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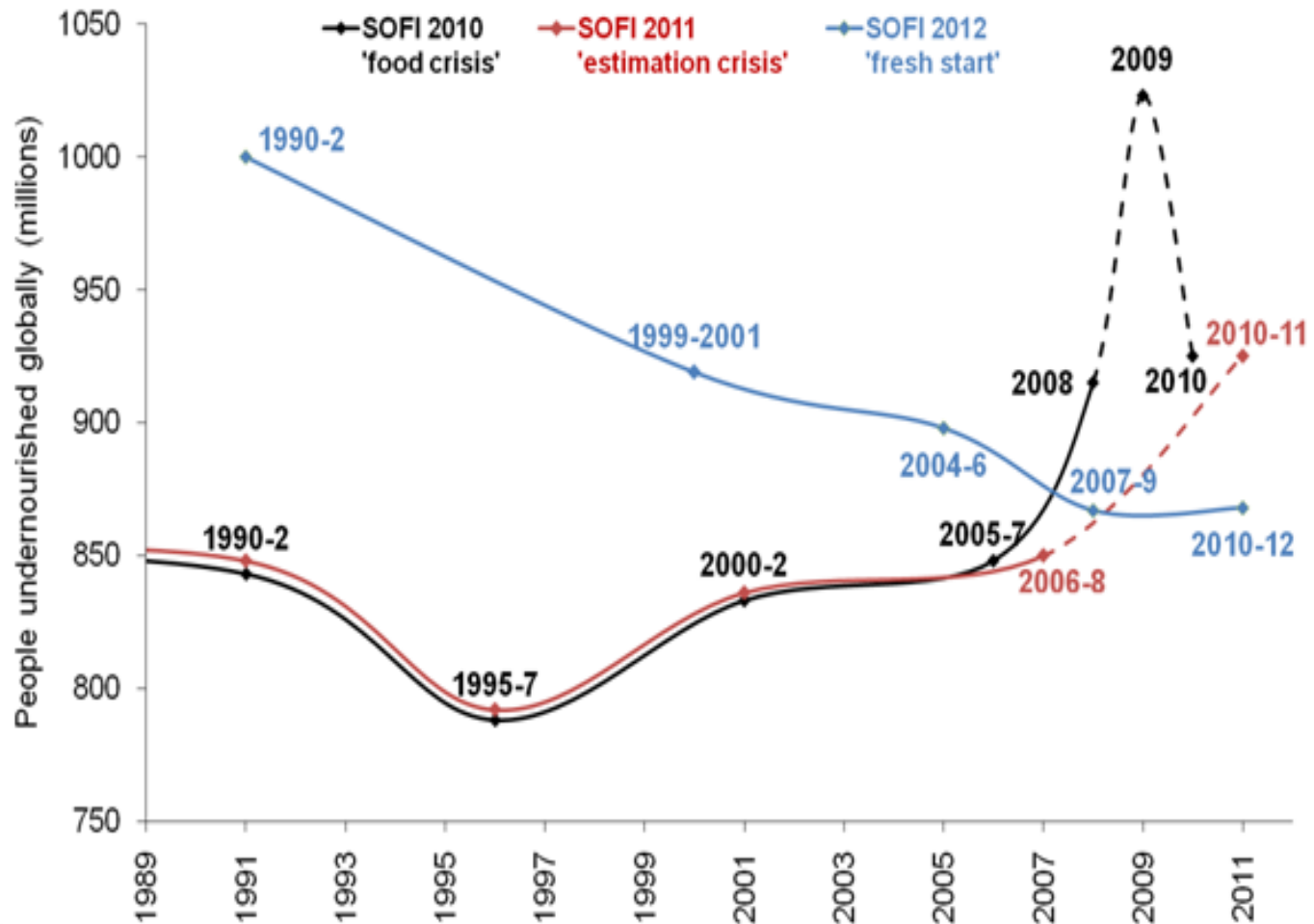
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TRADE AGREEMENTS, WTO RULES, AND FOOD SECURITY

