs on subsidized food to increase government revenues and protect their agricultural production keeping up the levels of employment. Taxation would be optional so non-agricultural countries like Sub-Saharan, Africa, would still be able to import cheap subsidized food. The import country could lower their import taxes in exchange for direct investments to secure local food production.¹⁸⁴

The challenge would be to convince the WTO that increased taxation is necessary because it is not in the spirit of trade liberalization. It will meet vast resistance from the developing countries because it would decrease their competitive levels. Taxation is considered to be a hinder to free trade narrowing the space countries have to make a profit. Basically, it would make it more difficult to get foothold on a market and gain profit, if taxations would be used, the idea of the WTO is to make trade easier and allow

¹⁸⁴ Peter Einarsson. "The Disagreement on Agriculture," *Asian Farmers' Exchange Program, Asia DHRRA*, (September 11, 2006), under, "Wordpress," <http://asiadhrra.org/wordpress/2006/09/11/the-disagreement-on-agriculture/> (accessed May 23, 2011): 182-185.

countries to benefit from their specialization. Some level of supervision would be needed to know how much subsidies effect prices to balance out with taxation.

2. Trans-National Corporations

TNC is an emerging problem that Keynes did not predict. However, he did not want international institutions to be too powerful, and he wanted free markets to flourish – not monopolies or oligopolies. The trading companies are powerful and have been able to benefit from the WTO agreement, in the spirit of liberalization. It is estimated that handful of export countries control 80 percent of the international agricultural trade. That is not a free market. It is a closer to monopoly or oligopoly. TNC have used subsidized to import cheap products, driving out competition and then setting the price as they want to, manipulating the market by creating artificial shortages driving up the prices causing social unrests and riots. As for the Miami rice, the price has increased since they got control of the rice market. As for now the TNC do not have to act in the best interest of the country, while WTO articles like TRIPs have reduced government power to deal with them.

In light of these facts the WTO seems to be part of the problem, unable or unwilling to address the situation. Again, the main goal of WTO is to allow free trade. Commodities should be allowed to flow freely between nations, and specialization will flourish. The reality is biodiversity is at risk and specialization is at risk. As demonstrated in the Globalization chapter, in Mexico 2 million corn farmers have been put out of business since the Mexican government allowed “free trade”. TNC flooded the

market with their cheap subsidized corn driving local farmers out of farming.¹⁸⁵ The main goal with liberalization is to raise living standards. The competitive status in “free trade” would encourage companies to be more sufficient, provide better service and goods, and most importantly no state control. In the atmosphere of liberalization TNCs have been able to create monopoly markets, ranking in the profit at the cost of poor farmers in the developing countries. Liberalization should theoretically, Adam Smith, install a system of harmonization but instead there are monopoly markets, tensions and riots, leading to higher levels of food insecurity. The WTO has created systems where monopolies thrives driving out competition, making nations dependent on their imports. All this is possible because of government involvement, a.k.a. subsidies. One of Keynes’ strongest arguments was to make nations independent in order to avoid frictions but without subsidies reform not possible

WTO mechanism might be part of the solution by creating a new mechanism, competition authority. It is difficult to practice trade in a multinational environment and one goal of the WTO negotiations is to reform the system. The competition authority would unify world competition rules, setting norms and standards, and if companies or countries did not comply they would be referred to the WTO.¹⁸⁶ The competition authority goal would limit unfair business practice and/or regulate domination of

¹⁸⁵ In Costa Rica, 1984-1989, the local agricultural production fell from 70,000 to 27,000 staples, loss of 42,300 livelihoods. See: Anup Shah. “Food Aid as Dumping,” *Globalissues.org*, (October 31, 2005), under, “Issues,” <http://www.globalissues.org/article/10/food-aid-as-dumping> (accessed July 24, 2011).

