

**STATEMENT BY FOOD AND AGRICULTURE  
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**13-18 June 2004**

FOOD AND AGRICULTURE ORGANISATION OF THE  
UNITED NATIONS

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UNITED NATIONS

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## **UNCTAD XI**

### **(Eleventh Session of the United Nations Conference on Trade and Development)**

**São Paulo, 13 -18 June, 2004**

#### **Food and Agriculture Organisation of the United Nations (FAO)**

##### **Statement by Mr. Hartwig de Haen, Assistant Director-General**

The Food and Agriculture Organization of the United Nations is pleased to address UNCTAD XI. FAO supports the theme of the Conference, and its focus on national development strategies in the context the ongoing global transformations.

Two major challenges for global economic development are at the heart of FAO's mandate and work: sustainable rural development and food security for all. The dimensions of these challenges are indeed huge:

- 840 million people are still chronically undernourished and the progress towards less hunger is stubbornly slow. They either lack employment and income to purchase the food they need or access to land, water, capital and appropriate technology to produce it.
- The world is not on track to reach the goal of the World Food Summit to cut the number of hungry by half by 2015. Can it still be reached? FAO's answer is "Yes", if the political will exists to mobilize the necessary resources and adopt the right development strategies.
- The four major topics of this conference can serve to illustrate the actions to be taken.

##### **Development strategies in a globalising world economy**

- In the majority of the developing countries, agriculture is still the backbone of the economy. Agriculture in Least Developed Countries still accounts for 35% of GDP and on average 12% of foreign exchange earnings. Some exporters draw even 80% of their export earnings from exports of just a few agricultural commodities.
- With 70 percent of the developing countries' poor and food insecure people living in rural areas, the accelerated development of labour-intensive agriculture and other rural activities is crucial in the eradication of poverty and food insecurity.

So if agriculture is the engine of growth for many developing countries, how can it be made more effective in providing food, incomes and livelihoods to eradicate hunger and poverty? First, we have to recognize that the developing countries themselves form a vastly diverse group of countries.

- On the one hand, we have the agricultural success stories. A number of countries have championed agricultural raw material production, reaped the benefits of modern production and processing technologies, shared in vast productivity growth and conquered world commodity markets. Brazil and Vietnam alone account for 30% of world coffee exports, Malaysia and Indonesia for 42% of global vegetable oil exports,

Brazil and Thailand for 32% of world sugar exports, and Thailand and Vietnam for nearly 43% of world rice exports.

- o Export led growth in these countries has proven a successful strategy. They would definitely benefit from progress towards more open world markets and have every interest in lower distortions that hamper their access to markets abroad.
- o On the other hand, there are quite a few low income developing countries with low-productivity agriculture. In many cases, marginal producers are farming unproductive land, often in unsustainable ways, without sufficient access to water and other farm inputs. Their agriculture is under-capitalised and lacks the resource and the know-how to compete on international markets. These countries account for the largest share of the world's poor and hungry. The LDCs as a group, export tropical products, but import twice as much in terms food and agriculture than they export.
- o For some of these countries, a development strategy that is mainly based on agricultural exports is typically not a viable option to promote and foster development and to tackle hunger and poverty. They often do not have the capacity to undertake the vast investments in primary production and market infrastructure needed to export large volumes of low-cost output.
- o Emphasising the comparative advantage of investment in rural infrastructure and policy reform for domestic food supplies does not mean that freer trade is irrelevant for the resource poor economies. It only means that exports may not be a priority to spur development and fight hunger for these countries. Substituting food imports on a competitive basis creates employment and income for the poor, reduces the burden on foreign exchange reserves and at the same time it provides the main wage good, food, which the poor and hungry demand most when their incomes rise.

### **Building productive capacities and international competitiveness**

The last decades have produced a rapidly growing body of literature on how to improve the **international competitiveness** of agricultural in developing countries. Nowhere are market distortions more pronounced, is protection still more widespread and is the playing field less level than in world agricultural markets. Reducing and eventually eliminating these distortions would benefit many, notably the producers and exporters in developing countries that have to compete with subsidised international exports at depressed prices.

However, we have also long recognized that reducing distortions in international markets is not enough for the majority of the developing countries. Most developing countries need to **build productive** capacities first to overcome their domestic supply **constraints**. We at the FAO have presented a concrete proposal, entitled "Anti-Hunger Programme". It effectively is a call for country level priority setting to build or restore domestic capacity in the food and agricultural sectors.

Structurally, the Anti-hunger Programme suggests a "twin-track" approach. One track aims to increase productivity in agriculture and other rural sectors through special programmes for poor rural communities, investment in natural resources, infrastructure, research and information. The other track entails direct and immediate measures to provide those most in need with access to adequate food so as to enable them to conduct a healthy and productive live.

We believe that the benefits of the proposed anti-hunger programmes would far outweigh the cost and, if the cost were adequately shared between developing and developed countries, the additional burden would be bearable.

#### Assuring development gains from the international trading system and trade negotiations

With regard to trade, the past decade has not only seen the creation of more transparent trade rules in agriculture and disciplines on most trade-distorting forms of support. It has also revealed that the same trade rules can result in dissimilar outcomes where sharp imbalances in economic conditions prevail. For example, the cost of implementing WTO Agreements and standards has proven to be a challenge for which many of the poorest countries need support in capacity building. FAO is fully aware of these asymmetries and is committed, working in partnership with other organizations, to providing more technical support and help to build capacity to address these problems.

#### Partnership for development

FAO applies a multi-faceted partnership approach in its technical assistance to developing countries. It provides technical cooperation and emergency assistance, funded from its regular programme and extra-budgetary resources, to least developed and other developing countries at their request, and in partnership with bilateral donors, multilateral institutions, other organizations of the United Nations system, as well as with the private sector and civil society. In providing its assistance, FAO follows a policy of promoting the North-South co-operation and making maximum use of technical expertise available in developing countries, through its South-South Cooperation (SSC) scheme.

Fighting rural poverty and food insecurity is a huge undertaking, one requiring concerted efforts and continuous dedication by all those involved. In working within an International Alliance Against Hunger FAO works with all stakeholders from governments, international agencies and civil society. To be effective and sustainable such international efforts must be firmly based on national alliances against hunger. The host country Brazil with the institutions supporting its Fome Zero Programme provides an outstanding example in this regard.

To conclude, FAO is fully committed to assisting developing countries to develop their agricultural potential and integrate themselves into the world economy, in a way that will be beneficial to them and promote our shared goal of reducing poverty and undernourishment.

Chairperson, it is our firm expectation that the outcome of this debate would be a success.