

World Food Prize Symposium 2002
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Luncheon Address

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Well, I don't want to give anyone indigestion – you're still eating your lunches. It is indeed an honor for me to be here today. Sometimes my audiences are not necessarily favorable to the messages I'm going to deliver; however, to be in the heartland of the United States... I'm a New Englander, I have to tell you, and this is the Far West by Massachusetts standards. In fact, we used to actually refer to Northern New York as the Far West when I was in the state legislature in Boston.

But I know, given the heavy, heavy emphasis that I have personally put, that the president has put, and that Colin Powell has put on agricultural development as a way not just to end hunger in the developing world but more importantly to stimulate economic growth in the poorest areas of the world, which are in the rural areas for the most part, that the message I'm going to deliver today will have a very favorable audience, given the list of people, very famous people.

I'm a little intimidated talking to this audience, given the number of people from Dr. Borlaug to Pedro Sanchez. I see my old friend, Catherine Bertini – actually, I'm old, she's young – and we've worked together for ten years, and I see Per Pinstrup-Andersen. I'm actually going to miss a lot of people, so I'm going to stop right there. But this is a very distinguished group of people here to honor Pedro for his work.

We at USAID were pleased to learn that Pedro was going to be the winner of this year's World Food Prize. It is an honor, we believe, he richly deserves. His work in Peru in the late 1960s helped boost rice yields substantially. You then go to Brazil and turn what was thought to have been relatively useless land into one of the breadbaskets of the world. And of course then he went to the International Center for Research and Agro-Forestry in Kenya. And of course in all of those jobs, AID has been a very strong supporter and funder of Pedro Sanchez's work.

By last year his extraordinary work in using nitrogen-fixing trees to supplement fertilizer in African agriculture has led to improved soil fertility and substantially higher yields for 140,000 farmers that use his methods. When I first came back to AID as administrator last year, Pedro and I had some early conversations. He explained this technology to me.

Emmy Simmons, who's a career agricultural economist, is our senior career agricultural economist, President Bush invited her to head the new Bureau of Economic Growth, Agriculture and Trade. We created this bureau to put heavy, new focus on economic growth and agriculture and trade in stimulating economic growth in the developing world, which is the only way

ultimately that poor companies will become prosperous to sustain rates of economic growth. But there are a lot of things that go into making that happen, which we'll talk about in a few minutes.

Pedro's work will be instrumental to us in AID and other international and donor aid agencies in the new effort that Secretary Powell and President Bush have announced to cut hunger in Africa through agricultural development. This initiative will be a significant step in meeting the Millennium Development Goal of cutting in half the number of severely impoverished and malnourished people by 2015. With strategic partners, we aim to boost agriculture and productivity and trade in Africa in particular. Of the \$90 million proposed in the 2003 budget, \$53 million is to harness science and technology for African farmers, and \$37 million is to unleash the power of markets for smallholder agriculturists.

Pedro has proven that the application of science and technology can bring a Green Revolution to Africa if we can only now take the technology and other technologies we've learned, like genetically modified seed, which we believe can solve not all but many... There are no single answers to the problems of agricultural development; there are many answers. And biotechnology in our view is one of several answers that can make a profound difference in increasing family incomes and in reducing hunger.

The fact that this event today is taking place in Des Moines, which is the heartland of the American Midwest, is an excellent geographic starting point for some of my remarks. We owe a lot in USAID and the U.S. government to the farming families of this state and to the people of Iowa who, through their agricultural productivity, protect millions of people around the world from hunger and starvation through the Food for Peace program, which has existed since the 1950s and was part of AID in Iran in the first Bush administration.

In so doing, they make the manifest goodwill and generosity of the American people visible to an often-skeptical world. I have to say last October at the beginning of the terror war in Afghanistan, we had already received, before September 11th, we had sent teams in in June because we saw pre-famine indicators developing in Afghanistan. The country really has been through hell for 25 years and people's coping mechanisms had collapsed, and there were indications in rising malnutrition rates and the spread of disease, epidemic disease, that we were facing a famine.