¹⁸⁶ Keith R. Risher. “The WTO as a Supranational Competition Authority,” *The Federalist Society*, (June 3, 2007), under, “Publication,” <http://www.fed-soc.org/publications/detail/the-wto-as-a-supranational-competition-authority> Accessed July 31, 2011).

companies, specifically monopolies or oligopolies.¹⁸⁷ Monopolies or oligopolies are able to manipulate price on food, if there is a competition they can lower price on their commodities, driving competition out of the market, but as soon they are in control they raise the prices. Or as seen in the case of Latin America they even create artificial shortage in order to raise prices. American Rice Inc. imports 80 percent of rice into Haiti, due to Haitian dependency on import rice, the competitive authority would be able to decide if companies using the market domination to manipulate prices, as Cargill did in Mexico. When a company is too big on a specific market, competitive authority have instructed the company to reduce its business on the market to have *normal* competition like in the case of Microsoft in the U.S.

The challenge would be implementing a competition body within the WTO. All nations need to agree on standards and norms, there has to be a consensus and understanding of how the competition authority will operate. The consensus would be more beneficiary to work together instead of allowing private companies capitalize on international trade, emphasizing on long-term prosperity not short-term profit. If there is consensus of the nature of the competition authority compliances should be less problematic, and if the penalties are high enough it could discourage TNC to act illegally.

3. Genetically Modified Organisms

Following the trend of monopolization trade of GMO's emerged. Companies trading with GMO's are using the same method as TNC, dumping GMO food/seed into the market, very often as food aid, and as before driving local farmers out of business and

¹⁸⁷ Peter Einarsson. "The Disageement on Agriculture," *Asian Farmers' Exchange Program, Asia DHRRRA*, (September 11, 2006), under, "Wordpress," <http://asiadhrra.org/wordpress/2006/09/11/the-disagreement-on-agriculture/> (accessed May 23, 2011): 182.

decreasing local food production, lowering the levels of employment therefore the capability to buy food. GMO's trade involves same illegal business practice but in the case of GMO's dependency level of import countries deepens. As stated in the WTO chapter, the GMO's seed are "suicidal" and terminating itself after one crop. Meaning farmers need to buy another round for the next crop. Today there is very limited information about GMO's nature or capability. If suicidal genes transfer (cross contamination) other organism the future of agriculture will be in danger, as will food production. As reported in the documentary film *The Future of Food*, usage and practice of companies trading GMOs is questionable at best. Little or no research has been conducted. "*The Future of Food*" states in 2002, just one independent study was being conducted in the U.S. In order to get footholds on markets, TNC uses food aid to dump GMO products into new markets, increasing dependency. Without any regulations farmers could pay patent fees for usage of their seeds, and as it seems right now the farmers would be doing so for a long time. All trade regarding GMOs is for private profit, as long there are no long-term knowledge of how GMOs seeds will act there is no reason to risk it. Short-term profit but long-term affect, the TNC are capable of ranking in profit without knowing the long term affects it has on the environment. According to the WTO agreement of Sanitary Phytosanitary Measures governments can put restrictions on free trade to protect human, animal or plant health, but governments can only stop imports on food if there is scientific evidence for them being unsafe, and without any scientific research the WTO agreements are no sufficient to stop imports on GMO's, because there is no independent research being conducted.¹⁸⁸ It is my recommendation that all trade

¹⁸⁸ Frans W. A. Brom. "WTO, Public Reason and Food Public reasoning in the 'Trade Conflict' on GM-Food,"

with GMO should be banned until more information is in place. It is too risky to allow GMO trade without knowing more about how it will affect the nature in the long run, genes will mutate and adapt to the environment but how it will mutate is not known, or as said before. If the suicidal gene will transform itself into *normal* seeds it is difficult to turn back.

Food sovereignty should be respected by implementing policies allowing governments to protect their agricultural sectors. Liberalization has caused brands of corn and rice to be extinct – decreasing biodiversity. The emphasis on mass production produced in other parts of the world and driving farmers out of farming led to fewer brands. Haitian rice is very nutritious and has evolved with the land and culture: adapting to the nature. Now less nutritious rice is being imported. To protect food production policies must be put in place to preserve all brands of food, even though it means setting up restrictive trade conditions. Or as Keynes stated, protectionism was needed to keep up levels of employment and built up a strong industry, agriculture. It would protect the industry from foreign competition and keep up levels of employment. In the case of agriculture farmers would be protected from outside competition and give them space to develop their agricultural sector.

