

**Strengthening the adaptability and resilience of the global food system to maintain food security in times of crisis and support economic recovery in the context of the COVID19 Pandemic**

**Sarah Paterson<sup>1</sup>**

**Current/Former Affiliation:** Blue Circle Consulting Ltd

**Type of Contribution:** Policy Brief

**Word count:** 2765

**Keywords:** Essential goods, Trade Facilitation, Paperless trade/digitalisation/E-commerce

**A contribution to the Policy Hackathon on Model Provisions for Trade in Times of Crisis and Pandemic in Regional and other Trade Agreements**

**Disclaimer:** The author declares that this paper is his/her own autonomous work and that all the sources used have been correctly cited and listed as references. This paper represents the sole opinions of the author and it is under his/her responsibility to ensure its authenticity. Any errors or inaccuracies are the fault of the author. This paper does not purport to represent the views or the official policy of any member of the Policy Hackathon organizing and participating institutions.

---

<sup>1</sup> This Policy Brief was made possible through the support of the Dairy Companies Association of New Zealand. I would like to thank Kimberly Crewther, Elizabeth Kamber, Dianne Schumacher and Tracey Epps for their feedback on earlier drafts of this brief.

## Highlights

Both local and global food supply chains have experienced disruption during the COVID19 crisis, raising fear of food shortages in some cases, and short-term surpluses in others. Disruption is expected to continue as countries respond to ongoing outbreaks around the world and as the economic impacts of the virus evolve. Both the crisis and the response measures taken by Governments highlight stress-points in the global food trade system, and the opportunities for trade rules to better enable countries to respond more quickly and effectively in the future.

This policy brief proposes that a Crisis Response Chapter be included in bilateral or regional free trade agreements to capture what has been learned through the COVID19 crisis and help make food supply and trade more resilient in a crisis situation. Many of these measures could also be applied in non-crisis times to help ensure the efficient flow of food trade to support improved global food security.

With respect to market access for food products to better guarantee food supply, the Crisis Response Chapter could provide for immediate acceptance of electronic documentation in place of physical documents relating to trade administration, and further ease potential for disruption through temporarily applying equivalence to ‘trusted suppliers’ of key food products and agricultural or food manufacturing inputs (moderated appropriately in the event that the crisis itself was directly related to food trade, such as the spread of an animal disease). To further ease possible disruption leading to food shortages or price spikes, the Crisis Response Chapter could provide for the temporary suspension of tariffs, quotas and other market access restrictions on identified food products, and a commitment not to restrict food exports.

On the supply side, COVID19 has impacted food producers and farmers in different ways, including lower prices where demand has fallen (for example for products usually destined for the food service sector) or where disruption resulted in a short-term oversupply of fresh products. Governments have stepped in with support to avoid significant economic harm to producers and maintain food production. Maintaining the viability of food producers is essential to global food security, and countries must strike a balance between providing support to their own producers while avoiding both short and long-term harm to food producers in other countries. Any support provided must also not exacerbate the effects of the crisis or delay recovery. The Crisis Response Chapter could include commitments to avoid the use of subsidies that may result in harm to farmers or food producers in other countries, for example by not linking payments to production or otherwise incentivising production in times of oversupply or by building large public stocks.

Finally, the Crisis Response Chapter could establish mechanisms for cooperation between Governments and the Private Food Sector, and between the Parties to the Agreement. Cooperation should aim to increase preparedness for a crisis, and operate during a crisis to ensure any barriers to food trade are addressed in a timely and effective way.

## Introduction

A number of countries have experienced challenges arising from disruption to both local and global food supply chains during the COVID19 crisis. These arose from both demand shocks

(in response to ‘stay at home’ measures that shifted demand from out-of-home eating into retail, as well as spikes related to consumer ‘stockpiling’) and supply shocks (disrupted ports and transportation, manufacturing and production, as well as the shift in market channels). It has led to instances of both short term surpluses and shortages for different products in different geographies. At the same time, certain measures introduced out of concern for food security (such as export controls) and to provide financial support for domestic producers impacted by COVID related shocks (e.g. stimulus and recovery payments) threaten to disrupt and distort international agricultural production and trade.

Ongoing impacts on global food markets are expected as countries continue to respond to COVID19 outbreaks around the world, and as the economic impacts of the virus evolve. Trade has an essential role to play in maintaining global food security. International agencies have raised concerns regarding the likely failure to achieve the UN Sustainable Development Goal of achieving Zero Hunger by 2030<sup>2</sup>. In fact they are pointing to a reversal of earlier progress. While the full impacts of COVID19 are not yet known, they are likely to impact negatively on achievement of this goal and potentially contribute to a worsening situation around the world of food insecurity.

