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**Item 7: Evolution of the International Trading System and its
Trends from a Development Perspective**

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Evolution of the international trading system and its trends from a developing perspective

**Trade & Development Board
61st. session
22 September 2014**

**Division of International Trade on Goods and Services, and
Commodities**



**UNITED NATIONS
UNCTAD**

Beyond the background document we have several important analytical papers

Parliamentary document



- TD/B/61/2
Evolution of the international trading system and its trends from a development perspective

UNCTAD Regular publications



- Key stats & trends in international trade
- Key stats & trends in trade policy
- Trade & Sustainable Development Review 2013

Discussion papers



- RTAs: Trade in agricultural goods
- Key issues for developing countries and WTO negotiations
- Price Transmission in Agricultural Markets
- Bound and Applied Tariffs on Agricultural Products
- Competition issues in the food chain
- Organic agriculture & sustainable development UGANDA/LAO
- There road from Rio+20

Background document TD/B/61/2

- I. Agriculture trade, poverty reduction and sustainable development
 - Trends in international **trade** in agriculture
 - Trends in agriculture **trade policy**
 - **Interlinkages** between agriculture, trade and poverty reduction

- II. Agriculture trade in the post 2015 era: Seven issues for discussion

Agriculture: International trade



How much?

Who?

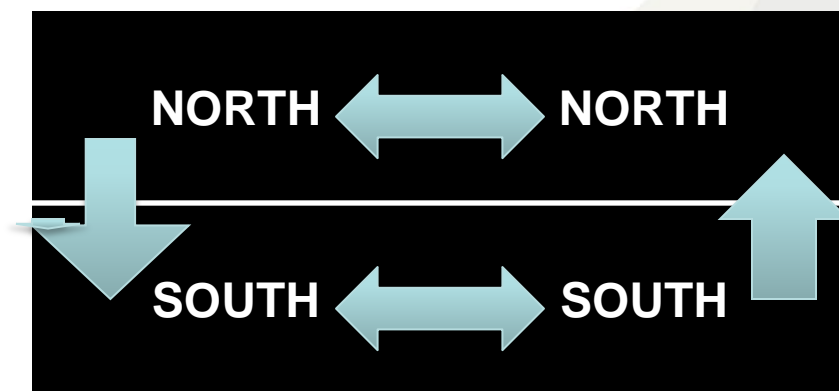
What?

The share of agriculture goods in global trade remained relatively stable...

2007	2012
8.3 %	9.2 %

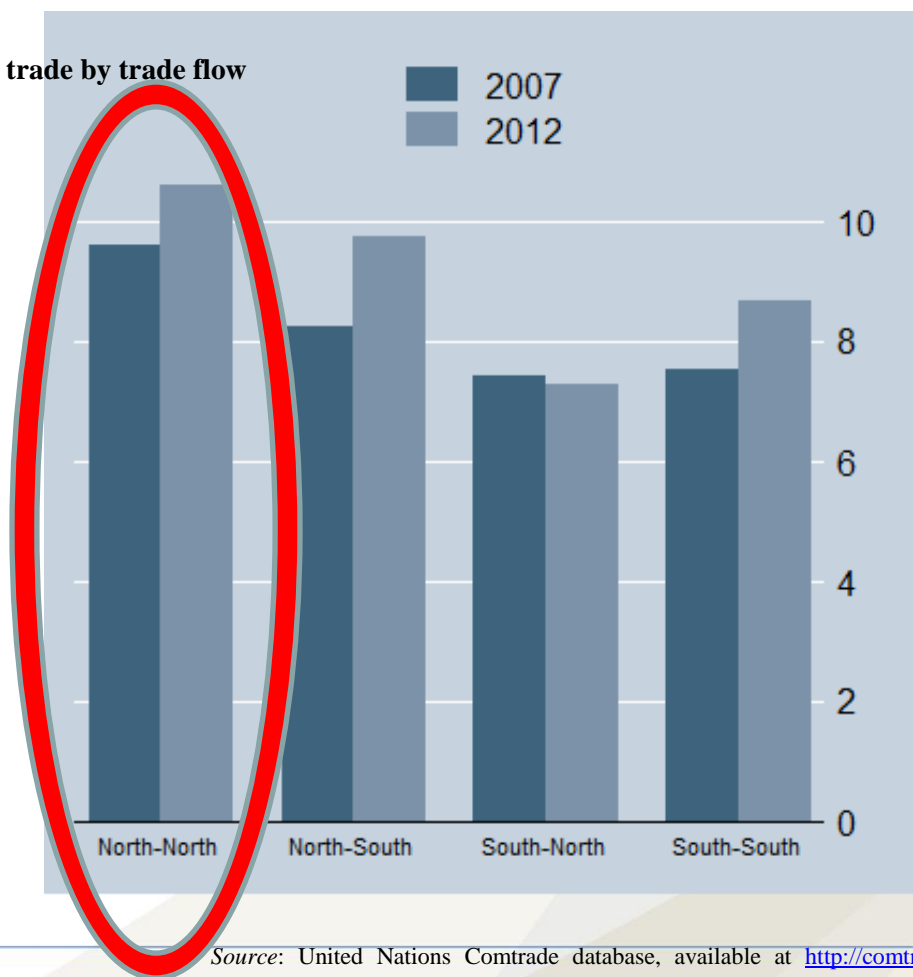
and if we analyse the four flows of trade...

2007	2012
8.3 %	9.2 %



...agriculture trade claims the highest share in North-North trade...