As international trade is conducted today compliance is an issue. The lack of compliance has been troublesome even after verdict from the Dispute Settlement Board (DSB) of the WTO.¹⁸⁹ Despite numerous verdicts of the DSB countries continue their

Ethical Theory and Moral Practice, 7, no. 4 (August 2004).

¹⁸⁹ "The WTO's procedure for resolving trade quarrels under the Dispute Settlement Understanding is vital for enforcing the rules and therefore for ensuring that trade flows smoothly. A dispute arises when a member government believes another member government is violating an agreement or a commitment that it has made in the WTO. The authors of these agreements are the member governments themselves — the agreements are the outcome of negotiations among members. Ultimate responsibility for settling disputes also lies with member governments, through

practices.¹⁹⁰ But in order to discourage the continued practice of illegal trading methods the only realistic way is to take away the profitability. The second time a country is found practicing illegal trading methods the punishment would be to pay hefty penalties, so high that it would discourage the further practice of illegal activities.

4. Short- Term Agreements

Too many failed agreements have been put in place like Indirect export subsidies better known as the Green, Blue and Amanda boxes, and the *Temporary Waiver* for the U.S. which was in effect for 40 years. When new agreements are put in place there should be a sunset clause, meaning expiration date. If the reality of the agreement is unfavorable to someone parties should turn to the negotiations table and re-negotiate the terms. It would allow the WTO to respond quicker to new challenges, like GMO trade. Keynes wanted international institutions to be flexible. The reality of WTO agreements is that they are unresponsive and in cases of starvation trading authorities should be able to respond quickly. The WTO has not addressed the issue of food aid dumping, even though interest groups and statistics show that it is used not only for political reasons but also for commercial use. Basically the TNC are capitalizing on human misery.¹⁹¹

The goal with agreements and regulations is to make them work for the whole world, not just certain part. As Keynes said, liberalization is a tool which the international community should use to their collective advantage, not for the private profit of a few

the Dispute Settlement Body.” See: The World Trade Organization. “Dispute Settlements,” *The World Trade Organization*, under, “trade topics,” http://www.wto.org/english/tratop_e/dispu_e/dispu_e.htm (accessed August 9, 2011).

¹⁹⁰ Both EU and The U.S. continue their practice even though the Dispute Settlement Body of the WTO has ruled it illegal. See: Mehdi Shafaeddin. “The Political Economy of WTO with Special Reference to NAMA Negotiations,” *European Journal of Development Research*, 22, no. 2 (2010):182-185.

¹⁹¹ There is money in hunger starvation and death. Spearheaded by USAID, the industry has made it abundantly clear that it has only genetically modified maize to offer and was not willing to segregate. See: Anup Shah. “Food Aid as Dumping,” *Globalissues.org*, (October 31, 2005), under, “Issues,” <http://www.globalissues.org/article/10/food-aid-as-dumping> (accessed July 24, 2011).

companies. It has been stated that starvation effects global security, like it or not globalization is the reality. Is the international community going to accept short term gains over long term prosperity? Keynes has never been as relevant as today. His vision of globalization in the early 20th century was amazing: recognizing the need for international institutions to promote global security; taking care that the institutions do not become too powerful, and by all means not intruding upon the sovereignty of nations. In the end we are never stronger than the weakest link. Keynes reminds us that the role of the government is to step in when needed. During recession the government should play an active role of keeping up the level of employment and to avoid desperation. Investing in the infrastructure would also lead to prosperity, insufficient infrastructure is a threat to food security, meaning roads, bridges, airports, ports and social system has to be in place to secure food security. Keynes wanted nations to gradually adapt to a shrinking economy with no desperate measures and if prosperity was not in place “[e]conomic prosperity [was] the necessary condition before removing trade barriers.”¹⁹² He always looked at the whole picture, realizing the pitfalls. Hence his message of allowing countries to protect themselves: to protect their industry and to keep level of employment has never been as relevant as today. As the case of Afghanistan demonstrates the issue of food security is not simple, it has transitory and chronic causes, social and cultural factors, but in the end Keynes realized it and said.

In each human heart terror survives
The ruin it has gorged: the loftiest fear
All that they would disdain to think were true:
Hypocrisy and custom make their minds
The fanes of many a worship, now outworn.

