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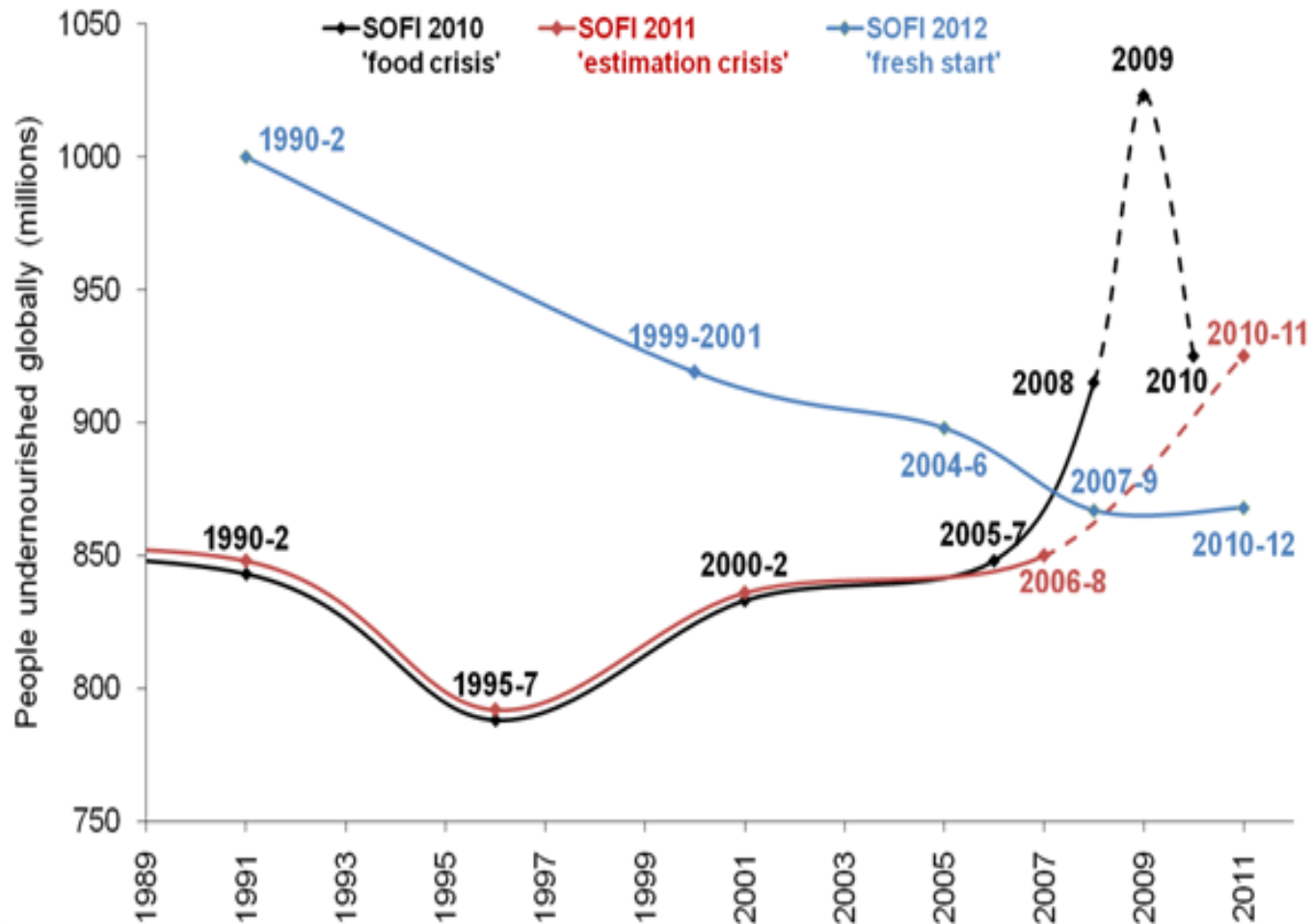
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# TRADE AGREEMENTS, WTO RULES, AND FOOD SECURITY

