

# The WTO, Food Security and the Problem of Collective Action

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# Themes

- Food Security as a Collective Action Problem
- Multilateral Trade System as a Global Public Good
- WTO Rules
- Food Security and the DDA
- Outside the DDA Box
- A Plurilateral Agreement on Food Security?
- Incentives for Participation

# Food Security as a Collective Action Problem

- Basic Problem is that even if each country is providing the appropriate level of the "national public good" (national food security) there will be an undersupply of the "global public good" (global food security)
- Incentives may be needed to persuade countries to provide more food security than they would otherwise wish
- Incentives may also be needed to persuade countries to provide their own optimum levels of their own food security
- Free-riders may also be a problem, though some free-riders can be accepted (e.g. LDCs)
- Problem is less with "club goods" from which non-members can be excluded

# The Multilateral Trade System as a Public Good

- The multilateral trade system is itself a GPG
- Solving Collective Action problems is "bread and butter" of GATT/WTO
- GATT set up at a time when the benefits from establishing trade rules was self-evident (i.e. avoid problems of the 1930s)
- The WTO was also seen as an institution with benefits that exceeded any national costs (and remains so)

# Food Security a Vital Part of the MTS

- Open trade allows a greater level of food security than does autarchy, but actions by national governments restrict this...
  - Importer actions that set domestic price levels regardless of world market conditions
  - Quantitative import restrictions that are not sensitive to world markets (eg: TRQs)
  - Price bands that also limit pass-through of world prices
  - Export restrictions and taxes and quantitative obligations

# Search for Solutions

- How can one incentivize countries to use trade-friendly ways of protecting their consumers from commodity market events?
- How can one reach agreement on rules to sanction those that threaten food security of others?
- How can one provide the institutional support that would lead to an improved level of food security for everyone?

# WTO Rules to Limit National Actions

- WTO limits activities by exporters and importers that threaten food security:
    - Agreement on Agriculture ended (almost) the use of variable levies and quantitative restrictions
    - GATT Article XI.1 allows "no restriction on exports to other members",
    - but is qualified by Article XI.2(a) "unless temporarily applied to relieve critical shortages of foodstuffs ..." (terms undefined)
- Article XX(j) allows export restrictions that are "essential to the acquisition of products that are in general or local short supply"

# WTO Rules to Limit National Actions

- No prohibition on Export taxes
- AoA Article 12 stipulates that when a member introduces export controls (under XI:2(a)) it shall:
  - "give due consideration to the effects on importing country's food security
  - "give notice to the Committee on Agriculture, and consult with importers who may be effected"
- However, this is "soft law" as there appear to be no penalties for ignoring the rule
- Public stockholding is not restricted but under AoA Annex 2 the commodity must be purchased at world prices (or be counted towards AMS)



# Food Security and the Doha Development Agenda

- Export restrictions not on agenda until after 2008: Proposals by Japan and Switzerland
- Pressure from G20 Ministers to exempt WFP exception failed in 2011
- Draft Modalities (Rev 4) include additional conditions for export restrictions (notification 90 days after imposition of export restrictions)
- Not normally imposed for more than 12 months, unless importers agreed

# Doha Round, contd.

- Continue search for an acceptable SSM:
  - How to constrain safeguard so that it does not raise tariffs
- Move tariffs to an *ad valorem* basis
- Improve transparency by improving notification on domestic support and export restrictions (remove asymmetric information)

# Outside the DDA Box

- Plurilaterals: Along the lines of Annex 4 of the Marrakesh Agreement (ATCA and GPA). Need for agreement by all members, but benefits not extended to non-signatories
- Critical Mass agreements: such as ITA, BTA, FSA. Agreements cover substantial portion of trade. No agreement from all members needed, but benefits must be extended on an MFN basis
- Extra-WTO agreements: such as ACTA (2011) that is in danger of falling apart, and ill-fated MAI negotiated in OECD

# Plurilateral Agreement on Food Security (AFS)

- **Obligations on exporters:**
- No quantitative restrictions on three products (wheat, corn, rice) purchased for the WFP
- No quantitative limits on sales to LDCs
- No limit on exports to those developing countries for which a food emergency has been declared
- Support for facilitating trade finance

# Plurilateral Agreement on Food Security (AFS)

- **Obligations on Importers:**
- Commit to operate trade policy in a way that did not unduly impact other countries
- Reduction of tariffs OK in times of high prices but agreement not to raise them again for two years
- Establish food security scheme that maintains purchasing level for consumers (eg cash grants, etc.)
- Respect interests of exporters when building up stocks: allowed to use wmp as basis for AMS calculation, reporting any excess payments

# AFS and Collective Action Problem

- Exporters that sign up to AFS would trade off some short-run profits for credibility as reliable suppliers: others would be "named and shamed"
- Importers would gain increased security of supplies in tight markets (without preference)
- Access to food aid for those that are eligible
- Confining benefits to signatories largely avoids free-rider problem

# Is this a perfect solution?

- May not please US, who might wish to keep pressure on for stricter SSM and more market access
- EU might like AFS as it has a vaguely French feel to it
- Japan would go along with it as a start to introducing more disciplines on export restrictions
- Developing countries in general could swallow some "good intentions" in return for limits on export restrictions
- India could perhaps live with it if it resolved issues of stockholding costs
- China may be less effected but may not want to be alone in blocking it

*Thanks*

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