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Global food security trends



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

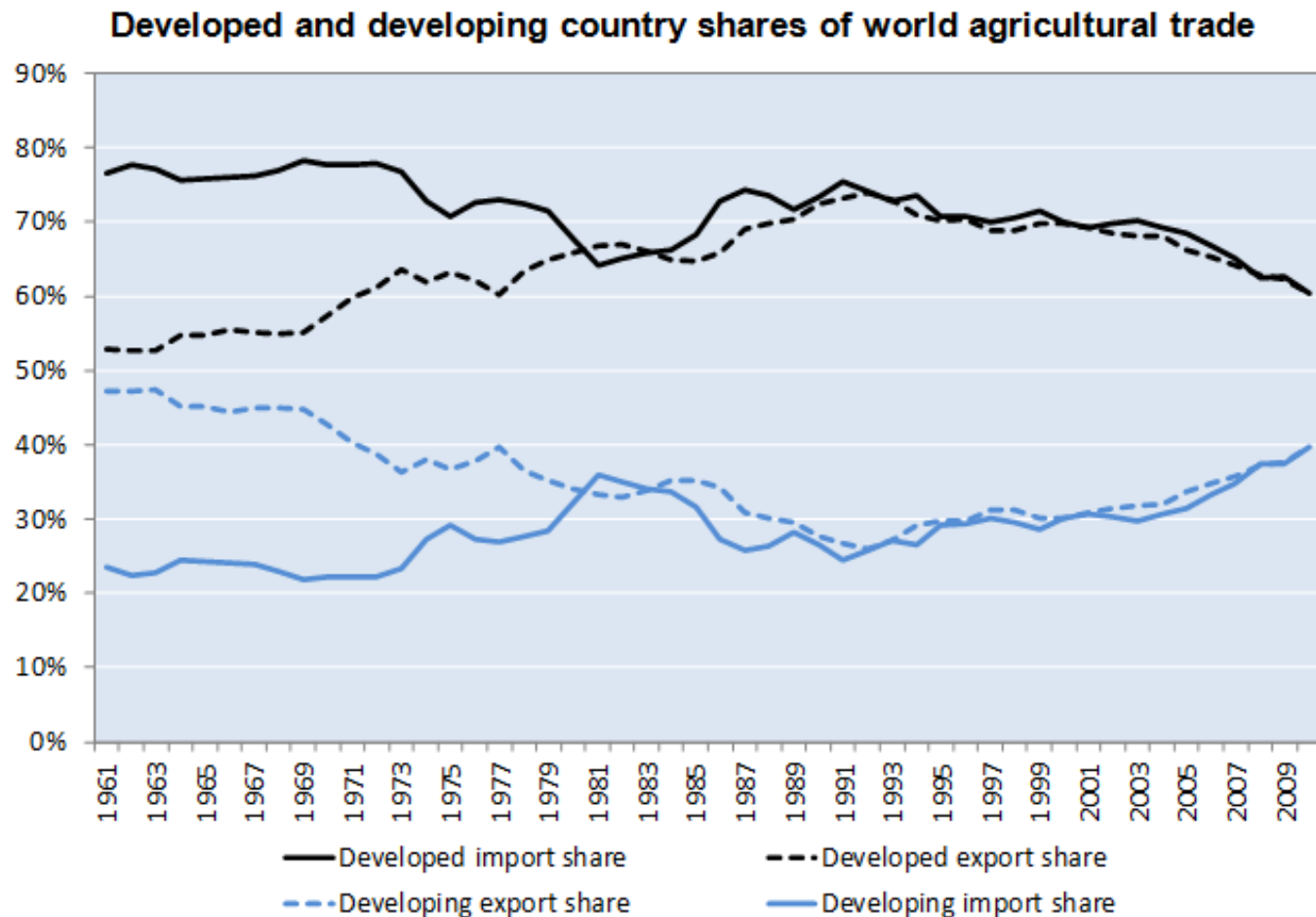
- DR disciplines on developed countries
- DR disciplines on developing countries
 - ▣ Domestic support, Special Products, Special Safeguard Mechanism, export restrictions

- The way forward – what might help to break the logjam?

