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

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*Not checked against delivery **

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Trade agreements compatible with agriculture's role in development

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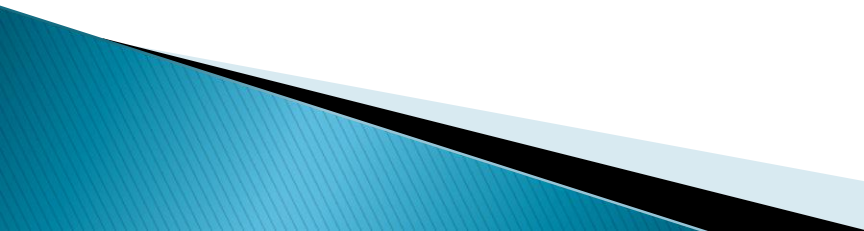
Evolution of the International Trading System
and its Trends from a Development Perspective

UNCTAD Trade and Development Board
22nd September 2014

SDGs: pointers for agricultural trade policy and trade agreements?

- Para 12: “Each country has primarily responsibility for its own economic and social development and the role of national policies, domestic resources and development strategies cannot be over-emphasised”
- Para 13: “...there are different approaches, visions, models and tools available to each country in accordance with its national circumstances and priorities....”
- Para 18: “SDGs are accompanied by targets....take into account different national realities, capacities and levels of development and respect national policies and priorities....”
- 17.10: “...promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system...”
- 17.15: “....respect each country’s policy space and leadership to establish and implement policy.....”

Longer term objective of more open agricultural trading system is appropriate

- Input, credit, labour, output markets and risk management instruments are expected to function efficiently
 - Investments will be made
 - Resources will shift to activities generating greatest returns
 - Regulation becomes more important than support and/or border interventions
 - Low (even zero), uniform tariffs may be appropriate
 - Market Price Support to incentivize production becomes unnecessary
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But, at earlier stages of development...

- Agricultural markets don't function well
 - Thin/volatile markets
 - Legislation is often weak/ not harmonized across borders
 - Risks to investment in agriculture are disproportionately high in comparison to returns
- Agriculture plays a greater number of critical roles
 - Size and relative strength of linkages
 - Reduction in employment slower than reduction in contribution to GDP
 - Food security
 - Trade tariffs are a key component of government revenue

Add to this the “new” challenges....

Higher global food prices – greater focus on domestic markets in pursuit of Food Security related objectives:

- ▶ Moderating domestic food price increases
- ▶ Tackling higher food import bills
 - Price and volumes
 - Ability to access and ability to finance
- ▶ Productivity increases/food self-sufficiency more in focus
- ▶ Enabling higher response by smallholders more in focus

Countries face many, often conflicting, objectives in addressing short term food security concerns, while ensuring that longer term investments in improved trading systems not hindered

