



TRADE POLICY BRIEFS

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How can governance be improved for trade and food security?

The role of the multilateral trading system in addressing food security

Trade agreements are at the heart of the trade and food security debate as they set out the rules for national trade and agricultural policies, which play a key role in determining food security outcomes. The WTO Agreement on Agriculture (AoA), which resulted from the Uruguay Round of multilateral trade negotiations, was the first attempt to agree on a comprehensive set of disciplines on members countries' agricultural trade policies, seeking to reduce the distortions in agricultural markets that were prevailing at the time. Agricultural negotiations continued as part of the Doha Round of multilateral trade negotiations launched in 2001. The relationship between trade rules and food security has become an increasingly central element in this round of negotiations.

The contribution that trade can make to a country's food security is partly determined by the disciplines that apply to other countries' policies, but also by the "policy space" that the country itself is granted under WTO rules. In the AoA, specific flexibilities are provided to developing countries to help them pursue their food security goals. However, there is continuing debate on the level and relevance of flexibility available to countries within the AoA, and growing consideration for alternatives to the multilateral trading rules, as summarized in Box 1.

BOX 1. ALTERNATIVES TO THE MULTILATERAL TRADING SYSTEM

Bilateral or regional trade agreements (RTAs) contain provisions that are considered to be equally relevant for food security as the policy space provided by the WTO AoA, although they can offer only partial solutions:

- while RTAs cover agricultural products, issues such as subsidies are likely to be negotiated only multilaterally, as countries seek assurance that other large countries are also accepting similar disciplines;
- the political challenges of obtaining legislative approval of such agreements may not be much less than those of passing a multilateral trade deal;
- RTAs may raise systemic issues for the multilateral trading system because, by definition, they discriminate against countries outside the RTA.

The policy space available to developing countries

Policy space refers to the flexibilities that countries have for implementing policies within the general constraints imposed by the AoA disciplines. Whether the existing policy space is sufficient to pursue developmental objectives also depends on the capacities of countries to use it appropriately.

TABLE 1. POLICY SPACE FOR FOOD SECURITY UNDER THE THREE PILLARS OF THE WTO AGREEMENT ON AGRICULTURE (AOA)

WTO AOA PILLARS	POLICY SPACE AVAILABLE	ASSESSMENT OF THE LEVEL OF FLEXIBILITY FOR DEVELOPING COUNTRIES
Market access	Defined by the bound tariffs that WTO members commit to not exceeding. These are highest for LDCs and lowest for developed countries.	Despite differences in bound tariffs, there are almost no differences when the tariffs that are actually applied are averaged across the three groups of LDCs, developing countries and developed countries. This means that most LDCs and developing countries have considerable unused policy space i.e. a gap between bound and applied rates that can be used to adjust the level of tariffs. However, for some developing countries, their ability to increase tariffs may be constrained because their tariffs are already at or close to the bound tariff level. In other countries, tariff levels may be misaligned because of a lack of coordination between ministries responsible for trade and agricultural policy.

TABLE 1. POLICY SPACE FOR FOOD SECURITY UNDER THE THREE PILLARS OF THE WTO AGREEMENT ON AGRICULTURE (AOA) (Continued)

