First Draft: Comments Welcome

The WTO, Food Security and the Problem of Collective Action

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Introduction

Instability in the market for basic food commodities over the past seven years has rekindled concerns about food security. The role of international trade in meeting such concerns has been evident but the response has still been hampered by actions of governments seeking to shelter from the winds of the marketplace. It is unfortunate that appropriate rules have not yet been put into place that would restrain such action. The major problem that prevents such rules from being agreed is one of collective action. Individual countries in their own interest will tend to use trade policy to stabilize their internal market. But the result of such action will have negative impacts on other countries. The development of a food system that can react adequately to commodity market shocks requires collective action. Food security in this sense is a global public good. This paper attempts to focus on the ways in which countries can be induced to take such collective action.

The Nature of the Collective Action Problem

Collective action problems have received considerable attention in the literature in particular since Mancur Olson's seminal work in 1965 (Olson, 1965). Olson emphasized the difficulty of reaching an agreement on the provision of a public good when some of the potential parties to that agreement could benefit from "free-riding". There has to be some mechanism devised to encourage these parties to participate. Non-excludable (pure) public goods are thus difficult to provide without some incentives to reach an agreement that would be in the best interests of all.[1]

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[1] Olson's work also dealt with the phenomenon of small groups with concentrated benefits being able to influence the decision process more than large groups with diverse interests and small individual stakes. This has been the basis for much work in trade policy (and agricultural policy) but is not particularly relevant to the issue of food security. Otherwise the small number of those most at risk of hunger would have been able to prevail over the larger number of farmers with little at stake in adequate supplies at stable prices to consumers.

The problem is less likely to occur when the free-riders can be excluded from the benefits of the public good in question (as in the case of club goods).

Free-riders come in several forms. Those parties that cannot afford to participate in the provision of the public good may be allowed a free ride. The other parties may choose to allow such free-riding as a matter of convenience to get an agreement. It is likely that such free-riding by poorer countries has not been the main stumbling block to an agreement on food security. But the more significant free riders are those that stay outside the agreement and get the benefits without accepting any constraints on their own action. This includes those parties that would be able to pay their share of the cost but choose to freeload on others. The threat of this may be enough to prevent an agreement from being concluded: parties deny themselves the benefits of the public good for fear of others making use of it without "paying". And of course there are the scofflaws that enter into the agreement but find ways of avoiding the required action.

Not all the difficulties of creating a public good arise from free-riding. Even when all parties are in agreement with the need for such a good there can be disagreement over the distribution of the burden (costs) involved. And if the benefits from public goods are not evenly distributed then this issue of cost sharing becomes more difficult. If incentives are to be introduced to encourage compliance and discourage free-riding then the same tensions will come into play in formulating those rules. As Buchanan would remind us, the quantity of the public good produced, the number of parties that can benefit from it and the cost-sharing are all parts of the same decision.[2]

The concept of a global public good is an extension of the public good characteristics to the international level. National public goods (NPG) tend to be underprovided within a country as a result of the lack of incentives to produce goods that are non-rival and non-excludable in consumption. Global public goods (GPG) will tend to be underprovided by countries even when they have fully supplied the need for their own national public goods. If follows that the under-provision of global public goods may occur alongside the under-provision of public goods within certain countries.[3] In these cases the mechanism for creating the GPG may have to include (or promote) the production of NPGs in individual countries. The realm of GPGs has expanded widely with "globalization" as more and more domestic policy issues have been seen to have externalities that impact other countries.

The correction of the problem of underproduction of GPG raises questions of institutional design and legitimacy. Kaul, *et. al.* (1999) raise three weaknesses in the current arrangements for providing global public goods. These include a "jurisdictional gap" that results from the global nature of problems and the national

[2] These issues can be seen at play in the search for an international agreement to control greenhouse gas emissions. It is difficult to expect a country that will benefit from climate change to pay to offset the factors that could lead to that beneficial outcome.

[3] This is indeed the case with food security, where individual countries may have to take action on their own to provide access to food.

basis for decision-taking; a "participation gap" that emerges when all groups affected by the policies under discussion are not equal participants; and an "incentive gap" that reflects the inadequacy of follow-up once decisions have been taken. These gaps are readily seen in the area of food security, as will be discussed below. The collective action problem is exacerbated by the combination of these three failings, but would still be inherent if each of the gaps could be reduced.

The Multilateral Trade System as a Public Good

The multilateral trade system is itself a global public good (GPG). It was created at a time when the problems of individual actions by countries to abuse the trade system to maintain employment at home (the disruptive tariffs of the 1930s) were still fresh in the minds of diplomats and technocrats.[4] The GATT sought to avoid such disruptive practices by constraining governments in their choice of trade policy instruments, strongly favoring tariffs, and binding the level of those tariffs to avoid uncompensated increases. The post-war period was an active time for the development of multilateral institutions in both the economic and political sphere. The benefits were seen to be self-evident and the free-rider problem manageable. Those that chose not to become Contracting Parties in the GATT were not afforded the benefits of membership. Developing countries were broadly allowed a free ride in the creation of the trade system.

The emergence of the WTO from the Uruguay Round changed the nature of the trade system. The membership of the WTO expanded rapidly and the GPG became more valuable as the scope and depth increased.[5] It would not be too much to claim that WTO membership has become a *sine que non* for attracting international investment. No WTO member has seriously contemplated leaving, even when its trade policies have been successfully challenged in the Dispute Settlement process. The threat of exclusion from the overall benefits has largely gone as a political option, and sanctions and incentives will have to be more selective to be effective. As Kerr (2010) pointed out, the WTO is no longer a club run by a few developed countries.

