

# TRADE POLICY BRIEFS

## TRADE & FOOD SECURITY

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### How can trade and related policies be used to contribute to food security objectives?

#### Defining trade and related policy measures

Trade and related policy measures are defined as those that affect trade flows, be they instruments of border protection or domestic market interventions. Trade-oriented measures (like import and export tariffs and quotas and non-tariff measures) are only one of the many categories of policies that can affect the flow of trade. Producer- and consumer-oriented measures can be equally important because of their direct effects on national production levels, and the indirect effects that changes in national production can have on trade flows and global markets. Price policies (that introduce a gap between domestic prices of inputs and outputs and those that would prevail in the absence of such measures) can be particularly important, as they can be designed and implemented in different ways, with quite different impacts.

#### Determining the appropriateness of trade and related policy

The objectives of policy interventions should be paramount in determining the appropriateness and informing the design of trade-related policy. In particular, there is a need to distinguish

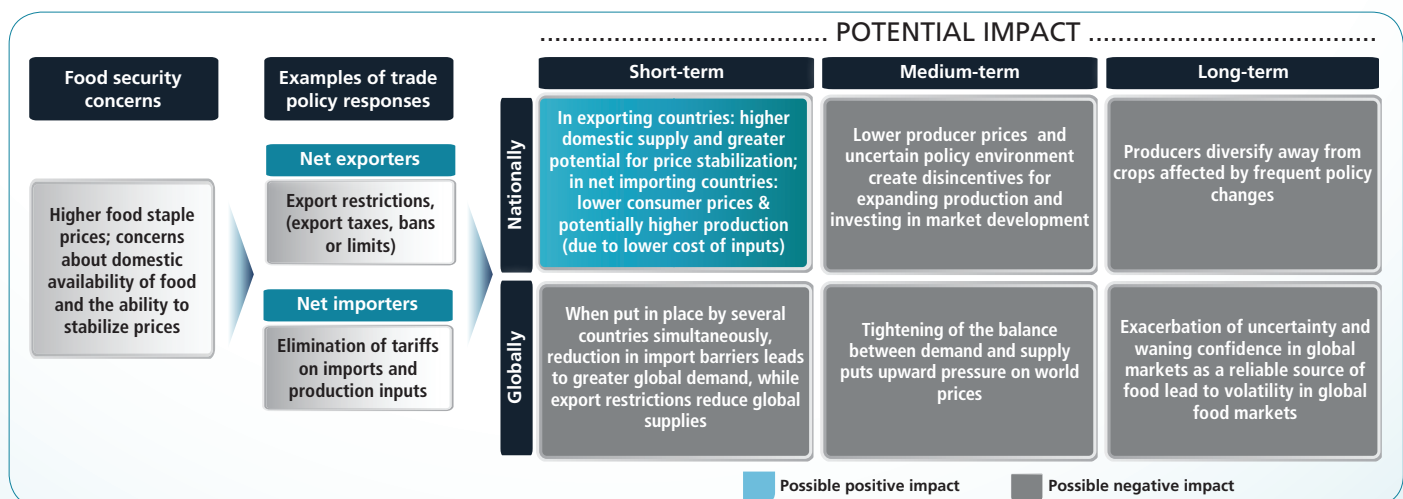
FIGURE 1. FOOD AND AGRICULTURE POLICY CLASSIFICATION (FAPDA)

Consumer-oriented	Producer-oriented	Trade-oriented
<ul style="list-style-type: none"> <li>• <b>Market management:</b> food stocks, price controls</li> <li>• <b>Social protection:</b> school feeding, food for work, food subsidies, cash transfers</li> <li>• <b>Nutrition assistance:</b> food fortifications</li> <li>• <b>Disposable income</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Market management:</b> fixing min. and max. prices for food staples</li> <li>• <b>Producer support:</b> input and production subsidies</li> </ul> <div style="border: 1px dashed black; padding: 5px; margin-top: 5px;"> <p style="text-align: center;"><b>Price policies</b></p> <p style="text-align: center;">Output Price Support</p> <p style="text-align: center;">Output Price Subsidies</p> <p style="text-align: center;">input Subsidies</p> </div>	<ul style="list-style-type: none"> <li>• <b>Border measures:</b> import tariffs and quotas, export subsidies or taxes, import or export bans, non-tariff measures (health and safety procedures)</li> <li>• <b>Broader macro-economic measures</b></li> </ul>

between short- and longer-run food security objectives, as different policy instruments can have conflicting implications for food security.

**Short-run food security objectives:** High and volatile food prices prompted a number of policy responses by developing countries

