UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Trade and Development Board Sixty-first session

Geneva, 15–26 September 2014

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

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Monday, 22 September 2014

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......"

Report of the Open Working Group of the General Assembly on Sustainable Development Goals A/67/970

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

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

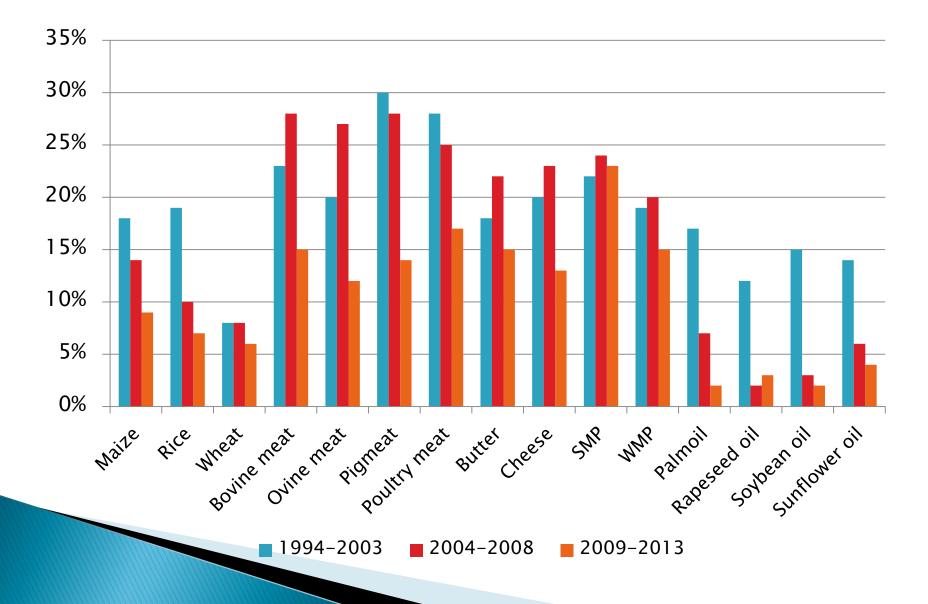
- Minimizing rural-urban income differentials
- Maximizing contribution of agricultural growth to economic development and
 - poverty reduction

What types of intervention may be needed?

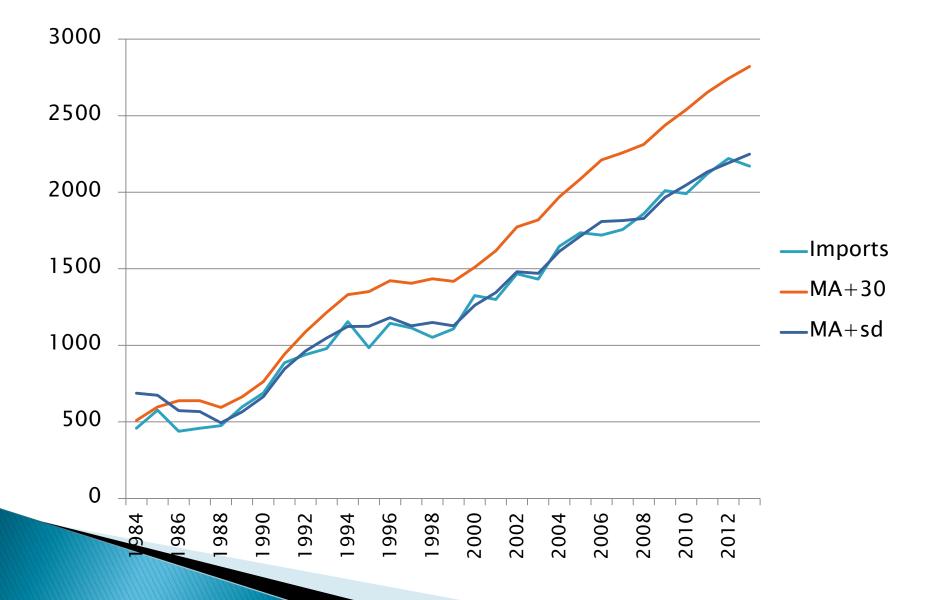
Previously:

