

Trade-led Growth in Times of Crisis
Asia-Pacific Trade Economists' Conference
2-3 November 2009, Bangkok

Session 9

Adapting Trade Policies to Promote Food Security and
Sustainable Agriculture

Ramesh Sharma



Asia-Pacific Research and Training Network on Trade

www.artnetontrade.org

Trade Policy for Agricultural Development and Food Security: Reflections from Asia

Ramesh Sharma and Jamie Morrison
Trade and Markets Division
Food and Agriculture Organization

Asia-Pacific Trade Economists' Conference on
Trade Led Growth in Times of Crisis
Bangkok, Thailand
November 2-3, 2009

Divergent views?

- Significant distortions resulting from use of trade policy instruments
 - Basic regularities
 - Concerns for the future shape of policy
 - Global market lens
- “Success” in pursuit of key policy objectives
 - Likelihood of change of government mindset?
 - Positive effects on growth and poverty reduction
 - Domestic market lens
- What types of policies should be pursued?
 - Context specificity
 - commodities and countries
 - stage of development
 - Elimination or reform?

Evidence

Nominal Rates of Assistance (WB Distortions Study)

- All Exportables

1980-84	1985-89	1990-94	1995-99	2000-04
-25	-20	-19	-6	-4

- All Importables

1980-84	1985-89	1990-94	1995-99	2000-04
23	38	26	31	36

Stylized facts from WB distortions study

1. Taxing producers in absolute and relative sense was bad policy
2. Increasing NRAs on import competing products is not a desirable trend
 - misallocation of resource use within agriculture
 - tax on exportables (Lerner Symmetry)
3. Dispersion of NRAs increases as fewer commodities are protected more heavily
4. Policies continue to seek reduced fluctuations in price/quantity availability
5. Dispersion of NRAs across Asia has increased – scope for more open trade?
6. Most important instruments continue to be trade restrictive measures
7. Movements in consumer tax equivalent closely replicate changes in producer support/taxation – because latter mostly due to trade measures

Evidence – Rice NRAs

Country	Status	1980-84	1985-89	1990-94	1995-99	2000-04
Bangladesh	Importable	-5	20	-5	-12	3
Indonesia	Importable	8	-1	-9	-13	19
Malaysia	Importable	94	158	127	57	71
Philippines	Importable	-16	14	21	53	51
Sri Lanka	Importable	-6	0	9	19	4
China	Exportable	-54	-34	-30	-7	-6
Thailand	Exportable	-18	-15	-16	-11	-8
Vietnam	Exportable	-	-3	-27	0	23
Pakistan (B)	Exportable	-50	-56	-18	-2	-24
Pakistan (I)	Exportable	-25	-20	-1	8	13
India	Exportable	-31	-4	-21	-13	21
Average		-10	5	3	7	15

