



## Trade and Sustainable Development Goal 2: Policy options and their trade-offs

Sustainable Development Goal (SDG) 2 commits governments to *“end hunger, achieve food security and improved nutrition and promote sustainable agriculture”*. The five specific targets under SDG 2 aim to achieve improvements on a range of issues: end hunger (2.1); end all forms of malnutrition (2.2); double the agricultural productivity and incomes of small-scale food producers (2.3); ensure sustainable food production systems (2.4); and maintain genetic diversity (2.5). These are complemented by three means of implementation targets.

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ZERO  
HUNGER



### End hunger, achieve food security and improved nutrition and promote sustainable agriculture

#### Targets

**2.1** By 2030, **end hunger** and **ensure access** by all people, in particular the poor and people in vulnerable situations including infants, to safe, nutritious and sufficient food all year round.

**2.2** By 2030, **end all forms of malnutrition**, including achieving, by 2025, the internationally agreed targets on stunting and wasting in children under 5 years of age, and address the nutritional needs of adolescent girls, pregnant and lactating women and older persons.

**2.3** By 2030, **double the agricultural productivity and incomes of small-scale food producers**, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.

**2.4** By 2030, **ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production**, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.

**2.5** By 2020, **maintain the genetic diversity of seeds, cultivated plants and farmed and domesticated animals** and their related wild species, including through soundly managed and diversified seed and plant banks at the national, regional and international levels, and promote access to and fair and equitable sharing of benefits arising from the utilization of genetic resources and associated traditional knowledge, as internationally agreed.

These are ambitious targets, given the current situation. According to the most recent estimates, nearly 690 million people, or 8.9 percent of the world population, are undernourished and 10 percent of global population live in extreme poverty, most of whom are engaged in the agricultural sector. At the same time, agricultural production systems face a number of environmental challenges related to soil health, greenhouse gas (GHG) emissions, land conversion, biodiversity loss, water use and pollution and material footprint.

**Trade and related policies** play a significant role in this context, as governments often use these measures to pursue food security as well as agricultural development objectives. Policies that can affect trade and markets include **border measures** (e.g. tariffs, export restrictions, non-tariff measures) as well as **“behind-the-border” domestic support measures**, such as input and output subsidies, market price support, public investments in infrastructure and R&D, as well as some forms of income support programmes. The domestic and international impacts of each of these policy measures can differ depending, inter alia, on whether the country is a net exporter or importer, a small or large producer or consumer, and on the way that policies are designed and implemented. In addition, the impacts might differ in the short versus long run.

Because some of these policy measures can have production and trade-distorting effects, not only are they subject to limits under the multilateral trading system, but two out of the three **Means of Implementation Targets of SDG 2 focus on improving the functioning of agricultural markets**. Specifically, SDG 2.b commits countries to:

*“Correct and prevent trade restrictions and distortions in world agricultural markets, including through the parallel elimination of all forms of agricultural export subsidies and all export measures*

*with equivalent effect, in accordance with the mandate of the Doha Development Round.”*

Additionally, SDG 2.c commits countries to:

*“Adopt measures to ensure the proper functioning of food commodity markets and their derivatives and facilitate timely access to market information, including on food reserves, in order to help limit extreme food price volatility.”*

In this context, and as policy makers consider using trade and related policy measures to achieve SDG 2, it is important to recognize that **each of the targets under SDG 2, as well as trade itself, often constitute distinct policy priorities in many countries**. The optimal mix of policies required to address hunger and to ensure access to food for the poor, for example, is likely different from, and potentially conflictual with the policies required to improve agricultural productivity, or those required to support the adoption of environmentally sustainable production practices. As such, a policy that is designed to achieve one target can potentially have unintended negative consequences that undermine the achievement of other targets, not only within the country where the measure is applied but also between trading partners. It is therefore important that policy-makers **identify areas in which difficult trade-offs may exist between competing policy objectives, and identify possible ways in which these can be addressed**.

**Reducing high import tariffs** and gradually phasing out tariff-rate quotas on a given product, for instance, can contribute to addressing the priorities of SDG targets 2.1 and 2.2, by diversifying the supply of healthy food and lowering food prices. This is achieved as tariff reductions promote the movement of food from regions of low production cost and ample supply to areas of high production cost and insufficient supply, which can be particularly relevant for countries with a high dependence on imported food.

## Overview of possible policy measures affecting trade and markets

### Measures applied at the border

Import restricting measures

Export restricting measures

Standards and regulations

### Domestic support measures

Input and output subsidies

Market price support, public stockholding programmes

Investments in infrastructure, logistics

Investments in agricultural R&D, technology

Income support programmes

At the same time, however, there may be implications for producers in importing countries, whose incomes might be undermined by import competition, thus negatively affecting the achievement of SDG target 2.3. Such concerns call for a progressive approach to trade liberalization supported by safeguard clauses in international trade agreements, to deal with episodes of import surges or price depression (the appropriate design of such safeguard clauses is still subject to debate at the World Trade Organization (WTO)).

Reducing import tariffs may also have consequences for the achievement of environmental sustainability objectives (priorities under SDG target 2.4), if the trading partners apply different environmental requirements. In such a situation, removing tariffs can put farmers in countries with more stringent regulation at a competitive disadvantage and lead to carbon leakage. To address this issue, policies to support climate adaptation and mitigation, such as carbon taxes, could be complemented by border measures such as tariff adjustment to prevent carbon leakage and level the playing field. However, under current WTO rules, the ability of countries to introduce such tariffs is constrained by bound tariffs and the principle of non-discrimination.

