

Telegram UNCLASSIFIED STATE 00052628

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UNCLAS SECTION 01 OF 02 STATE 052628

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TAGS: ETRD, EAGR, EAID, ECON, TBIO

SUBJECT: THE PRESIDENT'S GLOBAL FOOD SECURITY INITIATIVE
AND TRADE

Ref: State 47539

1. This is an action request. Please see paragraph 4.
2. SUMMARY. Posts should inform host governments at the highest appropriate level of the U.S. approach to addressing the food crisis and seek their cooperation. On May 1, the President announced a request for \$770 million in new funding to address the significant increase in global food prices. These funds will be used in an integrated response that addresses immediate humanitarian needs, as well as the underlying causes of the food crisis. A central part of addressing these underlying causes will be to create the international policy environment for strong agriculture productivity growth, including the completion of an ambitious Doha Round, increasing developing countries' access to science and technology, and removing domestic barriers to trade in food staples. END SUMMARY

Objectives

3. Department requests Embassies to pursue the following objectives:

- Urge host governments to support a robust agriculture agreement through Doha that will significantly increase agricultural and industrial goods' market access, strengthen existing disciplines and allow farmers to respond to market signals.
- Convince host governments that have imposed or are considering imposing export restrictions on food that such restrictions exacerbate high food prices and should be

lifted.

-- Encourage host governments to eliminate barriers to trade in agricultural biotechnology products that can be used effectively to increase yields of food crops, especially in developing countries.

Action Request and Deadline

4. Embassies are requested to engage host governments at the highest appropriate level to reinforce the points made in the President's food security policy address. Posts may find the aide-memoire in paragraph 5 to be useful in this regard. Additional information, including the full text of the President's address and a Fact Sheet entitled "Leading the Fight Against Hunger" are available at <http://www.whitehouse.gov/>. Further background for this cable can be found at <http://eb.state.gov/shortcut.cfm/49AY>. If asked, Posts should note no decisions have been made concerning selection of countries or allocation of funds. Posts should report back the results of this engagement by May 22 in a cable slugged for EEB/TPP/MTA - Chever Voltmer, EEB/TPP/ABT - Gary A. Clements and EEB/TPP - Mikael Lurie. Additional cables with targeted information for countries that have imposed or are considering export restrictions and for countries which have imposed or are subject to barriers to trade in biotechnology products will follow.

5. Aide Memoire

The recent, dramatic increase in food prices threatens the lives and livelihoods of the world's poorest 2 billion people who subsist on \$2 per day or less. The consequences of this threat extend beyond immediate hunger and malnutrition, jeopardizing the significant reductions in poverty achieved by the developing world over the past several years. This threat also has the potential to undermine support for fragile democracies in the developing world, some of which already are experiencing food riots.

Major factors behind food price inflation include increased demand for food in emerging markets, rising energy costs, adverse weather, policies that restrict food trade and inhibit investment in agriculture, and biofuels production. The degree to which each of these factors is contributing to current food price inflation is a subject of intense debate and requires further study.

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The President has requested \$770 million to support a three-pillared response to the food crisis: 1) increasing food assistance to meet the immediate needs of the most vulnerable (\$620 million); 2) augmenting agriculture

productivity programs, especially in Africa and other key agricultural regions, to boost food staple supplies (\$150 million); and 3) launching an international effort to address the systemic causes of the food crisis.

Doha

An ambitious Doha Development Round agreement is key to more stable agricultural markets in the long run. Current high prices should make it politically easier to cut subsidies and tariffs.

The U.S. is committed to achieving a successful Doha Round agreement this year. We have agreed to cut our agricultural subsidies if others will agree to real market access in agricultural and manufactured goods.

The negotiations are at a critical stage. To reach a Doha deal this year, we need to see this breakthrough in the coming weeks. Our goal is an agreement that will generate new trade flows and help lift millions from poverty worldwide.

A Doha Round agreement can help developing country farmers grow the food needed to moderate soaring food prices while lifting themselves out of poverty.

Export Restrictions

The President urged countries that have instituted restrictions on agricultural exports to lift them. Export restrictions disrupt market signals. Farmers, who can no longer receive high world prices, may elect to sow alternate crops or fail to make investments to increase production, thereby limiting production growth. Export restrictions also encourage smugglers to buy at the lower local price and smuggle the crop to the world market, undermining rule of law. By restricting supply, export restrictions further raise prices on the world market.

Agricultural Biotechnology

In discussing the role of agricultural biotechnology in addressing the food price crisis, President Bush has stated "These crops are safe, they're resistant to drought and disease, and they hold the promise of producing more food for more people." Biotech agriculture has proven to be a safe technology with multiple environmental benefits that contribute to sustainable development. To date, there have been no verifiable reports of biotech crops causing any significant health or environmental harm.

Biotech agriculture has the potential to help address serious food security and health problems in a more sustainable manner, especially in developing countries. Increased yields, decreased use of pesticides, decreased soil erosion, increased tolerance to environmental variability and increased levels of nutrition in foods are all clear benefits from the use of biotechnology.

We need to find approaches, particularly in the developing world, to preserve existing market access, to re-establish market access for approved varieties of biotech products, and to promote sound, science-based regulatory/approval processes for new biotech products. We believe that all countries should abide by global trading rules set by the WTO and accept science-based agricultural regulations and evaluations. These rules and procedures should not unnecessarily impede developing country farmers' access to new and existing technologies or access to markets for their products. In particular, the EU needs to abide by the decision of the WTO panel in the biotech case brought by the U.S., Canada, and Argentina and respect its own timelines for approvals.

6. Minimize considered.

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