

The role of trade and logistics in getting food and energy to all

Side event to Second Committee under the theme “Transforming political commitments into actions for sustainable recovery - Rebuilding a Sustainable Future for All”

New York, 13 October 2022

10:00 to 13:00

Outcomes

1. Better understanding and awareness of trade and logistics issues in the current context.
2. Better understanding of policy options and UNCTAD and other solutions to supply chain challenges.

Key issues and background

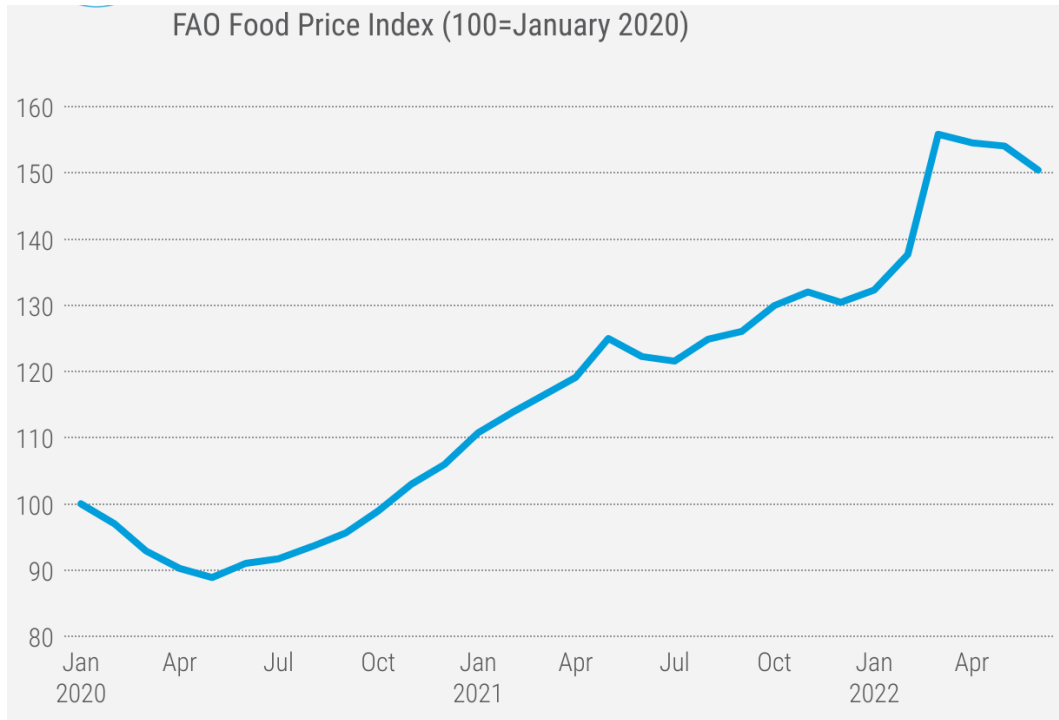
The Covid-19 pandemic and the ongoing war in Ukraine have brought supply chains to the forefront of the trade and development agenda. The disruption of production, maritime transport and consequently trade overall, have shown the need for resilient and sustainable global supply chains. On top of this, climate change and the impending energy transition, including in international transport, may result in further trade disruptions. There is thus a need for policy responses that ensure global supply chains deliver timely, and affordable food and energy to all.

Enhancing resilience and sustainability of value chains also implies streamlining the use of regional trade agreements, which are a complement to the multilateral trading system. And there is a good case to do so: as trade under regional agreements has shown to be more resilient to economic shocks.

There are several challenges to be addressed to ensure that food and energy are accessible to all as highlighted by the Global Crisis Response Group. For instance: Food prices have followed an upward trend for the last two years, which was exacerbated by the war in Ukraine. And although prices have recently gone down, they remain above pre-pandemic levels (Figure 1). These decrease in prices have not necessarily been reflected in developing countries, especially net-food importing countries, because of devaluation of their currency related to the financial crisis. Global maritime cost have also gone up (Figure 2), and container ships tend to spend more time in ports today than before the pandemic (Figure 3). This has helped to fuel inflation across the board, with particular effects on vulnerable economies, such as SIDS and LDCs. (Figure 4). And policy stances matter. The war in Ukraine

