



INTERNATIONAL FOOD
POLICY RESEARCH INSTITUTE
sustainable solutions for ending hunger and poverty

From self-sufficiency to food security: changing minds, changing market access policies

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WTO Public forum 2011

SOME IDEAS

Two Simple Ideas

“An empty stomach is not a good political adviser.”

Albert Einstein

Food Security is a public good at the country and at the global level

« et le libre échange lui-même la condition absolue de la paix. »

(to establish absolute free trade, and by this very fact to ensure universal peace.)

Leon Walras

*Global and free trade is a public good at the global level that is
intrinsically tied to Food Security*

A Public Goods Story

- As any public goods:
- Who will suffer the most without them?
 - The weakest entities in the system
- How to provide it? Who will pay for it?
 - Challenge of Cooperation
 - Challenge of Free Riders

→ A clear role for WTO, even an extended role

Which role for IFPRI?

“Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist.” John Maynard Keynes

IFPRI as a knowledge broker

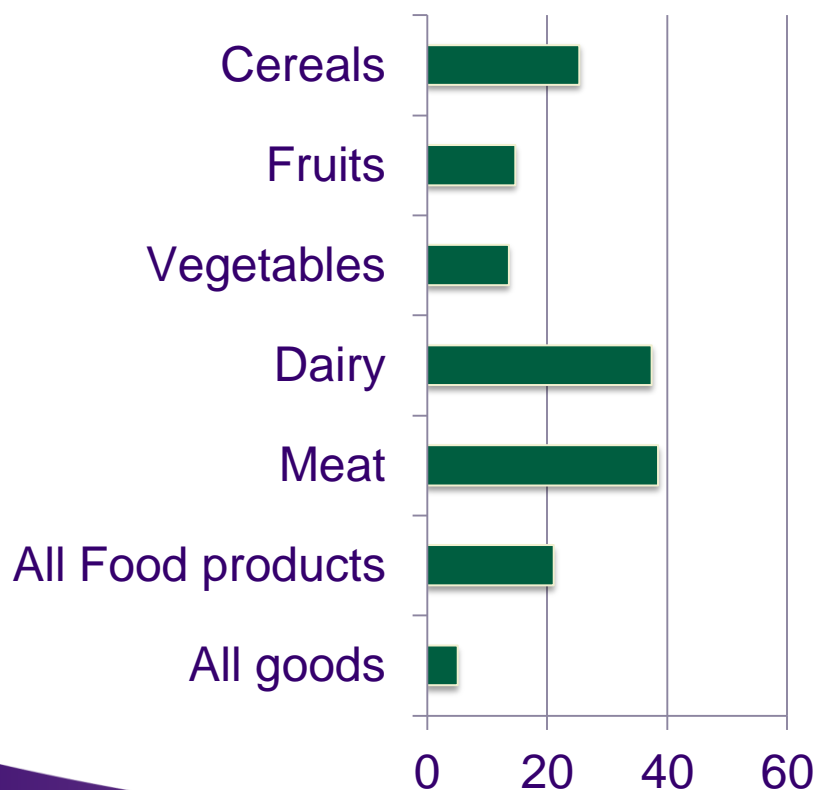
Trade and Food Security: the links

- Food security: availability, affordability and quality
- Self Sufficiency is **not** Food Security
- International Trade as the bridge between needs and resources: an history as long as History
- International Trade beyond Agriculture: Source of Income growth
- International Trade: Source of cheap food
- International Trade: Source of stable food supply
- International Trade: Source of productivity gains
- Food quality and International trade
- Comparative Advantages and Specialization: fears and realities
- But limits: unfair competition, and twisted specialization, exposure to other policies