Share of agriculture in total trade by trade flow
(percentage)

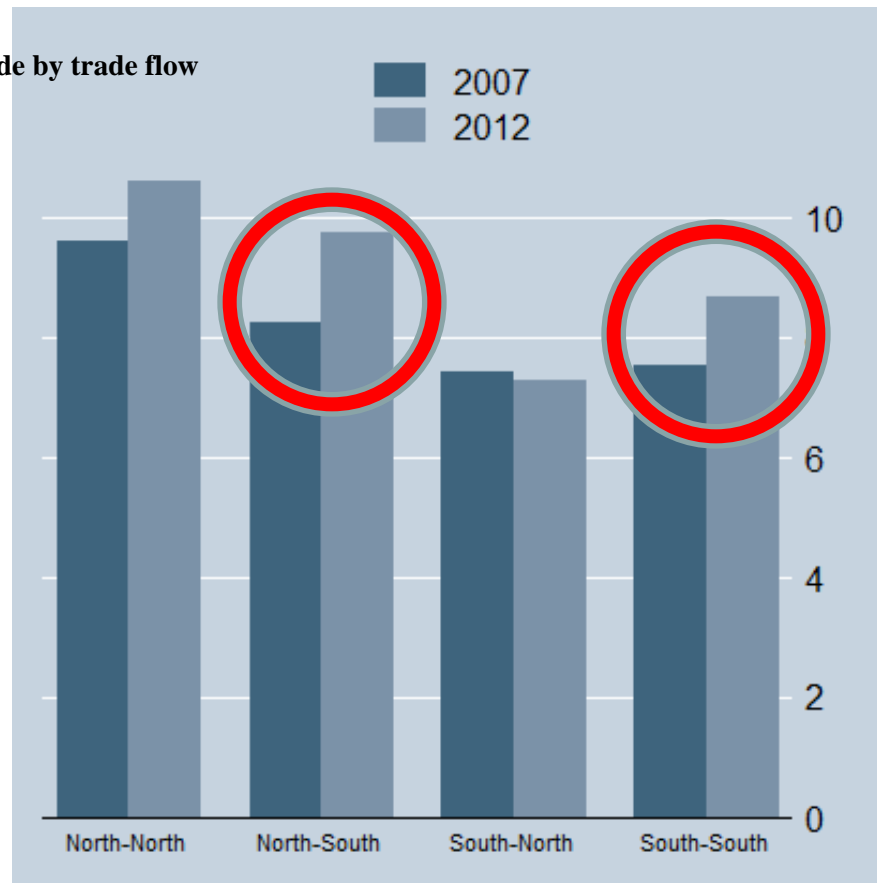


Source: United Nations Comtrade database, available at <http://comtrade.un.org/>, and UNCTAD secretariat calculations.



...and there are indications of increasing demand for agriculture products in the South...

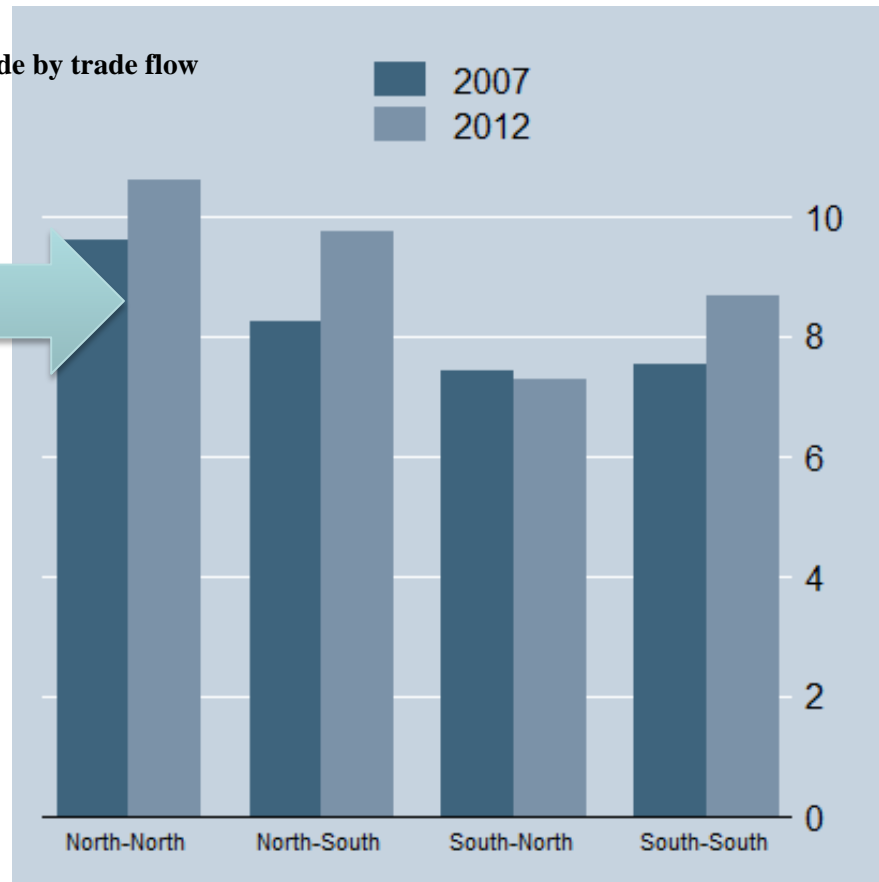
Share of agriculture in total trade by trade flow
(percentage)



Source: United Nations Comtrade database, available at <http://comtrade.un.org/>, and UNCTAD secretariat calculations.

...the composition of the agricultural products traded is quite different...