Catherine Bertini at that time, thank heaven, was the head of the World Food Programme. She had been through this before. And we worked together with the NGO community to make sure that that famine did not take place. And I have to say it's one of the great accomplishments of the international humanitarian community. I have to say a large portion of that food came from the Midwest that was used to fight the famine.

The Food for Peace Program is a great institution. It's a very important program that I am proud to say is part of the important resources of AID. All farmers face difficulties no matter where they live. Even in a well-managed state, policies cannot prevent drought; they can, however, mitigate its worst effects. Indeed, this is being done all over the Midwest today in every town

and community, as farmers who live and work around them deal with the consequences of this year's drought in the United States.

Serious droughts and floods should never cause famine or hunger, not in this century, and yet they do. And when they do, they have serious consequences for development agencies like ours, for the imperative of saving lives must be our first priority. What we know from the famine literature, from the studies particularly in famine in Ethiopia, is frequently what happens is a famine takes place or a severe food emergency, and before people can recover from the last emergency, a new one takes place.

And so one of the efforts AID and the U.S. government, under the President and Secretary Powell's leadership, is to put more focus on family livelihoods, increasing the safety net at the village level that people have, so that they can recover from these onset of shocks, whether it be a war that interrupts the agricultural markets and the agricultural systems, or whether it be a weather event like a drought. The fact is, if we do not focus on family livelihoods, we will never ultimately conquer famine, which is one of our objectives.

As India's Nobel Prize-winning economist, Amartya Sen, writes, and I quote, "Famines do not occur in democratic countries with a relatively free press and active opposition parties, even when these countries are very poor." India, for example, has not had a famine since independence. "Indeed," he adds, and I quote, "dictatorships do not give much political incentive to governments to prevent famines."

And so we do now know that there is a direct connection between democratic governments and the prevention of catastrophes like famines. Nowhere is this more evident right now than in Southern Africa where a food crisis threatens more than 16 million people. In the latest estimates, we've had to raise the number of people at risk from 13 million now to 16 million people.

At least half of this vulnerable population is found in Zimbabwe. I have to tell you, Zimbabwe had a 92 percent literacy rate, a functional healthcare system, half of their agricultural system was an advanced commercial agricultural sector, was a country that was about to take off until disastrous policies were put in place in the governance area and in the economic area. Now, on top of these disastrous policies, of course, we have a terrible drought which has brought the country to the brink of famine.

President Mugabi, who ensured his re-election this spring through one of the most abusive elections in African history, has turned what should have been a manageable food shortage, brought on by a drought, into a crisis situation through misguided and irresponsible policies. Normally, a food exporting country, Zimbabwe's commercial agricultural sector should have been able to compensate, because it is almost all irrigated, for the effects of the drought on its small-holder, rain-fed farms, the other half of the agricultural system.

The decision to confiscate the commercial farms could not have been more disastrously timed. Forcibly expropriating the country's vast commercial farms, in spite of the drought, has resulted

in devastating production loss in the commercial agricultural sector on top of the draught-induced losses in the private, rain-fed, smaller-holder agricultural sector. Zimbabwe's ability to import adequate food stocks to make up for these losses was also sabotaged by disastrous economic policies. So we do know that governance counts. Governance counts.

All in all, the United States will deliver 550,000 metric tons of food to Southern Africa by the end of this year; 357,000 of that is corn and cornmeal, some of it I have no doubt is from Iowa. This is half of the estimated required food needs, according to the World Food Programme, to address this crisis. USAID is committed to working not only with Zimbabwe but Zambia and Mozambique and Malawi and other countries in the region that are affected by this emergency.

As the President's new national security strategy makes clear, expanding the circle of development by opening societies and building the infrastructure of democracy is a major focus of the administration's development policy. And I want to quote the strategy:

"To help unleash the productive potential of the individuals in all nations, sustained growth and poverty reduction are impossible without the right national policies. The United States will soon offer new incentives to help countries that are committed to democracy as well as to the health, education and economic development of their people."