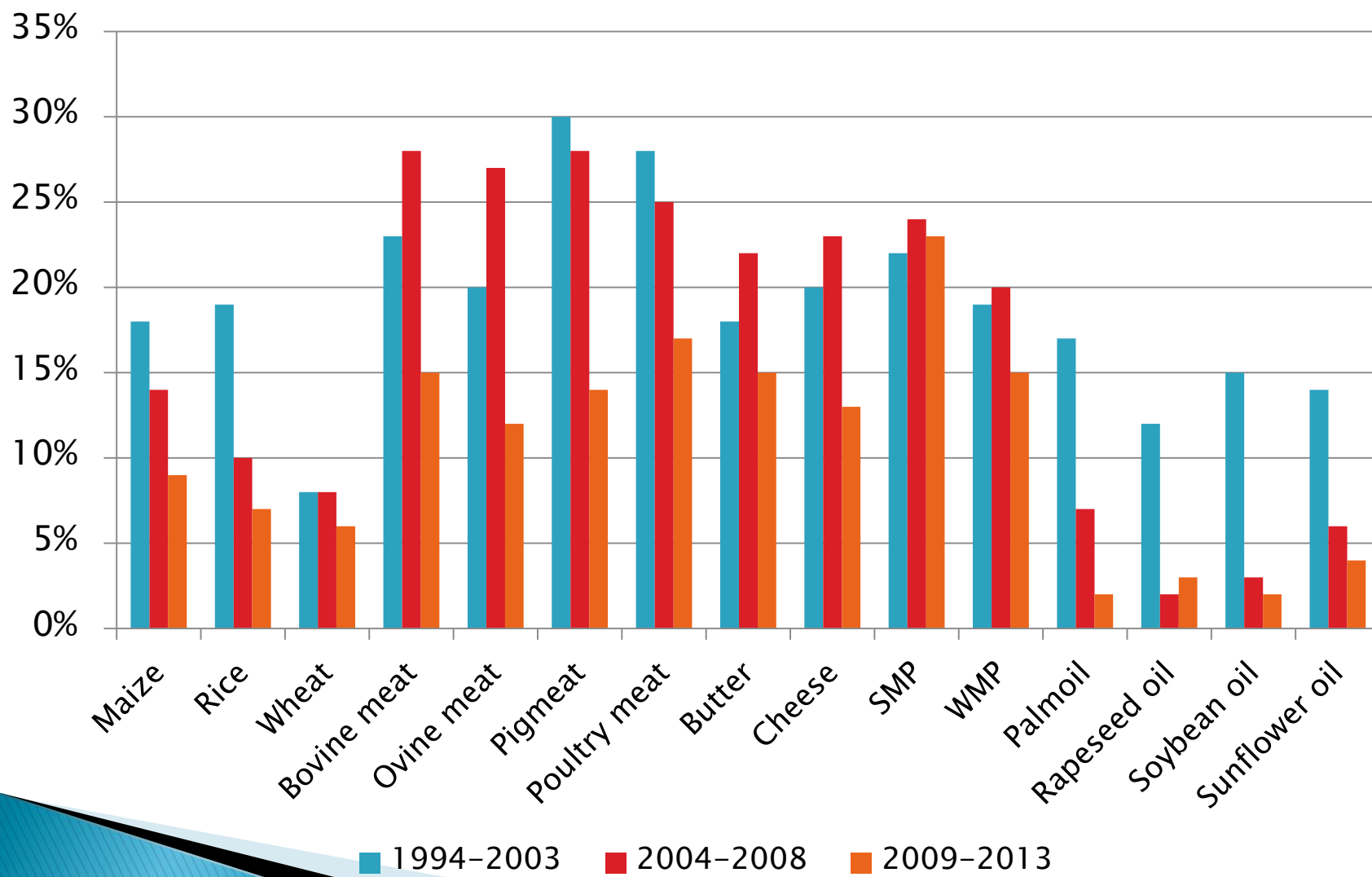
- ▶ Trade policy is not just about Food Security
 - Minimizing rural-urban income differentials
 - Maximizing contribution