Despite the clear success of the establishment of the WTO the "gaps" mentioned above are still visible. Trade policy is still considered in many countries to be solely a domestic concern, with bodies such as the WTO tolerated but treated with suspicion. Global problems are discussed by diplomats and politicians but decisions have to be sold to reluctant legislatures and skeptical public opinion. Sharing of sovereignty is rare in the multilateral arena, and the trend is not looking positive for more devolution of powers to multilateral (or even regional) trade institutions. The participation gap shows up both in the growth of public dissent over increased integration and trade, often doubting the economic value except to corporate

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[4] Kindleberger (1986) provides an analysis of the economic crises of the 1930s in terms of the lack of GPGs including a functioning multilateral trade system.

[5] An inclusive public good becomes more valuable the more parties are included. And, as Baldwin's domino theory of integration would suggest, the increased coverage of the trade rules created more incentives for others to join. Of course the complexities of taking decisions in a larger body can offset the gains from inclusion.

interests and decrying the social costs of such integration. In addition, the WTO process has had difficulty in absorbing an inflow of new member countries and making them feel that they have a voice in the proceedings. The incentive gap that leads to incomplete implementation of decisions taken at the WTO level is still wide.

Food Security as a Public Good

Food security is also a GPG, though perhaps it is better considered as an integral part of the multilateral trade system. The creation of an open global trade system should allow commodities to flow from suppliers to consumers unhampered by autarchic interventions by governments. But each government has a primary responsibility to their citizens to ensure that an adequate supply of food is available. They are providing a valuable (national) public good for their own citizens. It is tempting for countries to use trade policy to honor this obligation. But the more countries do so the less effective is the trade system in reacting to commodity market conditions. In other words, the global public good is undersupplied even though each country is attempting to provide food security within its own borders.

Before discussing the possible solutions to the under-provision of global food security it may be useful to flag some underlying conditions that help to guide an approach to this particular collective action problem. First, and most obvious, is that the world market for food is a closed system, in that only what has been produced in the current or previous years can be consumed. Thus for the world as a whole, production plus stocks carried in must equal consumption plus stocks carried out. This identity at a global level means that any attempt to improve access to supplies for everyone can only be done with more stocks (Josling, 1981). All other schemes redistribute the available food but do not increase the amount available. Provision of adequate global stocks is an important element of food security but not one that is within the remit of the WTO. The other institutions that have a role to play in this will be mentioned below.

The second condition is that trade moves available production and stocks to willing consumers. So the trade system works essentially to make available supplies to those who can afford to pay for them. In contrast, those who are least able to afford food, particularly when prices are high, are those that are food insecure. So the resolution of the problem of food security must contain some redistribution of purchasing power to those unable to afford market prices. If one were solely considering the situation in one country the redistribution would come through internal channels (fair price shops, food stamps, etc.). If one is concerned with global food security then some international transfers may be needed. These transfers can be effected by foreign aid, food aid or commodity price manipulation. The WTO again is not in a position to organize internal transfers to the needy, a task for the development agencies. And it has only a limited role in setting rules for inter-country transfers. The exception regards food aid, as discussed below, but the aim of WTO rules in this area has been to control such aid so as not to compete with commercial sales.

So what is the scope of the multilateral trade system to resolve the collective action problem in the case of food security? The search for a solution to the under-provision of the global public good of food security can be summarized as follows:

- How can one incentivize countries to use trade-friendly ways of protecting their consumers from commodity market developments at home or abroad?
- How can one reach agreement on rules that would sanction behavior that threatens the food security of others?
- How can one provide the institutions and conditions that would lead to an improved level of food security for all countries?

The paper attempts to address these questions largely within the context of the WTO. After an indication of the nature of the problems posed by individual actions the current rules of the WTO that are pertinent to the issue of food security are discussed. Though there is a strong case for WTO action, some discussion is included later in the paper on alternative institutional avenues for addressing these issues. And finally a proposal is made for a package of food security measures that might be able to circumvent at least some of the collective action problems.

National Actions as a Threat to Food Security

The collective action problem that underlies the food security issue embraces the actions of both importing and exporting country governments. In the case of importers, the tendency is for countries to isolate themselves from world market conditions by adjusting border measures: for exporters the restriction of exports when prices are high and their subsidization when low are a tempting way of insulating domestic markets. It is useful to consider these aspects of national policies before considering the scope for the WTO to discipline the negative actions that threaten other countries.

Importer Actions

As was recognized at the time of turbulent commodity markets in the 1970s, the reactions of importers to world price increases can be of systemic importance to the trade system, by adding to the magnitude of price swings. Much of this arose from the habit of governments to fix domestic prices and treat trade as a residual. Thus if the prices chosen by various governments were inconsistent there were "policy-induced" surpluses and deficits that could not clear on the world market without wild swings in price (Josling, 1977). Storage and set-aside programs were the main form of adjustment among the main suppliers and their markets.[6] The US as a major exporter took on much of the burden of stabilizing markets, through massive set-asides when prices were low combined with significant stocks held by the government. But the costs of unilateral stabilization finally became too much for the US, which then decided that lower prices to producers could reduce the financial burden. The push towards more open trade in foods began with the failure of the US to persuade others to bear their share of the cost of providing the GPG of price stability and supply security.

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[6] This resulted in the search for alternative markets that had not previously been open to the West. The entry of the Soviet Union into the market for wheat transformed the trade market by offering a new source of demand. But coming at a time of poor harvests and low stocks it caused a major price spike and a decade of uncertainty.

The actions of the EU, operating a policy of fixed domestic prices and no responsibility for the world market impact of such action, were a major cause of problems for the GATT and its successor the WTO. The fixed price was defended by variable levies, moving inversely with world prices. So no incentives were passed through to domestic producers and consumers when world prices moved. Moreover, no stocks (other than the purchase of surpluses that were then exported with subsidies) were kept to offset the impact on other countries of the isolation of the domestic market. And, in times of high prices, export taxes were applied for grains to keep the products on the domestic market.

