

## DEBATES

**Philippe Chalmin, Professor, Paris-Dauphine University, founder of the Cercle Cyclope**

We've talked a lot and your patience must be wearing thin by now, so let's open to debate to the floor. Who would like to go first? Madam. As always, I'd ask you to keep your questions brief, etc.

**Mona Makram-Ebeid**

I am a former Member of Parliament and a professor of political science in Egypt. My question is for Mr. Thorat, because I am quite impressed by India's model. Egypt started at more or less the same time, after independence, but the difference is that Egypt has chosen to industrialise and leave agriculture aside, and many of the Arab countries are the same. This is part of the big deficit that exists today.

You described yourself as an informed layman, but I think you are a fantastically well informed one, because your contribution was very impressive and incisive. There is one thing that you did not mention, for which India is very famous, and that is microfinance, where you yourself have worked. I think that this is the model that we can market to many developing countries, particularly in Africa and the Arab world. We see that 70% of undersized, meaning malnourished, children live in middle income countries, not in the poorest countries as we have always thought, whereas only a quarter live in Africa.

This raises a question as to whether aid should go to poor people or to poor countries. Most aid today goes to middle income countries, yet these are the countries where the vast majority of the poor live. Today there is a growing understanding that commercial entities, meaning cooperatives and so on, can better help people in poverty than most non-profit charitable organisations. There is increasingly a school of thought that business, not governments, should lead the efforts to eradicate global poverty.

I was wondering what you thought about that, because microfinance, which is the business of giving small loans to poor entrepreneurs, can do well and go good at the same time by aiming at people at the bottom of the pyramid. I think India's largest microfinance company has become not only a success story but a stock market darling as well. Can you comment on this subject of profitable poverty alleviation?

**Philippe Chalmin, Professor, Paris-Dauphine University, founder of the Cercle Cyclope**



**Mr. Thorat, you did not speak about one of the main features of a good agricultural policy, which is credit. A new GMO means I will have to buy the seed and fertiliser, so I will have to enter into a financialised economy. If I have nobody to give me a loan, what do I do?**

**Yashwant Thorat, former Chief General and Executive Director, The Reserve Bank of India**

**I think we are moving away from food security, but nevertheless, every ten years or so, we discover a new world. When I was much younger, they discovered microfinance, and now the new word is financial inclusion, but by and large it means the same thing. How effectively are we targeting the poor, and how inclusive is this targeting?**

**There are basically two models. You can target the poor by organising them in groups, particularly the women, and all empirical evidence shows that women's groups are more difficult to organise but are far more stable. Evidence also shows that women tend to spend the money first on their children, then on education, then on their husbands, and lastly on themselves. Men's groups tend to show exactly the opposite. I think the first person to do work on this was my friend Professor Muhammad Yunus in the Grameen Bank, and he demonstrated that the poor are bankable.**

**India today has nearly three million groups which we finance from within the banking system. Madame, I think the answer to your question is that we can definitely look at countries which are low income and have large concentrations of poor people through the microfinance model, whether with group financing or individual financing. The Indian model is different from the Grameen model. Our model is to identify and organise women, see that they belong to the same poverty class, bring them together through a fairly well designed system, get them to save, once they start saving, link up to the banking system, and direct the banking system to give credit as a multiple of their savings. We ensure that this cycle goes on, load on health and education products, and thereby increase the wellbeing of the poor. The model of microfinance institutions, on the other hand, is to finance individually. I have found the group model of financing to be much better, and I would recommend that.**

**Sir, your question was on credit. We are now faced with two things in the new Green Revolution we are facing, land fatigue through over-usage of fertilisers and the under-yielding trends we are witnessing. Therefore, on the one hand we are looking at second-generation fertilisers. Ahmed was telling me last night that two out of every three bags of fertiliser were lost, and that new research is now being done to ensure that they do not release themselves on the basis of moisture and soil temperature but on the basis of plant need.**

**Therefore, on the one hand we are looking at land fatigue, and on the other at the fatigue of science; furthermore, we are looking at policy fatigue. We believe that we will need new interventions to create higher yielding varieties, and for that effort we require large portions of credit, not only for the whole endeavour but for energy and inputs. The Indian Central Bank, unlike all other central banks, has a mandated role in agricultural credit; the Indian Central Bank was recently voted as one of the best in the world, right from the beginning of its charter.**