of agricultural growth to economic development and poverty reduction

What types of intervention may be needed?

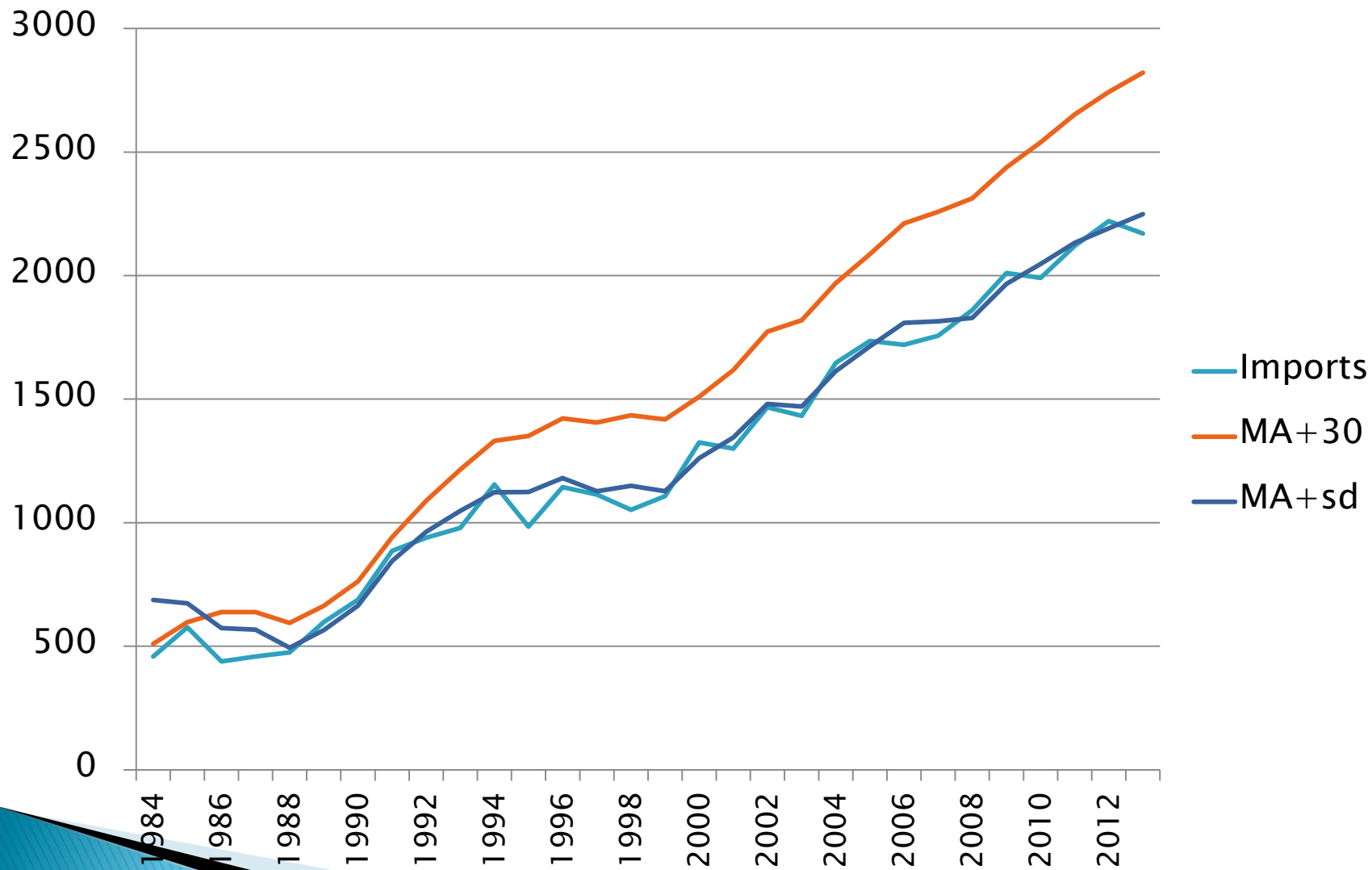
Previously:

