



Policy Brief

AGRICULTURAL AND TRADE POLICIES AND THE DEVELOPING COUNTRIES' COMPETITIVENESS AND FOOD SECURITY

Task Force 4

Food Security and Sustainable Agriculture

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Abstract

Traditionally, the G20 countries are the developing countries' largest trade partners with substantial exports to the G20 markets. However, recently, the developing countries' exports, especially agri-food, have plummeted. This in part is due to the G20 market access conditions which impacted developing countries' agri-food competitiveness, food security and the attainment of sustainable economic growth. Thus, this policy brief enunciates the consequences of the G20 agricultural and trade policies on developing countries' agri-food exports. This policy brief proposes that the developed countries in the G20 modify their trade policy measures, particularly the NTMs, to ensure 'fair competitive' conditions for developing and least-developed countries' exporters in their domestic and export markets; reduce substantially their domestic agri-food distortion policies than their giving 'Aid for Trade'. The developing countries should increase investments in quality infrastructure, science and technology to enhance modern technology adoption; initiate domestic policies that promote quality exports and ensure economies of scale and size in the agro-industry to improve commodities' competitiveness.

Challenges

The continuous volatility in the global trading system and the rapidly evolving new trade policy regimes occasioned by the extant and emerging national, regional and global political and socio-economic shocks have made reforming and/or repurposing trade policy measures across the globe, particularly in the G20 developed countries inevitable. The G20 countries have been tweaking their trade, domestic and foreign policies, especially at the advent of the COVID-19 pandemic and the current war between Russia and Ukraine. The challenges are that, although the agricultural and trade policies in the G20 developed countries are catalysts for trade with the developing countries, **the policies have a huge effect on developing and least-developed countries' agri-food competitiveness at home and in their export markets.** Besides, **these policies have distributional effects on the producers, consumers and income earners in the developing countries** (Kareem and Kareem, 2021). The G20 developed countries' exports to developing regions such as Africa, the Caribbean and the Pacific (ACP) are until recent decades predominantly manufacturing goods, however, there had been an increasing inflow of agri-food to ACP regions (Kareem, 2019; Matthews and Soldi, 2019), despite having a comparative advantage in agri-food production. **Another challenge is that the continuous increase in the G20 developed countries' agri-food exports – which are incentivized by subsidies, export supports, etc. – to developing and least-developed countries² and the crowding-out at their export markets will have an adverse net-welfare impact** (Kareem, 2014), especially for food security in Africa. Although evidence has shown that these exports have increased consumers' access to varieties and cheap agri-food products, **it will have devastating consequences on domestic agri-food production and processing, which in turn will affect their food security and sustainable development whenever there are shocks in the G20 agri-food systems and export supply chains.**

Thus, the intensity of global agricultural trade and the actualisation of food security and sustainable development, especially in developing countries, is currently in part influenced by the agricultural and trade policies in developed countries. **The dietary diversity, food and nutritional security and competitiveness of developing countries' agricultural commodities/products in national and international markets is being largely determined by the**

¹ In terms of food security, employment, income, poverty and inequality

² Though have somewhat reduced domestic food insecurity through households access to cheap and variety agri-food.

trade policies in the G20 developed countries. This impacts developing countries' food systems, particularly production, processing and other segments of the food supply chains and thereby affects the food systems' wealth creation capacities, employment, income and poverty. On one hand, **the extensiveness and intensiveness of the G20 developed countries' subsidised agri-foods, some of which are exported to Africa and other developing countries, would have consequences on the food security and thereby agri-food trade competitiveness of developing countries.** On the other hand, these G20 developed countries' agri-food exports are critical for the reduction of food insecurity as well as the strengthening and transformation of food systems in some developing countries, especially in Africa.

