

International
Food & Agricultural Trade
Policy Council



International Food & Agricultural Trade Policy Council (IPC)

Food Security – Global Challenges and
Directions

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The IPC promotes a more open and equitable global food system

- International group of agricultural trade experts
- IPC pursues pragmatic trade and development policies in food and agriculture to meet the world's growing needs
- IPC convenes influential policymakers, agribusiness executives, farm leaders and academics from developed and developing countries to clarify complex issues, build consensus, and advocate policies to decision-makers



Trade and Aid

- Poor policies contributed to food crisis
- Distorted trade regime = overinvestment in agricultural sector in rich countries; underinvestment in poor countries
- Better Policies can help solve food crisis – open and equitable trade regime
- Trade AND Aid are necessary



Looking Back – URAA

- Increased market access
- Reduced export subsidies (value & volume)
- Required scientific basis for all SPS barriers
- Acknowledged that some domestic agricultural subsidies can distort trade and categorized them by degree of trade distortion:
 - “Green box” = non trade distorting investments in public goods and decoupled income transfers
 - “Amber box” = trade-distorting (bound and reduced)
 - “Blue box” = trade-distorting, but offset by production controls or set-asides



Looking Back – URAA

- BUT the URAA left lots of unfinished business
- Market access – tariff peaks and tariff escalation; TRQs
- Export Subsidies and Trade Distorting Support continue
- Special & Differential Treatment



Market Access

- Market Access in key products remains distorted.
- 90% of the global costs of trade barriers is from market access restrictions; however for some commodities where developing countries have a comparative advantage, the majority of the costs come from domestic support and export competition
- South-South trade: Half of the welfare costs developing countries incur because of current trade policies are a result of policies in other developing countries.



Trade Distorting Support

- While URAA induced substantial decoupling of payments from production, many trade distorting domestic policies not reduced
- DEPRESSED Commodity Prices have been the major problem over the last decades
- WTO Cotton and Sugar Cases
- West Africa cotton case study: price depression from developed country cotton subsidies almost completely offsets foreign direct aid in Chad and Burkina Faso (Oxfam).



World Market Prices Depressed Below Long Term Trend (World Bank)

Rice	33 - 50 %
Sugar	20 - 40 %
Dairy Products	20 - 40 %
Cotton	10 - 20 %
Peanuts	10 - 20 %



Policies in Developing Countries

- Many LDCs' food policies turn the terms of trade against agriculture to keep urban food prices low, reducing the incentive to invest; agriculture underperforms relative to its potential.
- Cheap food policies to keep urban consumers quiescent – often reinforced by food aid or subsidized exports from OECD
- Underinvestment in public goods, such as rural infrastructure and ag research (Green Box)



Unfinished Business – The Doha Round

- Elimination of export subsidies
- Significant improvements in market access
- Significant reduction of overall trade distorting support (and product specific caps)
- Tiered Formulas



Export Restrictions

- 40 export restrictions
- Detrimental impact on domestic and world markets
- 30% price increases
- Insufficient trade disciplines



Biofuels

- Mandates and tax incentives
- High tariffs
- Lack of trade disciplines
- Uncertain classification



The Role of Aid

- only about 4% of ODA goes toward agriculture
- only 4% of government expenditures in DCs
- Lack of donor coordination
- Lack of ownership



The Role of Aid

- Resurgence of assistance to agriculture
- 75% of the 880 million people who live on less than \$1 per day live in rural areas. Agriculture is approximately 29% of GDP in developing countries and employs 65% of the workforce. (World Bank World Development Report)
- CAADP, World Bank, Gates Foundation, Aid for Trade
- Lugar-Casey Legislation



Priorities

- Increase Productivity (Land and Water Constraints)
- Address Supply Side Constraints
- Increase investment in agricultural sector in developing countries
- Level global trade playing field
- Don't equate food security with food sufficiency