**Kairat Umarov, Deputy Minister of Foreign Affairs, Republic of Kazakhstan**

**I am not a banker or a financier, of course.**

**Philippe Chalmin, Professor, Paris-Dauphine University, founder of the Cercle Cyclope**

**Nobody is perfect.**

**Kairat Umarov, Deputy Minister of Foreign Affairs, Republic of Kazakhstan**

**That would be outside my territory, but as far as Kazakhstan is concerned, microfinancing, especially in agriculture, has not proved to be effective, because it is a very risky business. Providing financing in a drought year means that the borrower not only cannot pay back the debt but goes into deeper debt on an exponential basis. Therefore, governments still have a very large role in the agriculture sector, and I think that a credit system should be based not on short-term or small credit allocations but on long-term allocations, otherwise the money will be lost and the effect minimal.**

**Yashwant Thorat, former Chief General and Executive Director, The Reserve Bank of India**

**I have one point. We were with the Prime Minister the other day, and he is an economist, as you know. He made a very interesting remark, saying that he had been analysing data from the last 100 years, since the time of the British, and it showed that every 19-20 years the state had to intervene to write off agricultural debt. The cycles of both cereal and other production leads farmers into debt at periodic intervals, and the state has to play a role. I agree with the Minister on this, but I disagree on one point; it is not only microfinance in agriculture which is risky, but all finance in agriculture is risky, and we have to find ways to mitigate the risk for farmers' risk using various other instruments such as insurance etc.**

**Philippe Chalmin, Professor, Paris-Dauphine University, founder of the Cercle Cyclope**

**Thank you very much. We have a number of questions. Sir, we'll start with you, please introduce yourself, I've a feeling you're a journalist on Le Soir.**

**From the floor**

**I have two questions. Firstly, how can a company as powerful as Monsanto not have been successful in getting your message across. You drew a parallel with Microsoft. Everyone agrees that in technical terms Microsoft does not offer the best technology available, but it has managed to achieve dominance. Monsanto, which is about the same size, has not managed it. The other question, since the theme of the meeting is global governance, is about food security. What role does global governance play in this equation? Are European or French agricultural policy and American pressure groups ready to make the necessary effort to allow agriculture worth of the name to develop in emerging countries?**

**Philippe Chalmin, Professor, Paris-Dauphine University, founder of the Cercle Cyclope**

**I'm happy to take the second question. Jean would you comment on the first? I'd simply like us to remember that the area of usable agricultural land in the world today is 1.6 billion hectares, of which 130 million are**

planted with GMO crops. Why is Monsanto seen as the great villain of the piece? Though it's true it does villainy very well.

**Jean de Kervasdoué, Professor, CNAM**

I can't give you a definite answer, but perhaps of all the possible answers one that is at least not wrong, though it certainly doesn't tell the whole story, is that there is no direct benefit to consumers from GMOs. The people who benefit are farmers and the whole of the system in between. Consumers benefit at third hand thanks to lower costs and improved production, but they don't benefit directly. It's clear that unease amongst German and French companies, I would say above all, has been fed by a whole series of phenomena and catastrophes that we will talk about at some other time. To some extent this unease has been built on obscurantism. It's true it's no secret that Greenpeace was funded by German lignite manufacturers before the fall of the Berlin Wall, if only to allow the Soviet Union to catch up in the nuclear field.

But when you look at questions in the nuclear area, it's striking to note that three major institutions, namely the Swiss, French and US Academies of Science and Medicine, produced a report on Chernobyl that you can get from the website of the World Health Organization. When the report was presented, there were ten journalists there. When the Greenpeace report on Chernobyl was presented there were 500, and this kind of phenomenon attracts worldwide coverage. As you know, there is uncertainty about whether Chernobyl will produce between 4,000 and 6,000 deaths in 50 years. Every day, 5,000 children around the world die from dysentery. In European societies, if I can put it this way, there is a distortion of competition. I think belief in progress has been abandoned, particularly by the parties on the left, but that's another question.