Share of agriculture in total trade by trade flow (percentage)



High value products in North-North trade

North-North
(US\$612 billion total)

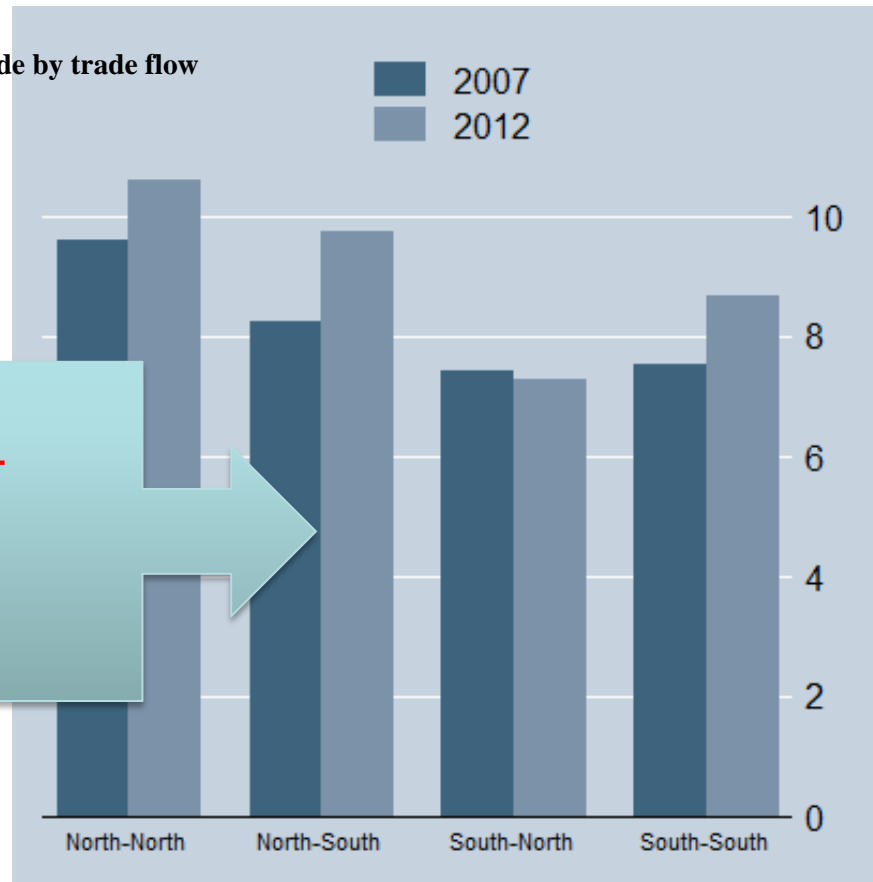
wine	3.8
meat (pork)	3.4
cheese and curd	3.4
bread, pastry, cakes	3.0
cigars, cigarettes, etc.	2.7
alcohol, spirits, liqueur	2.6
chocolate	2.5
wood, sawn or chipped	2.4
prepared food	2.4
meat (beef)	2.4

28.4

...the composition of the agricultural products traded is quite different.

*North-South
(US\$313 billion total)*

Share of agriculture in total trade by trade flow
(percentage)



Highly subsidized products in North-South trade

wheat and meslin	7.1
soya beans	7.1
milk and cream	4.1
cotton	3.2
prepared food	2.8
alcohol, spirits, liqueur	2.7
synthetic rubber, etc.	2.7
maize	2.7
waste and scrap paper	2.5
wood, sawn or chipped	2.4
	37.3

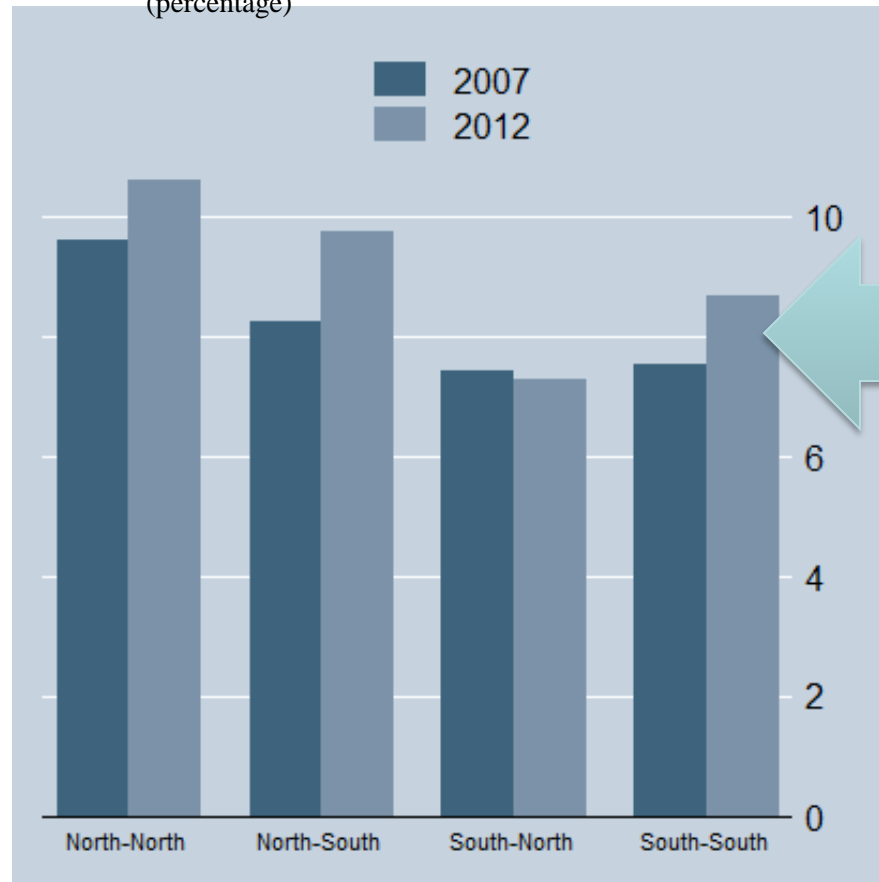
...the composition of the agricultural products traded is quite different...