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'New Rules for Trade', San Diego  
9 December 2012

# 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

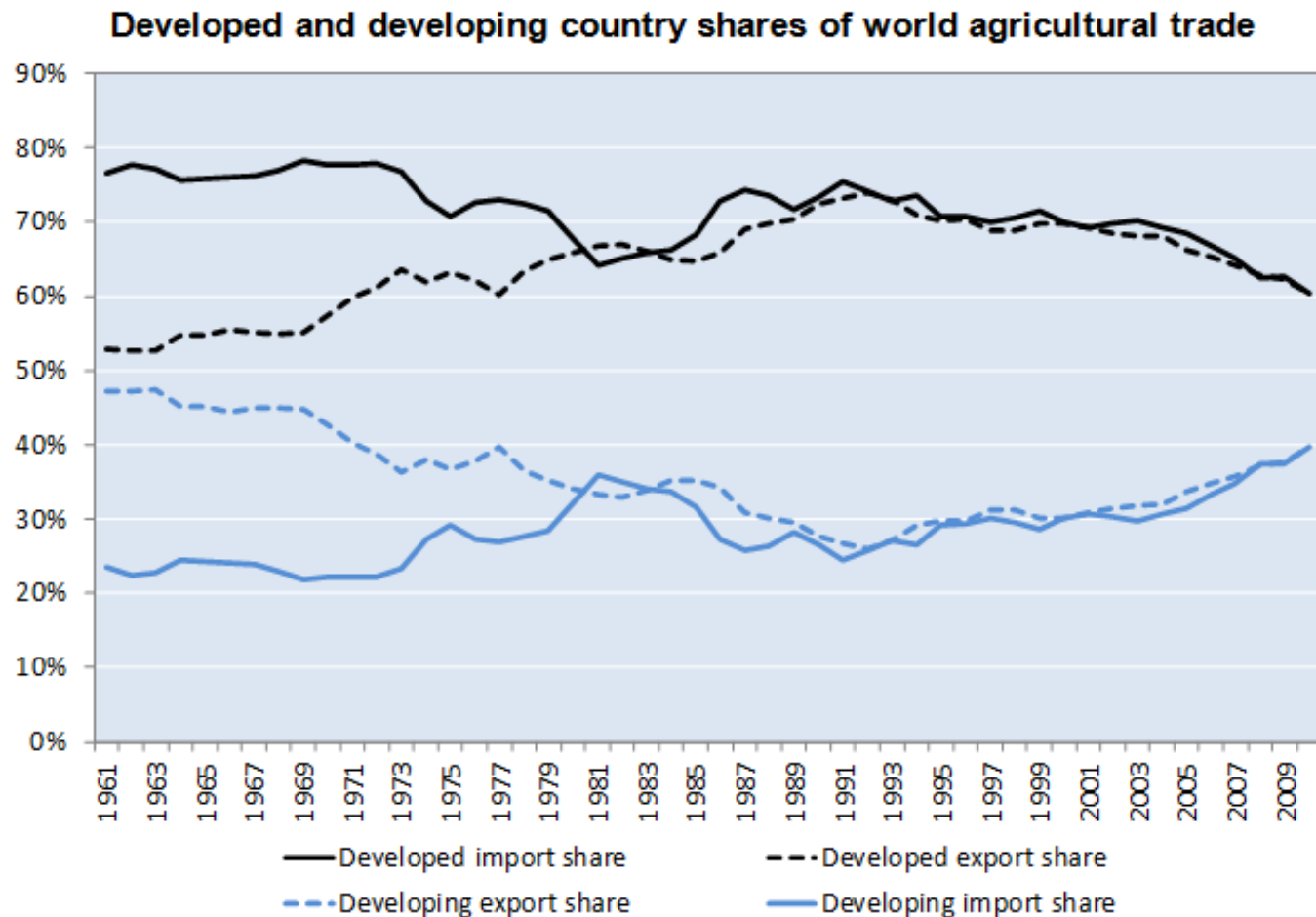
- The changing context for global food security discussions
- DR disciplines on developed countries
- DR disciplines on developing countries
  - ▣ Domestic support, Special Products, Special Safeguard Mechanism, export restrictions
- The way forward – what might help to break the logjam?