The changed global environment

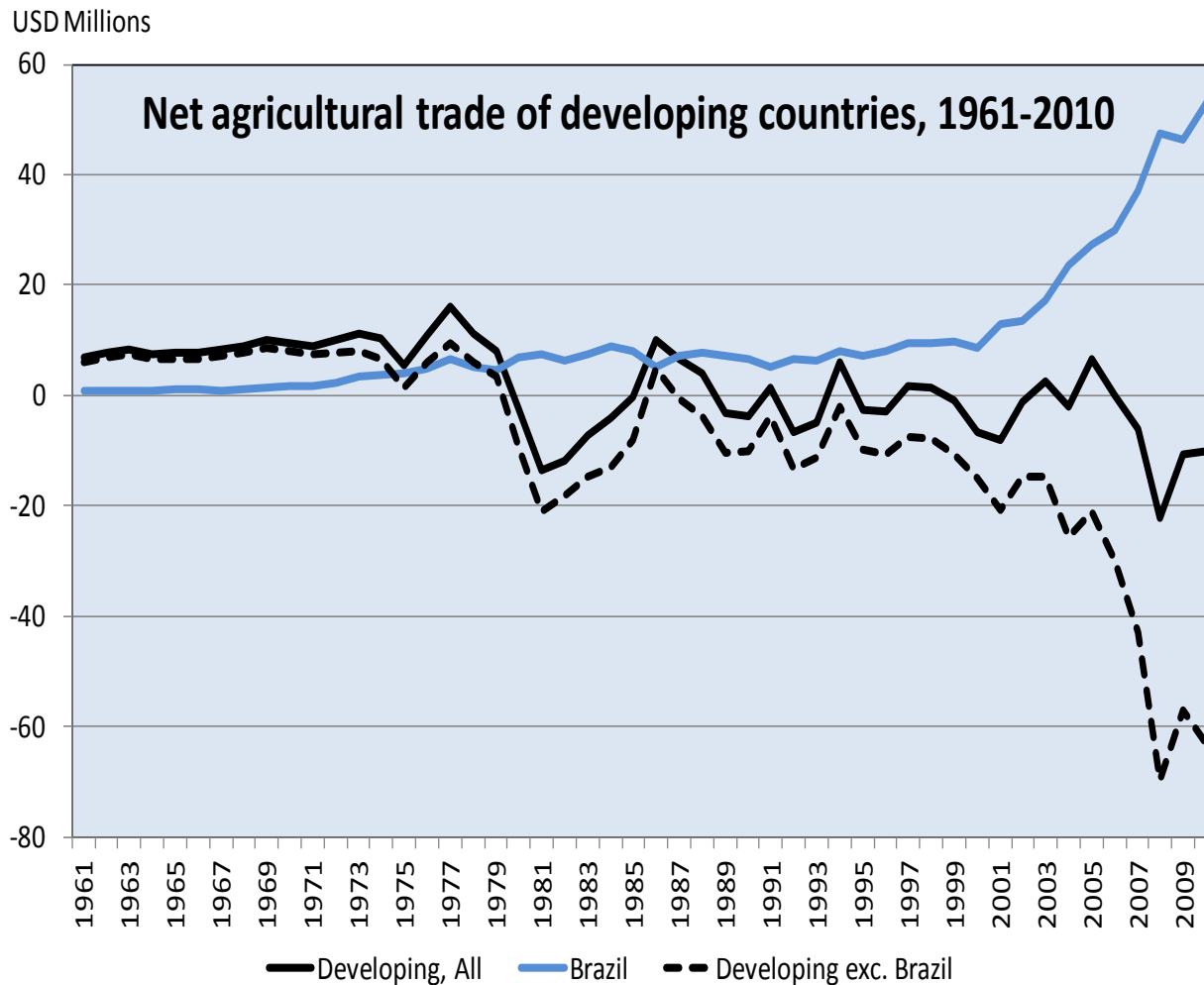
- Higher food prices
 - ▣ More focus on consumer rather than producer interests
- More volatility
 - ▣ More focus on stabilisation issues rather than market access
- Developing countries are more important food importers
- More of these food imports are being met by developing country exporters
 - ▣ WTO rules more relevant to South-South trade

