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**Bali, WTO and food security in LDCs**

By

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# UNCTAD: Global Commodities Forum

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## 1. Introduction

Not specific on commodities, but commodities play an important role in food security as has been shown in the cotton sectoral initiative by the C-4.

Not a commodity specialist: except cotton, but better one here

IDEAS Centre's role: helping LDC to defend pro-actively and in consensus oriented way their interest in trade negotiations.

‘015 is a crucial year for the Doha development Agenda negotiation and indeed for the future of a multilateral, inclusive system

Bali: reinvigorated the negotiation function of WTO

→ Great importance for LDC as it is the only forum in which they can defend their interests. The system is under serious threat:

- mega deals

New trade patterns: redistribution of trade and new mode: GVC

⇒ **First and foremost interest of LDCs is to ensure that the DDA can be concluded in a reasonable laps of time ad according to its development objectives. This may well be the last chance.**

Concretely, Bali decisions are of limited value to the LDC:

- TFA: very useful and especially a new and useful approach to negotiations: integrate rather than marginalize LDC. Commitments depend on solidarity (aid); In line with GVC approach to trade
- LDC: best endeavour clause: little interest within WTO legal framework;
- agriculture: interim agreement on managed prices for food stockpiling: ;primarily of interest to more advanced developing countries

**But more importantly:**

- mandate to finish DDA: work plan
- mandate to find permanent solution to food security stockpiling **issue**

⇒ **Importance for LDC to concretely define their requests: no grand design, but economically significant reforms which are 2doable within a reasonable time**

## II. Food security has become an urgent issue

- More frequent shortages, increased price volatility, forecast concerning demand and supply

- Climate change means more frequent climatic calamities;

**Issue:** Bali treat only one aspect of food security: food stocking piling = limited interest.

- They have flexibility : fiscal constraint
- Other aspects of food security are more important;
- Limited institutional capacity to manage foo stocks.

### 3. Food security = major issue for LDCs

1.) LDCs are net food importers

- 17% of LDC imports are food products
- bill increased substantially: 2'546 mio (2001/02) to 9'445 mio (2011/12)

2.) LDCs are experiencing frequent climatic calamities + famines: climate change more difficult

3.) 65% of people live in agriculture sector = 27% of GDP and 16% of exports: importance for development

4.) One out of two people in rural sector live below poverty line; 1/3 of population (300 mio) = chronic malnutrition

- LDCs need agricultural development to reduce poverty
- LDC agriculture sector has low productivity
- LDC depend on global market to feed growing population

**BUT:** Large underutilized productions potential

=> **Food security can only be improved by increasing productivity of small farmers;**  
**Food security without trade is impossible:** LDCs need to export cash crops to provide income in the rural sector to be able to buy food in times of scarcity

- climatic change
- poverty = issue -> productivity = specialize where they have comparative advantage

### III. Basic requirements to ensure food security and agricultural development in LDCs.

1. Adequate internal policies of agricultural development are the first and foremost requirement:

- Potential to feed its populations does not mean a policy of self-sufficiency. Food security is first and foremost on issue of poverty. What is needed is to increase the productivity of small farmers and hence an increase in their revenue.
- Productivity increases and the maximization of income for small farmers requires their integration into the markets and the specialization of their production according to the comparative advantage,

- Such a policy requires access to markets (roads, infrastructure, and transport) extension and research, credit, input supplies, etc.
- In terms of trade policy (which is our subject here) this requires risk mitigating measures: small farmers living at the subsistence level take big risks they often cannot afford. To be able to take advantage of the market they need:
  - o A minimum of price predictability + stability
  - o availability of staple food (quantity + prices) to feed his family;
  - o a level playing field for his products in the market

The present Agreement on Agriculture of WTO does not provide a conducive environment for agriculture development in LDC

→ it does not ensure a level playing field (subsidies)

It does not take into account changes in agriculture trade and provide security and stability of prices,

Reforms are needed which provide farmers in LDC:

- predictable and reasonably stable prices for their cash crops (mostly commodities)
- reasonable assurances that required food is available in quantities required and at prices they can afford
- a level playing field

IV. Elements which may be included in a LDC package in favour of food security.

A proposal for a LDC position in WTO should put food security at its centre and follow the negotiation items as they are outlined in the negotiation process. It may want to take a “realistic” approach by dividing their requests into two types of issues:

- a work programme on issues which need time to be negotiated
- measures which could be decided in Nairobi if there is a political will

1. Work program

The UR has made a good job by categorizing subsidies according to their effects on trade: amber, blue and green box according to their impact on trade.

