



TRADE POLICY BRIEFS

FAO SUPPORT TO THE WTO NEGOTIATIONS AT THE
11TH MINISTERIAL CONFERENCE IN BUENOS AIRES

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Agricultural export restrictions

SUMMARY

- World Trade Organization (WTO) disciplines allow members to apply export restrictions to prevent or relieve critical shortages of foodstuffs on a temporary basis.
- From 2007 to 2011, many net food-exporting countries introduced quantitative restrictions in an attempt to contain the growth of domestic prices and ensure sufficient supplies in internal markets.
- Overall, export restrictions did not work as intended to limit increases in domestic food prices. The restrictions served as disincentives to farmers in exporting countries and exacerbated uncertainty and volatility in global food markets.
- To avoid the negative repercussions of quantitative export restrictions, it would be useful to have in place an improved, multilaterally agreed regulatory framework governing the use of these measures.

What are the WTO disciplines on export restrictions?

Article XI, paragraph 1 of the General Agreement on Tariffs and Trade (GATT) 1994 states that imports and exports can only be restricted or inhibited by means of duties, taxes or other charges. The use of other export-reducing policy instruments, such as quotas or export licenses, is not allowed. However, paragraph 2 of the same article states that the prohibition on using quantitative restrictions can be relaxed in the case of "export prohibitions or restrictions temporarily applied to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting contracting party". Since "critical shortages" are not clearly defined, countries are left with substantial space for making policy decisions about export restrictions.

How often are export restrictions used?

Export restrictions have been widely used in the past and continue to be a trade policy instrument used to control agricultural markets. Countries usually apply these measures in an attempt to contain the growth of domestic prices and ensure sufficient internal supplies, as a response to rising food prices.¹ Table 1 shows that out of 105 countries, 33 (31 percent of the sample) resorted to one or more export restrictions in the period covered.²

¹ FAO. 2015. *The State of Agricultural Commodity Markets 2015 – 16*. Rome.

² R. Sharma. 2011. *Food Export Restrictions: Review of the 2007-2010 Experience and Considerations for Disciplining Restrictive Measures*. FAO Commodity and Trade Policy Research Working Paper No. 32 OECD.2017. Joint Working Party on Agriculture and Trade. Impact of agricultural export restrictions on prices in Importing countries.

TABLE 1. FOOD EXPORT RESTRICTING COUNTRIES AND RESTRICTIVE MEASURES IN A SAMPLE OF 105 COUNTRIES, 2007-MARCH 2011

REGION	NUMBER OF COUNTRIES COVERED	NUMBER OF EXPORT RESTRICTING COUNTRIES	% OF RESTRICTING COUNTRIES	NUMBER OF EXPORT RESTRICTION MEASURES*
Africa	42	9	21	15
Asia	30	15	50	49
Latin America and the Caribbean	28	5	18	15
Others	5	4	80	8
Total	105	33	31	87

Source: Sharma, R. 2011. *Food Export Restrictions: Review of the 2007-2010 Experience and Considerations for Disciplining Restrictive Measures*. FAO Commodity and Trade Policy Research Working Paper No. 32.

*The numbers include export taxes.

While the motivation for introducing such measures was linked to legitimate food security concerns, export restrictions – and in particular export bans – had repercussions at country and global levels, with negative effects especially on net food-importing developing countries.

What are the consequences at country level?

Export restrictions are usually intended to lower consumer prices and boost domestic food supplies. However, they proved to be largely inefficient in this regard. While in some situations export restrictions can provide temporary relief as an emergency measure, in the longer run the effects on consumers tend to disappear.³ In addition, evidence shows that export restrictions were not effective at preventing an increase in food prices, since the value share of the primary product (for example, wheat) in the final price of food (such as bread) is relatively low, ranging between 10 and 20 percent.⁴ Furthermore, these constraints may reduce the incentives to produce affected commodities. Farmers tend to shift land and inputs away from commodities facing frequent bans, and move them towards other products for which policy measures are more predictable.

What are the consequences at the global level?

The immediate effect of export restrictions on global markets is that they limit global export supplies. When restrictions are put in place by several exporters simultaneously, they have a cumulative effect that exacerbates pressure on world prices and introduces an additional source of uncertainty and volatility in world markets.⁵ By some estimates, between 2006 and 2008 the aggregate effect of all countries' price-insulating behaviour was a 52 percent increase in the international price of rice and an 18 percent increase in wheat and maize.⁶

Export restrictions primarily affected trade between neighbouring countries and traditional trading partners, especially where an alternative source of food imports was not readily available. This was the case in Africa, where the adoption of restrictive measures effectively eliminated the opportunity to source food products from surplus areas^{7,8} and created substantial risks to food security. As a consequence, the reputation of international markets as a reliable source of food supplies was weakened, and some importing countries adopted policy measures to increase their own production.

What are the options for strengthening disciplines on export restrictions?

The lack of firm discipline on export restrictions provides a considerable amount of policy space for countries to introduce export controls when facing critical supply shortages. However, considering the potential negative effects on the importing countries and the

stability of global markets, different options have been proposed for strengthening the current disciplines.

For example, following a period of high and volatile food prices, international organizations made proposals that focused on: (i) the development of an operational definition of a critical food shortage situation that might justify consideration of an export-restricting measure; and (ii) the need to define the limits of an export ban as a last resort, i.e. to be used only when other measures have been exhausted, and taking into account the food security needs of least-developed countries and net food-importing developing countries.⁹

Moreover, and in addition to proposals submitted by the WTO members in the negotiations, other suggestions have been debated. They include (in order of increasing stringency): exempting from export restrictions the food purchases made by international organizations for distribution as food aid; limiting the impact of export taxes and restrictions on world markets by making the use of export restrictions conditional on the percentage of domestic production of the specific commodity that is exported; prohibiting the use of export restrictions, other than export taxes, on exports to poor net food-importing countries; achieving full symmetry in regulating import and export restrictions.¹⁰

Key challenges

- 1 To set clear rules and conditions for the circumstances under which export restrictions can be used. This will help mitigate the negative effects on net food-importing countries and global markets.
- 2 To ensure that countries use export restrictions only as a last resort. In the event of a new episode of elevated prices, the possible negative effects of quantitative limits for exports on net food-importing developing countries should be considered above all others.

³ OECD. 2017. Joint Working Party on Agriculture and Trade. Impact of agricultural export restrictions on prices in Importing countries.

⁴ FAO. 2014. Policy responses to high food prices in Latin America and the Caribbean: Country case studies. Rome.

⁵ FAO. 2009. Guide for policy and programmatic actions at country level to address high food prices. Rome.

⁶ Anderson, K., Ivanic, M. & Martin, W. The World Bank. July 2013. Food Price Spikes, Price Insulation, and Poverty.

⁷ FAO. 2016. OECD-FAO Agricultural Outlook 2016-2025. Rome.

⁸ FAO. 2015. The State of Agricultural Commodity Markets 2015–16. Rome.

⁹ FAO, IFAD, IMF, OECD, UNCTAD, WFP, the World Bank, the WTO, IFPRI and the UN HLPF. June 2011. Price Volatility in Food and Agricultural Markets: Policy Responses.

¹⁰ G. Anania. 2013. Agricultural export restrictions and the WTO: what options do policy-makers have for promoting food security? ICTSD Programme on Agricultural Trade and Sustainable Development, Issue Paper No. 50. Geneva, Switzerland, International Centre for Trade and Sustainable Development.