South-South
US\$440 billion total) (1

palm oil	7.0
soya beans	5.6
cane or beet sugar	4.6
natural rubber	4.0
rice	4.0
maize	3.6
wheat and meslin	3.2
oil cake	2.7 p
cotton	2.5
fish, frozen	2.1

39.4

Share of agriculture in total trade by trade flow (percentage)



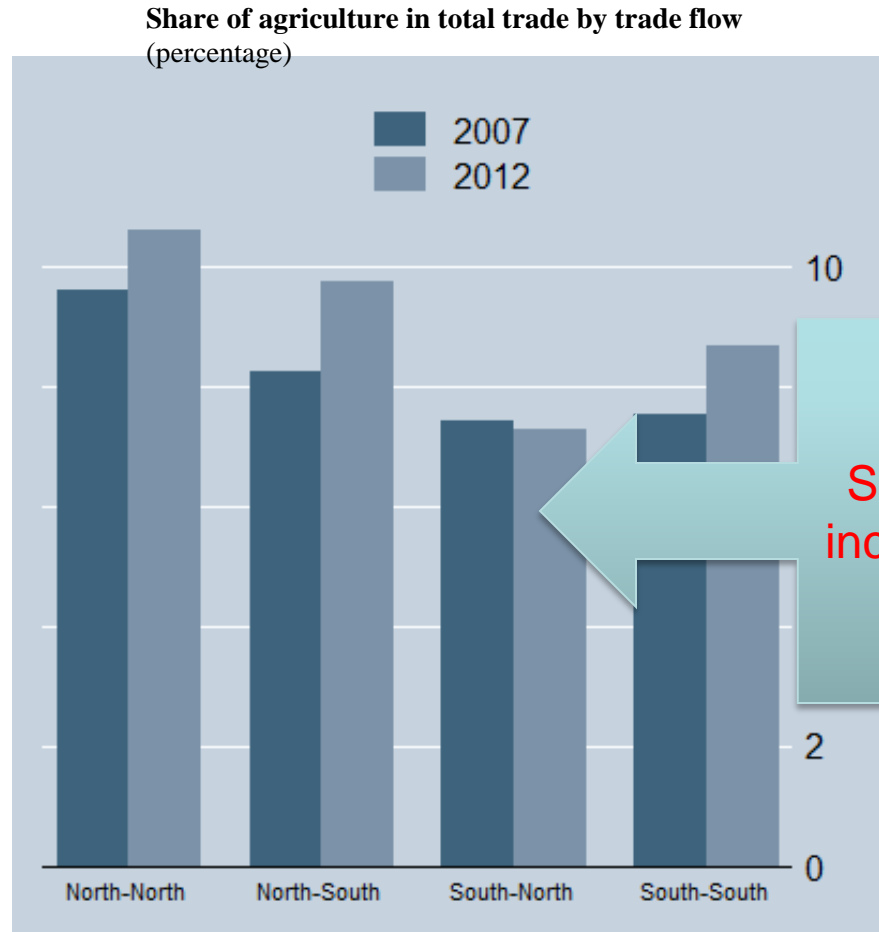
South-South consisted largely of staple foodstuffs



...the composition of the agricultural products traded is quite different...

South-North
(US\$296 billion total)

coffee	6.7
natural rubber	3.8
crustaceans	3.6
oil cake	3.5
fish fillets	3.5
bananas	3.0
palm oil	2.7
prepared fish	2.5
fruit juices	2.1
soya beans	2.1



South-North trade included cash crops

...and agriculture trade is growing quickly within the framework of RTA's...



From 45% in 2007

To 51% in 2012

...and agriculture trade is growing quickly within the framework of RTA's...

Annual % growth rate 2007-2012	Within RTA's	Outside RTA's
Agricultural Trade	8.2	3.3
Non agricultural Trade	5.8	2

