The evolution of global trading patterns and its implications for the WTO

Joseph W. Glauber, IFPRI
Agricultural Policy Landscape
World Trade Organization
13-14 June 2018
Global agricultural trade

Outline

• Trends in global grain consumption with projections for 2018-2027
• Growing importance of developing country agricultural trade
• Tariff structure and trends
• Conclusions
## Annual global consumption growth rates with projections for 2020-27

<table>
<thead>
<tr>
<th>Decade</th>
<th>Wheat</th>
<th>Rice</th>
<th>Maize</th>
<th>Soybeans</th>
<th>Global population growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-89</td>
<td>1.7</td>
<td>2.2</td>
<td>1.4</td>
<td>3.2</td>
<td>1.6</td>
</tr>
<tr>
<td>1990-99</td>
<td>0.6</td>
<td>1.5</td>
<td>2.4</td>
<td>4.3</td>
<td>1.3</td>
</tr>
<tr>
<td>2000-09</td>
<td>1.1</td>
<td>1.0</td>
<td>3.0</td>
<td>3.4</td>
<td>1.1</td>
</tr>
<tr>
<td>2010-19</td>
<td>1.5</td>
<td>1.0</td>
<td>2.7</td>
<td>3.9</td>
<td>1.2</td>
</tr>
<tr>
<td>2020-27F</td>
<td>1.0</td>
<td>0.6</td>
<td>1.2</td>
<td>2.2</td>
<td>1.1</td>
</tr>
</tbody>
</table>

*Percent*

*Source: USDA, PSD database; USDA, ERS Baseline Projections to 2018; UN Population Statistics*
Import penetration projected to grow

Source: USDA, Economic Research Service
Import penetration projected to grow

Source: USDA, Economic Research Service
Harvested area major field crops

Source: USDA, Economic Research Service
Projected increase in harvested area, 2018-2027

Source: USDA, Economic Research Service
Projected increase in harvested area, 2015-2027

Source: USDA, Economic Research Service
Growth of developing country trade
Growth of developing country trade

Percent of world food trade

Source: UNCTAD, *All food items* (SITC 0 + 1 + 22 + 4)
Share of global food exports

Source: UNCTAD, *All food items (SITC 0 + 1 + 22 + 4)*
Developing countries’ share of global imports

Source: UNCTAD
BRICS share of global food exports

Source: UNCTAD
Growth in food exports by category

1995 = 100

Source: UNCTAD
Growth in bulk food exports

1995 = 100

Source: UNCTAD
Growth in intermediate food exports

1995 = 100

Source: UNCTAD
Growth in consumer ready food exports

1995 = 100
Intra-regional trade as percent of total regional food exports

Source: UNCTAD
Tariff structure and trends
Average applied tariff rates

percent

Egypt  Korea  Norway  Turkey  Switzerland  India  Morocco  Jordan  Bangladesh  Canada  Vietnam  China  Nigeria  Korea  Mexico  Columbia  Pakistan  Japan  Israel  Venezuela  Russian Federation  EU  Brazil  Philippines  Malaysia  Ukraine  South Africa  Indonesia  Chile  Saudi Arabia  UAE  USA  Kuwait  Peru  New Zealand  Australia  Singapore  Hong Kong
Tariff overhang

The graph illustrates the relationship between average applied tariffs and average bound tariffs. The vertical line labeled "Overhang" indicates the difference between the two. The data points show a positive correlation, with the average applied tariff increasing as the average bound tariff increases.
Maximum applied tariff rates for major importers

Source: WTO
Preferential Trade Agreements

Source: WTO
Intra-group trade as percent of total food exports of group

Source: UNCTAD
Intra-group trade as percent of total food exports of group—SSA

Source: UNCTAD
Empirical research

- Caliendo et al (2017): more than 90% of the welfare gains from trade over 1990-2010 are a consequence of the reduction in MFN tariffs; additional gains from total liberalization are significant, particularly for Emerging/Developing countries

- Bureau, Guimbard and Jean (2018): since 2001, multilateral reforms have played smaller role, with substantial liberalization coming from unilateral dismantling of tariffs

- Bouët and Laborde (2010): Substantial gains from locking in applied tariff rates
Change in agricultural applied tariffs between 2001 and 2013

-6.5%

Source: Bureau, Guimbard and Jean (2018)
Conclusions

• Developing countries are playing increasing role in world agricultural trade—both as importers and exporters.
• Those trends are likely to continue in future as population and income growth rates are higher for developing countries and on the production side, most of the productive capacity will likely come from developing and transition economies.
• Climate change will likely increase the importance of trade in meeting food security goals.
• Over the past 20 years much of the gains in market access has been due to implementing Uruguay Round commitments, accession to WTO (e.g., China) and unilateral liberalization (e.g., India).
• Preferential trade agreements will drive future liberalization but potentially to the exclusion of some Members.
• Large potential benefits in locking in applied tariff rates.