

# Negotiating Agricultural Trade

## Options for Moving Forward

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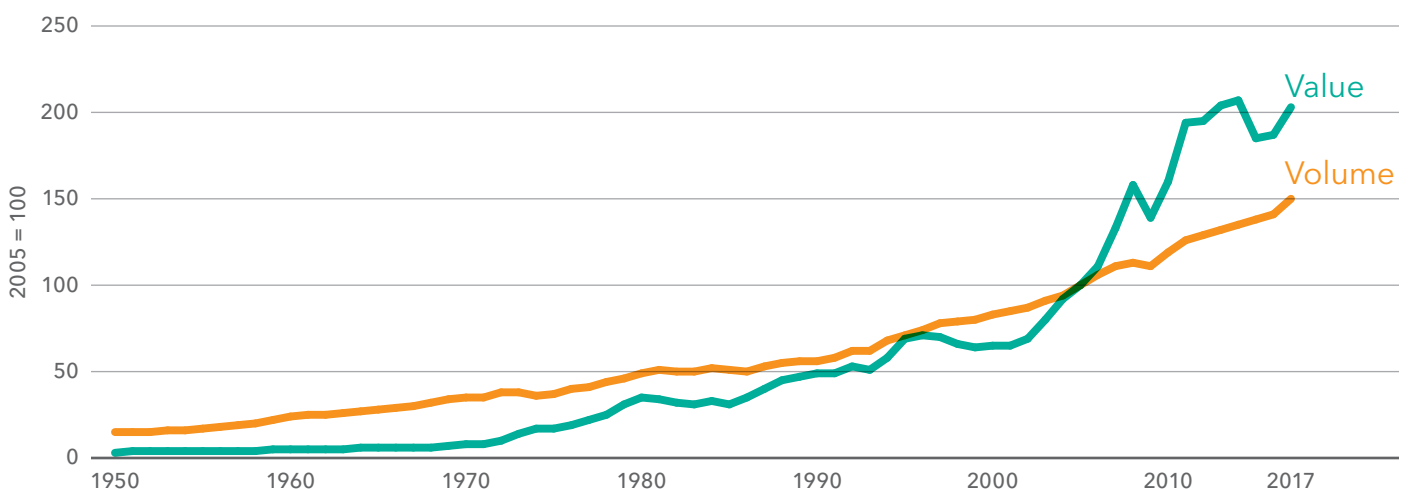
Open trade is increasingly important as countries prepare to face the coming challenges in food demand and production. By 2050, global demand for food is expected to increase by as much as 50 percent from its 2012-2013 levels. Income growth and other trends have already begun to change diet composition. Changing climate patterns, increasing weather volatility, and other environmental pressures will change food production patterns and exacerbate production volatility. If the world is to meet the ambitious Sustainable Development Goal of ending hunger and malnutrition by 2030, governments will need to make a concerted effort to improve the functioning of international food and agricultural markets.

The rules-based system established under the World Trade Organization (WTO) has facilitated the growth of agricultural trade, creating global welfare gains. The 1995 Uruguay Round Agreement on Agriculture brought

discipline to the areas of market access, export competition, and domestic support. Enabled by these rules, global agricultural trade more than tripled between 2000 and 2014.