- ▶ With low prices and “ample” supply, focus was on reducing domestic support in OECD countries and on flexibility for protection against import competition
 - ▶ How to differentiate countries?
 - ▶ How to design and/or constrain use of safeguards?

Incidence of “import surges” over time



Pakistan Palm Oil imports

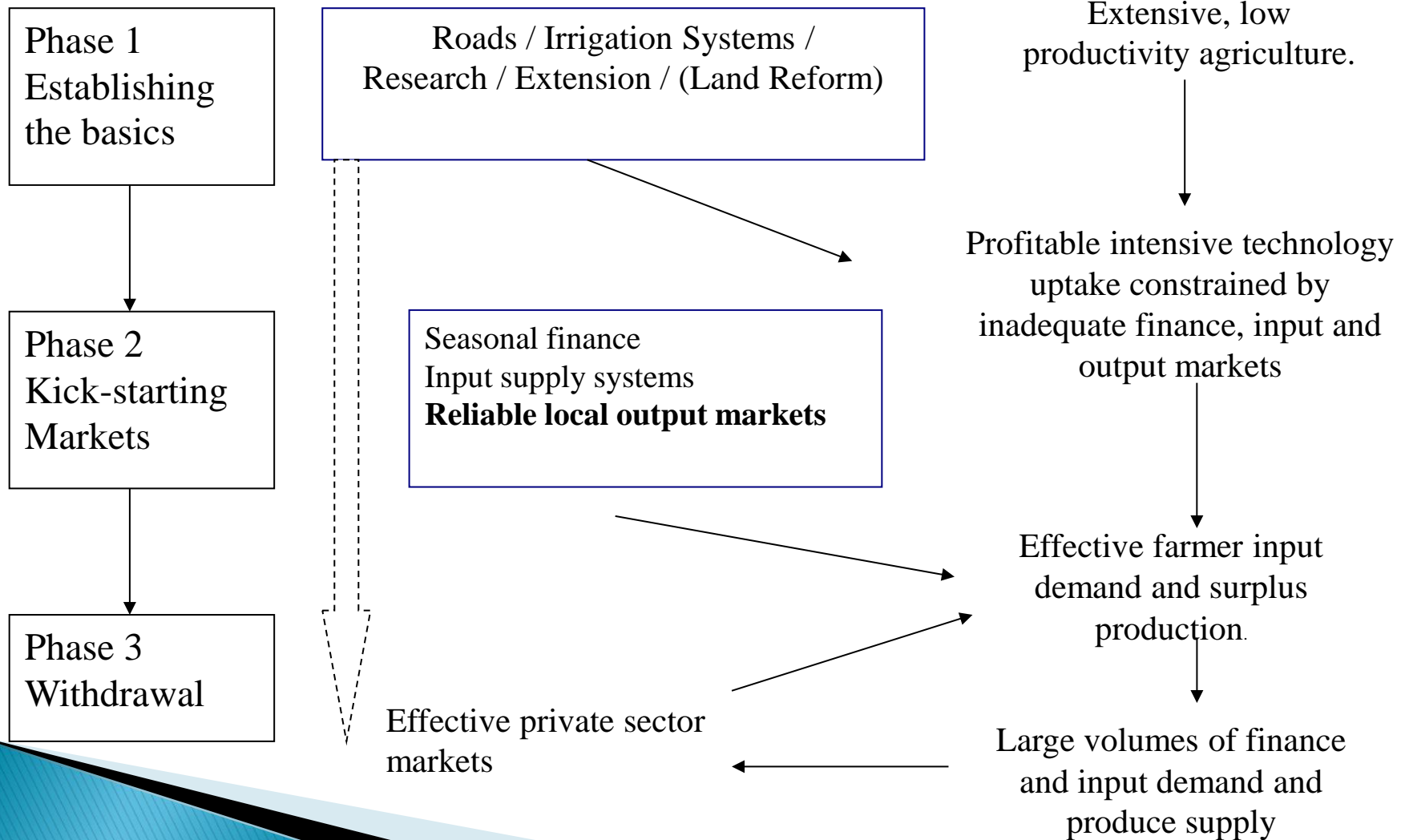


What types of intervention may be needed?

Now:

- ▶ Greater focus on reliability of global market as a source of food imports in more supply constrained environment
 - Price stabilization
 - Food self-sufficiency
- ▶ Key distinction – Income support or production increase
 - ▶ In developed countries, primacy given to income support
 - ▶ In many developing countries, increased production is key to improved food security, rural development etc
- ▶ But how to promote productivity growth??
 - Level of agricultural market is development critical

Policy phases to support agricultural transformation



Stage of agricultural market development is critical

▶ **Phase 1 – Establish the basics**

- Case for public investment in early stages
 - *Primacy of Green box, Development programmes (Article 6.2)*

▶ **Phase 2 – Kick-starting markets**

- Providing stable and remunerative environment for private sector investment in market development
 - *Development programmes, MPS, border policies*

