Global food security trends

Source: King 2012
Trade and food security

- International trade can play a crucial role in ensuring food security
- But impact depend on interactions with other policies and with structural characteristics of individual economies
- And because trade alters domestic prices there are winners and losers
- Hence role of trade and appropriate trade rules very contested issue
WTO AoA and food security

- Food security explicitly recognised as a ‘non-trade concern’ of Members
- AoA contains various SDT provisions which developing countries can use to promote their agricultural production and food security
- Continuing debate over whether WTO disciplines are appropriate from a food security perspective
  - de Schutter, 2009; Proposals for Food Security/Development Box in Doha negotiations
  - More jaundiced view of exceptions among economists
Objectives and outline

- To discuss the design of trade rules which can give especially developing countries confidence to rely on trade as part of national food security strategies

- This paper addresses
  - the progress made towards this latter objective during DR negotiations
  - whether DR objectives remain valid
  - what might help to break the logjam and bring about successful conclusion to DR
Objectives and outline

- The changing context for global food security discussions
- DR disciplines on developed countries
- DR disciplines on developing countries
  - Domestic support, Special Products, Special Safeguard Mechanism, export restrictions
- The way forward — what might help to break the logjam?
The changed global environment

- Higher food prices
  - More focus on consumer rather than producer interests

- More volatility
  - More focus on stabilisation issues rather than market access

- Developing countries are more important food importers

- More of these food imports are being met by developing country exporters
  - WTO rules more relevant to South-South trade
Developing countries’ growing share in world agricultural trade
Developing countries are increasingly net importers

Net agricultural trade of developing countries, 1961-2010

- Developing, All
- Brazil
- Developing exc. Brazil
Growing net importer status applies across major developing country groups

Agricultural net trade balance of selected developing country groups, 1961-2010

LDCs LIFDCs NFIDCs
On average, food import bills are not a growing burden.
Developing country shares of developing country imports growing

Source: Own calculations based on UNCTADStat
Developed country support has been falling in per cent terms.

![Graph showing the Evolution of OECD support indicators, 1986-2011.](image)

**% PSE: Producer Support Estimate (left scale).**
**NAC: Nominal Assistance Coefficient (right scale).**
**NPC: Nominal Protection Coefficient (right scale).**

The OECD total includes Chile and Israel from 1995.

Potential Doha Round disciplines on developed countries

- Significant reductions in bound and applied tariffs, even taking account of sensitive products
  - Average OECD applied agric tariff would fall from 15.4% to 7% (10.4% with SenProds) (Laborde and Martin, 2011)

- Significant reductions in allowed amounts of trade-distorting support can lock in current low levels of support
DCs can provide support to agriculture through:

- exempt Green Box measures
- measures exempted under Article 6.2 AoA
- non-exempt measures covered either by de minimis provisions
- for a small number of developing countries, a Total AMS entitlement.
Green Box changes

- Add expenditure on farmer settlement, land reform, rural development and rural livelihood security programmes to the general services exemption
- Allow purchases for public stock-holding and domestic food aid at support prices intended to benefit low-income and resource-poor producers
- Loosen criteria for payments under regional assistance and disaster payment programmes
Trade-distorting support

- For countries without AMS commitments, no reduction in de minimis or ODTS.
- For countries with AMS commitments,
  - Required cut in ODTS of 36.7%
    - But NFIDCs and some RAMs exempt
  - Required cut in de minimis of one-third
    - NFIDCs exempted
    - Exceptions also if AMS mainly allocated to subsistence and resource-poor producers
The December 2008 draft modalities

“developing country Members shall be entitled to self-designate Special Products guided by indicators based on the criteria of food security, livelihood security and rural development. There shall be 12 per cent of tariff lines available for self-designation as Special Products. Up to 5 per cent of lines may have no cut. The overall average cut shall, in any case, be 11 percent.”
Special Products

- These figures remain controversial from both sides.
- Small numbers of tariff lines can translate into large values of trade exempted from tariff reduction.
  - 5% tariff lines could translate into 80-85% imports.
- Choice to be guided by indicators based on the criteria of food security, livelihood security and rural development set out in Annex F of modalities—but how limiting.
- Interaction with sensitive product classification.
Special Safeguard Mechanism

- Differing motivations in call for SSM

- Three main issues:
  - the eligible products,
  - conditions to be met to invoke the mechanism
  - remedies once the mechanism was invoked.

- Price-based safeguard when individual shipment price falls 85% below reference price

- Volume-based safeguard when imports exceed 110% of reference imports
Special Safeguard Mechanism

- Major sticking point in the negotiations is whether tariff + safeguard remedy can exceed pre-Doha tariff for volume-based safeguard
- December 2008 modalities says yes for 2-6 tariff lines plus greater flexibilities for LDCs and SVEs
- Chair’s accompanying paper suggests up to 2.5% tariff lines could exceed pre-Doha tariff
Critiques of the SSM

- Import ‘surges’ often reflect domestic production shortfalls and are therefore stabilising not destabilising.
- Simulations find safeguards often destabilise domestic market prices (Hertel et al. 2010, Finger 2010).
- De Gorter et al (2009) find up to 40% of trade in four major importers could be affected by volume safeguard, additional tariffs 11-19%.
- Developing country exporters more affected.
- Global prices further destabilised by use of SSM.
Export restrictions

- Export restrictions played a significant role in 2008-09 price spike (affected 22% of global staple food trade in 2008-10 period, Giordani et al. 2012)

- Effectiveness of exports restrictions can be self-defeating if other exporters (and importers) follow suit

- Quantitative restrictions on exports, including agricultural goods, are banned in the GATT, but exceptions in the agreement make the rules difficult to interpret and enforce; there are no prohibitions on export taxes.
Export restrictions

- December 2008 draft modalities
  - Time limits on use of export restrictions
  - Greater obligations to consult and to provide justification
- Should WTO rules encompass greater disciplines on export restrictions? If so, how?
- Tariffication, binding and reduction of permitted export taxes
- Treatment analogous to import safeguards
Making progress on global trade rules to improve food security

- Developing countries do not require permanent exceptions to WTO market access rules to secure their food security goals.
  - More important to address the neglect of investment in agricultural production, infrastructure and institutions
- But acceptance of need to allow defensive trade policy instruments to protect farmers and consumers
- Reconciliation depends on defensive measures being (a) transitional (b) limited in country coverage
Making progress on global trade rules to improve food security

- Doha Round draft modalities are still relevant if incomplete
- Tariff modalities in conjunction with Special Product rules would mean very few developing countries would be required to reduce applied tariffs
- Uncertainties over impact of SSM could be reduced by accepting more stringent conditions for use and resolving conditions for breach of pre-Doha tariffs
- Hufbauer and Adler (2008) proposal for differential and progressive tightening of SSM rules and remedies
Making progress on global trade rules to improve food security

- Export restrictions need to be more effectively addressed
- Greater differentiation of commitments among developing countries
  - LDCs, NFIDSc, SVEs, RAMs
- Identifying food-insecure countries is not an innocent technical exercise
- Making greater use of side-payments to individual countries
- Successful conclusion to Doha negotiations is of course a wider issue........