Quantitative restrictions were also in widespread use, often through the actions of parastatal marketing boards. These boards were usually charged with importing such produce as was necessary to maintain domestic prices. Though one might have thought that the boards would welcome low prices to keep the costs of food down, the objective was generally to keep up farm prices at the expense of the consumer.

Another action of importers that became popular, particularly in Latin America, was the introduction of price bands. If an import were offered for sale at a price below a certain trigger price then an additional duty was assessed. Similarly, when the import price rose above a higher trigger price then a reduction of the duty was made. Such price bands were often linked to moving averages of world prices and so avoided the total isolation problem of the variable levy. But the use of price bands was questioned in the WTO (in a complaint against Chile) as being inconsistent with the AoA. At issue was the way in which the tariff changes were managed: it could still be possible to design a price band system that was not inconsistent with the WTO rules on market access.[7]

In comparison to the situation in the 1970s, during the price rises of the 2007-2010 period the reaction of importing governments was more muted and in some ways different. Several governments that had been taxing consumers of food through tariffs choose a period of high international prices to relax those taxes (Mitra and Josling, 2009). This undoubtedly had an impact on world price variability (as quantified in Martin and Anderson, 2010) but such impact was likely minor compared to the positive benefits for domestic consumers. Exporters were also benefiting from the reduction in protection levels and it would therefore not have made sense to develop rules that inhibited countries from making increased use of imports when domestic prices are high. Any spill-over effect on other importers would have been a small price to pay for the ratcheting down of trade barriers at times of high prices. Reducing regressive taxes on food imports at the border is in the long-run interest of economic development and the well-functioning trade system. However, if the tariffs on imported food are raised again when world prices fall then the actions *together* constitute price insulation and will not have the same positive effect. So the issue is whether the importer behavior is designed to use tariff rates as a temporary market-stabilizing device or as part of a decision to reduce the burden of regressive "hidden" taxation on foodstuffs.

[7] See Wright and Prakash (2011) for a critique of price bands in the context of domestic policy.

Some importing countries introduced subsidies to reduce the impact of high world prices on consumers. There is a significant difference, however, between reducing tariffs to allow consumers to purchase supplies from overseas and introducing subsidies to encourage such imports. Developing countries rarely have the funds to subsidize imports directly, but may do so through such means as covering the losses of food importing agencies at times of high prices. Though it is unlikely individual developing countries will have much effect on world markets through such action, similar policies by many small countries could have such an effect. But the problem would be more serious if one or more large importers gave subsidies to importers in high price periods.[8] Subsidies can also be given implicitly by maintaining an overvalued exchange rate: imports would be encouraged and exports discouraged by such an exchange rate regime.[9]

WTO Rules to Limit National Actions

The Agreement on Agriculture (AoA) negotiated in the Uruguay Round addressed some of these collective action problems. The use of variable levies and quantitative restrictions was prohibited, though some remnants of these systems remain in the Tariff Rate Quotas (TRQs) that were introduced to smooth the transition to a "tariffs only" scheme.[10] Unfortunately the same degree of progress cannot be reported on the exporter side.

The WTO rules address the issue of export restrictions directly. Quantitative restrictions on exports, including agricultural goods, are explicitly banned in the GATT: Article XI:1 states that there shall be "no prohibitions or restrictions other than duties, taxes or other charges...on the exportation...of any product" destined for another WTO member. However, Article XI:2(a) makes an exception for quantitative restrictions "temporarily applied to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting contracting party." It has been relatively easy, therefore, for countries to justify export restrictions as a means of relieving critical food shortages. No definitions exist as to what is "temporary," "critical" or what constitutes a "shortage." Such exceptions in the agreement make the rules difficult to interpret and enforce. Moreover, there are no prohibitions on export taxes, so one would imagine that a prohibitive export tax could substitute for a ban if needed.

A further basis for imposing export restraints is found in Article XX, the "general exceptions" provision of the GATT. Article XX(g) of the GATT allows for export restrictions "in relation to the conservation of exhaustible natural resources." Paragraph (h) allows an exemption (from other disciplines in the GATT) "undertaken in pursuance of obligations under any intergovernmental commodity

[8] In fact, some developed countries found themselves in this position in the 1970s, when their import subsidies did have an impact on world price behavior.

[9] Charges that China has maintained an undervalued exchange rate in the past few years would, if correct, suggest that China's food imports would be even higher if that were to be corrected.

[10] It would be misleading to attribute the banning of the variable levy as a move to improve food security. The levy had become a target for exporters mainly because it removed the element of competition from the market.

agreement which conforms to the accepted conditions of such agreements." Paragraph (i) allows an exemption if the product in question is a (raw) material used in domestic processing and the domestic price "is held below the world price as part of a governmental stabilization plan." Even more generally, paragraph (j) allows restrictions that are "essential to the acquisition or distribution of products in general or local short supply." Though aimed at non-agricultural raw materials, it would seem on the face of it that this article could provide an argument that restrictions on food exports are allowed under the general exceptions rule.

The Agreement on Agriculture elaborates on the matter of disciplines on export prohibitions and restrictions: Article 12 stipulates that when a member institutes new export restrictions "in accordance with paragraph 2(a) of Article XI of GATT 1994," the member shall observe the following provisions:

(a) "give due consideration to the effects of such prohibition or restriction on importing Members' food security;

(b) give notice in writing, as far in advance as practicable, to the Committee on Agriculture comprising such information as the nature and the duration of such measure; and shall consult, upon request, with any other Member having a substantial interest as an importer with respect to any matter related to the measure in question."