The President, of course, has announced in his historic speech to the Inter-American Bank earlier this year, which he repeated at the Monterey Conference for Financing Development in Mexico – I think it was in April or May – where he has proposed a 50 percent increase in foreign assistance. It's the largest increase since AID was founded in 1961. This will add \$5 billion over a three-year period to the Foreign Assistance Budget of the United States government by the year 2006. You will see in the President's budget in January, which is for 2004, money that will begin this buildup of our Foreign Assistance Budget, which has been stagnant or being cut in the last decade.

I should tell you the focus of this will be decided at the local level, but it will be focused on increases in agricultural development, agricultural production, on improved primary education, improved healthcare, and in creating the right policies that will ensure democratic governance and ensuring economic growth.

One country where we're already working to improve policies is Angola, which is now just emerging from years of civil war. One of the ways we are trying to help Angolans is bringing them together with Namibia and Botswana, two neighboring countries, to set up a process to share the river waters of the Katanga River Basin, which is a very huge river basin with enormous water potential.

We have helped the countries form the Katanga River Basin Commission, brought commissioners from this commission to the United States to study the Colorado River and the Everglades to see how people in the United States manage to share these waters. Similarly, we are now working with Botswana, Mozambique, South Africa and Zimbabwe in an initiative to

strengthen their cooperation in managing the rivers of the Limpopo River Basin, another vast water-catchment area.

Again, our approach is through cooperation and inclusiveness, bringing representatives from the public and the private sector, from villages and communities and NGOs, together to meet needs and design solutions that everyone can benefit from.

Let me briefly turn to the Middle East, which is our other geographic pole of discussion today. To tell you a story – when I was in office only a day... May 1st I was sworn in last year, and the Foreign Minister of Israel was at a reception. I was invited, and I went. And before I could introduce... – because I was in a long line of people meeting him – and before I could shake hands with him, he said, “Do not stop the water projects.”

I said, “I haven’t introduced myself.”

He said, “I know you’re Andrew Natsios. You’re running AID. Do not stop the water projects.”

I said, “I’m aware of the water projects.”

He said, “Do not stop the water projects.”

I said, “Mr. Prime Minister, I’ve got the message.”

We have very large-scale water projects in West Bank and Gaza, and of course water is the most precious commodity, other than peace, in the Middle East, and our projects, which were started before the second intifada started, are critically important both for the Palestinian community and the Israeli community. And both sides in the conflict have said, “Don’t stop the water projects.” Because we all know if they don’t continue, we’re going to have a lot of problems in the future.

There have always been tensions over water in the region, especially if it has military significance. The Suez Canal was closed for several years after the 1967 war, for example, and control of the water of the Shat-el-Arab River was the overt cause of the Iran-Iraq War in 1980 in which two million young men died. But for the most part in recent years the region has been able to avoid violent conflict over water. The United States has worked hard to prevent such conflicts, and we hope the current tensions over the Wazzani River in Southern Lebanon – I’m sure you’ve been seeing the media accounts; there’s a lot of tension right now over that river – can be kept in check.

AID has worked on water issues in the Middle East for many years. In Egypt, for example, we have helped the government put more control of irrigation projects in the hands of individual farmers. The Water Users Association we set up not only resulted in a 20 percent improvement in land productivity but also reduced the volume of water use by 10 percent.

We’ve also helped bring clean water and better sanitation to 22 million Egyptians, a third of the population, over the last generation, by reconstruction or constructing anew the water and sewage

system and treatment plants and laying water mains and residential hookups in Cairo and Alexandria and a number of the other urban areas that had little or no water or sewage systems that were functioning.

We have greatly put more emphasis on sound water management policies, which are critically important in the southern part of the country. USAID is a major partner in Jordan's water sector, providing \$45 million a year in financial and technical support for policy development construction and infrastructure operations. By the way, all of these countries feed off the same, very limited water resources.

I don't know if any of you saw the third Indiana Jones movie. Remember that? Well, the Roman temple they were in was in the city of Petra, and Petra is a real city. I mean, no one lives there now, but at the end of the movie you saw Indiana Jones riding... This is, I think, Indiana Jones and the Last Crusade. Is that what it was called? You saw them riding away from this Roman temple. That's really there, and we funded, through USAID, at Petra the construction of the Wadi Mousa Wastewater Treatment Plant and are now working with local businesses and communities to reclaim water for fodder use and for tree crops.