Agriculture: Trade policy issues

tariffs

**Non-tariff
measures**

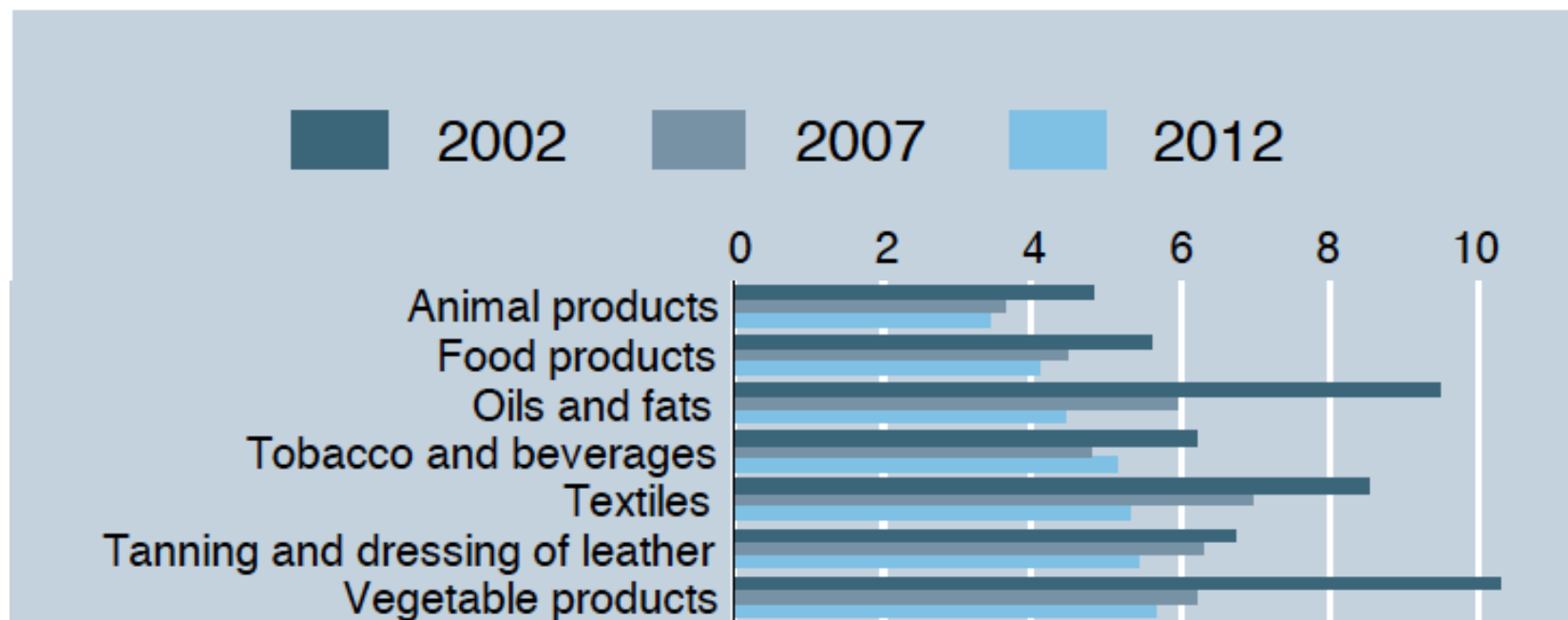
subsidies



Tariffs on agricultural products have been lowered in the last decade...

Total tariffs restrictiveness index by economic sector

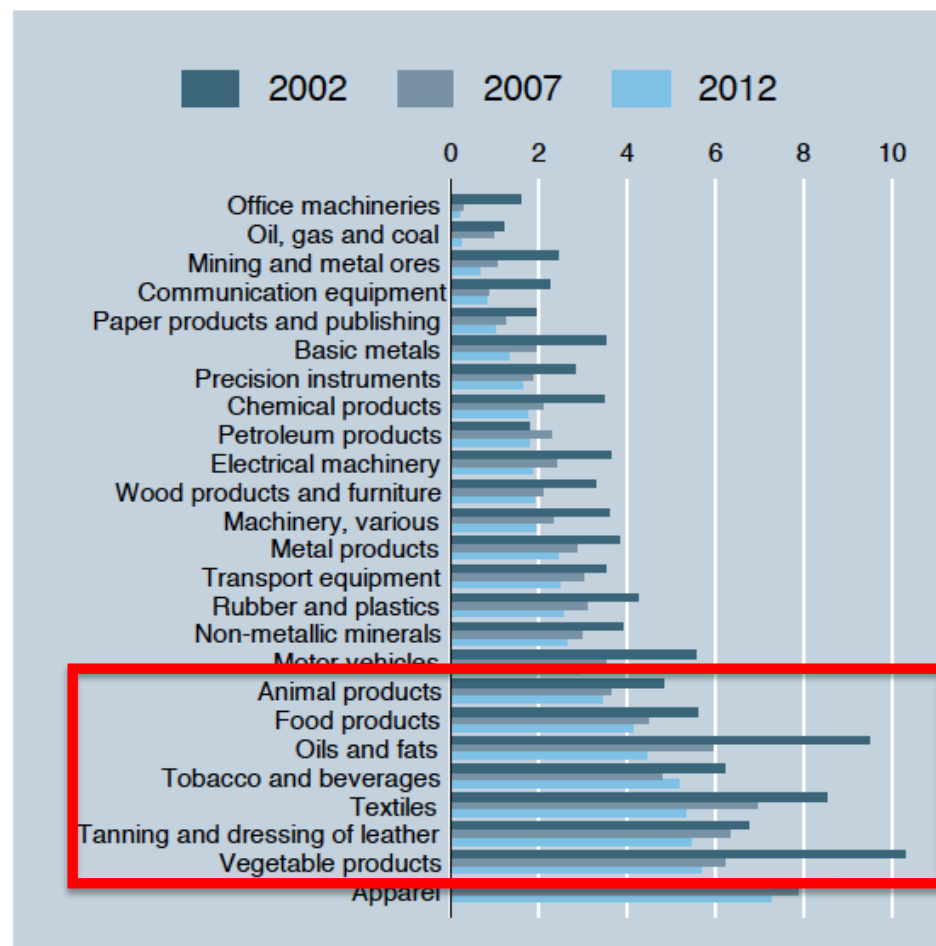
(Percentage)



Source: UNCTAD Trade Analysis and Information System database

...but they remain high relatively to other sectors...

Total tariffs restrictiveness index by economic sector
(Percentage)



Source: UNCTAD Trade Analysis and Information System database

Applied tariffs on agricultural goods for Most Favoured Nations vary significantly across different trade flows...

Applied rates on agricultural goods for most favoured nations

(Percentage)

		2012			
		Exporters			
		High-income countries	Least developed countries	Developing countries	
Simple average	Importers	High-income countries	4.2	3.4	4.1
		Least developed countries	15.8	18.0	16.3
		Developing countries	12.7	9.4	12.1

The highest level of protection is amongst LDC countries...

Applied rates on agricultural goods for most favoured nations

(Percentage)

		2012			
		Exporters			
		High-income countries	Least developed countries	Developing countries	
Simple average	Importers	High-income countries	4.2	2.4	4.1
		Least developed countries	15.8	18.0	16.3
		Developing countries	12.7	9.4	12.1

But tariffs from High Income countries against LDC exports are higher when measured as trade weighted...