- 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

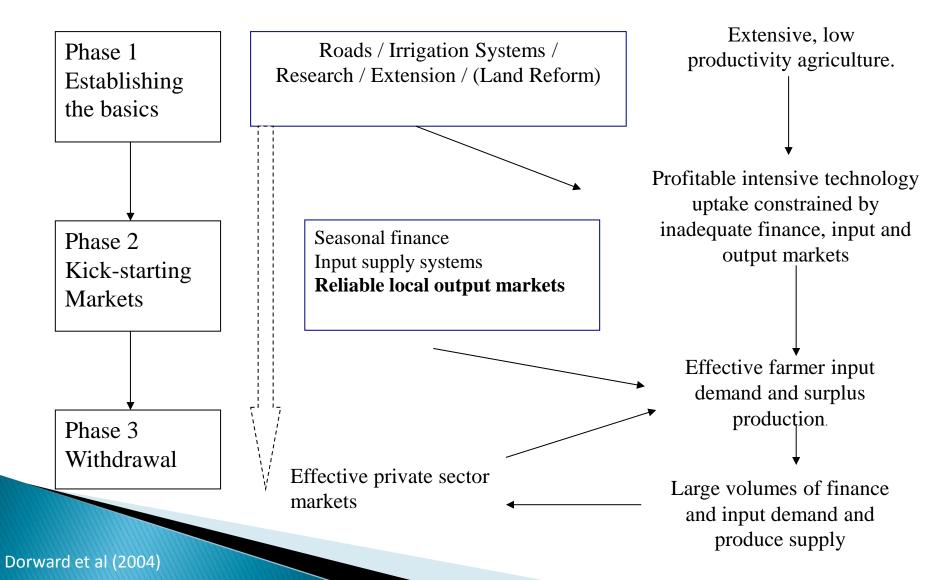


What types of intervention may be needed?

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

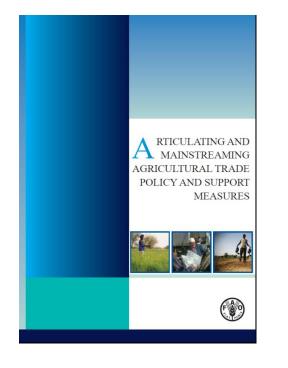
Safeguards, variable level of border protection (e.g SSM), Green box

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

Defining requirements for support to countries

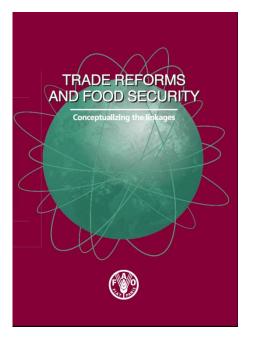
- Increased engagement in international trade is an essential component of most countries' development strategies.
- For countries to participate effectively in trading systems, three critical areas need to be addressed:
 - Differences in countries' <u>effective involvement</u> in developing and implementing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



FAO COMMODITY AND TRADE POLICY RESEARCH WORKING PAPER NO. 36 THE EAST AFRICAN COMMUNITY COMMON EXTERNAL TARIFF ON CEREALS: AN ANALYSIS OF STAKEHOLDER PERCEPTIONS

> Alessandro Vitale' Jamie Morrison Ramesh Sharma







No. 14 CONSIDERATIONS IN THE REFORM OF AGRICULTURAL TRADE POLICY in low income developing countries

SUMMARY

- Apparent contradictions between evidence supporting the case for further liberalization of agricultural trade and calls for more flexibility in the implementation of market access commitments pose difficulties for those concerned with the design of appropriate trade policy
- There are important questions regarding the efficacy of further trade liberalization for some products in some countries, and good reasons for reexamining the evidence upon which advice on further trade liberalization is often based
- The rationale for implementing protectionist trade policies in pursuit of food selfsufficiency objectives should not be confused with the rationale for using some level of border protection in pursuit of increased agricultural productivity levels in countries with underdeveloped agriculture sectors
- The diversity of country situations in terms of the structure of poverty, the importance of the agriculture sector in employment and income generation, and the level of agricultural market development, needs to be better recognized in debates about trade policy
- Trade policy is not an instrument for "correcting" domestic market imperfections, but trade policies can be an important component of a package of interventions needed to stimulate increases in agricultural productivity by providing a more stable longer term investment environment and/or by mitigating short term producer risks associated with surges in food imports.



FOOD SECURITY IN AFRICA

Market and Trade Policy for Staple Foods in Eastern and Southern Africa

Edited by Alexander Sarris and Jamie Morrison



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Trade Barriers Faced by Developing Countries' Exporters of Tropical and Diversification Products

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Bebate on how best to treat agricultural products of esport interest to developing countrise remain protracted in the multilateral trade system. Tracical and diversification products' how beem at the heart of this discussion given affecting them, as well as able to their importance as assure of income, employment and rund development. The prospects for liberalisation of trade in these products, particularly coposed in some key markets, remain some developing countrise, nost visibly a group of Latin American economics, howe partisation requested trade openness, others such as the African, Caribbeen and Padrife (ACD) Group of states have expressed their concerns the a multilateral elimination of tariffs might ensult in loss they currently mays. Akino producems have is for mainly sought resolution through the Round's core talks on access for orginalized.

As a contribution to this discussion, the present Information Note provides facts and figures on the reality of trade in tropical and diversification products. It also explores the extent to which there is differential access to key import markets, and the implications of this for different groups of countries.

Tropical and Diversification Products in the WTO Negotiations

The built-in agenda of the Agreement on Agriculture concluded during the Uruguay Round reflects the longstanding priority given to tropical and diversification products:

"Having agreed that in implementing their commitments on market access, developed country Members would take fully into account the particular needs and conditions of developing country Members by providing for a greater improvement of apportnities and terms of access for agricultural products of particular interest to these Members, including the fullet liberalization of take in tropical agricultural products as agreed at Meid-Term

http://www.fao.org/economic/est/publications/