We're also helping the city of Amman, Jordan, to desalinate brackish groundwater, which will provide another 40 million cubic meters of freshwater to the city. And on the Red Sea Coast I visited Ababa, which is a special economic zone which is rapidly industrializing and producing hundreds of thousands of new jobs, or at least it will. We're helping to upgrade a wastewater treatment plant there that will provide water, because this is, it's basically a desert; and without good water management, there will not be new jobs in that area. So there's a direct connection between economic development, job growth and water, water management, particularly in arid areas.

While water can be a source of tension in the region, it also can be a source of improved health and economic growth. Fifteen years ago AID began cutting back its investment in agriculture. One of the great administrators in AID's history, of course, is Peter McPherson, who's now the president of Michigan State University. He was administrator of AID, one of my predecessors, under President Reagan. And still, if you ask the career people in the last forty years – Who is the greatest administrator? – they will tell you Peter McPherson. He was a charismatic figure and a visionary.

And Peter had a heavy focus in agricultural development. I am sad to tell you that once he left office in 1986, the budgets began to gradually diminish. We were spending then \$1.3 billion a year in agricultural development. A lot of the work that went into the Green Revolution that Dr. Borlaug was instrumental in creating in the 1960s was funded by the World Bank, USAID, and the Rockefeller Foundation.

Critically important to have the major donor aid agencies and international institution funding projects of this sort, because that's where the resources come to create economies of scale and extend out the technology around the world.

Fifteen years later AID now has a budget when I started of \$250 million dollars. So we cut our agriculture budget by a billion dollars, which was a disastrous decision. People ask me now why nutrition is declining and malnutrition is increasing in Africa. You know why? Because we stopped investing in agriculture. Unfortunately, the Europeans and the Canadians and the Japanese followed AID out of agriculture in the mid-1980s, so did the banks, the international banks. And as a result there has been a dramatic disinvestment in the agriculture sector.

Since 70 percent of the poor people of the world live in rural areas, you cannot ignore agriculture and expect to deal with the problem of poverty. India is rapidly industrializing now and growing; its economy is growing. Seventy percent of the people in India still live in rural areas, and most of them are farmers or herders or live on businesses that are attached to the rural economic sector.

Most farmers or herders and their families are dependent on rain-fed agriculture, although in countries like India there has been a huge increase over the last fifty years in the amount of irrigated agriculture. When we talk about agriculture, we don't just mean growing the crops. We mean the markets that sell the crops, we mean the roads that move the surpluses around, and the markets that provide the inputs – it's the whole agricultural economy and the micro-enterprise.

I asked our staff – we have the largest micro-enterprise loan program of any government in the world, \$150 million a year – and I asked our staff, quietly, tell me where that money goes, into what sectors. Because we never talk about where the money... These are loans of \$50 to \$100 per person, and they go into revolving funds, and people pay the money back – there's a 92 percent repayment rate, very high rate; actually, it's better than some banks – and the money goes into small enterprise.

We did the study. Sixty percent of that money is put into agricultural development, because people find if they have \$50 dollars, if they buy an improved variety of seed that increases production, they can repay their loan and make some money in their family.

This year AID put in, at the President's instruction, more money into agricultural development in Afghanistan as part of our effort to rebuild the economy of the country. It was an agricultural economy. Again, 70 percent of the people in Afghanistan before the civil war started in 1978 were farmers or herders. You cannot reconstruct the economy of Afghanistan without focusing on agriculture.

They've had four years of draught, four years of draught. There was a fifth year of draught in the South this year, but the North had sporadic rains. And so we invested considerable amount of money to buy 7,000 tons of improved seed varieties, I think created by CGAIR, the international consultative group in agriculture research, which has 16 research stations around the world that focus on different crops or research of different kinds to make this technology available to poor people in the developing world and commercial farmers as well.