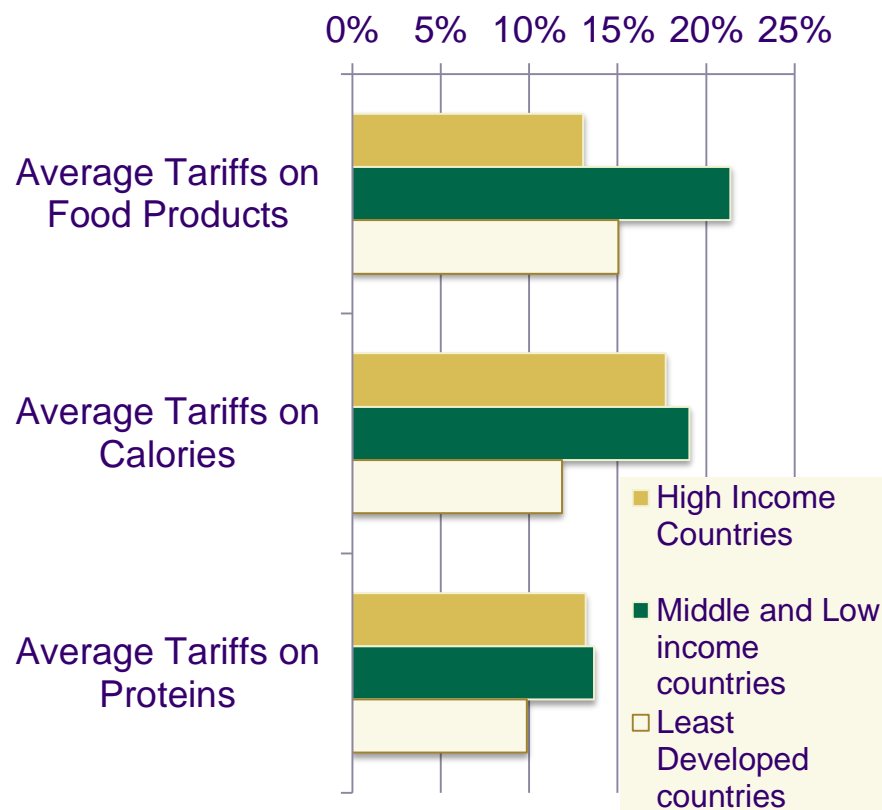
SOME FACTS

Trade Policies: Let's tax the hungry ?