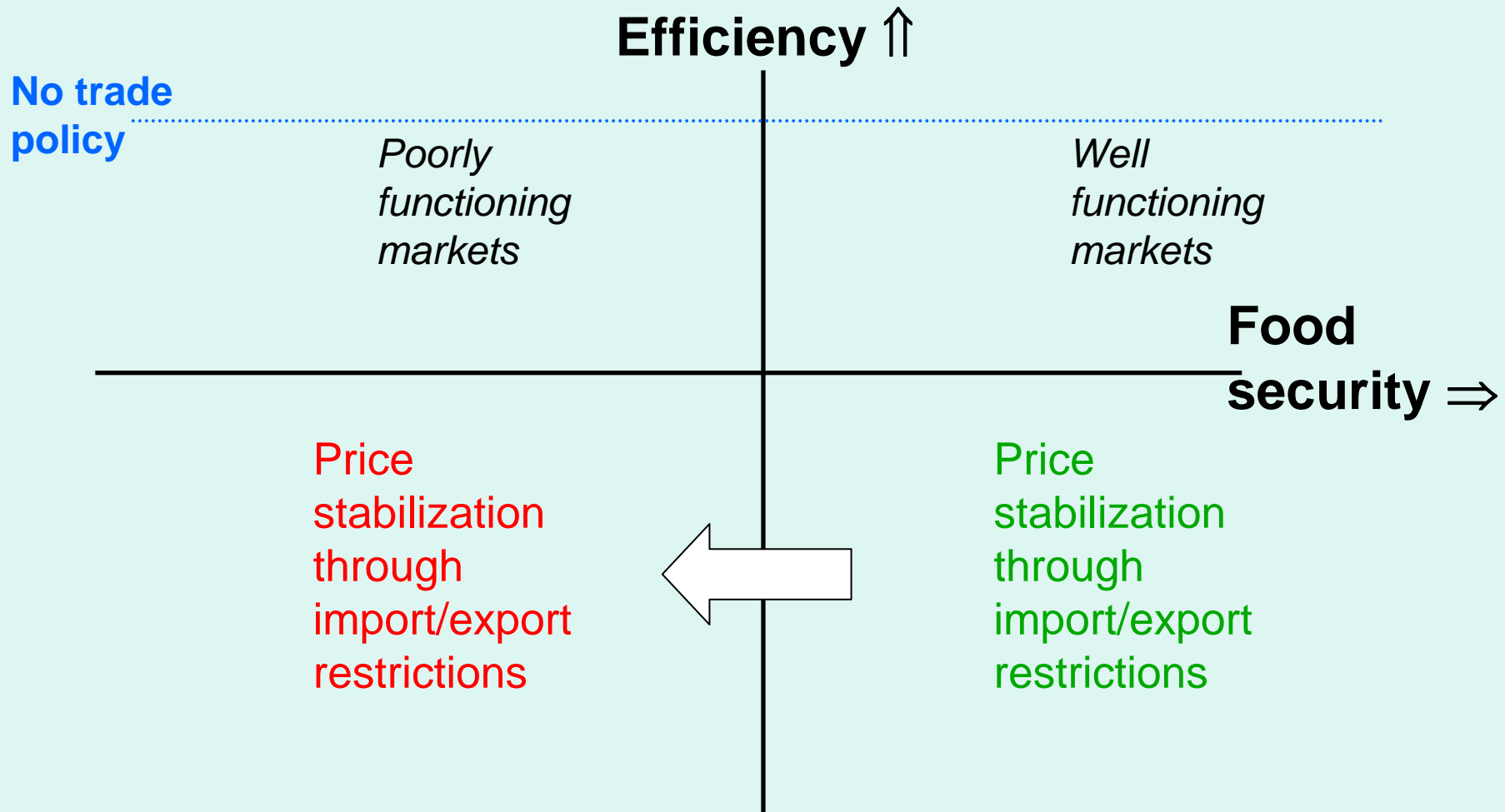
Rice policies (examples)

- India - primacy of price stability
 - NRA fluctuated widely
 - Little correlation domestic: border prices
 - Real domestic prices stable for four decades
 - Rice essentially an exportable
 - Some import restrictions but stabilization mainly through export restrictions
 - Explicit export tax varied with world prices
 - Wide range of instruments used
- Philippines – attainment of self-sufficiency
 - Special status for rice (in lieu of binding tariff)
 - Import controls
 - Active STE

Development goals: what is being sought?

- Price stability
- Food self-sufficiency
- Minimizing rural-urban income differentials
- Export growth
- *Maximising contribution of growth to economic development and poverty reduction*
- WTO positions of countries/coalitions tend to support pursuit of these objectives

Is pursuit of efficiency and non-efficiency objectives incompatible?



Issues

- Stage of development
 - Role of agriculture/ output mix
 - Functionality of markets/ responsiveness of producers
 - Risk mitigation/ management
- Price stabilization
 - Changing impacts: producer vs. macro vs. consumer
 - To what extent should prices be stabilized?
 - What role for the private sector?
- Self-sufficiency
 - Role of trade policy “vs” investment in agriculture
 - Reliance on world market?
 - Distribution bottlenecks
- Rationalization of instruments
 - Doing away with all policy instruments is not a solution/ option
 - Can objectives be reached more efficiently?

Articulation of appropriate trade policy – a way forward?

- Agriculture (and agricultural and trade policies) has a role to play in structural transformation
- Structural transformation is dynamic
 - Role and instruments of trade policy need to change
 - Policy analysts should lead not follow
- Distortions generate some costs but where goals are clear and feasible, longer term benefits outweigh them
- How to achieve objectives more efficiently and with lower distortionary effects on world markets
 - Need research to guide policy makers
 - Need improved policy dialogue