Much of the commentary on Article 12 characterizes these provisions as "soft law" that has not had and is unlikely to have a real constraining effect on the use of export restrictions. The practical effect of Article 12 has been to allow a continuation of export bans and taxes without effective limits. While Article 12 requires members to notify the WTO when they restrict food exports, there are no penalties for ignoring the rule.

Public stockholding

The WTO rules on stockholding of food supplies by member countries are not onerous. The provision that has come under scrutiny in the past year has been the clause in the AoA that creates an incentive for countries to separate stockholding policies from farm price supports. In Annex 2 of the AoA, defining the specific criteria for the green box, the operation of stockholding is exempted from inclusion in the calculation of trade-distorting support (i.e. the Aggregate Measurement of Support, or AMS). The costs of running the stocks would thus not be counted as constrained domestic support. However, if the government were to buy farm products for the stockpile at a premium above the market price then that premium would constitute a subsidy in favor of farmers. This would be included in the AMS for that country, and could therefore lead to the possibility that such a policy was indeed constrained.

Other constraints within WTO rules have a bearing on the ability of countries to manage food security at home. One such link is with state trading enterprises, often given the task in developing countries to administer the programs that distribute food. The WTO, in Article XVII contains some restrictions on the activities of state trading enterprises (STEs) whether importing or exporting products. In general, such enterprises have an obligation to behave as if they were commercial firms interested in profitable opportunities. They must also conform with general non-discrimination principles. This would appear to restrict their behavior with respect to stock management: on commercial grounds they would be expected to purchase commodities from the cheapest available source.

Food Security and the Doha Development Agenda

The food crisis of 2008 revived the issue in the context of the agricultural negotiations, particularly when significant exporters began to limit international sales. The need to address the issue of export bans and taxes was pushed once more by Japan and Switzerland. In an informal paper in April 2008, they proposed constraining countries' ability to restrict food exports and requiring them to consider how such policies affect countries that depend on food imports. Specifically, they called for a Doha Round agreement to require "any new export prohibition or restriction [to] be limited to the extent strictly necessary" for the country imposing it, in light of production, stocks, and domestic consumption. The proposed rules would oblige countries seeking to restrict exports to give "due consideration" to importers' food security, and look at how trade would have flowed in the absence of restrictions. They would also have to show how food aid for net food-importing developing countries would be affected. Countries would be required to notify the WTO Committee on Agriculture before instituting export restrictions, explaining the nature, duration, and reasons for the measures. Furthermore, governments would be required to consult with importers about "any matter related to the proposed" export restriction, with the implementation of the planned measure stayed pending the consultations.

The Doha draft modalities (WTO, 2008) include suggestions for making the notification of export taxes more effective.[11] The Draft Modalities did not go as far as Japan and Switzerland would have preferred. Based on a proposal from the G-20 group of developing countries, the latest modalities text would require the WTO to be notified within 90 days after — not before — the imposition of export restrictions and such notification would include the reasons for such a measure and for periodic reporting to the Committee on Agriculture of the status of the restriction. Such restrictions would "not normally be longer than 12 months" unless an extension were agreed by "affected importing Members". It would make importers' consent necessary for measures that last longer than 18 months. The modalities also include an exemption from these requirements for least-developed and net food-importing countries. Combined with better information on stock levels, such as is emerging as a result of the Agricultural Market Information System (AMIS) that combines resources of OECD, FAO and other institutions, information on

11 In the Non-Agricultural Market Access talks in the Doha Round, the EU proposed additional disciplines on export taxes. In order to increase the predictability of export taxes, the EC proposed that WTO members "undertake to schedule export taxes on non-agricultural products in their Schedules of Concessions and bind the export taxes at a level to be negotiated" (Korinek and Bartos, 2011). The same change would greatly improve transparency in agricultural markets as well.

export restrictions would benefit the smooth functioning of the markets for food and agricultural products.

There are several ways in which the WTO can take action to improve the food security of poor consumers in different countries. These largely fall under the heading of "completing the Doha Round".[12] However, it appears likely that such an outcome may still be beyond the reach of negotiators. Thus the individual parts of the agenda may have to be dealt with on an *ad hoc* basis. This would suggest the following menu of desirable actions for the WTO:

- Continue to search for a targeted safeguard mechanism that would allow developing countries to lower bound tariff rates without fear of import surges disrupting local production. This has been one of the sticking points in the DDA, as the details of a Special Safeguard Mechanism (SSM) were still unresolved when talks broke down.
- Move all tariffs to an ad valorem basis (percent of import price) and discourage the use of specific tariffs (per unit basis) that give more protection when prices are low and less when prices are high. This issue is among those that could be resolved within the context of the Doha Round, under the heading of market access.
- Improve the transparency of notifications on domestic support and export restrictions so as to improve the level of knowledge of all WTO members about the policies of others. This can be thought of as addressing the problem of asymmetric information that constitutes a hazard for decision-making.
- Contribute further to the development of links among international agencies, as is discussed below, so as to increase the knowledge base for world market conditions and available stock levels. Such information is sometimes considered to be the property of state and parastatal institutions or even private firms. The significance of information for the smooth working of markets should be recognized: information on such vital matters is a global public good.

Creating Incentives for the National Provision of Food Security

If a significant aspect of the failure to provide the global public good of food security is the lack of adequate provision of public goods by individual governments then an important part of global strategy must be to encourage countries to modify their own approaches and policies – in their own as well as global interests. One such policy response is discussed below, with an eye to including it in a broader approach through trade rules.