Average World Tariffs

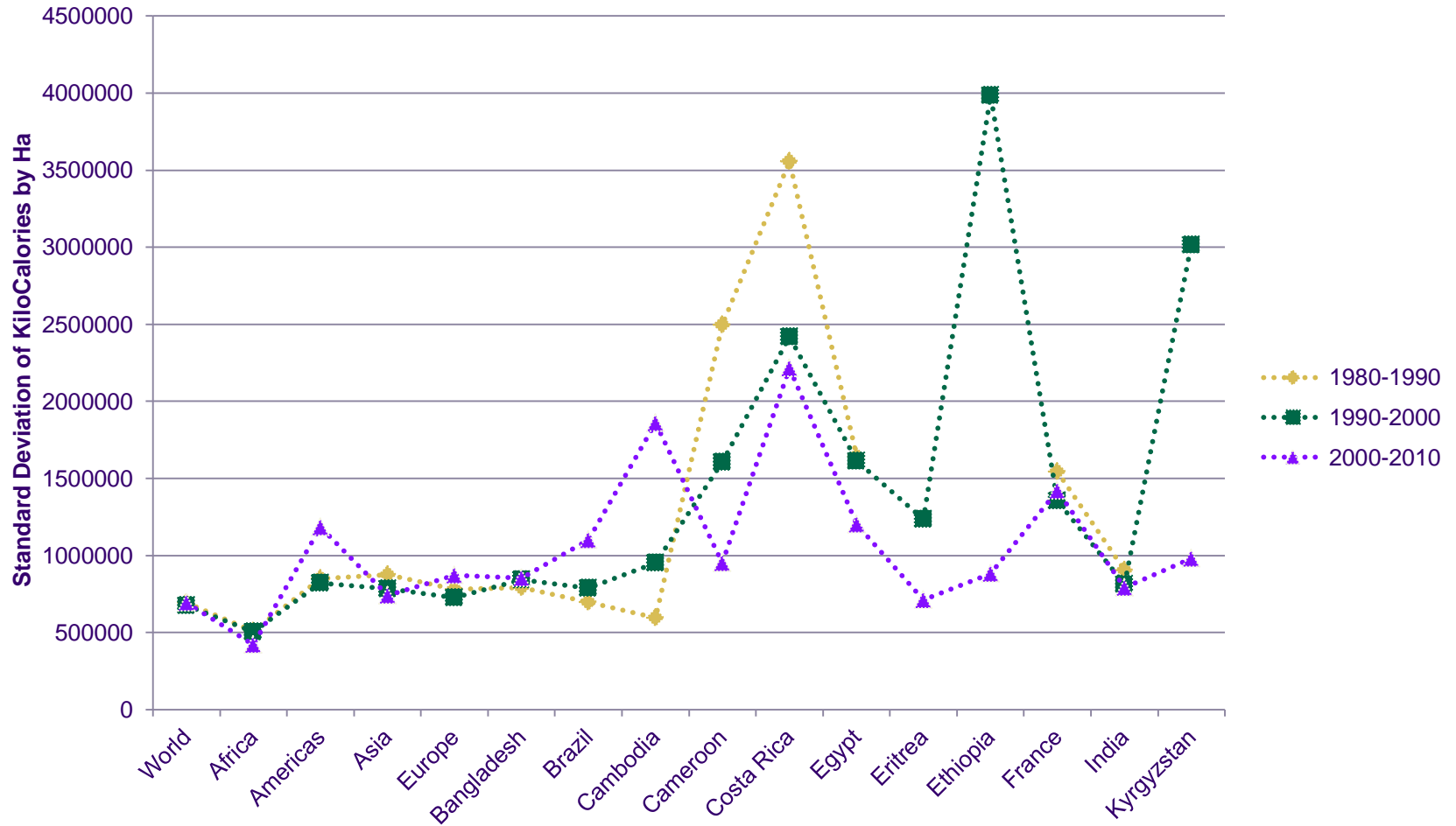


Breakdown by nutritional contents and level of developments



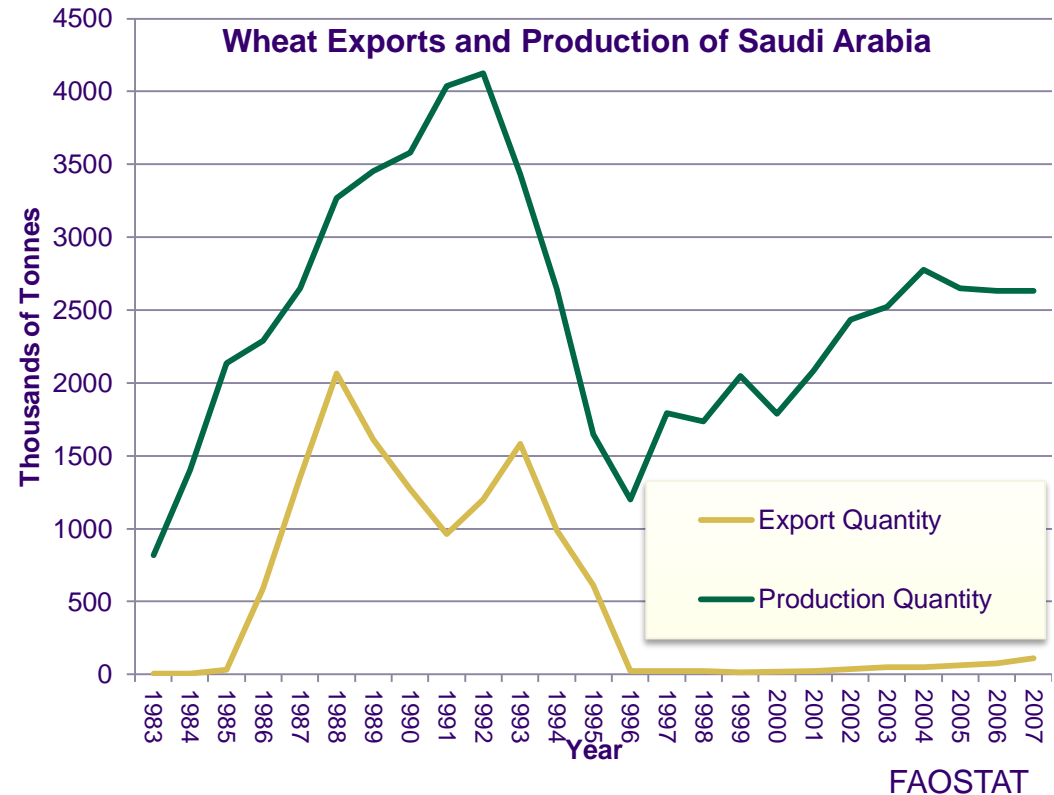
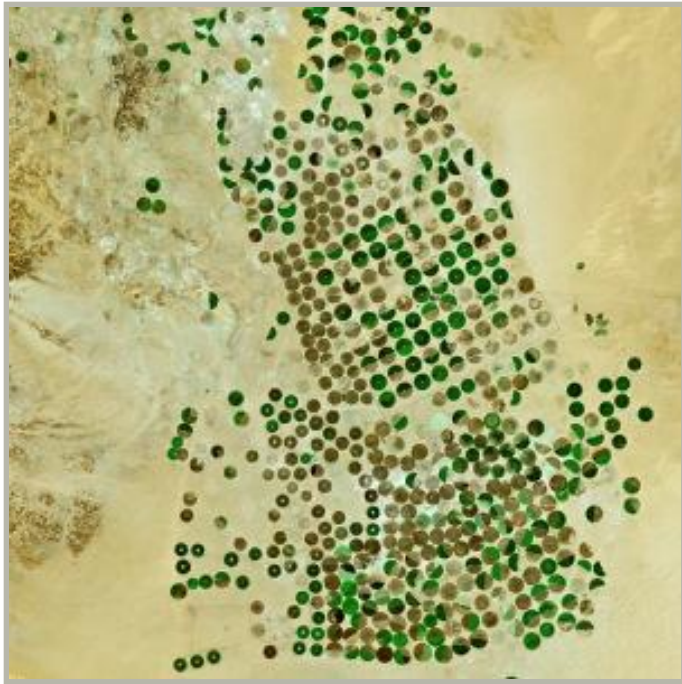
Based on Boumelassa, Laborde and Mitaritonna, 2009; Bouet and Laborde 2009.