Applied rates on agricultural goods for most favoured nations

(Percentage)

			2012		
			<i>Exporters</i>		
			<i>High-income countries</i>	<i>Least developed countries</i>	<i>Developing countries</i>
Simple average	<i>Importers</i>	<i>High-income countries</i>	4.2	3.4	4.1
		<i>Least developed countries</i>	15.8	18.0	16.3
		<i>Developing countries</i>	12.7	9.4	12.1
Trade-weighted average	<i>Importers</i>	<i>High-income countries</i>	1.1	5.2	4.3
		<i>Least developed countries</i>	10.3	18.4	10.5
		<i>Developing countries</i>	13.8	6.5	12.6

...because their variability or dispersion of simple averages is significant...

Applied rates on agricultural goods for most favoured nations

(Percentage)

			2012		
			Exporters		
			High-income countries	Least developed countries	Developing countries
Simple average	<i>Importers</i>	<i>High-income countries</i>	4.2	3.4	4.1
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		<i>Developing countries</i>	12.7	9.4	12.1
Trade-weighted average	<i>Importers</i>	<i>High-income countries</i>	1.1	5.2	4.3
		<i>Least developed countries</i>	10.3	18.4	10.5
		<i>Developing countries</i>	13.8	6.5	12.6
Variability of simple averages (standard deviation)	<i>Importers</i>	<i>High-income countries</i>	5.5	17.8	16.8
		<i>Least developed countries</i>	9.4	9.5	9.9
		<i>Developing countries</i>	17.4	11.8	13.8

Source: UNCTAD Trade Analysis and Information System database

...due to the high-income countries tariff peaks...

TARIFF PEAKS *	2012
Agricultural goods	36.0 %
Non agricultural goods	2.5 %

* Proportion of tariff lines above 15 %

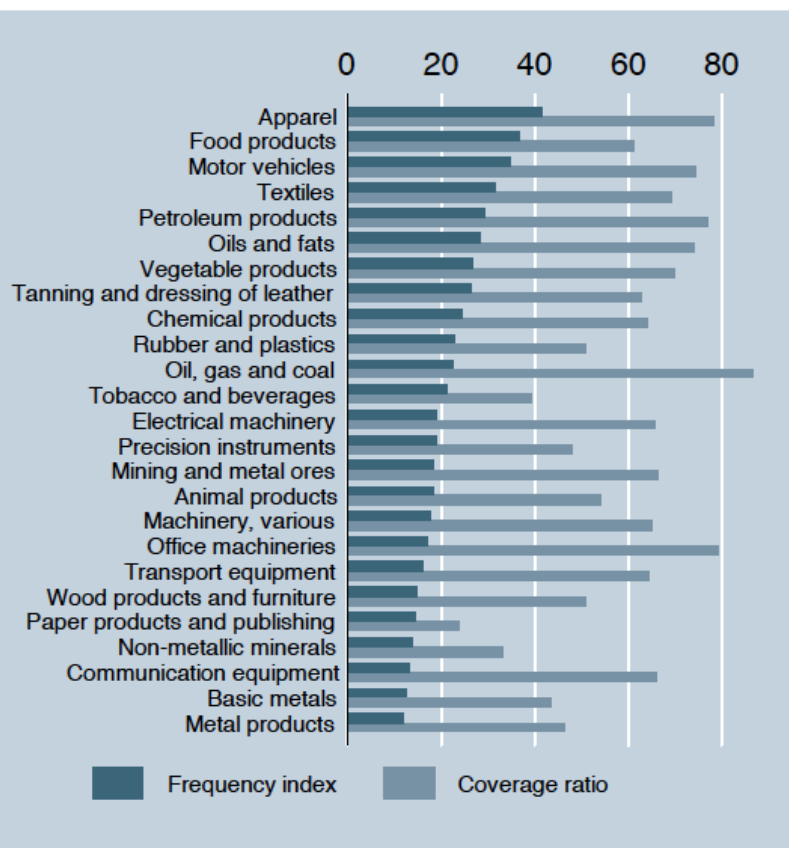
...and High Income Countries tariff escalation for agricultural goods...

TARIFF ESCALATION *	2012
Agricultural goods	10.0
Non agricultural goods	0.3

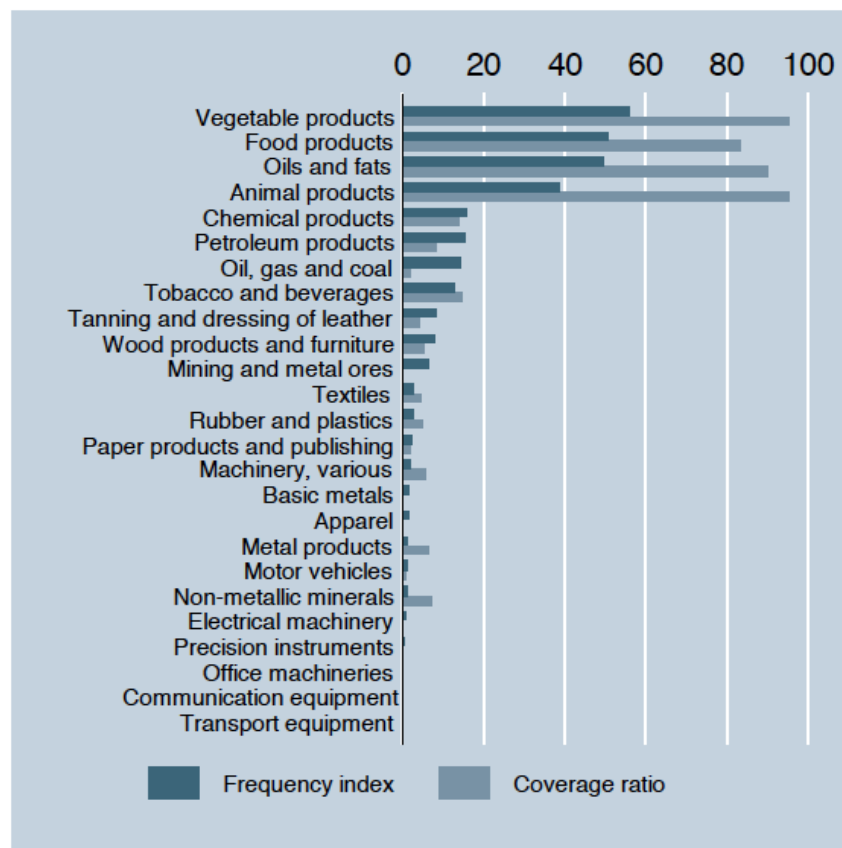
* Percentage points difference between the applied tariffs for finished products
And the applied tariffs for raw materials.