While, on the whole, the global food system has shown resilience in the crisis with food trade flows largely continuing, there was still disruption and many countries swiftly adopted measures to help ensure trade flow and prevent worse disruption from occurring. Both the crisis and the measures taken by Governments highlight stress-points in the global food trade system, and the opportunities for trade rules to better enable countries to respond more quickly and effectively in the future. It creates the opportunity to design responses that will also position countries well to recover from the crisis, minimise negative impacts on food producers and support better food security outcomes.

Bilateral and regional trade agreements are an important avenue for building international trade law and best practice. This policy brief proposes that future agreements include a Chapter containing commitments between the Parties to ensure stability and continuity in production and trade in food and essential products in a crisis situation (‘Crisis Response Chapter’)<sup>3</sup>. The New Zealand-Singapore Declaration on Trade in Essential Goods for Combating the COVID19 Pandemic provides a starting point for a model that could be incorporated and given Treaty level status through bilateral or regional trade agreements.

This policy brief identifies three key areas that could be included in a Crisis Response Chapter with respect to food: measures to ease food supply chain disruption in a time of crisis; commitments that domestic support tools and policies should not cause harm to producers in third countries or further distort international production and trade; and cooperation with the private sector and between Parties to the Agreement.

## **1. Measures to ease supply chain disruption**

Many countries have taken measures to ensure the continuation of trade flows in food during COVID19 that have proven to be effective. These provide a good starting point for measures

---

<sup>2</sup> FAO, IFAD, UNICEF, WFP and WHO, *The State of Food Security and Nutrition in the World 2020. Transforming food systems for affordable healthy diets*. (FAO, 2020), p. 3.

<sup>3</sup> See also the contribution from Tracey Epps of New Zealand for a proposed Crisis Management Chapter

that future trade agreements could capture and build on in Crisis Response Chapters of bilateral and regional trade agreements.

### 1.1 “Paperless trade”

A key logistical challenge experienced by food exporters in the COVID19 crisis is providing paper documentation that normally accompanies export consignments. This can be made difficult by controls on the movement of people, staff shortages or rapidly changing market conditions requiring greater flexibility for commercial decisions around shipping or airfreight options and destination markets.

An immediate solution would be to provide that when a crisis has been declared to exist, either collectively by countries party to a relevant trade agreement, or by the relevant global organisation (such as the World Health Organisation), countries would automatically accept electronic versions of documentation where these were transmitted between the competent authorities of each country.

The Crisis Response Chapter would set out what would be expected of each country in order to provide confidence in the electronic documents and their supporting systems. Countries would notify each other, in advance, of the systems that they have in place. This would allow trade partners to raise any questions or concerns prior to the system being activated.

More generally, post COVID19 countries should collectively review opportunities to fast-track adoption of electronic trade administration systems in order to build the resilience of the global food trade system to pandemics and other crises. The WTO Trade Facilitation Agreement, the Digital Economy Partnership Agreement and the Pacific Agreement on Closer Economic Relations all contain useful provisions in this regard and are a framework that more countries could sign up to or work to accelerate the implementation of.

### 1.2 Recognition of Systems Equivalence

Countries require a level of assurance that imports of food and agricultural inputs meet relevant sanitary and phytosanitary (SPS) requirements. Maintaining systems to provide this assurance were impacted under COVID19 due to controls on people movement, disruption at ports and pressure on staff resources.

The concept of equivalence (whereby importing countries recognise the regulatory framework of a supplying countries as providing equivalent outcomes to their own, even if their measures differ) is well recognised in global food trade and plays a key role in facilitating the smooth and efficient flow of food. Many bilateral and regional trade agreements include SPS Chapters, building on the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (the SPS Agreement), that already encourage the application of equivalence.<sup>4</sup>

To remove unnecessary impediments to the free flow of food trade, ease pressure on resources and avoid risks of food consignments being held up at the border, the Crisis Response Chapter would establish a ‘trusted supplier’ regime to apply in times of crisis. This

---

<sup>4</sup> See for example Article 7.8 of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

would include a register of the specific foods or agricultural inputs from supplying countries for which the systems of the exporting country will temporarily be recognised as equivalent. It would establish a streamlined electronic certification process by which the competent authority would confirm that specific export consignments are from a 'trusted supplier', enabling importing countries to expedite clearance of these products.

Should the crisis relate to risks connected with food trade (such as an animal disease outbreak) the Parties would consult with each other as soon as possible to agree any products that should be exempted from the 'trusted supplier' regime in accordance with international standards (for example those of the OIE - World Organisation for Animal Health or CODEX) and based on a scientific risk assessment.