Finance for consumer subsidies

It was suggested above that one fundamental question is how to create incentives for countries to use trade-friendly ways of protecting their consumers from commodity market developments at home or abroad. Direct or indirect ways of improving the accessibility and affordability of food to poor consumers are the most

[12] For more detail on some of these matters see Tangermann, 2013, which reports on the activities of a study group set up be ICTSD on the issue of food security and trade.

obvious choice. Indeed many countries have instituted such schemes to increase the access to food supplies. Subsidies for food consumption are widely used, even in rich countries, and effectively increase the purchasing power of poor consumers.[13] The efficiency of such mechanisms varies depending on the way in which they are administered, but in principle they represent the most direct way (short of circumventing the market altogether) to get food to those who need it most.

The use of food subsidies (or cash grants) to improve food security is trade-friendly in that it facilitates the mechanism of getting food from the producer to the consumer by increasing the purchasing power of needy consumers. But if such subsidies are reduced or abandoned when prices are low then trade will contract as purchasing power is withdrawn from the market. So the incentives to resolve the problem in times of shortage become dis-incentives when prices are weak.

Trade rules have little to say on such consumer subsidy schemes. Expenditure is not in general considered to be such as to benefit producers, and hence is not restricted by the AoA. The US does report spending on food stamps as payments under the green box. However, this reporting does not appear to be necessary and may be to avoid any possible complaints from those who might argue the contrary.

However, this solution does not entirely avoid the collective action problem. Those who live in more affluent countries, or in countries with governments more sensitive to hunger concerns are likely to be more able to purchase food in times of scarcity or high prices. So there will be distributional issues that may surface as multilateral problems.[14]

The cost of running cash grants for food consumption is increased by the actions of countries that restrict exports. Importing countries will find it more expensive to distribute food towards the poor under such circumstances. So only if the income levels in the exporting countries are lower than in the importing countries could one argue that export restrictions are pro-poor policies.

Food Security Activity in Other Institutions

The period since 2008 has seen a flurry of activity in multilateral agencies and numerous intergovernmental meetings on the matter of food security. Questions of export restrictions and other types of price insulating behavior need to be put into the framework of this broader debate. Much of the discussion is about the need to invest steadily and consistently in developing country agriculture, to improve smallholder productivity, and to improve the access to food by the world's poorest consumers. The broader context also includes the reality that some countries lack the means to implement alternative measures to protect vulnerable populations

[13] A discussion of the experience with food stamps in several countries is given in Josling, 2011.

[14] To illustrate the point, imagine that the EU and Japan adopted a food stamp program of a similar nature to that in the US. Consumers who are poor but live in rich countries may have greater access to food at times of scarcity than consumers in poorer countries. Thus the policies that seem appropriate in individual countries could make it more difficult for poorer countries to obtain the food that they need at reasonable prices.

from price spikes. Given this context it is useful to assess these debates from a broad institutional perspective, examining the relationship between the WTO and other international institutions and agencies with responsibilities related to food security, such as the Rome-based agencies (FAO, IFAD, WFP) as well as other bodies such as the G-20, the OECD.

The sharp rise in food prices in 2007-08 set off a chain of multilateral meetings each one calling for coordinated action to prevent such events from adding to the problem of hunger and poverty.[15] The United Nations took the initiative in many of these actions. The elimination of extreme poverty had been built into the Millennium Development Goals (MDG 1) and acts as a source of legitimacy for multilateral action, subject always to UN sensitivities in terms of interfering in domestic decisions. Many UN agencies had already begun to emphasize food security and its related links with poverty and hunger in their agendas. The Secretary-General proposed a High-level Task Force (HLTF) to coordinate the actions of these separate agencies, and this was established in 2008. The HLTF has met to consider coordination strategies and has promised a "robust and consistent" response to the food security crisis from the included agencies and organizations. Among its major outputs at the present time is a Comprehensive Framework for Action (CFA) produced in July 2008, followed by an Updated Framework for Action (UCFA) in 2010. The CFA takes a twin-track approach to the problems associated with food security, emphasizing the need to meet the immediate needs of vulnerable populations as well as the longer-term goal of putting in place social safety nets and stimulating investment in sustainable agricultural production.

The fact that the UN agencies in New York and Geneva (UNGA, UNCTAD, ILO, UNDP, etc.) have taken such an active role in coordination of multilateral policy response has presented a challenge to the Rome-based agencies that have traditionally had the main responsibility in such matters. The Rome-based agencies include the FAO, also part of the UN system but claiming a mandate that predates the establishment of the UN, together with the World Food Program (WFP) and the International Fund for Agricultural Development (IFAD). Activity in the FAO has focused on monitoring and policy advice, and significant resources have been devoted to the development of early warning systems and the agency is now responsible for implementing an Agricultural Market Information System (AMIS) to coordinate market intelligence and share advance warnings about commodity shortages. The FAO Initiative on Soaring Food Prices (ISFP) aims to help governments find better ways of dealing with price shocks. The WFP has been considering the establishment of an emergency humanitarian food reserve system, as well as improvements to food aid through advance purchases and pre-positioned supplies. IFAD has been given a boost by the focus during the food security crisis on the role of small farmers in meeting local needs.

The body most directly mandated to coordinate food security actions gained a new lease of life from the 2008 food security crisis. The Committee on World Food Security (CFS), a child of the 1974 World Food Conference, had seen its relevance

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[15] More detail on these initiatives is found in Howse and Josling, 2012, and in Ahmad, 2013.

wane over time. The original mandate of the CFS was to follow up on the resolutions of the World Food Conference but its effectiveness was limited. Later its role was redefined to monitor the outcomes of the World Food Summits of 1996 and 2002, again with little apparent success. However, it was drastically "reformed" in 2009 to give it a broader mandate and a clearer focus. The G-20 Agricultural Ministers meeting in Paris in June 2011 declared their support for the (reformed) CFS. Currently the CFS has 127 member countries and many participating institutions including the UN agencies, IFIs, private sector groups and other NGOs representing civil society. In addition there are observers (mainly regional bodies) allowed to participate in meetings by agreement. Only the countries however can vote, though all participants can join in discussions and present papers. Each plenary session considers specific topics: price variability was chosen as a key issue for the thirty-sixth plenary session held in 2011. Current activity is focused on the establishment of Voluntary Guidelines to coordinate "country-owned" food security plans.