¹⁹² Renaud Bellais and Fanny Coulomb. “The Fight of a ‘Citizens Economist’ for Peace and Prosperity: Keynes and the Issues of International Security,” *Defence and Peace Economics* 19, no. 5 (October 2008): 367.

They dare not devise good for man's estate,
And yet they know not that they do not dare.
The good want power but to weep barren tears.
The powerful goodness want: worse need for them.
The wise want love; and those who love want wisdom;
And all best things are thus confused to ill.
Many are strong and rich, and would be just,
But live among their suffering fellow-men
As if none felt: they know not what they do.

In the mist of complications and level of difficulties, the answer is relatively simple. Allow people to keep their dignity and provide them with the tools to provide for themselves. In order to secure food security people have to have means to provide for themselves, meaning to have physical, financial, and social access to food.

Conclusion

In globalized world everything becomes more deeply interdependent. What happens in other places effect us all, from food security to the environment. It is broadly recognized that everyone has to play a part to promote world peace. Yet the international institutions put in place to foster global peace are sadly failing. As demonstrated earlier there reflects a systematic failure. Liberalization as practiced today is creating monopolies while hurting developing countries. Furthermore, as the WTO admits, these international institutions have operated for 65 years with a 55 percent failure rate. As Keynes said, international institutions should be prepared to handle current issues and have the flexibility needed to address them. Yet while many of his ideas are still appreciated, his most crucial concepts – including maintaining levels of employment, and protecting national independence – have been abandoned in favor of a “free market” liberalism which serves the interests of powerful, developed nations, especially powerful TNCs.

Keynes argued for a mutually beneficial system of global exchange, and his influence can be seen in institutions such as The Bretton Wood system. But these have come short in the fight against food (and therefore global) security. Instead, these institutions effectively enhance private short-term gains without realizing the harm they do to global security. All of which points to an historical irony: since the issue of food security was brought under the spotlight in the 1970s the problem has gotten worse. The definition and conceptualization of food security has become more sophisticated and nuanced, but the practical reality is less encouraging. Issues such as starvation,

malnutrition and food dependency pose increasing threats to global peace. Which suggests that food security is hard to achieve. It is and has been on the top agenda at the UN and other international agencies, but as for now the problem is getting worse, despite overproduction of food in the world. The WTO agreements have put developed countries in a relative position of advantage by allowing them to use subsidize their agricultural trade goods, which enables food producers to sell products under their real value abroad for competitive advantage. It causes harm to the developing countries by lowering their levels of employment, reducing their local food production, and making them increasingly dependent on imports. Compounding the trouble are private monopolies manipulating the market to their supposed economic advantage with practices such as dumping, oftentimes creating artificial food shortages as in Latin America in 2007.

Rather than simply criticize, I have argued that global food security *requires* the actions of international institutions; they can, and must, be part of the solution. As discussed, this is an idea which draws upon Keynes' belief that global security requires a global commitment grounded in an acute awareness of our mutual interdependence. Yet the global institutions he argued were so essential to the world's prosperity have, in the case of food security, primarily benefitted powerful developed nations and corporations. This is especially true of structural adjustments and conditionalities established the IMF and World Bank. And as we have seen, these strings have been especially hurtful to developing economies' independence, weakening their ability to secure food for their citizens. It is important to revisit Keynes' ideas regarding global security to see how our actions regarding agricultural policy and trade have far-reaching consequences. Inspired

by his vision, we should rethink and revise international institutions to support the global community, and not just the special interests of the powerful nations and companies.

Keynes' basic idea was to keep employment levels steady so that workers would be able to buy "outputs," namely food and commodities. Yet currently, international institutions have lost sight of this basic idea under the auspices of "free" trade. They rather focus on liberalization and the removal of all tariffs, thereby hurting employment levels in Haiti, Indonesia, Thailand, and Mexico. Keynes also believed nations needed protectionist barriers if they were not "prosperous." As in the cases of Japan and South Korea protecting their rice industries, countries should be allowed to protect their farmers to promote economic independence and, in turn, food security. As we have seen, if Haiti had been allowed to protect their farmers they would still have self-sufficient rice production, higher levels of employments, less dependency on imports, and more stable food prices.