▶ **Phase 3 – State withdrawal from markets**

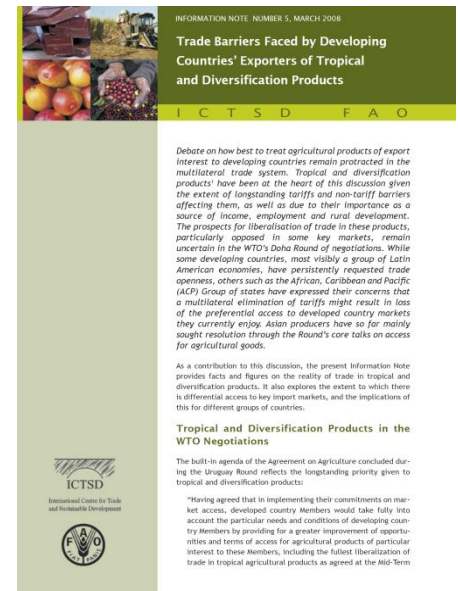
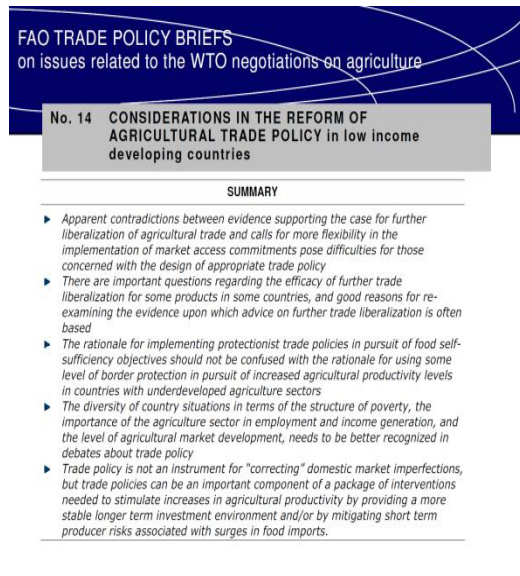
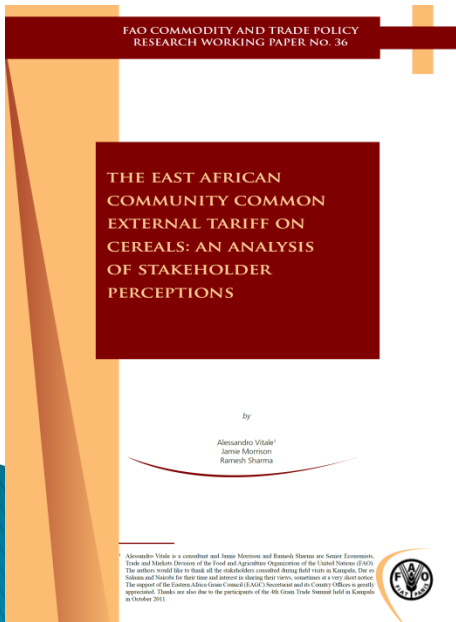
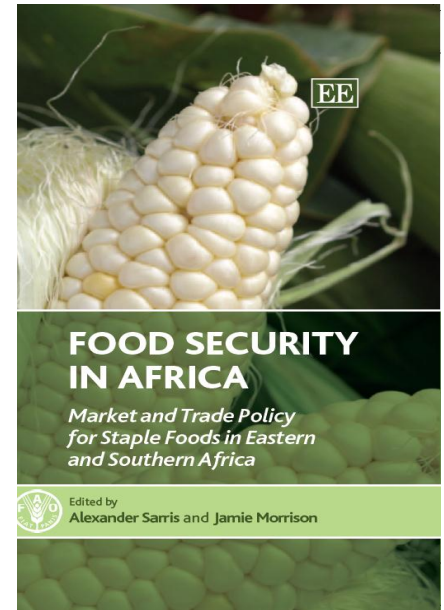
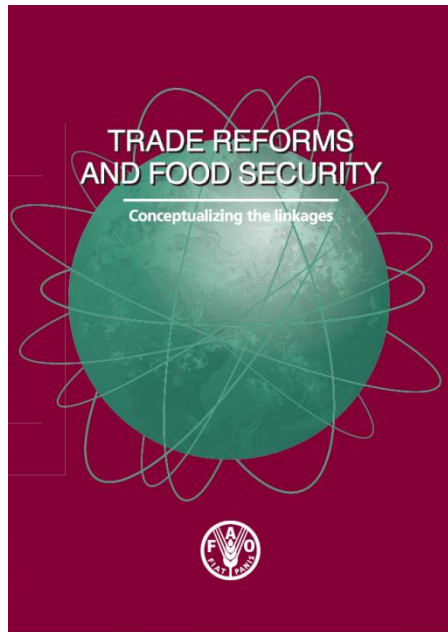
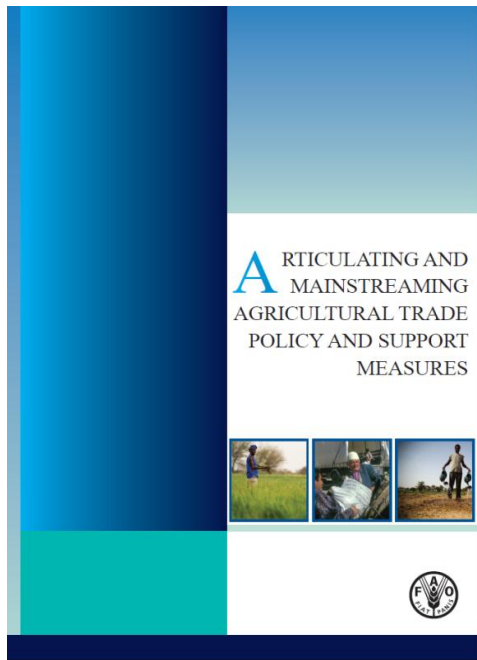
- Preventing short term disruption to domestic sectors with limited access to risk management instruments
 - *Safeguards, variable level of border protection (e.g SSM), Green box*

What does this mean for global trade agreements?

- ▶ Ensuring that countries have sufficient flexibility to pursue domestic policy agenda without contributing to global market distortions and uncertainty
 - ▶ Difficulty in formulating trade rules that allow developing countries to implement more distortive domestic policies is that these policies are applicable to all developing countries
 - ▶ Further complicating negotiations – a specific policy can have very different effects on different countries and on different groups within countries.
 - ▶ Food stockholding: Objectives, Design, Implementation during Procurement, Stockholding, Release
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Defining requirements for support to countries

- ▶ Increased engagement in international trade is an essential component of most countries' development strategies.
 - ▶ For countries to participate effectively in trading systems, **three** critical areas need to be addressed:
 - Differences in countries' effective involvement in developing and implementing **trade related agreements** need to be reduced.
 - Countries must have increased awareness of and capacity to **analyze developments** in international agricultural markets, trade policies and trade rules.
 - Importing and exporting countries need increased capacity to **articulate specific and different national** strategies, policies and measures to benefit from international trade and pursue their own food security objectives.
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