The reform of the CFS in 2009 was an attempt (so far successful) to rescue the Committee from the cutting room floor. The main drivers for the reform were NGOs, supported by several governments, who saw the Committee as a way of establishing voice in the discussion of food security. The UN Special Rapporteur on the Right to Food, Olivier de Schutter, welcomed the new organization as "a new breed of global governance in which civil society are co-authors of international law" along with governments and international agencies.[16] The civil society organizations and the community-based organizations that were to be part of this new type of body welcomed the CFS as being concerned with "food security, nutrition, food sovereignty and the right to food". The price paid for inclusiveness was the expansion of the agenda to embrace a range of social issues that could hamper the ability of the CFS to get agreement on specific actions. In particular the active participation of representatives of smallholders is likely to dilute any recommendations for action on trade issues. The CFS is supported by a Bureau, an Advisory Group and a Secretariat, currently hosted by the FAO in Rome (though by its constitution it could rotate to the IFAD and the WFP over time). It is therefore closely integrated with the Rome-based Agencies, though with active links to the HLTF (of which it is a member) and hence to the other UN bodies.

Political support for these activities at the UN and the Rome-based agencies has been a feature of the reaction by national leaders to the 2008 crisis and to a lesser extent the 2010 price increase. Successive G-8 and G-20 meetings have declared their support for international efforts to tackle food insecurity, including those linked to price spikes. These have been accompanied by specific meetings at the ministerial level often at the initiative of particular countries. The G-8 meeting in Japan in July 2008 discussed the food crisis as it was then developing; the 2009 L'Aquila G-8 Summit announced a "pledge" on food security assistance and launched the L'Aquila Food Security Initiative (AFSI). The September 2009 G-20 summit in Pittsburgh promoted a global food security program and the November 2009 World Summit on Food Security adopted five "Rome Principles" for Sustainable Global Food Security. A Global Agriculture and Food Security Program (GAFSP) was established as an "early element" of the AFSI in 2010; the November 2010 G-20 Summit in Seoul called for the inclusion of food security in a multi-year action plan on development. They also requested a report on Price Volatility, to be produced by the main secretariats responsible for statistics and analysis. The FAO and the OECD took the lead and produced a report in June 2011. The June 2011 G-20 meeting in Paris included a discussion among the Agricultural Ministers from the G-20 countries, and formulated an Action Plan on Food Price Volatility and Agriculture (Action Plan), as well agreeing to the establishment of the AMIS mentioned above.

Among other agencies that deal with such matters the Washington-based agencies (the World Bank Group and the IMF) have been key participants in the discussions over food security and key actors in facilitating the funding of initiatives. The WB initiated a Global Food Crisis Response Program (GFCRP) in 2008 that provided the possibility to inject funds quickly to needy countries in times of food price stress. In 2010 the Bank set up the Global Agriculture and Food Security Program (GAFSP) that was seen as a part of the AFSI. These initiatives complement those of other bodies, though still require funding decisions by major countries. The IFC has followed up with a Global Agricultural Price Risk Management Facility (GAPRMF) to facilitate the use of risk management tools in developing countries. The IMF has also been active in reviewing its food financing facility.

Outside the DDA Box

It may be unwise to put all the food security eggs in the basket of the Doha Round. Alternative ways of proceeding are both possible and in some cases desirable. The possible conditions under which a sub-group of WTO members can take action on a particular issue of interest to themselves without waiting for consensus to emerge are a subject of considerable interest among trade experts. The choices can be summarized as follows:

- A Plurilateral Agreement along the lines of those currently listed under Annex 4 of the Marrakesh Agreement. These include the Agreement on Trade in Civil Aircraft and the Agreement on Government Procurement (GPA).[17] Two features are important for such plurilateral agreements. First, they must be approved by consensus of the WTO membership. So those who do not wish to join can block the formation of the plurilateral, no doubt at some political cost to the blocking country or countries. The second feature is that the benefits need not be distributed on an MFN basis. In other words, non-signatories to the GPA cannot claim that they should be treated in the same manor as signatories. On the other hand, non-signatories are not obliged to accept any new commitments.
- A Critical Mass agreement along the lines several that have been negotiated since the Uruguay Round, including the Information Technology Agreement (ITA), the Basic Telecommunications Agreement (BTA) and the Financial Services Agreement (FSA). The characteristics of these agreements is that

[17] Annex 4 also lists the International Dairy Agreement and the International Bovine Meat Agreement, but these were terminated in 1997. The Government Procurement Agreement is in the process of being renewed with more signatories.

their membership covers a substantial portion of trade in the products involved (nearly all trade in the three cases mentioned here) and that they do not need formal support from the WTO Council: a Ministerial Declaration by the countries concerned launched these three agreements. It helped however that over 70 countries were prepared to sign the agreements: there has been no case of a much smaller number of WTO members crafting such agreements. Contrary to the Annex 4 plurilaterals the Critical Mass agreements are governed by WTO rules of non-discrimination. So a non-signatory to the ITA, for instance, would be treated the same way as a signatory if that country exported IT equipment to a signatory's market. Agreements such as these typically modify tariff schedules (in the case of goods) or access conditions (for services), which are then applied on an MFN basis.