# 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

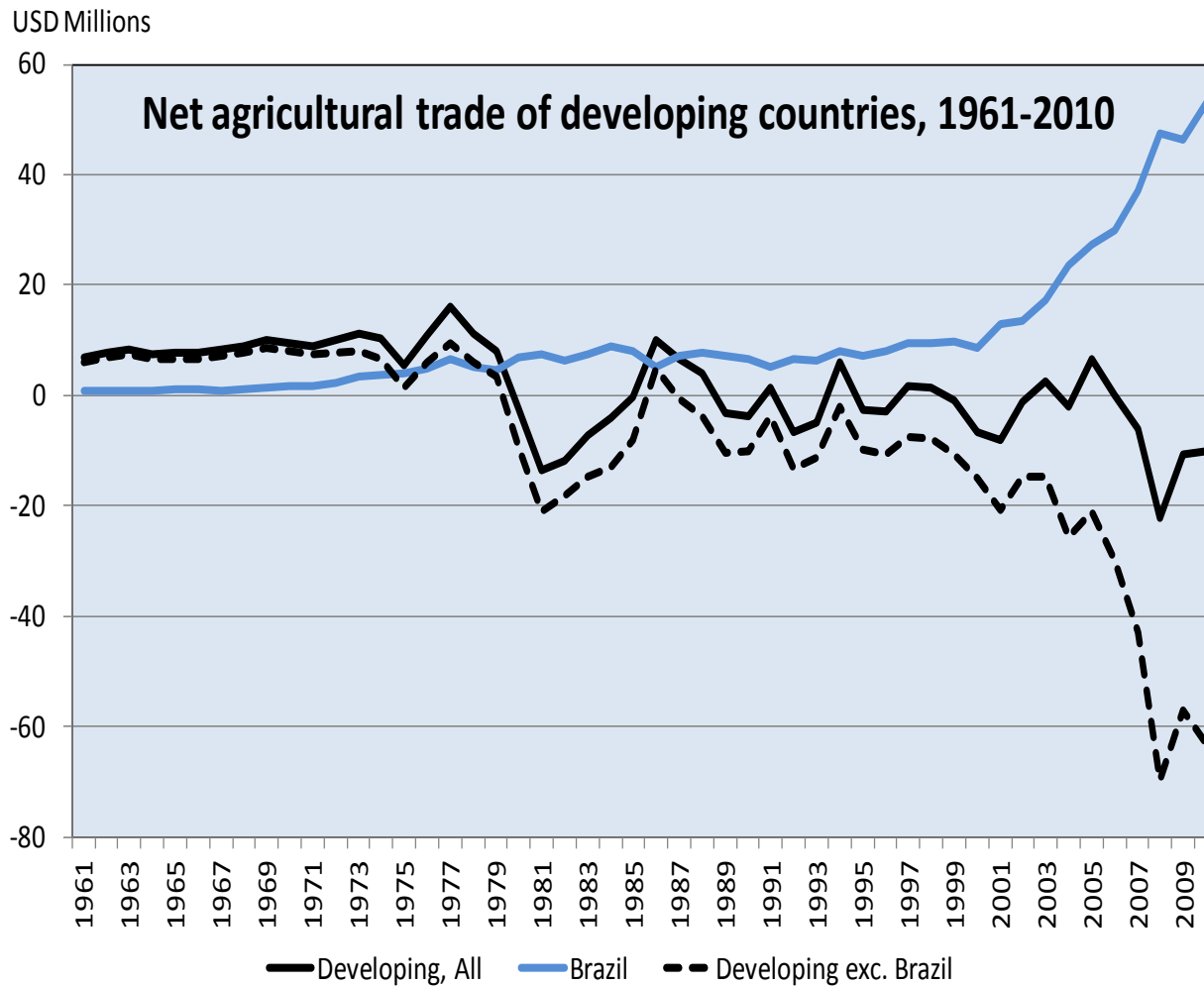


# Developing countries' growing share in world