



Ministerial meeting on long-term commodity price trends and sustainable agricultural development

Rome, 3 October 2016

Roundtable III: Policy environment for agricultural trade

Why the subject is important

- Trade agreements set out the rules for trade among signatories, but also shape their national agricultural policies. They play a significant role in meeting national food security objectives and can influence food production and consumption patterns, and therefore the availability and price of food in a country.
- While progress in the multilateral trade negotiations has been slow, World Trade Organization (WTO) members have been active in negotiating regional trade agreements (RTAs). Currently, developments in mega-regional RTAs have triggered discussions on the potential benefits of multilateral, regional and plurilateral approaches in trade agreements.
- The 2030 Agenda for Sustainable Development puts emphasis on the role of international trade in achieving food security, development and in reducing inequality among countries.

Background and Outlook

The World Trade Organization (WTO) Agreement on Agriculture (AoA) was the first attempt to establish a comprehensive set of disciplines for agricultural trade, making the WTO the primary forum for negotiating trade policy in agriculture. Since the launch of the Doha Round in 2001, however, the slow progress of the negotiations hinders attempts towards further liberalization.

Despite a broad recognition on the centrality of agriculture in the negotiations, differences between WTO members undermined consensus. In the 9th WTO Ministerial Conference in Bali, a temporary compromise was reached on measures related to public stockholding for food security purposes. Nevertheless, the question remains open as subsequent discussions have not succeeded in providing a permanent solution.

At the heart of the problem lies the argument that the current WTO Agreement does not provide developing countries with sufficient policy space for addressing food security, whereas developed country members can continue to use trade distorting policies with very few limitations.

The WTO Ministerial Conference held in Nairobi in December 2015 made significant progress. The agreement to eliminate export subsidies puts an end to an instrument which, despite its limited use in the recent years, is considered to be one of the most trade-distorting measures.

Alongside the WTO negotiations system, and over the past two decades, regional trade agreements (RTAs) have proliferated. In the absence of significant progress on the multilateral front, RTAs have served as a form of inter-state cooperation, as well as incubators and testing grounds for new trade rules.

As the number of RTAs has expanded from less than 20 in 1990 to more than 260 currently in force, the share of global trade taking place through bilateral and regional agreements has increased substantially. Over time, these agreements have evolved, and many now contain disciplines that are wider in scope, deeper in nature, and significantly more sophisticated than the multilateral trading system under the WTO.

At the same time, ‘mega-regional’ agreements pursue deep integration partnerships between countries or regions that make up for a major share of world trade and foreign direct investment (FDI). For example, the Trans-Pacific Partnership (TPP) involves the twelve Pacific Rim countries, the Transatlantic Trade and Investment Partnership (TTIP) is currently under negotiation between EU and US, and the Regional Comprehensive Economic Partnership joins ASEAN with other regional partners.

UNCTAD estimates that for the 2007-2012 period, the annual growth rate of agricultural trade being conducted within RTAs was more than double compared with the one outside RTAs, indicating that the architecture of international trade is changing. Concluding the “mega-regionals” should raise this share further.

These different approaches to trade agreements give rise to questions on the relative strengths of multilateralism and regionalism. For some, non-multilateral agreements could violate the principles of universality, inclusiveness and transparency. For others, they can support the international trade regime.

The 2030 Agenda for Sustainable Development recognizes international trade as an engine for inclusive economic growth and poverty reduction, prioritizing Aid for Trade and special and differential treatment for developing countries. Promoting developing country exports is an additional priority with particular attention given to Duty-Free and Quota-Free (DFQF) market access for LDCs agricultural products, consistent with WTO decisions, including by ensuring that preferential rules of origin applicable to imports from least developed countries are transparent and simple.

Guiding questions for policy makers

- Is there a need for more policy space in the WTO rules for developing countries in order to pursue their food security and nutrition objectives? What type of policy space would be needed?
- What is the role of the multilateral trading system in ensuring efficient flow of food supplies across countries? What limitations does it have?
- What are the potential risks and benefits of the proliferation of RTAs, for both the participating and the non-participating countries?
- What are the opportunities for trade to enable the achievement of the SDGs related to agriculture and food security and nutrition?