Developing countries' growing share in world agricultural trade

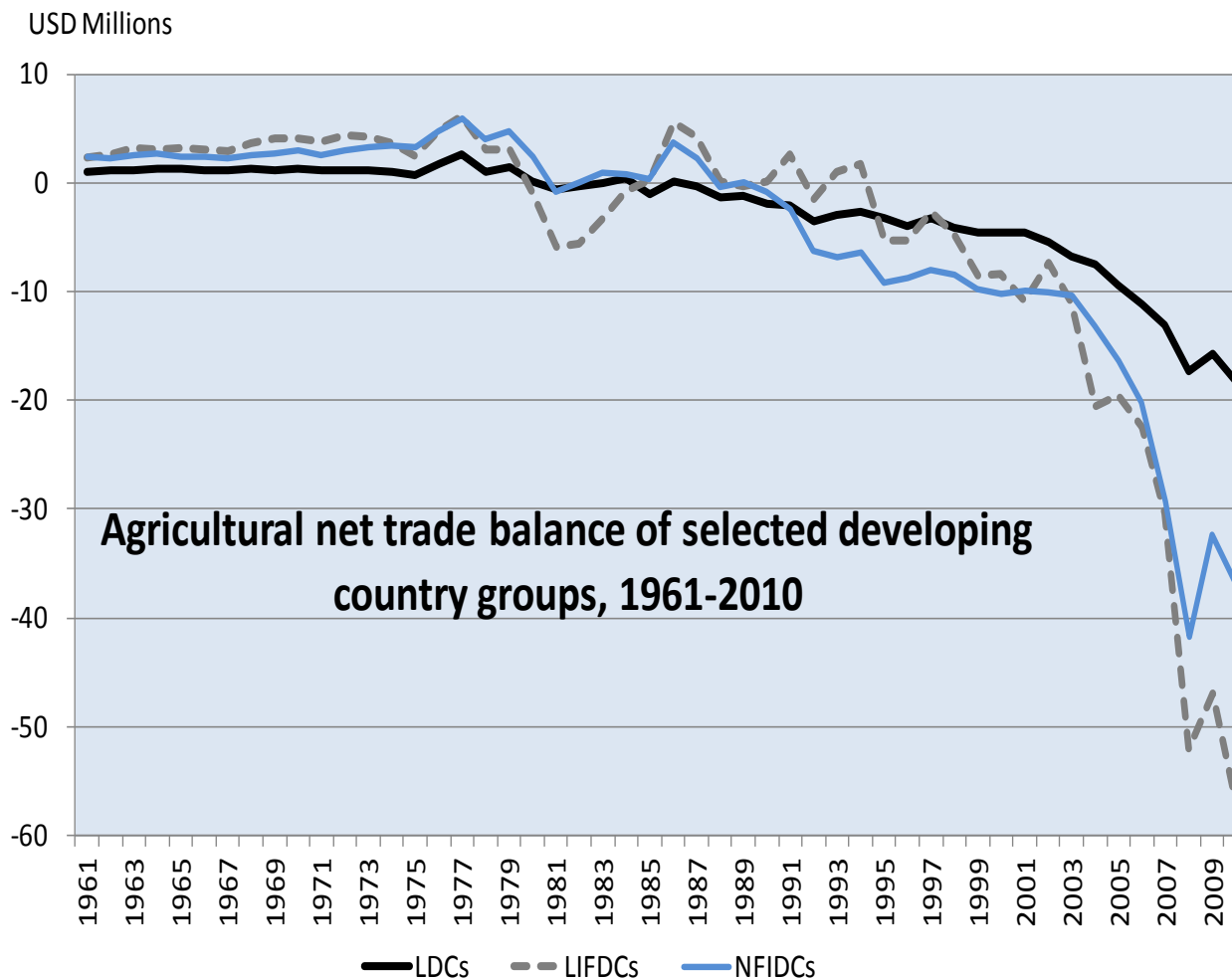


Source: Own tabulation based on FAOSTAT. Developing countries include transition economies.