agricultural trade

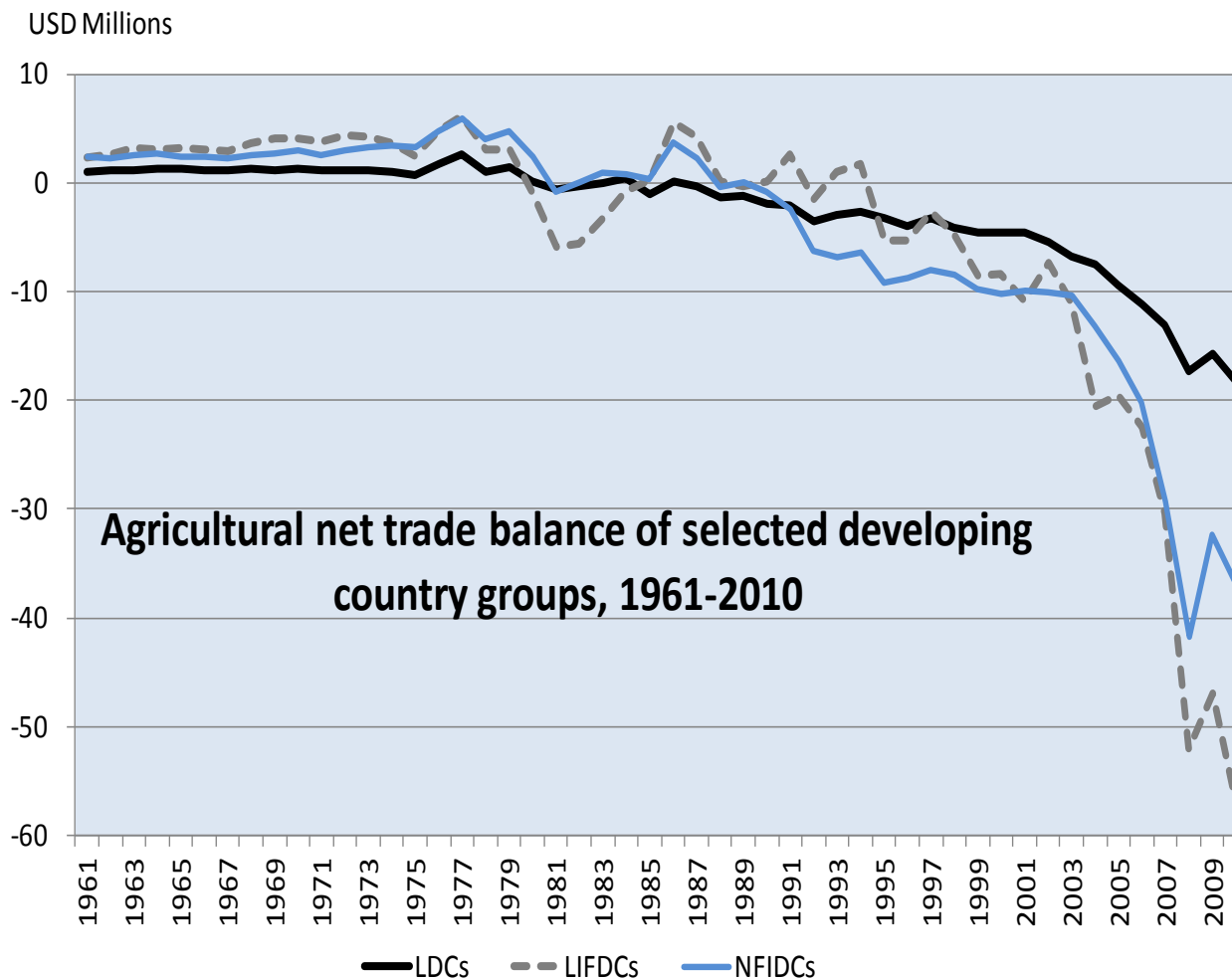


Source: Own tabulation based on FAOSTAT. Developing countries include transition economies.