The application of **export restrictions** also provides an example of the competing priorities among different policy objectives; particularly, between short- and longer-run objectives within the domestic market, as well as between the policy objectives of two or more trading partners. Export restrictions are often used with the objective of addressing domestic food security concerns related to food availability and/or rising food prices. In the immediate term, such measures may indeed boost availability and prevent food prices from rising in domestic markets, improving access to food and contributing to the achievement of SDG targets 2.1 and 2.2. However, even in the short-run, there are implications for producer incomes (SDG target 2.3) which may be significantly diminished because of the lower food

prices. Moreover, in the medium-to-long run, the initial effects of the policy may be reversed as farmers respond to lower price incentives and policy uncertainty by decreasing area harvested for the affected product in the next cropping season and also reducing farm investment. This can result in lower production and higher prices in the medium-to-long run, mitigating the initial positive implications of the measure for SDG targets 2.1 and 2.2.

Crucially, the application of export restrictions can undermine the achievement of SDG targets 2.1 and 2.2 in importing countries, by lowering food availability on world markets and contributing to higher prices, particularly if the measures are implemented simultaneously by many exporting countries. Thus, the commitment in SDG 2.b to “correct and prevent trade restrictions and distortions in world agricultural markets” should also be seen as a call to curb restrictions on exports (i.e. as opposed to a narrower focus on export subsidies). While the WTO Agreement on Agriculture (AoA) contains some provisions on this topic, they do relatively little to protect low-income consumers in poor food-importing countries from the imposition of export restrictions on foodstuffs during sudden price spikes in global markets.

Among behind-the-border domestic support measures, **input and output subsidies** as well as market price support measures are among the most contentious elements of governments’ agricultural policies. One reason being that such measures can involve important choices between different policy objectives. Input subsidies for instance, can be crucial to improve agricultural productivity and to lower farmers’ production costs, with positive implications for SDG target 2.3. **Market price support measures** can directly aim to improve producer incomes, by providing a guaranteed outlet and more predictable prices than is achievable on the open market, therefore having similar positive implications for SDG target 2.3.



However, in addition to the high fiscal costs and administrative burden associated with both input subsidies and market price support measures, there may be consequences of such measures at an international level for producer incomes among trading partners (SDG target 2.3). Farmers in the importing country may be unable to compete with imported products in the domestic market, if they do not have access to similar levels of domestic support as that provided to farmers in the exporting country. Moreover, the measures can result in an inefficient allocation of productive resources and exacerbate environmental pressures. Even within the country in which the measures are applied, they can have negative implications for the achievement of environmental sustainability priorities (SDG target 2.4), if they promote the production of products with high greenhouse gas emissions. To address these concerns, governments may consider providing additional policy incentives, e.g. certain risk management measures to promote the adoption of climate-smart agricultural practices. However, such measures may be classified as “amber-box” support under current rules in the WTO AoA and may therefore be subject to limits.

Overall, international trade rules as defined under the WTO AoA provide significant leeway for governments to support agriculture. While they impose some limitations on subsidies that are directly linked to production, they exempt from any limitation the so-called “green box” measures that cause no more than minimal trade distortions. These include **public investments in infrastructure**, such as storage facilities that can improve farmer prices (affecting SDG target 2.3), rural roads that can connect producers to markets (affecting SDG target 2.3), and efficiencies in trade and logistics that can reduce food waste and bring farm products where they are promptly needed (affecting SDG targets 2.1 and 2.2). Similarly, **public investments in R&D** have some of the highest rates of return among all rural development measures, with positive implications for agricultural productivity, nutrition and food security (affecting SDG targets 2.1 to 2.3). From a trade perspective, and in contrast with input or output subsidies, such support measures do not involve transfers to individual producers but rather to the sector as a whole and often focus on the delivery of public goods. Depending on the specific circumstances, increasing public expenditure in these types of measures can offer a “win-win” solution for many countries.

In fact, the **SDG 2.a**, the third means of implementation target under SDG 2 commits countries to:

***“Increase investment, including through enhanced international cooperation, in rural infrastructure, agricultural research and extension services, technology development and plant and livestock gene banks in order to enhance agricultural productive capacity in developing countries, in particular least developed countries.”***

Finally, while trade and agricultural policies can have a direct effect on SDG 2 outcomes through their impact on production and markets, policies in other areas can be important too, including in areas such as environment, energy, and health and nutrition. Government frameworks that affect how markets function in these areas can translate directly into impacts on food security and nutrition and sustainable agriculture, and must therefore be part of a holistic, complementary policy package.

Moving forward, a deliberate effort to ensure complementarity and synergies between trade and agricultural policies can go a long way in ensuring the effectiveness of policy measures and resolving some of the trade-offs associated with them. For instance, there are many cases where policy makers provide farmers with incentives to produce, such as through input subsidies and market price support measures, while at the same time applying export restrictions that have the opposite effect on producer incentives. Improving coordination across different ministries and agencies responsible for designing and implementing agricultural and trade policies can help to resolve such inconsistencies.

Moreover, a meaningful analysis and discussion should be held within the context of multilateral agreements, to take account of the nature of the measures that could contribute to the achievement of SDG 2 and the relevant obligations at issue. For instance, under WTO rules, governments will need to go beyond the narrow focus of eliminating agricultural export subsidies, and take a broader approach to indicators of progress that encompasses the range of measures that affect trade and markets in the global agricultural and food systems.

This discussion on the links between trade and SDG 2 is particularly relevant in the current context. The COVID-19 crisis is a reminder of the importance of international trade in mitigating the impacts of shocks, and protecting the livelihoods and ensuring the food security of millions of people around the world. The international trading system, and more broadly, International cooperation and coordination are critical at this time, to ensure that countries' response to the crisis serves to improve rather than exacerbate the global hunger and malnutrition situation.

**For more information, please contact**

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