Volatility of food supply: Trade brings stability



From Deason & Laborde, 2011 based on
FAOSTAT

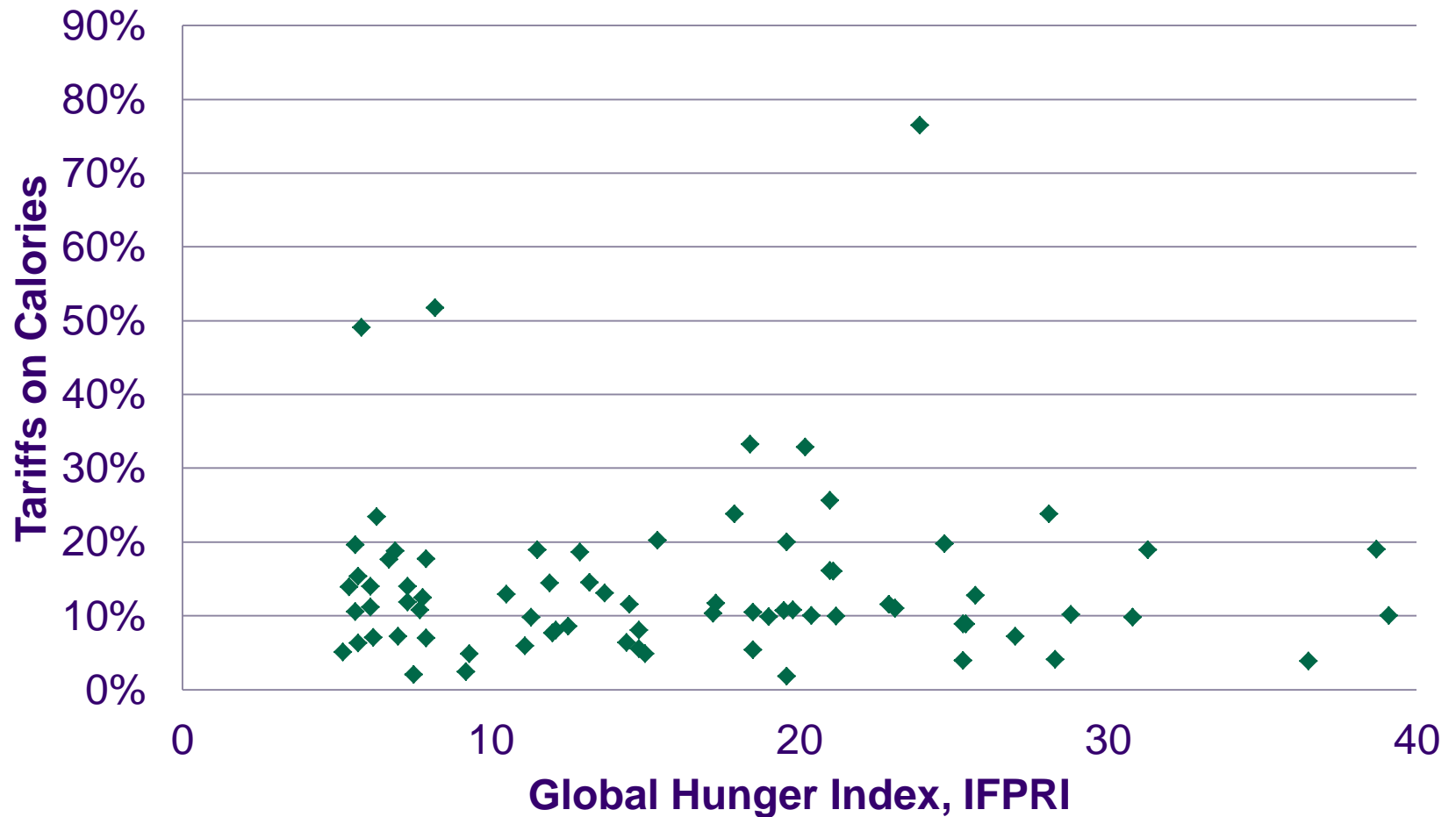
Self Sufficiency vs Trade: a sustainable way to achieve food security