After all, as Keynes realized, global trade is complex; and some countries need more help than others. Yet as of now global trade seems more conducive to promoting monopolies or oligopolies than truly free traders, a problem compounded by current international regulations and agricultural loopholes. More specifically, it is a severe threat to food security that TNCs have been able to manipulate markets for their own gain, even profiting from supposedly "humanitarian" food aid transactions. The fact that food aid produces as much profit as regular trade is satanic. It also suggests the difficulties in institutionalizing humane, mutually beneficial trade regulations when profit is the only master. At the business level anything goes for a profit, regardless of the consequences. Yet short-term gains are preferred to long-term prosperity. The only real

solution is taking away the profit and or the capability to continue “business as usual.” In order to do so, the WTO and other international institutions must act as authoritative agents of change and implement new policies to foster global welfare.

The most important challenge, according to Keynes, is to create standards and norms even as we adapt to new challenges. And if, in our lifetimes, progress doesn't seem significant, hopefully we might still correct what is going wrong by implementing policies that are mutually beneficial to both developed and developing countries.

Therefore it is important to reform some of the agreements, to level the playing field by allow importing countries to equalize the affect of subsidies through tariffs, and lover the TNC profit margins to discourage predatory business tactics. Since TNCs are using such aggressive methods to gain footholds into new markets, it is also important to install competitive mechanisms to monitor and enforce regulatory agreements. Only by doing so will powerful countries act truly in their *own* best interest, because they will be acting in the collective best interest of the world.

That said, reforming the WTO will come at a price. Developed countries will be reluctant to give up policies which have given them market access and competitive trade advantages. But in the long run it is better for all parties to have stable trade relations without risking food security. Strong trading partners will benefit all and, as Keynes argued, lead to a path of more equal prosperity. Only then can the removal of trade barriers be a reality without such disastrous consequences. To be realistic, developing countries will fight against changes involving reductions or restrictions to their exports. But it is clear that current business practices, like dumping and the use of subsidies, are simply unsustainable, hurting food security – and therefore global security. Instead of

fighting developed countries regarding subsidies, I believe the WTO should allow countries to use taxation to balance cheap subsidized commodities and level the playing field.

Furthermore, as Keynes rightly pointed out, institutions should have the flexibility to respond to new circumstances and actors. Instead of being stuck in agreements unfavorable to food security, mechanisms should be installed to monitor and enforce agreements with greater efficiency and responsiveness. Temporary Waivers, for example, were supposed to be (as the name suggests) temporary measures. But they have been in effect for 40 years, allowing the U.S. to use subsidies and install barriers while other less prosperous countries cannot implement their *own* protectionist measures. Therefore, as I have argued, agreements should have expiration dates and, more broadly, face more constant scrutiny and evaluation. Short-term agreements with expiration dates would allow all WTO partners to turn to the negotiating table and tailor agreements to their mutual advantage. Member states of the WTO would therefore respond quicker to changes in the trade environment, and provide the structure needed to remove unfavorable business practices and meet rising challenges more efficiently.

The main ideological change – drawing upon Keynes – would be shifting from emphasizing the short-term economic benefits of trade to make food security, and international prosperity, the first priority. After all, secure, egalitarian trade ultimately benefits the world – especially when it comes to agricultural policy and food security, both directly related to global security. To preserve world peace, therefore, we must find a way of to improve peoples' access to safe, affordable nutritious foods. And to do so as an international community we must recognize that our own stability is linked to the

stability of our global partners, both developed and developing. The world will never be stronger than its weakest – or, in this case, hungriest – link.

As for today, the lesson learned is that international institutions are not working properly to promote food security. Sadly, they seem to have become a tool for TNCs rather than truly free trade. In order to correct this path institutions much due the *right* thing – both morally and practically – even though it means giving up economic power and market share. Historically, their responsiveness has been too slow in the urgent matter of food security. Instead a collective approach is needed, one that recognizes globalization and economic liberalism *can* in fact help to promote peace and security throughout the world – but only as long as limits and regulations protect and promote food security.

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