More generally, in times when there is not a global crisis, countries should work to extend their application of equivalence to key food supplying countries, and where necessary work with supplying countries to address any outstanding issues that may be an impediment to applying equivalence. Countries could strengthen their cooperation on SPS matters, including through existing bilateral and regional trade agreements, to enable the complete removal of certification requirements that might otherwise impede food trade in a time of crisis while providing confidence with respect to relevant SPS related risks. Over time this would make a 'trusted supplier' regime for crisis situations redundant, while enhancing the resilience of the global food trade system.

### 1.3 Temporary Tariff Relief

As recognised by the World Bank<sup>5</sup>, positive responses to limit the health and economic impacts of COVID19 and shorten the crisis include reducing to zero import tariffs on all food products, waiving withholding taxes on food imports and refraining from imposing export bans or taxes on critical food staples.

In order to prevent food shortages or price spikes the Crisis Response Chapter would also identify essential food products, food manufacturing or agricultural inputs, along with other essential products, that will be subject to temporary tariff-free market access and other measures to help ensure their continued and prioritised supply in the event of a crisis. This may also include temporarily reducing in-quota tariff rates to zero, lifting quota limits and waiving quota licensing or certification requirements.

In addition to ensuring that there is no unnecessary impediment to food imports, it is critical to ensure that there continues to be global supply of food products on the world market to fulfil local food supply gaps. The harmful impacts of restrictions on the exports of staple food products are known<sup>6</sup> and will not be rehearsed again here. One study indicates that it is possible that trade restrictions could multiply the initial shock on world export supplies and food prices due to COVID19 by a factor of 3.<sup>7</sup>

---

<sup>5</sup> World Bank, *'Do's and Don'ts of Trade Policy in Response to COVID19'*, (World Bank, 2020), p. 2.

<sup>6</sup> See, for example J. Glauber, D. Laborde, W. Martin & R. Vos, *'COVID- 19: Trade restrictions are worst possible response to safeguard food security'*. (IFPRI, 2020).

<sup>7</sup> A. Espitia, N. Rocha, M Ruta, *'COVID-19 and Food Protectionism: The Impact of the Pandemic and Export Restrictions on World Food Markets'*. (World Bank, 2020). Pg. 5.

Countries must have confidence in the ability of the global trade system to contribute to meeting their domestic food needs. Additionally, investors in food production require confidence that they will have access to international as well as domestic markets. The Crisis Response Chapter could include a commitment not to restrict exports of food products, and to cooperate on solutions for any potential food shortages that Parties to the Agreement may be concerned about.

## **2. Commitments to prevent domestic support tools and policies from causing harm to producers in third countries or further distorting production or trade**

COVID19 has impacted food producers and farmers in different ways. ‘Lockdowns’ resulted in a rapid shift of demand from hospitality and out-of-home eating to retail channels. This has led to lower prices for some products due to falling demand, and in some cases of severe disruption has led to food producers disposing of fresh products (for example milk in parts of the US) or attempts to rapidly find other uses for them (for example potatoes normally exported as frozen French fries in the Netherlands).

Governments have stepped in with additional support as a means of avoiding significant economic harm to producers and to maintain production. Using the above examples, the US Government announced a COVID19 economic relief package of US\$2 trillion, of which nearly \$24 billion is for farming.<sup>8</sup> The Netherlands announced a package of €50 million to support its potato growers. The European Union more generally announced that, in addition to existing farm subsidies under the Common Agricultural Policy (CAP), farmers could benefit from up to €125,000 per farm and food processing and marketing companies could benefit from a maximum of €800,000 under its newly adopted Temporary Framework for state aid. The European Union also reinstated its Private Storage Aid scheme that provides for subsidised storage of specific food products.<sup>9</sup>

Ongoing impacts on global food markets are expected as countries continue to respond to COVID19 outbreaks around the world, and as the economic impacts of the virus evolve. Maintaining the viability of food producers is essential to maintaining global food security. According to the latest *2020 State of Food Security and Nutrition in the World Report*, the number of people affected by hunger globally has slowly risen since 2014. Nearly 690 million people, or 8.9 percent of the world population, are hungry. In 2019, close to 750 million – or nearly one in ten people in the world – were exposed to severe levels of food insecurity. The report states that COVID19 is expected to worsen the overall prospects for food security and nutrition.<sup>10</sup>

Accordingly countries must strike an appropriate balance between providing support to protect their own food producers, while avoiding harm to food producers in other countries. Harm can occur, for example, through the use of subsidies that distort production and trade or creating inequitable conditions of competition with unsubsidised producers, particularly those in developing countries. There is also potential for crisis response measures to harm recovery

---

<sup>8</sup> For official information on the US measures see <https://www.usda.gov/media/press-releases/2020/04/17/usda-announces-coronavirus-food-assistance-program>

<sup>9</sup> For official information on the EU measures see [https://ec.europa.eu/info/food-farming-fisheries/farming/coronavirus-response\\_en#measures](https://ec.europa.eu/info/food-farming-fisheries/farming/coronavirus-response_en#measures)

<sup>10</sup> FAO, IFAD, UNICEF, WFP and WHO, ‘*The State of Food Security and Nutrition in the World 2020. Transforming food systems for affordable healthy diets*’. (FAO, 2020), p. 3.

from the crisis. It is critical that, as soon as possible, demand and supply rebalance as market signals flow through to producers. Governments can support this occurring by refraining from distortionary measures, such as the accumulation of large public stocks of food products that subsequently overhang markets and delay rebalancing of supply and demand.