- Quick depletion of the fossil water
 - 21 km³ a year for desert irrigation, 340 km³ of total accessible resources... USE=940% of renewable resource

FAOSTAT, Aquastat

Do high tariffs enough to reduce hunger? No



A Snapshot of Policies

Small country case

| Policy Instrument | Domestic production | Domestic consumption (→ Hunger?) | Trade | Self Sufficiency |
|---------------------|---------------------|----------------------------------|-------|------------------|
| Import duties | + | - | -- | ++ |
| Import subsidy | - | + | ++ | -- |
| Production subsidy | ++ | 0 | - | + |
| Consumption subsidy | + | ++ | + | - |
| Export Tax | - | + | -- | (-) |
| Export Subsidy | + | - | ++ | (+) |

But large countries or numerous small countries create externalities...

SOME MODELING

IMPORT DUTIES AND THE DOHA ROUND

For more on IFPRI works on the Doha Round and Import restrictions:

<http://www.ifpri.org/book-6308/ourwork/researcharea/doha-round>

<http://gatt.ifpri.info/dda0/>

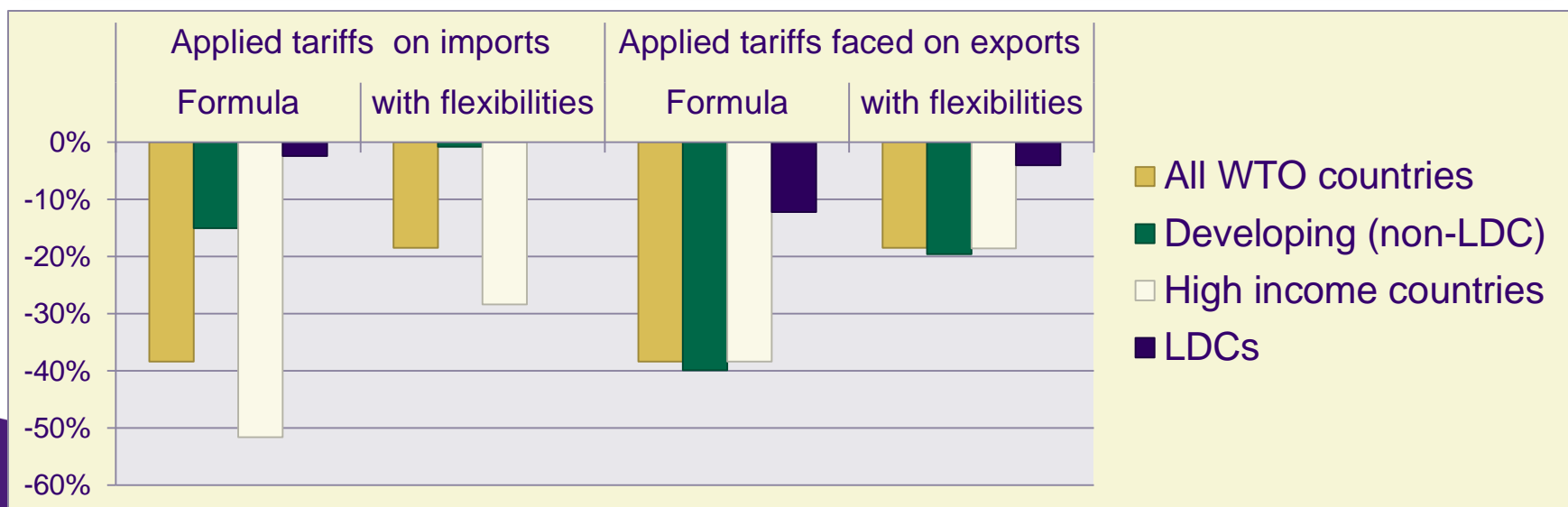
<http://www.ifpri.org/publication/eight-years-doha-trade-talks>

<http://www.ifpri.org/publication/potential-cost-failed-doha-round>

<http://www.ifpri.org/publication/why-doha-development-agenda-failing-and-what-can-be-done>