...agricultural products are also subject to a variety of NTM which may have an implicit trade-distorting effect...

Technical non-tariff measures, by economic sector
(Percentage)



Sanitary and phytosanitary non-tariff measures, by economic sector
(Percentage)



...yet the largest distorting element in global agricultural trade is subsidies...

O.E.C.D.	2012
Producer Support Estimate	U\$S 258.6 billion
% of Farming Receipts	19 %

...and the resilience of agricultural subsidies at high levels in many countries is not unrelated to the stalemate in the WTO DDA...

Producer support estimates as percentage of gross farm receipts

	<i>2012</i>	<i>Average change (2007=100)</i>
OECD		
Total	18.6	94.9
Australia	2.7	66.2
Canada	14.3	93.6
Chile	3.3	95.3
Iceland	47.3	85.1
Israel	11.4	742.2
Japan	55.9	111.00
Mexico	12.3	98.1
New Zealand	0.8	102.9
Norway	63.1	111.00
Republic of Korea	53.8	84.6
Switzerland	56.6	106.00
Turkey	22.4	95.9
United States	7.1	84
European Union (27 member countries)	19.0	90.9
Non-OECD		
Brazil	4.6	102.5
China	16.8	120.00
Indonesia	20.9	69.3
Kazakhstan	14.6	210.00
Russian Federation	13.5	120.9
South Africa	3.2	60.00
Ukraine	1.3	87.9

Linkages between agriculture, trade and poverty reduction



The importance of agriculture for development relates to the fact that...

- **98 % of the agricultural workers live in developing countries.**
- **Agriculture in developing countries accounts on average 50% of the working population.**
- **This percentage is even higher in low-income countries (Sub Saharan Africa 60%).**
- **In South Asia women's employment in the agriculture sector is 70%**

...and high rates of poverty incidence and poverty depth can be seen in rural population...

Poverty incidence and depth in low-income and lower middle-income countries (Percentage)

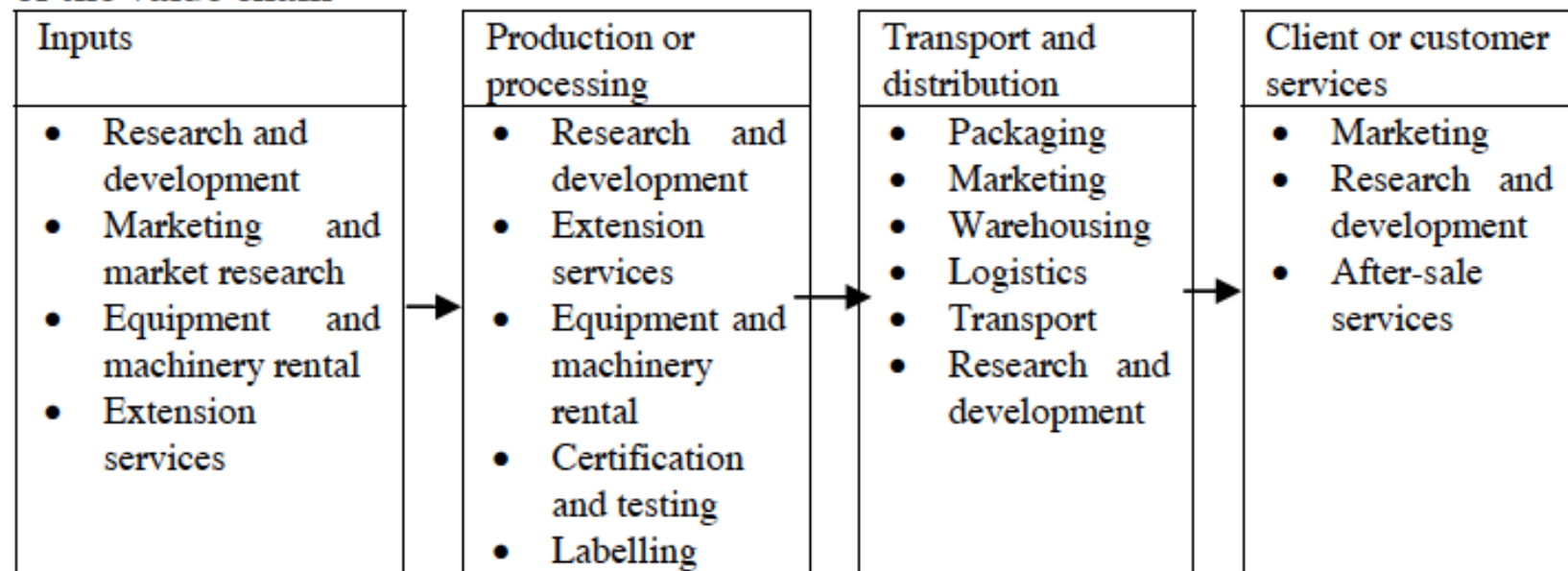
	<i>Poverty headcount ratio</i>	<i>Poverty gap</i>
Low-income countries		
Rural	53	20
Urban	29	10
Total	46	17
Lower middle-income countries		
Rural	48	15
Urban	27	8
Total	40	12
Sub-Saharan Africa		
Rural	57	22
Urban	29	11
Total	47	20
South Asia		
Rural	27	6
Urban	15	3
Total	25	5