- Extra-WTO plurilaterals are common in the form of regional and bilateral free-trade agreements (and are allowed by the WTO under Article XXIV of the GATT or Article 5 of the GATS). However, issue-based agreements are more rare and somewhat problematic. If they materially affect conditions of market access for imports or involve preferences for exports then they would be vulnerable under the WTO rules. One of the few such plurilaterals to be discussed recently is the Anti-Counterfeiting Trade Agreement (ACTA). This agreement, signed in 2011, established new Intellectual Property protection for its members, but it has run into criticism from civil society groups and some countries have withdrawn their participation. The fact that this agreement was reached outside the WTO is emphasized by the fact that it creates a new governing body with no connection to the WTO, to WIPO or even to the UN.[18]

Suggested Action

The WTO has not had great success in garnering consensus on one key aspect of food security, the encouragement of behavior that benefits the poorest of the global consumers when shortages hit world commodity markets. The collective action problem has so far been largely intractable when it comes to export restrictions, even when clear humanitarian aims are at stake. Success in modifying the behavior of importers has been somewhat more successful, in that quotas and market-insulating variable levies are no longer allowed. But quantitative restrictions in the form of TRQs still exist, as do specific tariffs and price bands.

Can one make use of the greater flexibility in trade agreements that has been encouraged by the slow progress in the Doha Round? Can one construct a bundle of desirable actions that has enough attraction for the participants to overcome some additional constraints on national freedom of action? Can one devise the rules of such a scheme in a way that does not violate current WTO rules and hence significantly weaken the disciplines of the multilateral trade system? Can one avoid

[18] Another extra-WTO agreement was the ill-fated Multilateral Investment Agreement that was negotiated within the OECD but finally rejected as a result of pressure from civil society.

the problem of free-riding by countries outside the scheme that may chose that option rather than joining?

One such scheme would be to build a package around the notion of responsible exporters and concerned importers. Responsible exporters could be considered to be those that looked in the longer run at the desirable structure of the trade system even if on occasions that involved forgoing higher export revenues from staple foods in the short run that might be obtained by restricting exports.[19] The balance in such a package would come from a series of obligations on the part of concerned importing countries that would make it easier for the exporters to accept constraints on their behavior. These would include refraining from actions that exacerbate market instability and developing domestic strategies that would promote the use of trade as a key food security component.

It would be preferable to make this an Annex 4 plurilateral approved by all members but only applying to those who sign the agreement. The main reason for this is to prevent free-riding on the part of importers on the benefits afforded to importers under the exporter constraints.

A Plurilateral Agreement on Food Security (FSA)

The elements of this proposed package can be summarized as follows:

Exporters of wheat, rice, corn and soybeans would accept the following restrictions on their export policies:

- No quantitative restrictions on any of the four products that are purchased for the World Food Program or any other food aid agency recognized by the Committee on World Food Security (CFS) as meeting similar standards of accountability and effectiveness.
- No quantitative restrictions on sales of these products to Least Developed Countries as recognized by the WTO. LDCs would not be bound by the restraints on export restrictions on their own exports of the four products.
- No quantitative restrictions on sales of these products to Developing Countries that are experiencing a serious state of food insecurity as a result of poor harvests or other domestic reason. This situation would be subject to a declaration from the CFS that such a state exists.
- Support from exporting members of the FSA to assist where needed in facilitating trade finance so that importing members can purchase supplies of these commodities. Restrictions imposed by the WTO on the use of export credits would be temporarily relaxed in cases where prices for these commodities are high enough to create food insecurity.

Importers would agree to manage their own food security policies in such a way as to maintain the openness of the trade system and maximize its ability to provide basic food products when needed. They would agree to the following restrictions on their importing policies:

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[19] Consumers in those countries would have to be persuaded that they also get benefits from a well-functioning trade system, and that restricting exports of basic food products is not in their longer run interest.

- Commit to operating their trade policy in such a way as to make use of imported products where these can be relied upon to promote adequate food supplies and support food security. This would involve reduction or elimination of tariffs when domestic supplies are short or when world prices are high. But it would also involve a commitment not to increase those applied tariffs for a period of two years even if world prices decline.
- Commit to share with exporting countries (as defined above) that are signatory to the FSA information about potential needs for food security purposes, including the maintenance of reserve stocks, and to participate fully in the forward-looking discussions of world market conditions in institutions such as AMIS.
- Commit to establish a food security policy that emphasizes the maintenance of the purchasing power of vulnerable groups at times of domestic shortage or high world prices. Exporting countries would assist in the organization and financing of such direct food security measures, as appropriate, when the increased purchasing power is not restricted to purchasing domestic products.
- Commit to respect the interests of exporting members to the agreement when setting up and maintaining reserve stocks. Such stocks should be based on the principal of purchasing commodities at world market prices, even from domestic producers. When domestic producers are paid at a higher price the difference should be counted as commodity-specific domestic support, under the terms of the AoA. However, the amount of subsidy calculated should reflect the difference between current world prices and the producer price rather than the reference price used for other aspects of domestic support (such as the market price support component of AMS).

FSA and Collective Action?

To what extent does the FSA as outlined above meet the problems of taking collective action and avoiding free-riding? The following points can be taken as a partial answer to that question. Much more analysis of the interests of individual countries would be necessary to assess the realism or otherwise of this approach.

- Exporters that sign on to the FSA would lose some autonomy in the area of export restrictions but trade that off for some additional status in dealing with importing countries. Those that choose not to sign would not get free-rider advantages from the restriction of their own exports except in the event that prices are pushed still higher: under those circumstances the recalcitrant exporter could decide to relax restrictions at the higher price. The cost to the free-rider would be that the importers would be able to identify the exporter that was holding back supplies in the anticipation of higher prices. The reliability of those exporters as stable suppliers would be brought into question.
- Importers that sign on to the FSA would gain in the greater availability of basic grains to support international food aid programs. However, importers that choose not to sign would also gain if the aid agencies did not limit their

activities to favor the FSA signatories. The incentive for importers to join the FSA comes not from access to food aid (a global semi-public good from which they could not reasonably be excluded) but by the commitments for commercial sales when supplies are tight and the CFA has announced a food security threat. The importer that does not join the FSA would not be eligible for such consideration.