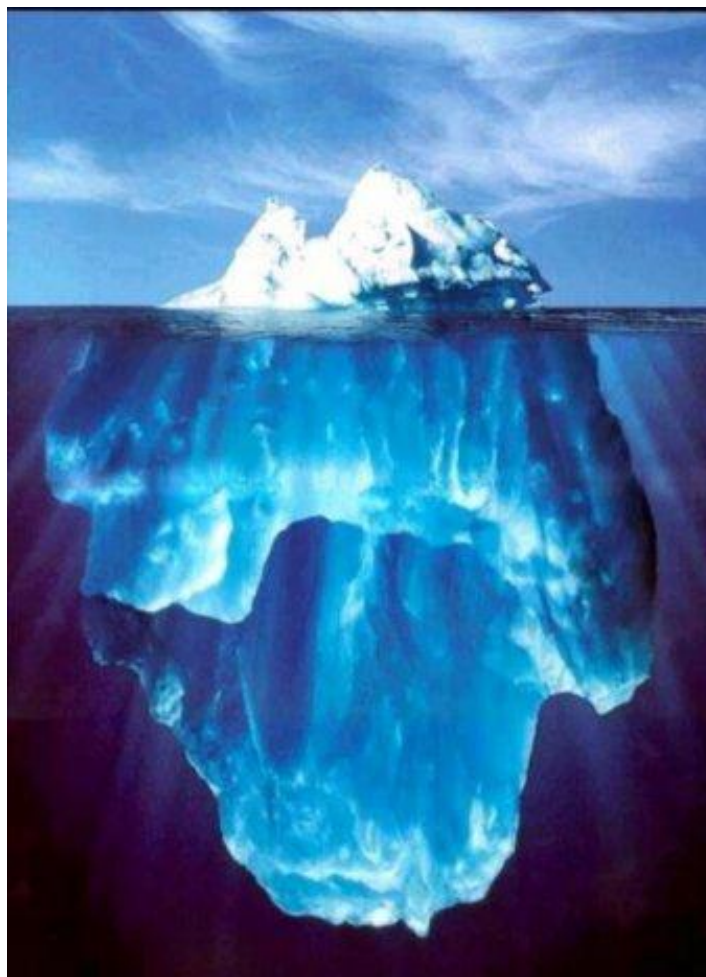
Market access can be delivered with the DDA

| | Applied tariffs faced on exports | | | Applied tariffs on imports | | |
|------------------------------|----------------------------------|---------|--------------------|----------------------------|---------|--------------------|
| | Base | Formula | with flexibilities | Base | Formula | with flexibilities |
| All countries | 14.6 | 9 | 11.9 | 14.6 | 9 | 11.9 |
| Developing (non-LDC) | 14.3 | 8.6 | 11.5 | 13.3 | 11.3 | 13.2 |
| High income countries | 15.1 | 9.3 | 12.3 | 15.5 | 7.5 | 11.1 |
| LDCs | 7.4 | 6.5 | 7.1 | 12.5 | 12.2 | 12.5 |



Visible and Invisible gains of the Doha Round

Total cost
the DDA
failure



Effects of finalizing
the DDA negotiations:
+ \$68 Bn annually of
Agricultural Trade

Potential effects of not
reaching an agreement
and tariff increase to
last 10 years
maximum:
- \$116 Bn annually of
Agricultural Trade

Bouet and Laborde, 2009

Consequences

- Tariffs in Agriculture remain high: Doha Round will provide significant market access in developed countries (1/3 reduction in applied tariffs even with flexibilities) and reduce binding overhang in developing countries.
- Developing countries have a lot of flexibilities. The Food Security argument is used but also misused (delicate issues surrounding the SSM)
- Concluding the Doha Round will be beneficial for Food Security
 - By removing distortions and increasing farm profitability where it is needed (to attract investments)
 - By removing uncertainties in applied trade policy, it will promote trade (Laborde and Roy, 2009: cutting binding overhang raises agricultural trade through extensive margins) and investments
 - Aid for Trade, and trade facilitation, will help to link markets and eliminate waste. Productivity improvements need to be associated to market access to support income growth.
 - Least Developed countries situation still deserve specific attention

EXPORT RESTRICTIONS AND UNCOOPERATIVE POLICIES

For more on IFPRI works on export taxes:

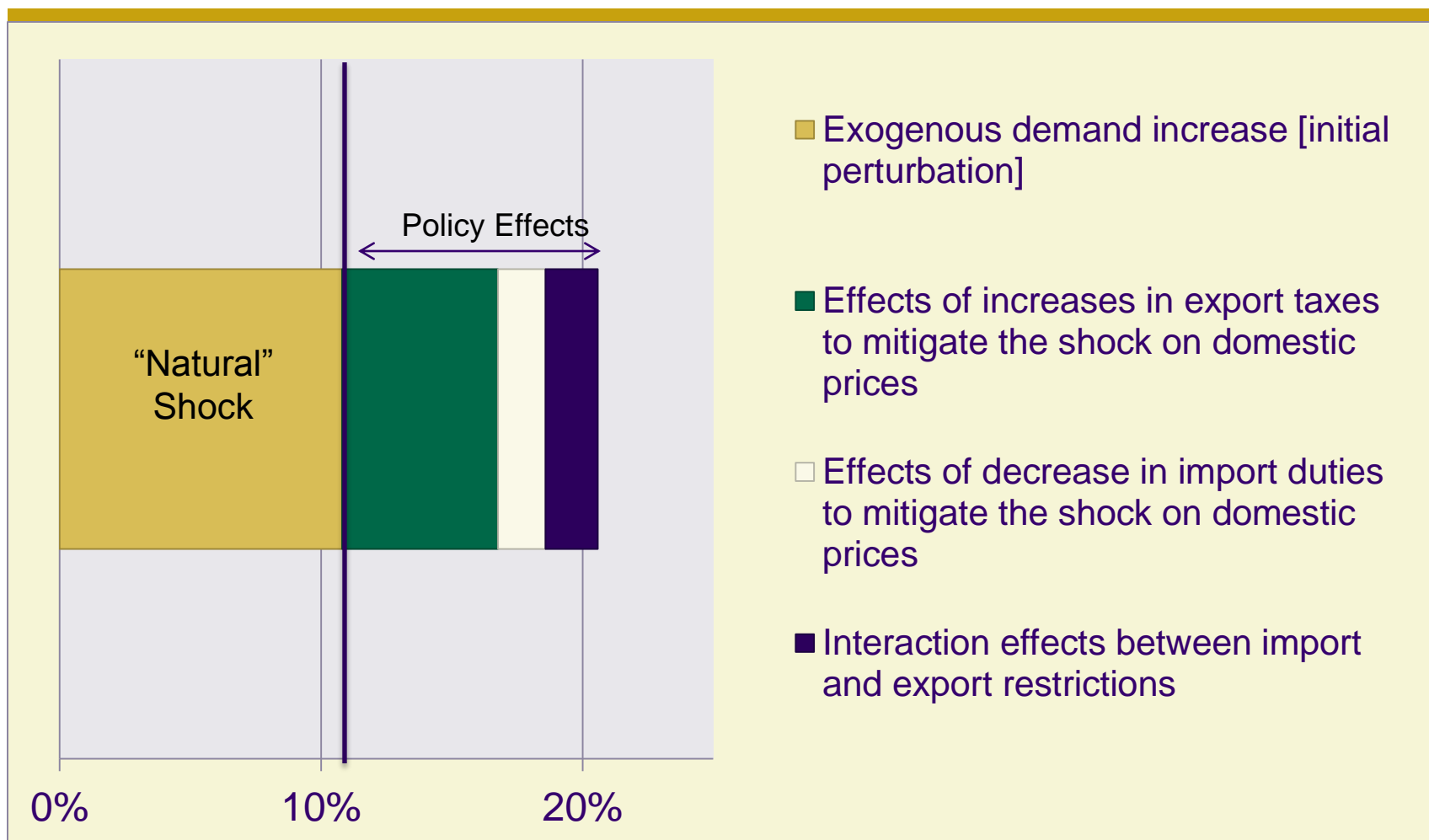
<http://www.foodsecurityportal.org/agricultural-trade-policies-and-food-crisis-will-they-help-or-hurt>

<http://www.ifpri.org/publication/economics-export-taxation-context-food-crisis>

Bouet, A., D. Laborde, 2010, « The economics of export taxes in a context of food security », in OECD, The Economic Impact of Export Restrictions on Raw Materials, Paris, OECD Trade Policy Studies, Trade and Agriculture Division, 59-78.