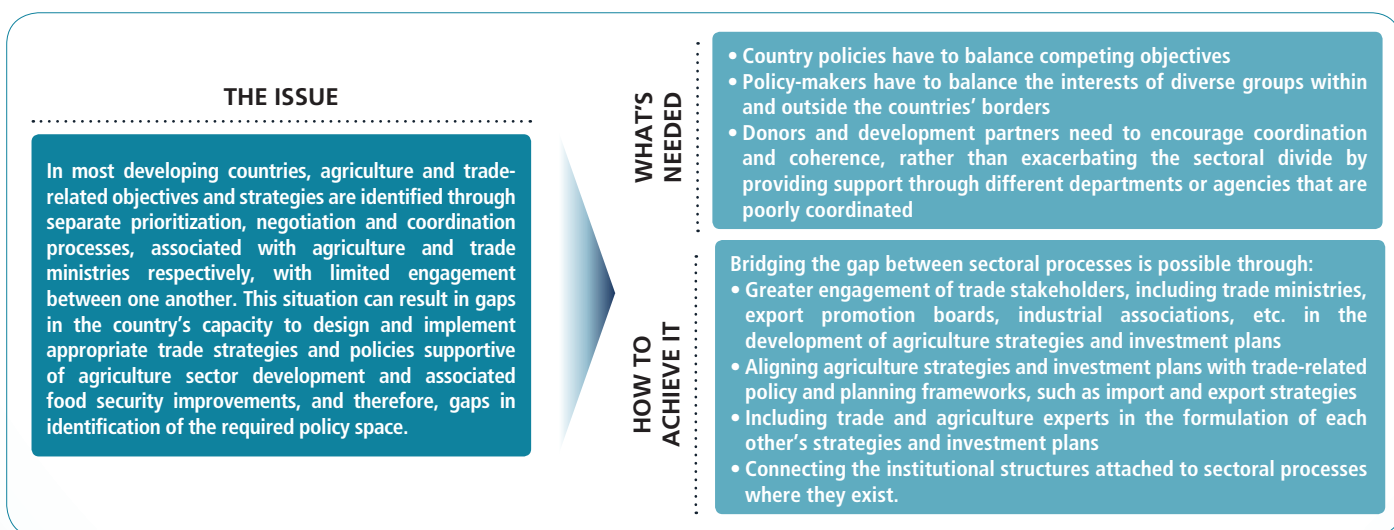
Domestic support	Defined by a country's right to exempt payments under some policies when calculating its current aggregate measure of support (AMS), and by the size of its bound total AMS (i.e. upper limit on the current total AMS).	Policies exempted from AMS commitments under the so-called Green Box include general services such as research, training, pest and disease control and marketing and promotion. Developing countries enjoy additional flexibilities under development provisions, which cover certain types of input subsidies and support to investment. All measures that are not excluded from AMS calculations fall under the Amber Box, which measures trade-distorting support and is subject to limits. For most developing countries trade-distorting support is limited to de minimis amounts contained in the commitments (equivalent to 10% of the value of production). The <i>de minimis</i> ceiling has become much more constraining on the use of market price support in developing countries (as in developed countries) because of the steep rise in nominal world food prices following the Uruguay Round.
Export competition (and export restrictions)	Defined by a country's right to engage in certain export subsidy practice, and by the length of time to comply with the commitments to remove others. (Quantitative export restrictions are governed by GATT article XI, but overall WTO disciplines on export restrictions are weak.)	As per the "Nairobi Package" adopted in 2015, the policy space available to developing countries includes the right to continue subsidizing marketing and internal transport costs for agriculture exports until 2023, and the right to phase out other export subsidies by 2018 (rather than immediately, which is the case for developed countries). The poorest and food-importing developing countries enjoy additional time to cut export subsidies. In the wake of high global food prices however, export restrictions have been a more contentious issue than export subsidies, on which the WTO lacks clear regulations. This provides considerable amount of policy space for food exporters to address short-term food security concerns by constraining exports. This, could have major repercussions for global food security, affecting especially net food importing developing countries. The more countries that resort to export restriction during a price spike, the less effective such measures are at stabilizing domestic prices, and the greater the destabilization of world market prices.

Analysis of the three pillars of the AoA shows that policy space for food security is generally available within the current WTO disciplines, although it may be more constrained for particular countries, commodities or tariff lines. Also, existing policy space would be further reduced if agreement were reached to strengthen disciplines on agricultural tariffs and support as a results of ongoing multilateral negotiations. The proposed special products (SP) provisions and special safeguard mechanism (SSM) have, therefore, been requested by many developing countries to provide additional flexibility for them to promote their food security as needed.

From policies to processes for improving coherence and policy space

Shifting attention to the national-level policymaking processes that define policy objectives and priorities may help in identifying the appropriateness and relevance of the policy space. In particular, **greater attention is required in strengthening the coherence between agriculture and trade strategies and policies, and their consideration of food security objectives.**

FIGURE 2. STRENGTHENING THE COHERENCE BETWEEN AGRICULTURE AND TRADE STRATEGIES



FAO's role

FAO plays a role in facilitating the policy processes that guide the development of trade and related policies, both at the national and global level. FAO's work in this area includes:

- **Country-level technical analysis:** to strengthen the evidence on the impact of trade and related policies on food security, and agricultural and economic development;

- **Mainstreaming trade into national poverty reduction strategies:** to facilitate the preparation of mutually consistent strategies for trade, poverty reduction, rural development and food security;
- **Supporting countries' participation in trade agreements:** to conduct analysis to strengthen the evidence on the impacts of key negotiating issues, to promote capacity to conduct such analyses, and to facilitate neutral fora for dialogue away from the negotiating table.

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