Experience and developments since then, however, have shown that:

- the existence of many boxes has led to confusion and box shifting
- the green box, which is supposed to be minimal trade distorting, is so, if the support is marginal, but becomes trade distorting if substantial part of income
- Developing countries have become major players and subsidizers of food and agriculture products

Simplification and stronger disciplines are needed:

- measures for all trade distorting support for all countries which have a role in the international market: ODS / product
- green box has to be disciplined by dividing the box into :

- public goods support (environment, development, etc.) = no limits
- income support: capped for all countries
- Notification + surveillance have to be improved: sanctions for not reporting

## 2. Decisions in Nairobi for LDCs to ensure food security

### 1. Domestic support:

Developed countries = subsidised insurance schemes (farm bill) LDCs # possibility. LDCs need to be able to take measures at the border to protect their farmers from extreme volatilities in the market by limiting price changes of essential food crops are to a change of max 15%- from one year to another:

- If -15% -> levies at border
- If + 15 -> subsidy by WB managed fund

Moreover, LDCs must have the right to protect themselves against subsidies provided to farmers in the exporting country by imposing variable levies equivalent to the amount of total subsidies received in X country

The proposed WB fund may be financed by contributions by WTO member countries that compete with LDC exports in the world market amounting to the amount of green box support they are providing to their national producers for the 10 most important cash crops of LDC.

### 2. Export competition:

- all export subsidies should be eliminated in 3 equal instalment over 3 years for developed countries
- Developing countries would commit themselves:
  - no export subsidies on food stuff
  - limit overall export subsidies to average amount of last 3 years
- negotiations on credits + STEs

### 3. Market access:

DFQF both developed + developing countries for 10 major export crops of LDC; Commitments to facilitate compliance by newcomers in the market to be able to comply with SPS and food safety measures in LDC export markets.

### 4. Export restrictions

Export countries should be submitted to similar disciplines as importing countries. The following specific measures in favour of LDCs are proposed:

- All countries exclude LDCs + food aid from any temporary export ban (except LDC)
- All countries reimburse LDCs for export taxes on food
- All restrictions have to be notified within 90 days otherwise they become actionable

## V. LDC contributions to the Round

LDCs are exempted from taking new commitments in the Doha Round. This is an important principle, which, however, has some drawbacks:

In a world of GVCs, exemptions from best practices can be an obstacle in the efforts to climb up the value chain; World Bank studies show that most of the benefits of trade liberalization rounds come from reforms within the member country rather than by concessions of the partners;

In the WTO negotiation system which is based on a mercantilist approach, a country is somewhat marginalized, if it does not offer concessions.

A request of LDCs would increase its credibility substantially, if the LDCs would also propose some commitments. It is believed that LDCs could take commitments in line with a policy of developing small farming which are in their interest and which would provide predictability and security for policies which are already applied.

It is therefore proposed that LDC may want to consider including some commitment on their part to strengthen their case under the following conditions:

The principle of a round for free is maintained,

The proposed commitments by LDCs are made on **a voluntary basis and without prejudice to the principle of a round for free for LDC.,**

The above mentioned measures are adopted by WTO.

It is believed that LDCs could propose a package of measures which they are already applying such as

- limit bound tariffs at % of applied tariffs To our knowledge LDCs have never yet used the “water” they have in their bound tariffs and given the proposed measures, it is difficult to imagine a situation in which they would need to use this flexibility;
- no use of managed prices
- No duties on agriculture inputs not produced in the region...
- Any other measures which facilitate the development of the rural sector and which are already applied.

⇒ **LDCs may want to commit themselves to present-within six months of the adoption of the above mentioned measures in Bali, a list b country, of the specific commitments they are willing to undertake.**