FIGURE 2. IMPACT OF SHORT-TERM TRADE POLICY INTERVENTIONS ON FOOD SECURITY

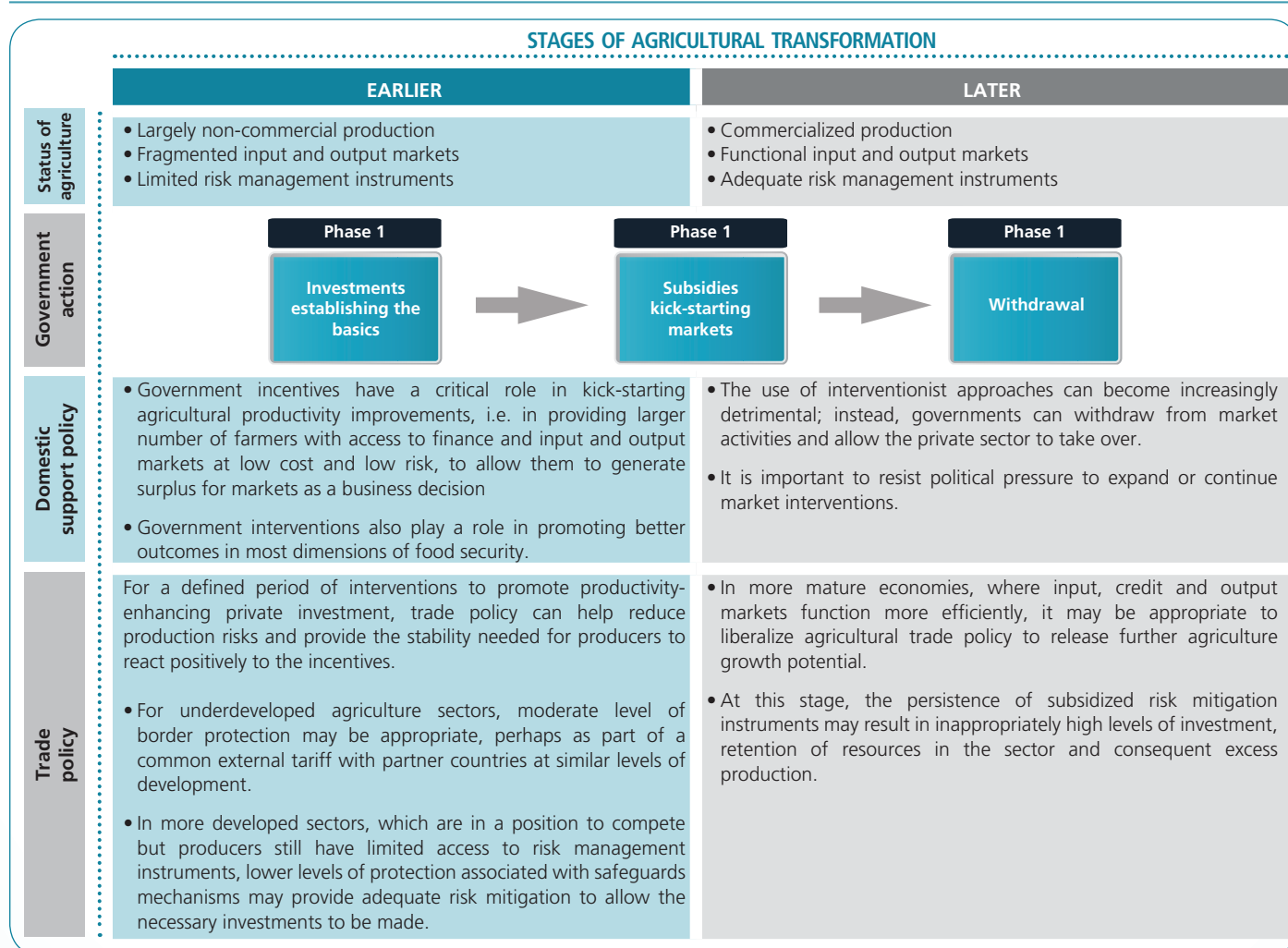


to mitigate the negative effects of the increasing cost of food on poverty and hunger. The waning confidence in global markets as a reliable source of affordable food triggered numerous short-term responses. Figure 2 depicts the impact of the typical trade policy instruments employed during periods of high food prices, such as that in 2008. Many of them focused on reducing import barriers and/or restricting exports to ensure sufficient domestic supplies.

However, while such policies may help achieve short-run, national objectives of increasing food availability and lowering food prices, the potential negative impacts of these policies in the medium to long-run, both at the national and global level can significantly undermine any short-term gains. Thus, when assessing the effectiveness of trade and related policy in achieving food security objectives, **it is important to look beyond short-term policy interventions and their possible short-term consequences.** Instead, in identifying optimal policy interventions, **the focus needs to be on the long-term dynamics that characterize the development pathways of most countries.**

**Longer-run food security objectives:** In a standard view of structural transformation, countries at low levels of development start from a position of having a large, non-commercial agriculture sector that accounts for a large proportion of their GDP, and an even larger proportion of employment. In this setting, balanced growth is achieved if the agriculture sector becomes increasingly commercialized and competitive (with substantial backward and forward linkages with the local economy), while the manufacturing sector grows. Achieving longer-term food security **requires policies that promote sustained agricultural productivity increases, with consideration to the level of economic structural transformation in an economy, and the role of agricultural commercialization** within this process. The question is when and how countries should open their agriculture sectors to greater competition. Figure 2 presents a simplified depiction of the role of trade and related policy, by stage of agricultural development.

**FIGURE 3. GOVERNMENT ACTION BY STAGE OF AGRICULTURAL TRANSFORMATION**



Some key considerations in introducing trade and related policy changes in such a phased approach are as follows:

- The effectiveness of trade and related policies in supporting agricultural transformation and long-term food security depends on not only the type of policies used, but also their design, enforcement and implementation.
- Ensuring stability, transparency and consistency of policy interventions (rather than introducing ad-hoc changes driven

by short-term considerations) is important for managing expectations and building trust with all the actors.

- Trade policies should not be used as the main instrument for correcting the market failures that are preventing productivity increases (e.g. exchange rate misalignments).
- Perceptions that some policy instruments have been problematic when used in some countries should not be used as the main argument against their use in other countries. A more nuanced debate reflecting the needs of different countries is required.