



## **Hans H. Ruthenberg-Graduierten-Förderpreis 2001/**

## **Hans H. Ruthenberg Award for Graduates 2001**

Sabine Daude “Food Security and the Developing Countries in the WTO Negotiations”

Humboldt University Berlin, 2000

Supervisor: Prof. Dr. Dr. h.c. Dieter Kirschke

### Summary

Within the Final Act that concluded the Uruguay Round in 1994 the Agreement on Agriculture is one that influences food security in developing countries. Through the agreement agriculture was for the first time brought under multilateral discipline. This was in great parts due to the position of the Cairns Group and can be considered as a milestone in the history of the multilateral trading system. The AoA is the outcome of difficult negotiations. Structured around the three main areas of market access, domestic support and export subsidies, it was influenced by the EU and the US in many of its details. The reduction commitments made so far are only minor in their effects, but the created framework for trade liberalization could become more effective in future with further commitments.

In this paper, the effects of trade liberalization on food security are discussed with the help of the entitlement approach. The individual entitlements defined by Sen are transferred to states. The resulting production-based, trade-based and transfer-based entitlements of countries are influenced by the trade liberalization in the MTS. Trade liberalization becomes visible through changes in prices, location of production, supply elasticities, stockholding, price volatility, trade opportunities and government revenues. In some areas the net effect is not clear due to several influencing factors. How these changes may influence a country's food security is not straightforward to predict because it depends from country-specific factors. Examples for these factors are how a country transmits price changes from the world market to its domestic market and how its domestic producers and consumers react to these price changes. Under certain assumptions about net trade liberalization effects, various food security entitlements could possibly decline.

As developing countries might be negatively affected during the liberalization process, special and differential treatment provisions were incorporated within the UR Agreement. After a short overview of how countries are classified within the WTO framework, this paper describes the provisions within the AoA. Two ministerial decisions from the UR Agreement, namely the "Decision on Measures in Favour of Least-Developed Countries" and the "Decision on Measures Concerning the Possible Negative Effects of the Reform Program on Least-Developed and Net Food-Importing Developing Countries", are described with their special provisions for certain country groups. The trade liberalization commitments together

with the exemptions influence food security policies that developing countries can pursue in a WTO compatible way. Many developing countries failed to meet the administrative requirements in their legally binding country schedules to use certain special provisions, therefore those are now useless to them. Nevertheless, there are still various possibilities for support within the framework of production policies, consumption policies and price stabilization policies. Food security policies defined in a wider sense like violent preventing policies are not constrained at all.

For the ongoing negotiations developing countries have to decide upon a negotiation strategy. A basic choice is whether to play a more defensive card by putting most of their negotiation capital into the strengthening of special and differential treatment provisions. Another option would be more offensive, negotiating for stronger liberalization in order to have better market access for their export products. From a food security point of view it is difficult to predict which strategy would be better. With the help of the Global Trade Analysis Project model this paper tried to assess these two basic negotiation approaches quantitatively.

The results show that higher liberalization results in higher global production and trade shifts. Total staple food production is higher under the offensive scenario, but individual net food-importing developing countries may stay with lower food availability. In the modeling results Morocco (as a NFIDC) often showed different results than the whole group of NFIDCs. This shows that food security implications are very country-specific. Without knowing the import and export structure of a country, it is not possible to analyze in which way a country will benefit from trade liberalization (or if it will benefit at all). From a welfare point of view all countries gain, but developing countries gain most from a correction of their own domestic markets and less from that in other countries.

Developing countries should get support in human and administrative capacity building to be in a position to analyze their country-specific trade structure and to conduct the agricultural negotiations effectively. This also means that developed countries exercise 'due restraint' to register concerns of developing countries and not to squeeze them out (Stevens et al. 1999, p. 56). The use of SDT for food security should be restrained to fields that individual countries can not influence on their own, e.g. price fluctuations, but should be excluded from fields that countries can influence through a change in their domestic policies. Instead of investing bargaining power into further SDT provisions, developing countries should be assisted to use the already existing ones by developing alternative government budget sources and by building up capacities to design and implement allowed support policies.