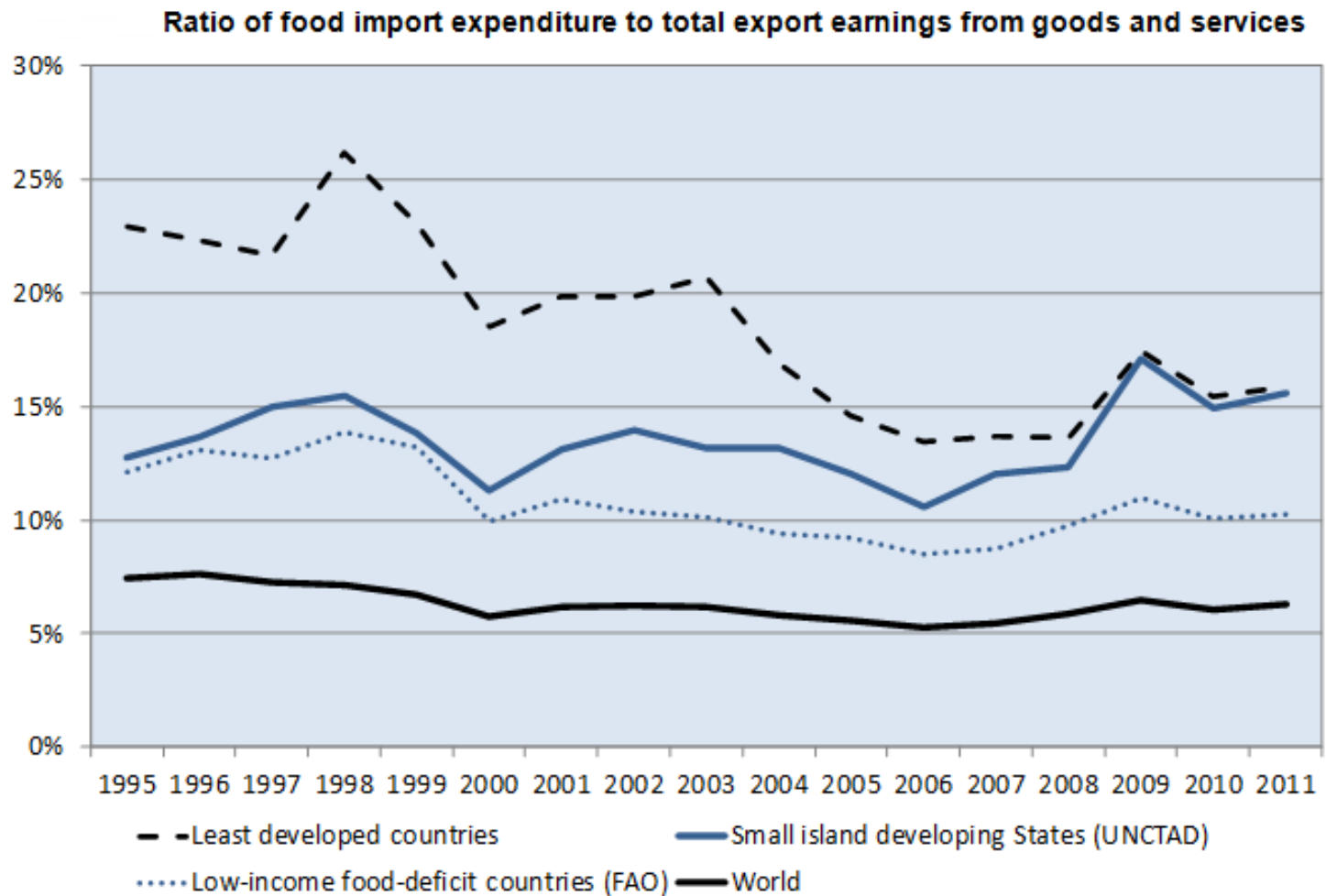
Developing countries are increasingly net importers