**Philippe Chalmin, Professor, Paris-Dauphine University, founder of the Cercle Cyclope**

We could say more about fears in relation to food. It's true it's an avenue for people like Greenpeace. On the second point, in terms of governance, there are crudely speaking two places in the world where people talk about agriculture, one where what people say is of no importance, and the other where it is: the FAO and the WTO. The FAO is part of the world food problem. I am speaking freely as an academic. It is probably one of the worst agencies in the United Nations, on roughly the same level as UNESCO, and at least UNESCO saves monuments. The FAO doesn't do much else and even its statistics are more or less unusable. I won't lump the World Food Programme together with the FAO, because the WFP, conversely, is one of the best agencies in the United Nations. But they specialise in emergency operations.

They are the best logisticians in the world. These are people who are capable of managing logistics chains to get supplies to refugee camps in Sudan. Mr. Umarov said, "Increasing emergency stocks, etc. for the WFP" is essential. President Wade of Senegal said, "We need to get rid of the FAO." The head of the FAO happens to be from Senegal, so perhaps there is a score being settled. But at the end of the day, he was absolutely right. Unfortunately, the FAO is part of the problem. There is another place too, which is the GATT/WTO. You heard Mr. Umarov, who said, "The negotiations need to be brought to an end." It's true that for a long time, the very low prices I was talking about, at the end of the 20<sup>th</sup> century, were related to the fact, and Jean was right about this, that they were surplus markets on which no-one sold at cost price, under any circumstances, because there were subsidies designed to boost European exports, etc. That period is now coming to an end.



Furthermore, and Pascal Lamy has made this point regularly, under the Marrakech agreements, there is nothing to stop a developing country or an LDC from protecting its agriculture. To put it simply, we need to remember one small thing, which in my view is one of the keys to the problem, which is that there are only two kinds of people who can fund agricultural policy: one is the consumer, by paying higher prices to producers, and the other is the taxpayer, through direct subsidies. In Europe, it's the consumer who has paid. In the US, it's the taxpayer. If we take a third-world country, a country in sub-Saharan Africa, consumers are penniless and there are no taxpayers. So it's all very well to say we're going to introduce agricultural policies and guarantee loans for producers, but at the end of the day, who's going to pay for them? That's where international aid is important, and I should point out that at the moment the Gates Foundation is funding price guarantee programmes for producers in a number of guarantees in East Africa. I'm sorry, I answered too quickly. I had a second question over here.

**Steve Howard, Secretary-General, Global Foundation, Australia**

I am the Secretary-General of the Global Foundation, which is involved with Australia's long-term development, but also with global developments. Thank you very much for the very interesting presentations, and I apologise for the behaviour of BHP Billiton if there are Canadians in the room.

**Philippe Chalmin, Professor, Paris-Dauphine University, founder of the Cercle Cyclope**

You do not have to apologise; it is business.

**Steve Howard, Secretary-General, Global Foundation, Australia**

My foundation has done quite a bit of work in the area of food security, including within Australia. It is a major agricultural exporter and has a landmass even larger than Kazakhstan's. What we have found to be very interesting in the context of other issues is that, while Australia continues to export commodities in great quantities, it is about to become a net importer of processed food. Therefore, Australia, an island with plenty of water, imports 70% of its seafood etc.

Work by Bain & Company has shown that the population of the world will grow and that there is no more arable land; the conclusion is that food security is going to become much more pressing and much more of a politically strategic issue that needs to be elevated from its current considerations. I share your concerns that some of the international institutional arrangements may be less than adequate. What we have found in our work is that food security for the future will not be the same as food sovereignty, in fact the reverse, that food will have to move much more between where it is grown and where it is consumed. Therefore, this is a challenge of international proportions and a challenge for international governments.

My question to the panel builds on your responses to the last question. If the FAO is not adequate, and if the World Food Programme, despite its good work, is not a long-term strategy body, and the WTO is doing its best but has one hand tied behind its back, what global governance vehicle will pick up on the challenge of food security, in the same way as the world is endeavouring to address the challenge of climate change? What role, in particular, should the G20 play as the preeminent team of leaders with a strategic focus?



**Philippe Chalmin, Professor, Paris-Dauphine University, founder of the Cercle Cyclope**

France will be chairing the G8 and G20 next year, and we are aware that the problems of food prices and food stability are very difficult to understand. We had riots among milk and grain producers about that recently, and it is a really tough political problem. Sarkozy has made regulation and/or stabilisation of the monetary, energy and agriculture as one of the key issues for the French presidency of the G20, and we have had many meetings on this. Regulation in French tends to mean stabilisation more than anything else; the problem is that we never succeeded in stabilising agricultural markets.