We bought this seed all over the Middle East. The seed is draught resistant, and it increases harvest by 80 to 100 percent. The lowest caloric intake per capita in the world prior to last year

was Afghanistan. People wonder why the acute malnutrition rates were so high, why 25 percent of the kids died before they were a year old – it's because of the agricultural system having collapsed during the civil war, first under the Soviets and then under the Taliban.

And the gradual movements of legitimate farmers into poppy growing; 78 percent of all of the opium grown in the world, or poppy grown in the world, is grown in Afghanistan. That's a new phenomenon. I travel with President Karzai. I was there in January. President Bush and Secretary Powell sent me there in January to see how we could begin the reconstruction program, and I met with Chairman Karzai. He was chairman then; he's president now. And I was telling him that I had just read this extraordinary book by Ahmed Rashid, a friend of mine who's a journalist. And he's a Pakistani writer, and he wrote a book, *The Preeminent Work on the Taliban*, which I actually read before September 11th, and then I bought a box of the books and made the entire senior staff at AID read the book and then tested them on it. No – we didn't test them on it.

And Ahmed has come to our office many times, a number of times now, to lecture the senior staff about what he thinks needs to be done. And I said, you know, the statistics are horrible for poppy growing. And there's been an increase in heroine addiction in Pakistan and Iran, the neighboring countries, to the extent now that Iran has the highest rate of drug addiction in the world, the highest rate in the world. They had a few thousand addicts ten years ago; they now have a quarter of a million. The number of addicts now in Pakistan, I think, is something on the order of a half a million. I'm sorry – it's two and a half million versus three million. It's almost six million people in the two countries. (I dropped off a zero.)

It has become a national crisis in both countries, and I said to President Karzai, "Well, thank heaven you haven't suffered under this." And he yelled at me. I was in the plane with him, and he said, "What do you mean? It's worse in Afghanistan. We grow the poppies. We don't export it all. We're consuming it in Afghanistan. We want to shut this down." It was encouraged by the Taliban because they could poison the West with it, and they used the revenues from the drug trade to fund terrorist activities. As you read *The Taliban* by Rashid, he talks about how that was the principal source of revenue for Taliban and also for Al Quaida.

If we want to shut down these terrorist networks, we need to understand there's a connection between all these illegal cartels, whether it's human trafficking, the drug trade, whether it be in Colombia or in Afghanistan, counterfeiting rings. They all feed off systems that allow the movement of these monies into very dangerous hands around the world.

We now have introduced in the poppy-growing areas cotton, which used to be the big product in those areas. We had a 600 percent increase in cotton production in the last six months, I'm happy to say, in Afghanistan, to try to get farmers off of poppy, growing cotton.

Our goal is to increase agricultural productivity, both in Afghanistan and other countries around the world. So we hope to work with land-grant colleges and universities, the CGIAR institutions, to develop new and more productive seed varieties. And we hope to introduce the kinds of technologies that Pedro has worked on so hard, to far greater areas of the world. And we hope

also in our program to train a new generation of agronomists and scientists in Africa and elsewhere in the developing world.

We used to provide, twenty years ago, 20,000 scholarships to American universities for people in the developing world. It's dropped down to a thousand this year. That's how much the drop has been. It was 20,000 in 1980, it went to 9,000 in 1990, and it's now a thousand. It's a disaster.

If you go to Africa, most of the agricultural economists and scientists were educated at farm schools in the United States, like Iowa State. I'll tell you a story. John Gherang is the leader of the southern rebellion in Sudan. For twenty years he's led the rebellion. He's called "Dr. John," and people who don't know him well, wonder why a rebel leader in the South is called Dr. John. Dr. John got his Ph.D. in agricultural economics at Iowa State University 35 years ago. He's a brilliant agricultural economist. He actually wrote his Ph.D. dissertation on a very controversial canal that was being built on the Nile River. And I actually visited that last year when I was in Sudan. Dr. John, as he's known, every time I see him, he talks about the war for five minutes, and then he wants to talk about agriculture in Southern Sudan, which has vast potential.

Sudan is the size of the United States east of the Mississippi River – that's how big it is – and the Nile River, of course, flows right through, and it is extremely rich agriculture. There are probably ten million head of cattle in Southern Sudan. If there was peace in Sudan, which is one of our goals... We are actually close, close now with the Brits, the British, and the Norwegians and the leadership of Secretary Powell and the President's insistence – the President asks us every week about this.

