**Session 32: Food security and trade in services: Risks and opportunities for developing countries**

**Sub theme I: Food Security**

**Moderator**

Mr Damon Vis-Dunbar, Coordinator, the Trade Knowledge Network, International Institute for Sustainable Development

**Speakers:**

Mr Martin Roy, Counsellor, Trade in Services Division, WTO

Ms Sandra Rios, Director of the Centro de Estudos de Integração e Desenvolvimento (CINDES)

Mr Wamkele Mene, Counsellor, Permanent Mission of South Africa to the WTO

Mr Alexander Chandra, Regional Coordinator, the Trade Knowledge Network, International Institute for Sustainable Development (IISD)

**Organized by**

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**Abstract**

The services sector is an increasingly integral part of global food supply chains, with the production, distribution and marketing of food products relying on logistics, infrastructural services, and financial and professional services. The GATS inclusion of “Services incidental to agriculture, hunting and forestry”, as well as services commitments in regional trade agreements, therefore has a potentially far-reaching impact on food security. Particularly in developing countries, where these services may be lacking, it is essential to better understand the linkages between services liberalization and food security.

The session attempted to address the following issues:

* How do services contribute to the cost and distribution of food products?
* Under which circumstances could deeper liberalization result in lowering costs and improving the distribution of food products?
* What implications do the current GATS negotiations have for food security?
* What are the potential risks for developing countries with respect to services liberalization incidental to agriculture?

As an area that has not received great prominence, the main focus of this session was to explore the various linkages between food security and services liberalization and lay out what the future research agenda in this area could look like.

**1. Presentations by the panellists**

*(a) Ms Sandra Rios, Director of the Centro de Estudos de Integração e Desenvolvimento (CINDES)*

The first speaker highlighted the main findings of a series of studies on food security concerns in Latin America, Africa and Asia by the Trade Knowledge Network. In the wake of the recent food crisis, policy responses have concentrated on short-term goals geared at decreasing prices. Moreover, the search for self-sufficiency resulted in protectionist measures such as subsidies for production.

Though some of these responses, such as social safety nets and compensatory policies, have proven useful, short-term responses can run counter to longer-term determinants of food security. Long-term policies could include increasing investment in agriculture and improving infrastructure for production and commercialization of food. Thus, sustainable policies to ensure food security require institutional coordination, which has so far been missing from regional policies.

Food security, therefore, provides the rationale for agriculture and trade policies in developed and developing countries. A food security policy includes two elements: food self-sufficiency, i.e. reluctance to rely on international markets and imports, and food self-reliance, i.e. market liberalization and export-oriented agriculture. The recent food crisis was a consequence of large discrepancies in national food security policies affecting trade.

Thus, policy issues around the linkages of food security and trade are likely to become important in the coming years. Lastly, Ms Rios concluded that two issues would be extremely important in relation to food security and trade – competition issues and investment rules.

*(b) Mr Martin Roy, Counsellor, Trade in Services Division, WTO*

The second speaker was of the view that the linkage of services to the agricultural sector is an important research area, although it has not been at the forefront of the services negotiations at the WTO. He provided a brief overview of the GATS negotiations and how they related to agriculture and food security.

He noted that a plurilateral request on services related to agriculture has been made in the GATS negotiations. The rationale, he explained, is to improve the competitiveness and quality of agricultural production thus benefitting producers and consumers worldwide.

The most essential liberalization is required in agricultural distribution services. Key points for a research agenda include the impact of liberalizing distribution services, and the potential of trade in services to incite local producers to upgrade production methods, improve the organization of supply chains, enhance local producers’ links to international supply chains, and boost investment across the value chain in order its improve its effectiveness and reduce waste.

*(c) Mr Wamkele Mene, Counsellor, Permanent Mission of South Africa to the WTO*

The third speaker looked at the issue from both a multilateral and regional perspective. To start off his presentation, he put forth a question regarding what provisions of GATS offer an opportunity to advance the objective in terms of food security.

He emphasized that Article 5 of GATS, which allows countries to establish preferential trade agreements, facilitates the ability of regions to improve food security. Although it is not immediately obvious, many sectors have an important impact on food security, through finance, distribution, logistics and transportation.

Regional agreements can be used to ensure that people have access to food products and there is an improvement in the quality of agricultural products in that region. Though there are no assessments as to the extent to which regional agreements in SADC have led to distortions in domestic markets, such distortions will have to be managed. The ability to anchor agricultural distribution services by regulatory bodies is critical to food security. In the absence of any regulatory bodies to correct market failures in the economy, liberalization in agricultural services might lead to dangerous consequences for food security.

*(d) Mr Alexander Chandra, Regional Coordinator, the Trade Knowledge Network, International Institute for Sustainable Development*

The final speaker addressed the issue from an ASEAN perspective and presented a case study on the role of logistical services in Indonesia.

Food security remains a major concern among ASEAN countries given its diverse economic and agricultural conditions. For example, Viet Nam is one of the largest food-exporting nations, while the Philippines is one of the largest food-importing nation. Limited connectivity between the countries exacerbated the food crisis of 2008 in this region. Thus, there is a great need to streamline food security issues within the initiatives to accelerate ASEAN connectivity.

Citing the Indonesian example, the speaker underlined that the remoteness of certain areas is the leading cause of food insecurity in Indonesia. Thus, liberalization of services by improvements in the logistic infrastructure could provide a great impetus for increasing food security in the country.

**2. Questions and comments by the audience**

* It was suggested that there are certain contradictions or limitations with respect to regional integration in the agricultural services sector.
* One participant questioned the extent to which bilateral investment treaties between countries raise risks in relation to food security, especially with an increase in the incidence of land grabbing.
* It was pointed out that poverty is an important factor in food security. While demanding local content is often important for developing countries to create jobs, it was questioned whether liberalization in GATS leads to less local content requirements and more land grabbing.
* It was suggested that infrastructure development was essential in many developing countries, as 40-50 per cent of the food costs are freight costs.
* A concern raised by one participant was whether the WTO has a solution for transferring food from the plentiful areas to the needy areas under some arrangement.
* One participant raised a particular question regarding the liberalization of financial services under GATS and the extent to which it would help small farmers to get loans and other benefits or whether it would only benefit commercial farmers.
* An interesting example was given from Latin America, where some countries import food products that they also produce locally. The concern raised was whether the WTO Rules Mechanism has any solutions for this particular kind of trade deficit.

**3. Conclusions and way forward**

The session concluded with various views on the question that had started the session: the impact of trade in services on food security. There were many useful thoughts on what a future research agenda on this topic might look like.

The presentations of the four speakers touched upon various situations on a domestic, regional and multilateral level. Country-specific examples gave us an insight into the problems of infrastructure, logistics, finance and transportation faced in the agricultural sectors. Liberalization of trade in services can be an important starting point for correcting these distortions, thereby ensuring greater food security.

On a regional level, countries need to move away from protectionist measures. There is a need to strengthen regional cooperation through confidence building measures in order to ensure food security. Technical cooperation is also important, which can be provided through capacity building and technical assistance in terms of food production and distribution.

It was concluded that sound domestic policies and greater regional cooperation to ensure food security were needed in order for this issue to become an important discussion at the multilateral negotiations.