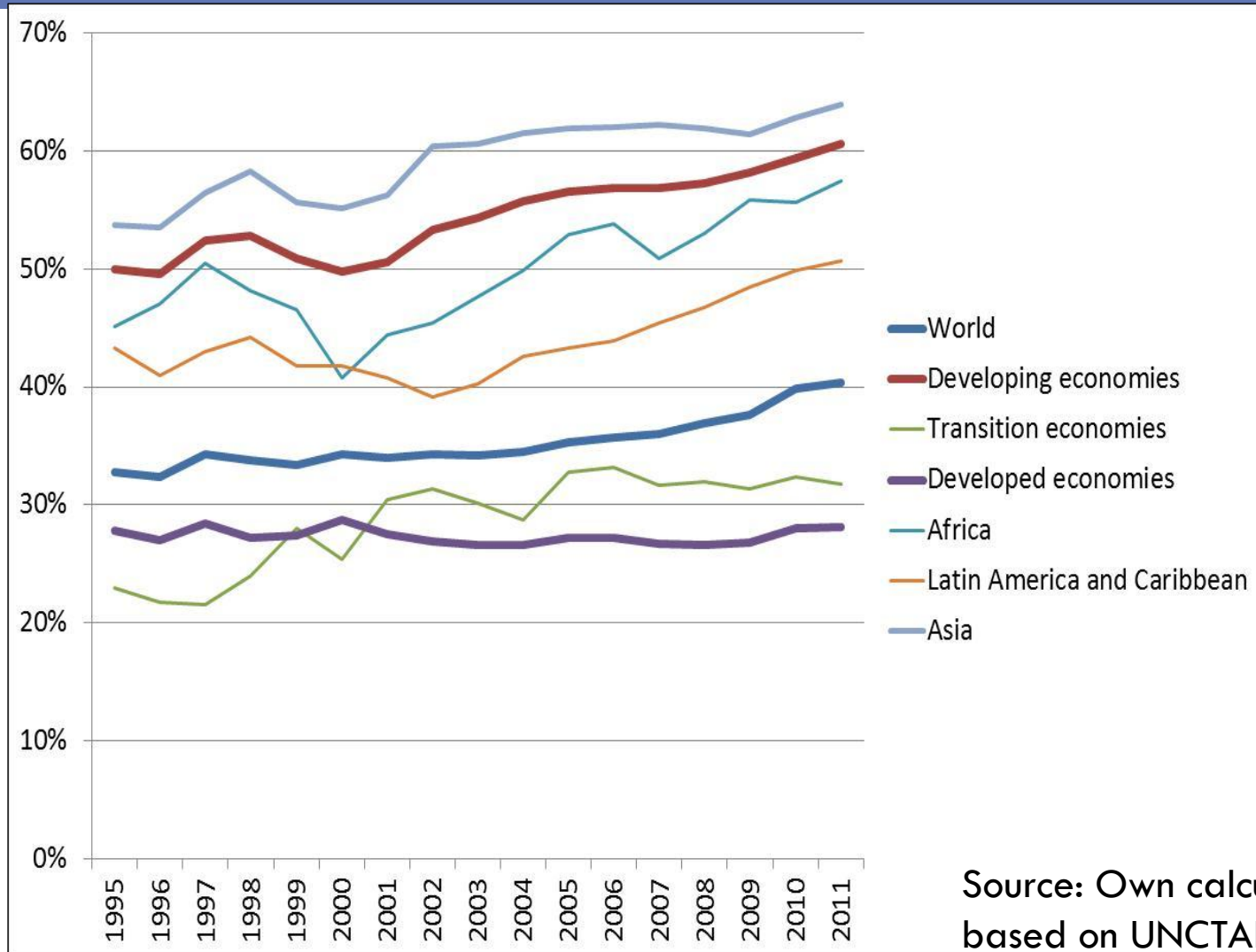
Growing net importer status applies across major developing country groups