A just peace in Sudan can lead to the development of one of the potentially richest agricultural areas in Africa – if only we could have peace. It goes back to the whole question of governance and democracy and justice. There has to be justice in Sudan, or there will be no peace.

We know that water is directly related to agriculture production. Worldwide demand for water doubles every 21 years while the world adds another 80 million people every year. The amount of water remains constant. For 451 million people in 31 countries facing serious freshwater shortages, this is a critical statistic. It is estimated that this could grow, these shortages, to 2.8 billion people in 48 countries by 2025. A billion and a half people rely on groundwater for their drinking water. Unfortunately, in many places these aquifers are exhausted more quickly than they can be replenished.

Some 70 percent of all freshwater is devoted... Seventy percent of freshwater is devoted to agricultural purposes. Forty percent of the world's food supply comes from irrigated agriculture.

I was in Egypt and Cairo in January as I was traveling to Afghanistan, and AID has its largest program there. And there has been a revolution – something I wasn't even aware of – in agriculture in Egypt. Now, I always thought of Egyptian agriculture as sort of Old World. A third of their agricultural system is now scientifically based, using the drip technologies as the Israeli developed.

And it was the U.S. government's programs there, AID's programs, that led to the transfer of this technology into a huge portion of the Egyptian agricultural economy. If you look at what's growing in their economy, one of the only areas that's growing is their agricultural exports. They're exporting huge amounts of fruits and vegetables into Europe from these agricultural farms.

And we opened a GMO research center. And the Minister of Agriculture – the Minister of Agriculture is a visionary figure in Egypt – and he was almost in tears as we opened, because he for ten years wanted to open this institute to try to develop their own seed varieties in Egypt that can help feed their burgeoning population.

We do know that the amount of food, the amount of water available for agriculture is declining, however, due to salinization and waterlogging. Despite all this, the International Water Management Institute estimates that irrigation requirements will grow by 17 percent to meet demand by 2025.

Two billion people a year are affected by waterborne disease and parasites, while three to four million die each year from these diseases. And yet our studies show that infant and child deaths can be reduced by 55 percent if children have access to clean water and adequate sanitation.

Environmental sustainability is also crucial because agriculture currently uses about 70 percent of the freshwater, as I mentioned earlier. And the productivity of that water must be significantly improved if there's going to be enough food for urban populations.

We have invested, in the U.S. government, globally about \$450 million a year in water-related activities for each year of our programming. We work through NGOs and PBOs, we work through ministries, but primarily through the private sector, to administer these programs.

We are funding new ways to combine our efforts with others like my international institution, other donors, to promote health, agricultural productivity and economic growth.

AID is forming partnerships, as never before, with foundations, with international charities, with service organizations, with colleges and universities and corporations, in order to accelerate the movement of resources from the North to the South.

I'll just close by one important thing that Colin Powell initiated last year. It's called the Global Development Alliance. It's a new program in AID, to take our resources and leverage them with private sector resources. We just announced a water project in Ghana, Niger and Mali. The Secretary announced it at WSSD, the World Summit in Sustainable Development, at Johannesburg.

AID is only putting in \$3.8 million. Forty million dollars is being put in by the Conrad Hilton Foundation, World Vision, a very large NGO I used to work for. Winrock, another great NGO from Arkansas, a neighboring state. The World Chlorine Council has agreed to put in money to buy the piping for the water projects.

And this is a public/private partnership. Only 10 percent of the money, however, comes from us. Ninety percent is private.

In 1970, 70 percent of the money coming from the United States to the developing world came from AID and the U.S. Government. It was called ODA. That is public sector assistance. And 30 percent was private.

Two years ago the statistic exactly was inversed – 80 percent of the money coming from the United States (charitable money – this is not from private businesses investing), 80 percent is now private, and 20 percent is from the government. Not because of cuts in foreign aid, because of a massive increase in money from foundations. The Gates Foundation spends more money on public health in the developing world than most European donor governments do. American universities give \$1.2 billion of scholarships a year to people, students from the developing world – private scholarships, no government money – \$1.2 billion. That is larger than the AID agency budgets in most European countries.