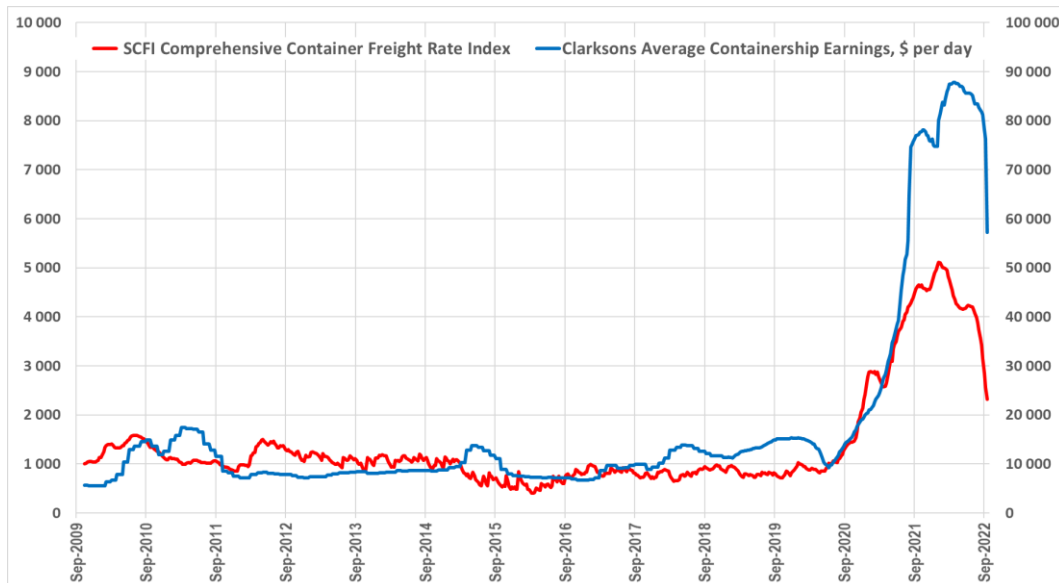
has triggered a boom in trade restrictive measures on food and agrochemicals around the world, which can further complicate the situation (Figure 5).

Figure 1 The upward trend in food prices



Source: FAO

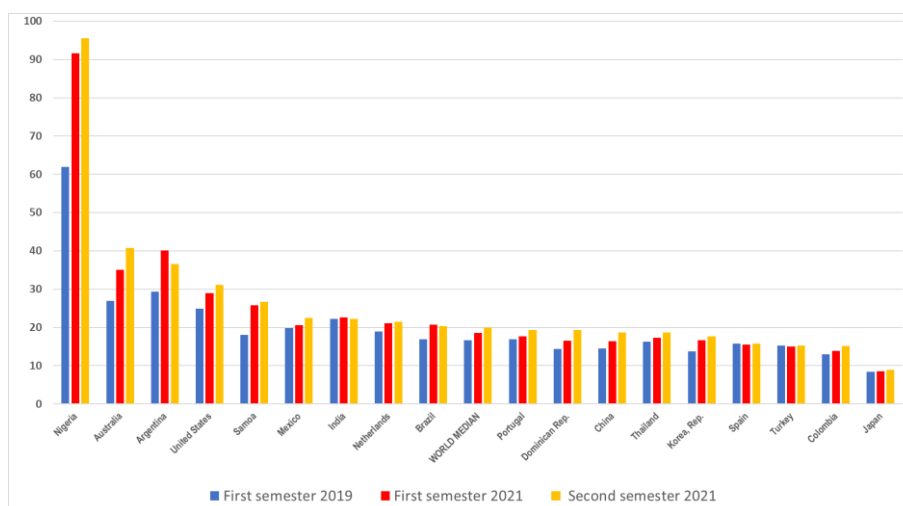
Figure 2: Container freight rates index and container ship earnings, October 2009 to September 2022



Source: UNCTAD, based on data provided by Clarksons Research, <https://sin.clarksons.net>

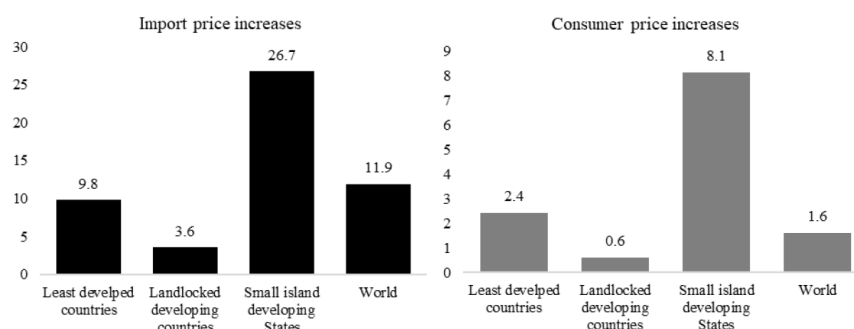
Note: freight rate is spot rate

Figure 3: Median waiting times in port, hours, container ships, selected countries, 2019 and 2021