On average, food import bills are not a growing burden

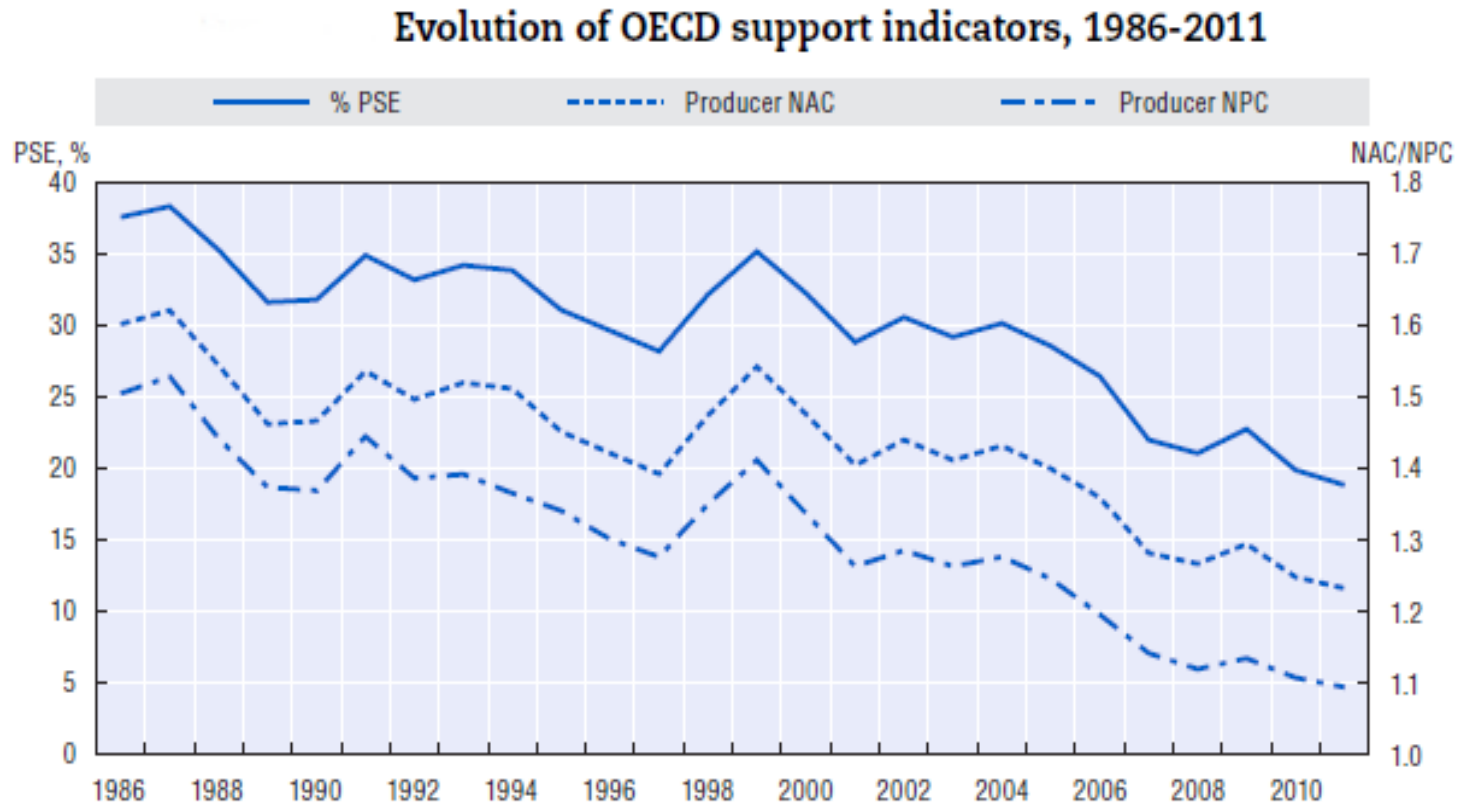


Developing country shares of developing country imports growing



Source: Own calculations based on UNCTADStat

Developed country support has been falling in per cent terms



% 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.

Source: OECD, PSE/CSE Database, 2012.

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

WTO domestic support policies

- 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

Special Products

- 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.....