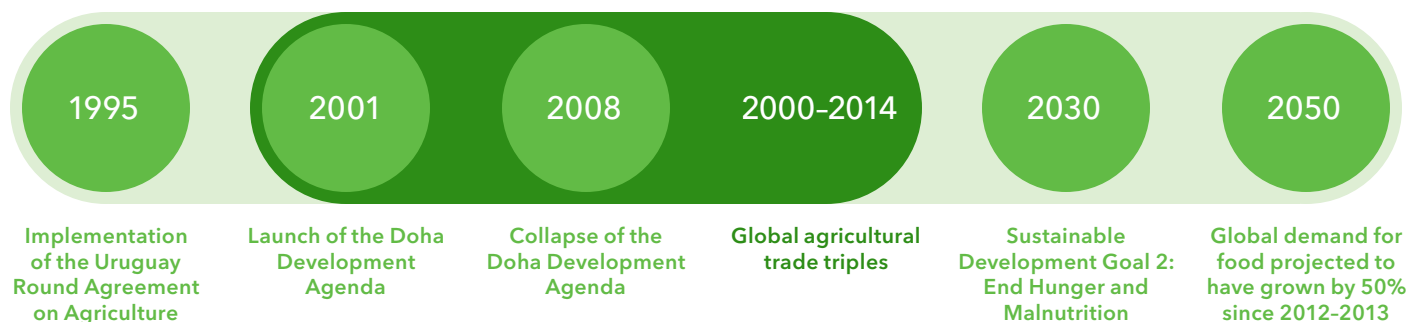
Yet while trade has grown, the appetite for trade liberalization has stalled. Despite the best efforts of many, WTO members failed to reach agreement in the July 2008 Doha Development Agenda negotiations. Negotiating intensity has since dissipated, due in part to the global recession and the inevitable changes in governments that shift the focus of negotiations. As a result, WTO members have had to be content with harvesting low-hanging fruit such as trade facilitation and export competition. Negotiated settlements on tougher issues, such as domestic support, have become more difficult to obtain in isolation from other issues, as was highlighted recently at the WTO's Eleventh Ministerial Conference in Buenos Aires.

**FIGURE 1** Global Agricultural Trade



Source: WTO, *World Trade Statistical Review 2017*.

**FIGURE 2** Agriculture and the WTO



Considering these recent challenges, we offer some modest confidence-building options that could move the agenda forward:

**INCREASE TRANSPARENCY THROUGH INFORMATION EXCHANGE.**

Improving notification requirements would lay the groundwork for future negotiations. The Committee on Agriculture and the WTO Secretariat Agriculture Division have already begun efforts to provide more information on domestic support, market access, and export subsidies, and the modalities text circulated by the Chairperson of the Agriculture Committee in December 2008 (Annex M of Rev4) provides largely noncontroversial text for improved monitoring and reporting, which should be easily adopted.

**CUT THE AVERAGE BOUND RATE ACROSS AGRICULTURAL TARIFFS.**

Tariff reduction through preferential trade agreements can be costly and complex for businesses, and it tends to leave out smaller developing countries. Focusing instead on a cut in the average bound rate across agricultural tariffs would be a simple way to provide market access and curtail countries' abilities to raise tariff rates when applied rates are significantly below bound rates.

**LINK CUTS IN DOMESTIC SUPPORT TO MARKET ACCESS REFORMS.**

Domestic support reform has proven challenging, but it could be accomplished by adopting a simplistic formula that focuses on capping and reducing Overall Trade-Distorting Support levels. Anti-concentration disciplines could be added to prevent too much of a member's support being concentrated on a particular commodity.

**REVIEW THE GREEN BOX TO ASSESS THE NEED FOR UPDATES.**

Policies have evolved considerably since provisions were debated in the late 1980s, and green box spending has grown. This warrants a review of Annex 2 of the Agreement on Agriculture, which would logically be conducted by the OECD or a consortium of international organizations and could examine the effects of green box policies, including decoupled income support and insurance.

**PROMOTE SECTORAL INITIATIVES.** Agreements around specific primary products and related processed products could offer a manageable, intermediate step in reform. By allowing open membership to such agreements, the high costs to business of complicated and overlapping preferential trade agreements could be avoided.

**DISCIPLINE EXPORT RESTRICTIONS.** Export restrictions exacerbate price volatility in times of crop shortfalls and undermine confidence in the world trading system. This can lead to further market-disruptive behavior on the part of net food importers, like preemptory purchases and hoarding.

**EXAMINE PUBLIC STOCKHOLDING.** Intended to provide food security domestically, public stockholding can adversely affect the food security of other members and distort trade. Any compromise will need to address that reality.

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