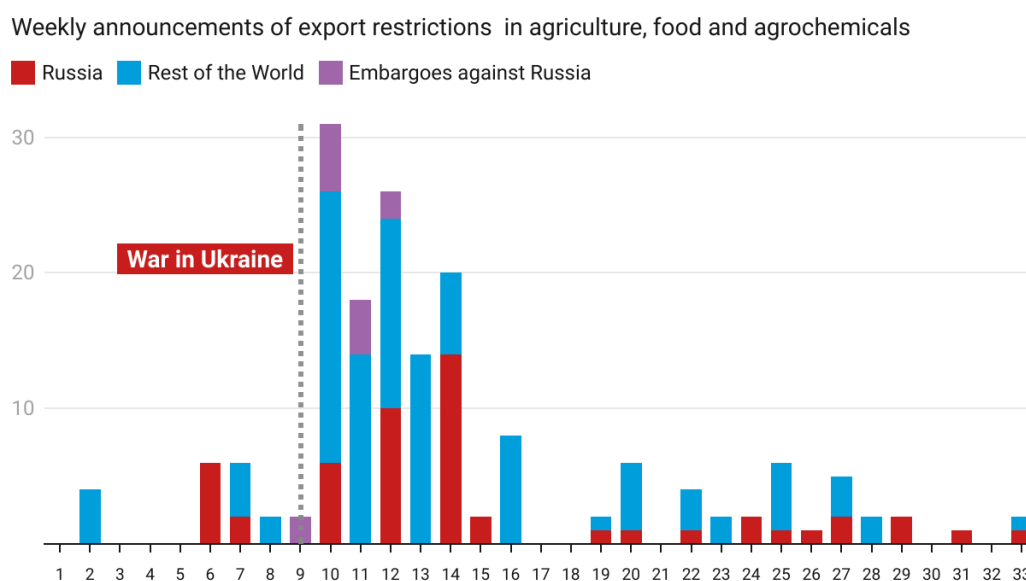
Source: UNCTAD, based on data provided by MarineTraffic, <http://marinetraffic.com>

Figure 4: Impact of higher freight rates on consumer goods prices (additional percentage points)



Source: UNCTAD, Issues Note for Multi-Year Expert Meeting, 12-14 July 2022, <https://unctad.org/meeting/trade-and-development-commission-thirteenth-session>

Figure 5 Trade restriction in agriculture, food and agrochemicals, 2022



Source: UINCTAD, x-axis are weeks in 2022

UNCTAD's work in support of the Global Crisis Response Group has highlighted some solutions areas. The long supply chains that characterize current food markets make food more expensive and less safe for consumers, while at the same time making food access vulnerable to different types of shocks such as incidents in logistical choke points. Shortening food supply chains could be part of the solution to food insecurity in the long run. This could be achieved by fostering regional food supply chains in the context of regional trade agreements.

The effectiveness of regional trade agreements can be strengthened through policy measures in the area of trade logistics. Many trade facilitation measures involve close cooperation among neighbouring countries and regional partners. Regional markets for transport services can also help reduce inefficiencies, for example by liberalizing shipping services and avoiding cargo reservation regimes.

Improving supply chains requires systematic resilience building in maritime transport and seaports. Governments and maritime logistics providers need to invest in adequate infrastructure, services, processes and skills. The crises also added pressure to further reform and increase investments in digitalization, electronic documents, automation, and other trade and transport facilitation measures. UNCTAD programmes in the areas of Customs automation, e-commerce, port reform, smart ports, and trade facilitation saw a surge in demand during the COVID-19 pandemic and it can be expected that these tools will become even more important in future.

An open, predictable, and fair international trading system that allows domestic production of essential goods such as energy and food while encouraging regional integration and trade where international approaches are not possible in sufficient amounts, in paramount. Facilitated trade in goods and components to produce renewable energy can contribute to foster locally produced green energy.

The market structure also matters. Energy and food markets are complex, highly concentrated, and prone to anticompetitive practices such as abuse of market power by dominant firms or oligopolistic price fixing, which can cause higher prices and lower service. Further, while consumers welfare is squeezed by higher prices and less choice, consumers have scarce information on their rights or how to enforce them.

Competition and consumer protection policies and law enforcement are essential policy instruments of a government to ensure that markets work for the benefit of all, from consumers to small business. Competition authorities can use their advocacy and enforcement efforts to prevent anticompetitive practices in the energy and food sectors. Consumer protection authorities can help consumers make informed choices, for instance, by promoting the use of price comparisons and switching providers.

UNCTAD supports member States with support of partners and through south-south cooperation to address issues via a range of standards, tools, and programmes including support to regional trade agreements, trade policy responses, port modernization, trade facilitation, maritime resilience, and Customs automation.

The 3-hour session will include an introduction by the UNCTAD Secretariat, member States interventions to illustrate their challenges, and those that received support to improved access to affordable food and energy for their populations.