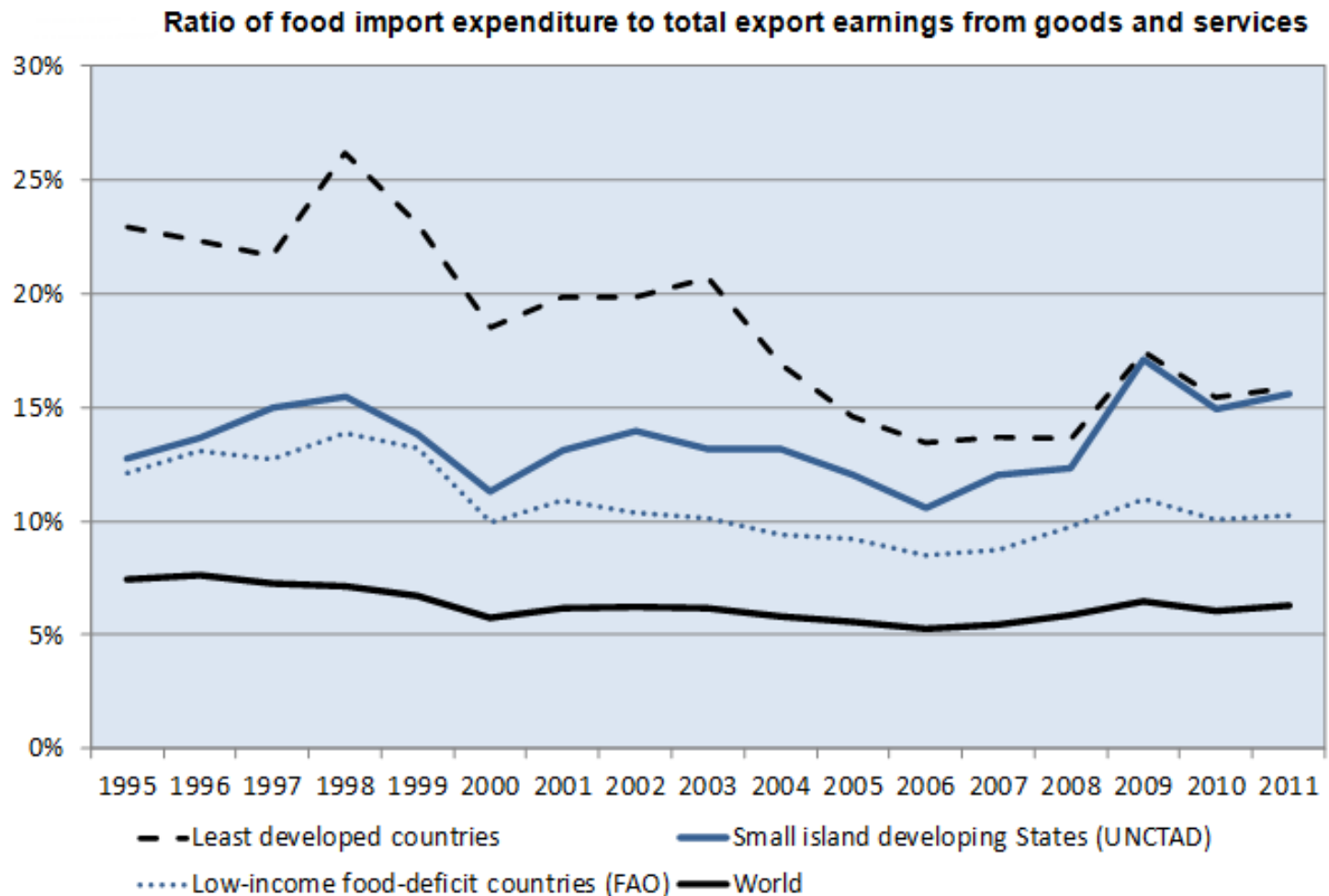
# Developing countries are increasingly net importers



