The Agricultural Policy Landscape

Session 4 – The changing landscape of policies affecting trade in food and agriculture

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Outline

1. Trends and current status in domestic, trade and regulatory policies affecting agriculture and food
2. Their impacts and performance
3. Gains from multilateral reforms
4. How to move forward?
TRENDS AND CURRENT STATUS IN DOMESTIC, TRADE AND REGULATORY POLICIES AFFECTING AGRICULTURE AND FOOD
Levels of support to producers have converged significantly in OECD and emerging economies

But producer support varies widely across individual OECD countries and emerging economies.

And the structure of support matters too

Market access has generally improved

Source: WITS (https://wits.worldbank.org/WITS/WITS/Restricted/Login.aspx)
And trade distortions have fallen

Producer Nominal Protection Coefficient by country, 1995-97 and 2014-16

Trade distortions have been reduced more than support – thanks to changes in the support structure – but distortions remain significant.
NTMs are more prevalent for food and agriculture and raise import costs

Estimates of price effects of NTMs - aggregated to HS2 level, AVEs %, Frequency weighted
Export competition **mixed achievements**

Export subsidy use significantly lessened since 2000
- Higher world prices played a role
- Recent MC10 agreement locks in these changes

Other less clear
- State trading
- Physical food aid remains counter cyclical
- Export restrictions increased during period of uncertainty
THEIR IMPACTS AND PERFORMANCE
Current policies reduce trade

Do not promote global agro-food production

Trade and domestic support distortions ‘tax’ domestic value added in exports

% Changes in exports of domestic agro-food value added by sector from removing distorting agro-food trade and domestic support policies

TAD/TC/CA/WP(2017)2/REV1, Influencing GVCs through Agro-food Policy and Reform.
And may work against food security & resilience

And policies are exacerbating pressure on natural resources, jeopardizing future production.

Future water risk hotspots in global agriculture production without additional action (2024-2050 average)

Note: The index can be interpreted as the expected share of overall global production of the key agriculture commodities likely to face high water risks without adaptation action in each of the 77 largest agriculture-producing countries.

But SPS and TBT while raising import prices can have demand-enhancing effects
GAINS FROM MULTILATERAL REFORMS
Stylised scenarios

**Multilateral Agreement**
- trade facilitation (avg 2% lower trade costs)
- reduction of tariffs (by 50%)
- reduction of domestic support in agriculture (50%)
- lower trade costs of NTMs (5%).

**Regional Trade Agreement between high income Asian countries (RTA-HI)**
- trade facilitation
- tariffs (50%).
- trade costs of NTMs (15%)

**Regional Trade Agreement in Asia including all income groups (RTA-ALL)**
- as above, but more countries
Findings

Trade integration increases production and income

Great gains when more countries participate
  • broader market opportunities, wider range of products at lower prices; less trade diversion.

Benefits from strengthening production networks
  • driven by trade in intermediates and decreasing input costs

Smaller economies benefit most from trade integration
  • better specialise in production networks; access to larger markets

Trade integration boosts demand and lifts wages and factor returns

But production adjustments also leads to reallocation of workers between sectors.

Need for labour force adjustment policies to accompany trade integration
Household income grows more than production
HOW TO MOVE FORWARD?
What should governments do?

Dismantle domestic policies which encourage damaging and unsustainable production practices, raise consumer prices, stifle innovation and competitiveness and impede trade.

Focus policy effort on:
• investment in the enabling environment (roads, health, education, digital infrastructure)
• targeted food security and income support measures for those in need
• strengthened agricultural innovation systems
• risk management and resilience
• environmental performance, resource conservation and climate change
Key messages

• Much of the current policy mix is inefficient, wasteful and damaging of natural resources and the environment.

• Distribution is inequitable, with the largest producers being the largest beneficiaries of the policies.

• The proposed new policy set would redress these negative effects, would be non or minimally trade distorting and subject to no or minor constraints in the context of the Uruguay Round Agreement on Agriculture.

• By shifting policy focus to measures to foster competitiveness and sustainable productivity growth, and targeting the needy with specific food security or income support measures, space can be created to move forward on trade.
Contact us
We look forward to hearing from you!

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