So there's a huge private foreign aid program in the United States that is four times bigger than the U.S. Government aid effort. And what we need to do is to marry our public money with the vast network of churches and mosques and synagogues that contribute money in charity to the developing world, with foundations, with business charities (many businesses have their private foundations), and the Diasporas.

The ethnic Diasporas in the United States send \$18 billion a year back to Third World countries. Twelve percent of the gross national product of El Salvador are remittances from the Salvadorian community in the United States. Twenty-five percent of the gross national product of Lebanon are remittances from the Lebanese Diaspora. And so people don't realize to what degree people who work here send money back to their villages. We found out – this is my last statistic – 50 percent of the micro-enterprise lending for small businesses in Mexico, 50 percent comes from the Mexican-American Diaspora just in California.

We didn't realize it, but there's huge funding going on, private funding in these countries, from their relatives sending money back to their families, not just to buy stuff with, but to invest in businesses to create jobs and make life better. And we are trying in the U.S. Government now, to understand that we are a small part of this, not the great bulk of it. We need to now work with the private sector in the United States on these partnerships to increase the power of our efforts to end poverty and end suffering in the developing world.

It's a pleasure to be here. I'd be glad to answer any questions any of you have.

N = Natsios
Q = Question

N Are you going to ask me a hard question? ... Okay.

Q ...in the development community about why their money for agricultural development overseas... and the majority of the voices would have one believe that it's because of the end of the Cold War and that contributions...

N Well, it ended, started in '86. The Cold War wasn't over in 1986.

Q But did that in any way contribute? Because I've heard so much from the humanitarian groups that they have lost the contributions from the major groups and...

N Well, we're increasing the budgets again. The question was: Was the cut in resources, agricultural development in the developing world in the AID government and U.S. government, a function of the end of the Cold War and other countries as well? I have to tell you, I've never heard that argument in terms of our scientists and our economists who have been around for twenty or thirty years.

What happened is, we tried a thing called Rural Integrated Development, and we basically extended agricultural development into everything. So agriculture became health and education. We need to do all these things, but it became so complicated it got bogged down, and it didn't work very well. Instead of focusing (and what Dr. Borlaug did), take several technologies and focus attention on these, we got carried away with too complex a program in the rural areas. And most of the technical people tell me that is why the thing didn't work very well. It was well-intentioned but misconceived; it was too complex.

The problem in working in many developing countries is so severe in terms of management and just lack of infrastructure, that the more complex your program is, the less likely you will succeed. And so, but I have to, I tell you, most of our staff think it was a terrible mistake to do it. Yes?

Q This is the issue...

N You blew it out. The *New York Times* blew out the microphone.

Q With the focus you said the administration has on Africa to improve the lives of the farmers. You heard in Johannesburg, as everybody else did, that they would much rather have the subsidies given to the American farmers and farmers in European countries cut and have a much greater access.

N We've had a debate on this within the administration about the Farm Subsidy Bill and all that, and I recognize there's a big controversy over it. But to be fair now, there are only six... We don't do any export subsidies, almost none. The Europeans and the Japanese

have huge export subsidies, so we do not do that. But we do subsidize our farms internally. And to be fair, there are only six commodities that we really subsidize. It's wheat, it's corn, it's rice and sugar, it's cotton and soybeans. Okay? The chances of the developing world exceeding our efficiency in most of those areas, except probably for sugar, is relatively low. We're not going to import corn from other countries here. The concern is – which is a concern – that the prices have been depressed, and as a result... But if you add on the transport costs when you ship the American commodities abroad, it really does not have as big an effect as some people say.

The second thing I would point out is the Farm Bill subsidies were actually not increased. There have been supplemental bills every year for five years prior to the bill that the President signed, and the subsidies were actually just maintained; they were not increased. That's not commonly known, but if you look carefully at the supplemental bills each year, it's the same level of subsidy we've had for five years.