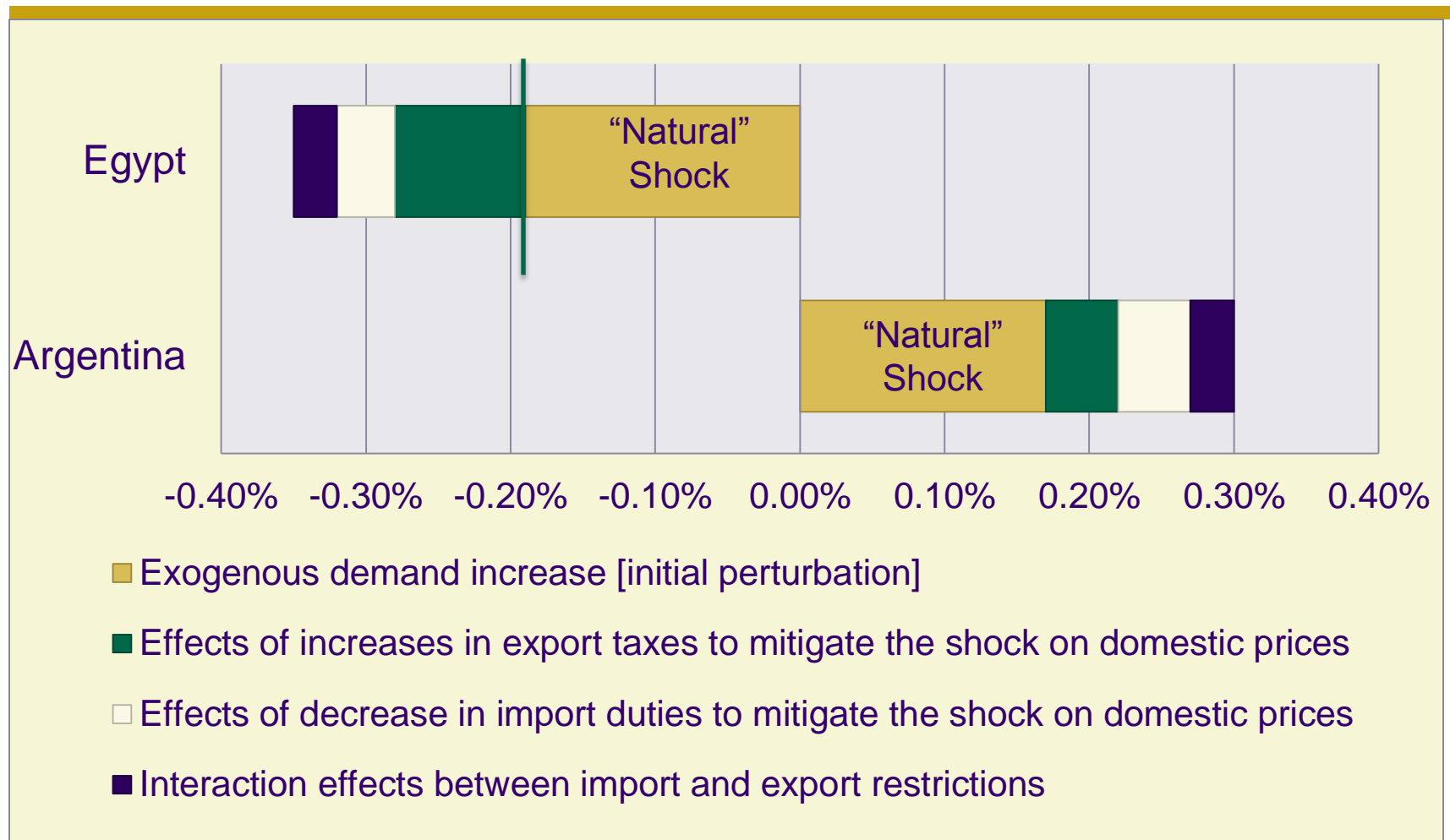
and Bouet and Laborde 2012: Food Crisis and Export Taxation: the Cost of Non-Cooperative Trade Policies. Review of World Economics. no 1, 2012

An illustration with the wheat market: Effects on world prices of trade policy reactions for selected countries



Source: Bouet and Laborde, 2009. MIRAGE simulations

An illustration with the wheat market: Effects on real income of trade policy reactions for selected countries



Consequences

- Strong incentives to not “unilaterally” disarm and dismantle protection: No discipline on export restrictions imply limitations to improve agricultural liberalization
- But still they also hurt incentives for long term investments in agriculture in countries using them
- Self enforcing mechanisms to enforce cooperation?
 - Not a legal framework to retaliate: most export restrictions are WTO compatible
 - And in practice, no real capacity to retaliate
 - Asymmetry of market power
 - Limited tools (import duties have limited interests)

Looking for a solution

- Elimination of export restrictions may be a first best but domestic political economy will make unrealistic such outcome
- What can be done?
 - Monitoring and notifications
 - Protection for the vulnerable countries
 - Punishing “bad” behaviors (if we can not ban them)
- Potential solutions:
 - Reversed “Quota” for SVE importers: amount of imports (on historical basis) that should be allowed for SVE, free of restrictions in all situations
 - Permits to restrict exports, like permits to pollute, countries using export restrictions have to pay for this deviation from the set of good trade practices, creating negative externalities. The collected money help affected SVE to pay increased import bills on world markets

Conclusions

- Food security will need a secure trading system to be achieved, and trade liberalization needs to deliver food security to be sustainable.
- Providing such public goods need international cooperation
- But the paradigm has changed: WTO is designed to fight policies depressing prices, not increasing them (e.g. Biofuels)
- Policy makers should help to create a more stable environment to help private investments in agriculture (production and marketing) and therefore eliminate policy volatility that increase overall uncertainty
- These needs have to be fully understood and decisions have to be taken quickly (e.g. even a Doha “light” with large cut in binding overhang is valuable)
- The scope of negotiations has to be enlarged and new disciplines have to cover export restrictions to get a balance and sustainable outcome