

Telegram UNCLASSIFIED STATE 00053353

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FM SECSTATE WASHDC

TO ALL DIPLOMATIC AND CONSULAR POSTS COLLECTIVE

RUEHTRO/AMEMBASSY TRIPOLI 0513

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UNCLAS SECTION 01 OF 02 STATE 053353

E.O. 12958: N/A

TAGS: ETRD, EAGR, ECON, TBIO

SUBJECT: REQUEST TO END FOOD STAPLE EXPORT  
RESTRICTIONS

Ref: A. State 39410 B. State 47539

1. This is an Action message. Please refer to para 4  
for action request.

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SUMMARY  
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2. Among the systemic causes of rising food prices  
are food export restrictions. The implementation of  
these measures is contributing to global food  
volatility and price spikes by reducing global supply  
of these agricultural commodities. Posts in these  
countries are requested to approach host governments  
and urge them to remove food export restrictions.  
Other posts are encouraged, as appropriate, to  
approach host governments to urge removal of existing  
food export restrictions and warn against the  
imposition of new ones. End summary.

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OBJECTIVES  
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3. Department instructs Embassies to pursue the  
following objectives:

-- Inform host governments that export restrictions  
disrupt market signals, encourage smuggling, and, by  
restricting supply, further raise prices on the world  
market.

-- Urge all countries to improve regional food  
distribution by allowing the flow of goods to

neighboring countries, and to allow the market to respond to local surpluses and shortages.

-- Convey that erecting barriers to exports increases food prices. Taxing exports provides less incentive to farmers to increase production, which is what the world needs now. Reducing or eliminating import tariffs is a better way to address consumer concerns.

-- Inform local World Bank missions of our demarche, encourage them to deliver a similarly strong message, and assess World Bank programming to support policy changes along the lines recommended in our demarche. Where World Bank views are in line with U.S. objectives, Posts may consider a joint demarche with the World Bank so that the Bank may offer its policy and alternatives and support.

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Action Request and Reporting Deadline  
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4. Posts in Astana, Buenos Aires, Cairo, Hanoi, Kiev, Moscow, and New Delhi should use the aide-memoire in paragraph 7 to demarche host ministries of agriculture and/or other appropriate ministries at the highest appropriate level. Addis Ababa, Bamako, Beijing, Belgrade, Belmopan, Brasilia, Colombo, Conakry, Dar Es Salaam, Dhaka, Islamabad, Jakarta, Khartoum, La Paz, Lusaka, Niamey, Phnom Penh, Tashkent, and other posts whose countries are contemplating or have enacted export restrictions are encouraged to use the information, as appropriate. Further background for this cable can be found at <http://eb.state.gov/shortcut.cfm/49AY>. Posts should report back the results of this engagement by May 30 in a cable slugged for EEB/TPP/ABT - Amy Winton, EEB/TPP - Mikael Lurie, and EEB/IFD/ODF - Margo Siemer.

5. The World Bank is intensively engaged on the food price crisis and is developing policy recommendations for many local governments, as well as a package of assistance measures. This process is ongoing between headquarters and mission offices. The Bank has instructed its missions to coordinate with key donor embassies in this effort.

6. Posts are encouraged to deliver the demarche jointly with the World Bank where Posts assess that Bank views are in line with U.S. objectives. If Bank

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Missions are not yet prepared to approach host governments or decline a joint demarche, Posts should encourage Bank Missions to deliver a similarly strong message as soon as possible. Posts are requested to

report coordination plans with Bank Mission reptel.

## 7. Aide-Memoire

### Export restrictions

Major food exporters have an important role to play in alleviating the current grain price situation. A change in the export policy of some of these countries could have a significant impact on world markets by improving confidence in continued supply.

Food export restrictions are in the interest of neither the exporter nor the importer. For food exporting countries higher food prices are an opportunity. Given the freedom to do so, their farmers can use the extra revenues from higher prices to expand production, benefiting the whole economy. Restricting exports to keep domestic prices low not only hurts domestic farmers, but deprives them of the means and incentive to increase production. In addition, restrictions may actually decrease production. Higher prices in part compensate for higher input costs. Farmers facing increasing production costs due to higher priced fertilizer, fuel, and other inputs, may have to cut production or switch to alternative crops. In addition, export restricting countries damage their reputation as reliable suppliers, hurting their long term export prospects.

We recognize the need for countries to alleviate the impact of higher food prices on consumers, particularly the neediest. However, there are more positive ways to do so. The situation of the neediest can be addressed through targeted assistance. Countries should also work to remove other factors that raise food prices, such as import duties, taxes, and transportation/distribution bottlenecks. Finally, the most important way to bring down food prices is to work with farmers to increase production.

Improving agricultural productivity is the only way to meet growing world consumption demands. Rather than enacting export restriction, countries should allow market price gains to accrue to producers, especially given rapidly rising production costs. Farmers need to be compensated for higher priced fertilizer, fuel, seeds and other inputs.

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 can take a variety of forms including outright export bans, port closures, export taxes, licensing requirements, etc. 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.

Every country should weigh what a continuation of such a short term focus as an export restriction means for addressing the challenges of the global world food situation as we move forward. Relaxation of export restrictions by one traditional exporter will likely lead to similar moves by other governments. All countries should allow the flow of goods to neighboring countries to improve the regional food distribution, and allow the market to respond to local surpluses and shortages.

The United States currently has no export restrictions on food products.

8. Further background on this issue can be obtained at <http://eb.state.gov/shortcut.cfm/49AY>.

9. Minimize considered.

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