The Crisis Response Chapter should include obligations on the Parties to avoid the use of subsidies to farmers and food producers or other interventions that result in harm to farmers and food producers in other countries. Obligations under the Chapter would include a reaffirmation of existing commitments under the WTO Agreement on Agriculture with respect to limits on budgetary outlays for domestic support, and transparency requirements for measures to be notified. They would additionally agree:

- not to link any emergency aid payments to farmers or food producers to production or exports, or otherwise incentivise production in times of oversupply,
- in severe situations of oversupply, consider making emergency support payments contingent on a requirement not to produce (for example, to defer planting or dry off cows),
- not to purchase surplus stocks in order to maintain prices,
- to ensure that measures to facilitate trade in times of crises do not inadvertently subsidise exports of agricultural products, and
- to ensure that any campaigns to encourage domestic demand for locally produced food products do not result in measures that discriminate against imports or subsidies that are linked to the use of domestic inputs.

It is also important to ensure that the provision of international food aid does not inadvertently undermine food security in a time of crisis through either harming the viability of local food producers, displacing commercial trade relationships or distorting international trade. The Crisis Response Chapter should reaffirm commitments set out in the WTO Ministerial Decision in Nairobi of 19 December 2015 with respect to food aid and expedite movement toward untied cash-based international food aid.

### **3. Cooperation**

#### **3.1 Cooperation with the Private Sector**

COVID19 has highlighted the importance of the Government and private sector working closely together in order to ensure that production and trade continues in a time of crisis. For example, most countries around the world designated food production as an essential service in the context of lockdowns in response to COVID19 that otherwise severely curtailed economic activity. For many this was unprecedented, and little preparation had gone into considering how food systems would operate in a pandemic situation, for example how production facilities could be reconfigured to meet distancing requirements or how air and shipping services would be effectively maintained.

The Crisis Response Chapter should require the Parties to establish a Private Food Sector Advisory Body to assist with planning for crises impacting the food sector and opportunities to remove potential barriers to the effective functioning of the food system in a crisis. In addition, a Joint Government/Industry Emergency committee should be initiated when a crisis is declared that would:

- Identify threats or risks to the effective functioning of the food system; and

- Coordinate logistical and administrative facilitation of ongoing food production and trade

### 3.2 Cooperation among the Parties

Cooperation and the sharing of information between countries is critical both in preparing for and managing a global crisis.

The Crisis Response Chapter should include the requirement for the Parties to establish a Joint Body specifically focussed on food production and trade that would:

- consider and progress crisis preparedness with respect to food trade and implementation of the measures outlined in this Chapter,
- provide a forum for sharing knowledge, expertise, data and best practice models that support the effective functioning of the global food system in a crisis,
- conduct further research or analysis on the impact of the COVID19 crisis on global food system and opportunities to enhance preparedness, and
- in the event of a crisis occurring, convene to oversee the operation of the measures outlined in this Chapter and facilitate coordinated and effective responses.

## References

- Declaration on Trade in Essential Goods for Combatting the COVID19 Pandemic, 15 April 2020, retrieved from <https://www.beehive.govt.nz/>
- Espitia, A., Rocha, N. & Ruta, M. (2020) COVID-19 and Food Protectionism: The Impact of the Pandemic and Export Restrictions on World Food Markets, *Policy Research Working Paper 9235*. World Bank.
- FAO, IFAD, UNICEF, WFP and WHO. (2020). The State of Food Security and Nutrition in the World 2020. Transforming food systems for affordable healthy diets. Rome, FAO. <https://doi.org/10.4060/ca9692en>
- Glauber, J., Laborde, D., Martin, W. & Vos, R. (2020) 'COVID- 19: Trade restrictions are worst possible response to safeguard food security', retrieved from <https://www.ifpri.org/blog/covid-19-trade-restrictions-are-worst-possible-response-safeguard-food-security>
- World Bank. (2020). Do's and Don'ts of Trade Policy in the Response to COVID-19. Trade and COVID-19 Guidance Note. Washington, DC, retrieved from <https://openknowledge.worldbank.org/handle/10986/33516>