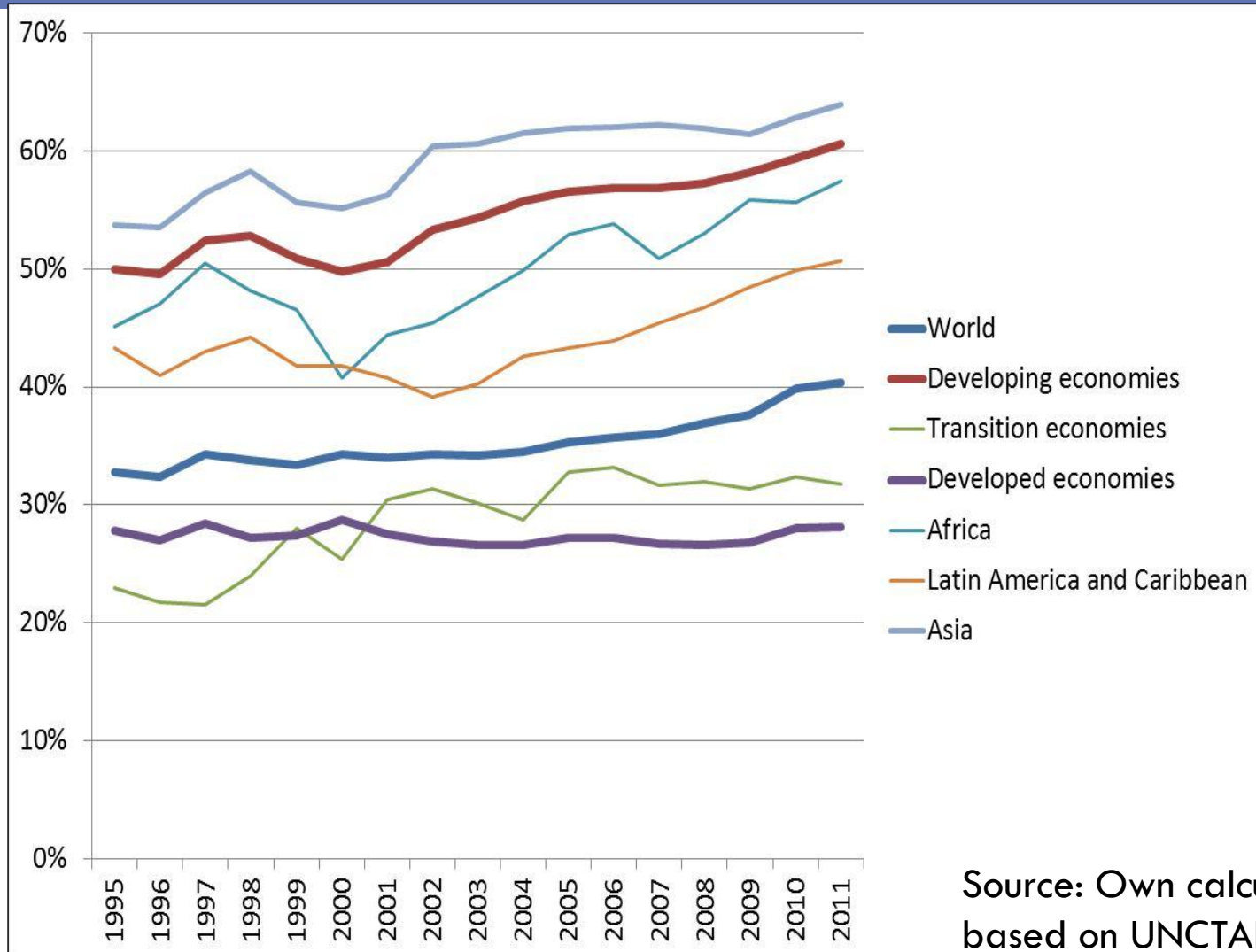
# Growing net importer status applies across major developing country groups