We recognize, however, there are some good arguments. Most of the agricultural commodities we are importing to the United States from the developing world are fruits and nuts and what we call nontraditional things, like flours. Things like coffee and tea and cocoa, which are traditional – those are not subsidized at all. And there the only restrictions are around the Phytosanitary Code, and we have the most extensive trade capacity building program in the world for any aid agency, to try to train countries to understand how American markets work and how they can enter those markets.

Last point. We have made a proposal, the administration, in August in Geneva, this round of trade negotiations, to eliminate all agricultural subsidies worldwide for all countries. We have made it seriously. Our farmers say, "Well, there's much larger subsidies in Europe and Japan. We have no subsidies, and you keep saying we should go to a free market, but they're not doing it, and it's unfair." And it is unfair, I have to say. The subsidies in Europe are much, much higher than they are here in the United States and even higher in Japan.

So the proposal is, let's just do away with them completely and have a completely free market worldwide in agriculture.

Now, the World Bank – my last statistic for your question – the World Bank did a study last year that indicated if there were no tariffs and no subsidies for anything, not just agriculture, anything, the income to the Third World countries would increase by \$395 billion dollars – huge amount of money. So trade is a huge part of this whole formula.

However, most interesting in this study is: 75 percent of that savings is attributable to South-South trade; 25 percent is attributable to trade from the South to the North and the North to the South. So most of that increased income is because of trade barriers between countries in the developing world. And so we've invested a lot of money in the last couple of years in trying to help with technical training and assistance, to help reduce the trade barriers. Because we could stimulate a lot of production in all areas, not just

agriculture, just by lowering the tariffs, for example, or eliminating them within Africa itself and within Latin America. That's not to say we shouldn't do the North to South, but the biggest savings, according to the World Bank study, will be South to South savings.

We should do both, and I hope the international community will take very seriously this proposal we've worked on very carefully to have a completely free trading system for all agricultural production for everyone.

One last question.

Q One quick question. You have the former Directors General of at least three CGIAR centers up there in front of you.

N I noticed that.

Q Yes, so what have you been able to tell them about the direction of U.S. financial support for the CG system?

N The first thing I told Emmy Simmons to do was to increase the funding, and that's what we've done. AID has been the largest donor to the CGIAR network since its founding in the 1960s, and we have increased that and we will increase it again. The question is, of course, of me getting the money. I've been told repeatedly last year in congress that the only support for agriculture was me. And I said, well, that's not true. So now the agriculture strategy of the AID, Secretary Powell has made it the foreign policy strategy, and President Bush has now made it the administration policy. So it is now the Executive Branch's policy for agricultural development, and they're very enthused about this. Secretary Powell has made speeches on it, so has the President made statements on it. So we now have administration support.

But we're going to try to build in the Midwest one very important fact. People think that if the developing world grows more food, they'll stop buying our food. The biggest countries, or the countries that receive the most Food for Peace food, were South Korea, Taiwan, Japan at one point, and India. Guess who is one of our biggest recipients commercially – commercially – of food from the United States? India, South Korea, Taiwan. They're importing huge amounts of our food at commercial rates with no subsidies. I mean, they're ... do with AID because they're rich countries now.

Why is that? Because the markets were developed, and they like buying our products. The richer countries are, the more trade there is – everybody will benefit more. That's the great argument for free trade, particularly in the agriculture.

Our agriculture system is so rich and so productive, we have nothing to fear from growing more food in the developing world. We send our farmers through the Farmer to Farmer program from this state all over the world to transfer American farm technology, where

it's appropriate, to people in developing worlds. It's one of the most popular programs we run at AID.

Thank you all for listening.

MODERATOR

What a terrific job, Director Natsios. Thank you so much for coming out and giving us this tour de force of a review of AID programs. I spent the first six years of my career working in AID as a development officer, and I was just saying, well, what are the chances of me coming back? – I was so excited by his presentation. So, but thank you very, very much for all you've added to our symposium, for making this trip. I know you have to get to the airport to get back to Washington.

I have one announcement before I invite everyone to return downstairs where we can have... Our program begins with discussions of drip irrigation.