Let me say it in French. At a time when educated people spoke French, one of the first great works of political economics was written by an abbot in Naples, Galiani, who was Ambassador for the Kingdom of Naples in Paris, and who wrote a dialogue on the wheat trade around 1770, in which he analysed all the problems we have just been discussing.

**Kairat Umarov, Deputy Minister of Foreign Affairs, Republic of Kazakhstan**

This is really becoming a global issue, and you are absolutely right that it is already becoming more of a political issue than an economic one, and it is a strategic geopolitical issue as well, because those countries which have the necessary basic resources will play a leading role if they can succeed in managing what they have.

However, it is not a local matter; it is becoming a huge issue, because the more the world becomes integrated, the more you need different technologies to raise productivity. Taking my country for example, we have the capacities, we have land, we have people, we have extra fields which need to be used, but at the same time, you cannot get the productivity you need by simply enlarging areas. Therefore, you have to increase the technological edge in agriculture, and this could come from other countries. The whole world should be integrated on this issue.

It is an issue of global governance, and it should be very wise governance, because one country may have technology without having the capacity, while another has the capacity but does not have the technology, for example. Therefore, it should all be combined in order to find the way out of that situation. Whereas in the past resources were abundant, today they have become very scarce, and you have to find a way to get resources from where they exist and to combine the elements to get something done. This is what I think is important today. Regarding the FAO, it should be a coordinating body.

**Ted Moran, Georgetown University**

I hope I will not appear ungrateful if I pose a question to OCP, because we have some senior executives here. I am eager to read Mr. Roy's report, but I suspect it will show, not that the world is running out of phosphate, but that there is an enormous shift, particularly from North America to Morocco, so that the latter will become even more central to the question of food security. My question for OCP is whether it has in place plans to increase fertiliser capacity, plans to offer access to other fertiliser producers, or plans to offer virtual access to its own mines via long-term contracts so that there can be secure supplies of phosphates for the world agricultural community.



**Philippe Chalmin, Professor, Paris-Dauphine University, founder of the Cercle Cyclope**

This is just so people around the room can understand. One of the major producers of phosphate in the world for a very long time was the US, but production has been shown to be declining. It is clear that Morocco is sitting on a third or a half of world reserves, depending on the calculation.

**Mohammed ibn Abdel, Commercial Director, OCP**

There are three parts to this answer. One comes from the history of OCP and of Morocco. Morocco has been producing phosphate for 90 years; in fact it started producing it in 1920, and exported its first tonne of rock in 1929, so we have been exporting our rock for pretty much as long as we have been in existence. OCP and Morocco have been providing phosphate for global use, and it actually serves over 120 customers in 60 countries. This is part of the answer, which comes from OCP's past.

Looking to the future, there are two indications that everything we do is to make this phosphate available to the rest of the world. Firstly, we will be investing USD5 billion over the next seven years, which is a huge amount of money for a small country, in order to drastically increase our phosphate production capacity, both in mining and in fertiliser production. The other thing we have done is to put in place an investment programme over the past two years called JPH, Jorf Phosphate Hub, which is an investment programme that looks at attracting foreign direct investment into the phosphate industry. It is essentially a plug-and-play model, where people can come in and build their fertiliser units in Morocco, and get access to world-class infrastructure facilities and to very cost-effective and reliable phosphate rock.

Therefore, we are looking ahead with the understanding that we have tremendous amounts of reserves. It does not matter how you look at it, and the jury is still out as to whether it is 85% or 50%. I think we are talking about a tremendous quantity of resources concentrated in Morocco, but there is every indication that Morocco is making that resource available in a very market oriented way.

**Philippe Chalmin, Professor, Paris-Dauphine University, founder of the Cercle Cyclope**

The fertiliser and phosphate markets are changing anyway, becoming more and more commodity like with developments such as derivatives and so on.

I would like to thank all our speakers. I would just like to go back to something Mr. Thorat said when he was talking about the problems in India. But fundamentally, these are problems the whole world faces. He talked about fatigue. I would translate it as weariness. He talked about the weariness of the land, in science, in policies. It's what we're somewhat experiencing. To put it simply, we need to overcome our weariness if we want to deal with the world's food problems. I shall try, tomorrow morning, to report as accurately as possible on what everyone has said. Thank you, everyone. I think it's time for us to leave.