# On average, food import bills are not a growing burden



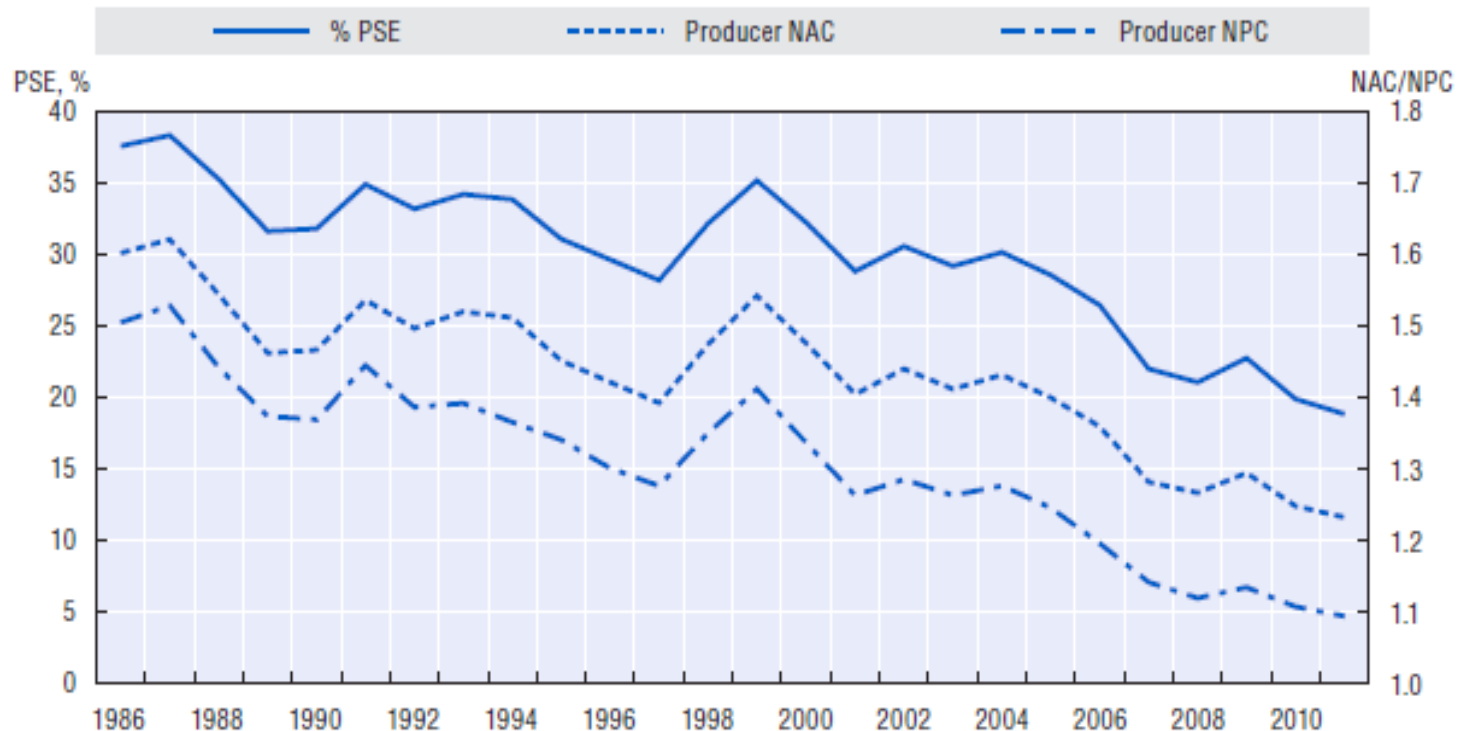
# Developing country shares of developing country imports growing



Source: Own calculations based on UNCTADStat

# Developed country support has been falling in per cent terms

Evolution of OECD support indicators, 1986-2011



% 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.....