Note: Country averages are based on the latest available data for 2008–2012. The poverty headcount ratio corresponds to the percentage of the population (total, rural or urban) living on less than \$1.25 a day at 2005 international prices. The poverty gap is the mean shortfall from the poverty line (counting the non-poor as having zero shortfalls), expressed as a percentage of the poverty line.

Source: World Bank World Development Indicators database, available at <http://data.worldbank.org/data-catalog/world-development-indicators>.

...increasing agricultural viability can also enhance job creation in the services and industrial sectors...

Box 2. Specialized services associated with agricultural production in different stages of the value chain



Source: ECLAC 2014

...if women had the same access to productive resources as men...

- **Yields of their farms could increase 20 to 30 %**
- **Total agricultural output in developing countries could increase by 2.5 to 4%**
- **Number of hungry people could be reduced by 12% to 17%**

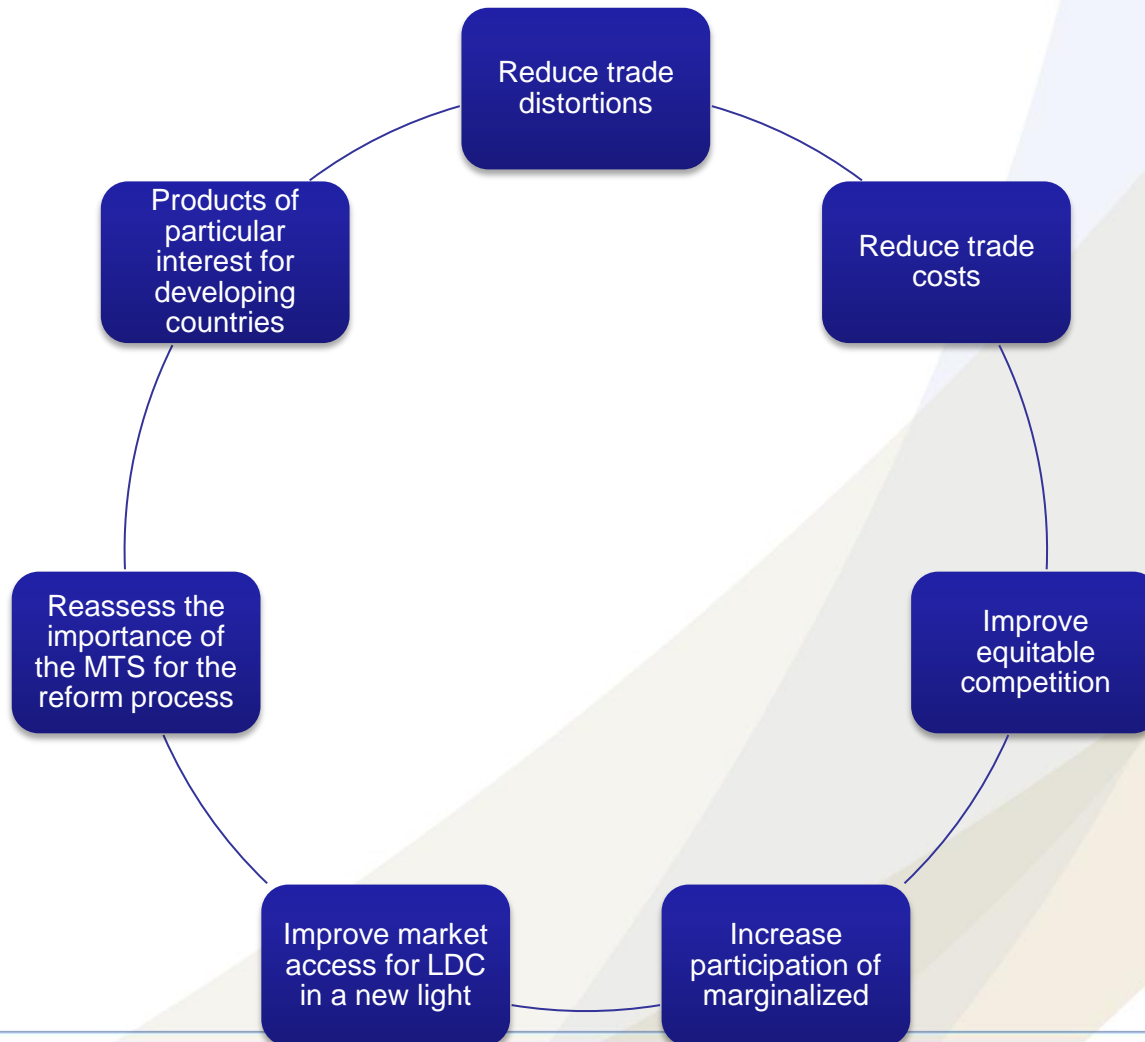
Source: FAO 2011 The State of Food and Agriculture 2010-11 Women in Agriculture, Closing the gender gap

...but also competition law and policy enforcement in the agricultural and food sector are important...

Inclusive and sustainable agricultural trade in the post 2015 era



Seven issues to be addressed in the formulation of a Post 2015 development agenda



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