- Restrictions on the actions of importers in the area of food security policies are unlikely to be economically burdensome, though they might create political tensions. The use of direct consumer actions to increase purchasing power for those in need (cash grants or food entitlements at reduced prices) are in any case more appropriate ways of dealing with food insecurity than closed markets are administered price levels. And the availability of food reserves is also likely to be advantageous so long as they are managed well and do not become a proxy support system for local farmers.
- The benefit of setting up the FSA as an Annex 4 Plurilateral is that it is then possible to confine most of the benefits of joining to signatories (as in a club good). It would be possible (and perhaps easier) to establish the FSA as a plurilateral within the WTO based on the concept of a critical mass but this would meet the objection that if no discrimination is possible then there would be no interest by importers in taking part. The major exporters could of course always establish a critical mass agreement without the formal approval of the WTO and open up the benefits to all members, but that requires a degree of altruism on the part of those countries that is difficult to imagine. The establishment of such a scheme within the WTO is essential, both to the credibility of the commitments and to the regular monitoring of conformity and resolution of conflicts that are part of the WTO constitution.

Annex: Specific Recommendations from non-WTO Groups on Food Security[20]

The HLTF Comprehensive Framework for Action, under the heading of "Trade and Tax Policy to be Adjusted", states that food exporting countries should:

- Minimize use of export restrictions which in food crisis situations may increase volatility of international prices, depress incentives for farmers to invest in food production, encourage smuggling, and undermine progress towards multilateral trade reforms and freer trade in the agriculture sector. (HLTF, 2008)

The Action Plan agreed by the G-20 Agriculture Ministers in June 2011 also addressed the issue of food export restriction, specifically in the context of food aid. The relevant paragraph of the Action Plan states that:

- We recognize that the first responsibility of each member state is to ensure the food security of its own population. We also recognize that food export barriers restricting humanitarian aid penalize the most needy. We agree to remove food export restrictions or extraordinary taxes for food purchased for non-commercial humanitarian purposes by WFP and agree not to impose them in the future. We will seek support within the United Nations agencies and will also recommend consideration of the adoption of a specific resolution by the WTO for the Ministerial Conference in December 2011. (Action Plan, para 40)

It is important to add that WTO members did not agree on an exemption from export restrictions for humanitarian purchases during the 2011 WTO Ministerial, this G-20 declaration notwithstanding.

Following the G-20 request to combine the efforts of the main analytical, policy and statistical agencies, the FAO, the OECD and eight other institutions cooperated in an analysis of the food security situation and the possible policy reactions.[21] The paper on "Price Volatility in Food and Agricultural Markets: Policy Responses" from the combined agencies addresses the matter of export restrictions directly.

- With respect to export restrictions nations have agreed to commit to make humanitarian exemptions, first, at the G8 Summit in L'Aquila in July 2009, and then at the World Summit on Food Security in Rome in November 2009, where all FAO member states agreed to "remove food export restrictions or extraordinary taxes for food purchased for non-commercial humanitarian purposes, and to consult and notify in advance before imposing any such new restrictions". If honored these commitments would allow food to be shipped rapidly to where it is needed in an emergency. (FAO and OECD, 2011)

Recommendation 4 (in part) reads:

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[20] Adapted from Howse and Josling, 2012.

[21] The other institutions included the IMF, IFAD, IFPRI, UNCTAD, WFP, WB, WTO and the HLTF.

Taking existing WTO rules into account and the state of play in the DDA negotiations G-20 governments should:

- develop an operational definition of a critical food shortage situation that might justify consideration of an export restricting measure. An export ban would be defined as a time-limited measure of last resort, allowed only when other measures, including triggering domestic safety net measures for the poorest, have been exhausted, and taking into account, in particular, the food security needs of least developed countries and net food importing developing countries.
- widen, strengthen and enforce consultation and notification processes currently in place at the WTO. The intention to impose an export restriction would have to be notified in advance of the action being applied and a "fast track" consultation process could be put in place to discuss whether the measure can be avoided and how. Consultation should be on-going and regular with a view to ensuring that the measure, once in place, is removed at the earliest possible moment.

Recommendation 5 reads:

- G20 governments strengthen the commitments made at the L'Aquila and Rome Summits, calling on all nations to allow purchases of humanitarian food, especially by WFP, to be exempted from food export restrictions and/or extraordinary taxes, so that humanitarian food can be purchased, exported and/or transited regardless of any prohibitions, restrictions or extraordinary taxes imposed; and resolve to bring this commitment and call to the UN General Assembly and to the WTO (FAO and OECD, 2011).

The primary "deliverable" from the CFS has been the articulation of a Global Strategic Framework (GSF) of which a first draft was considered in 2010 with a second draft due in May 2012. The GSF specifically mentions actions to reduce price volatility, including measures to:

- Acknowledgement of the need for countries to better coordinate responses in times of food price crises, through both regional and international institutions, including the regional AMIS Rapid Response Forum;
- Improvements in transparency, regulation and supervision of agricultural derivative markets;

Noting that a transparent and predictable international trade in food is crucial for reducing excessive price volatility, continuing focus on building an accountable and rules-based multilateral trading system taking into account food security concerns, in particular those of the least developed and net food importing developing countries. In that context, support for an ambitious, balanced fair and comprehensive conclusion of the Doha Development Round.

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