Besides, traditionally, the Quad countries³ in the G20 are the largest trade partners of many developing countries with substantial exports to these G20 markets. Ruta (2015) shows that about 70% of low-income developing countries' imports come from the G20, while 80% of their exports are directed to the G20. However, **the challenge is that recently, the developing countries' agri-food exports have been plummeting.** More so, **developing and the least-developed countries have been struggling to access the G20 developed countries' markets, which in part are due to the stringent and proliferation of the market access conditions (MACs).** Among the MACs, sanitary and phytosanitary measures (SPS) and the technical barriers to trade (TBT) stand out and are acknowledged to be the most stringent non-tariff measures (NTMs) (Fugazza, 2013; Nicita and Gourdon, 2013) impacting on agri-food access to the G20 developed countries' markets (Das et al., 2021; Njuguna et al. 2020; Ruta, 2015; Nicita and Seiermann, 2016). Besides, despite the preferential tariff schemes granted to developing and least-developed countries' agri-food exports to the G20 developed countries, which cover 79% of non-oil exports (Ruta, 2015), **market access challenges occur in the concerns about tariff peaks and tariff escalation in some agri-food products** (Nicita and Seiermann, 2016). Moreover, **the emergence of the COVID pandemic has aggravated these market access challenges owing to increased food safety requirements that proliferate and tighten the SPS and TBT measures in the G20.** This impact developing countries' income earned from agri-food exports and their ability to attain Sustainable Development Goals ((SDGs) 1, 2), which in turn affect impede food security. ⁴

Furthermore, the **national COVID pandemic containment measures in the G20 have led to challenges, in the form of disruption to the food supply chains and increased food losses.** This thereby impacts developing countries' food security, market access and agri-food competitiveness both at home and in the export markets. Hence, the G20 developing countries'

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agricultural and trade policies largely influence the intensiveness and extensiveness of their agri-food trade relations with developing countries. The crowding-out and displacement of developing countries' agri-food production and export at home and the international markets as well as the continuous restrictiveness and preponderance of the G20 MACs impact developing countries' food security, employment generation and income-earning, especially for women and the youths. Moreover, **the uncompetitiveness of developing countries' agri-food owing to the G20 developed countries' trade policies has adversely affected their production capacity, and institutional capabilities and are stumbling blocks to inward-based food insecurity mitigation.** The deficiencies in science and technology development as well as the poor development financing and investment portfolios, particularly in the food system, affect developing countries' food security and agri-food competitiveness. **The inadequacies impact their attainment of food security, and the attainment of sustainable development,** particularly in Africa where the youths constituted the bulk of the population.

Proposals for G20

To achieve this, the G20 countries need to repurpose their domestic, regional and global agricultural and food trade policies as well as align their trade policy measures with the World Trade Organisation (WTO). This should be applied whenever any policies would to a large extent affect the achievement of SDGs (especially SDGs 1, 2, and 3) in developing countries. To this end, the concept of the 'right to trade' by Stiglitz and Charlton (2013) is brought to the fore, which enunciates restraints in the enforcement of the WTO obligations whenever such affect development aspirations, especially for developing countries. Given that many of the G20 developed countries are interested and have expressed their desire to support developing countries, especially Africa, the Caribbean and the Pacific, to achieve the SDGs, thus, it must 'act the talk'. This becomes imperative, particularly during this COVID pandemic where there are proliferations of stringent agricultural and food trade policies, particularly technical measures, which affect food security. To this end, the G20 should support developing countries through agricultural and trade policy measures that will reduce food insecurity and optimise developing countries' agri-food competitiveness at home and in the international markets.

Thus, this brief proposes a **comprehensive development partnership and cooperation between the G20 developed countries and developing countries** to improve and facilitate developing countries' food security, agri-food market access and competitiveness at home, in the G20 developed countries and other international markets. Within the overarching context or purview of this comprehensive development partnership and technical cooperation, this policy brief specifically proposes the following strategic actions:

Strengthening technical cooperation and inclusiveness

The technical cooperation and trade arrangements that the G20 developed countries have with developing countries should be strengthened to enhance the latter's capacity and capability of producing and exporting quality agri-food and meeting the export markets' demand. Considering the deficiencies in science, technology development and innovations in developing countries, the G20 could deepen its development partnership and technical assistance by supporting modernisation and increased technology adoption in the food systems, which will strengthen their food security. This is essential for the agri-food exporters in developing countries that have been integrated into the global value chains to improve the quality and quantity of the agri-food supply, which will enable commodity value addition and enhance food security (Antras, 2020).

Furthermore, the aid for trade scheme for developing countries in the G20 developed countries is not as important and beneficial as the reduction of the distortions to agri-food market competitiveness orchestrated by the agri-food subsidies and export supports in the G20. Hence, the narrative of 'aid for trade' should be de-emphasised for the propagation of reduction in agri-food market competition distortions such as subsidies and export supports. This will reduce food insecurity and improve the competitiveness of developing countries' agri-food products. Besides, this technical cooperation should be inclusive for it to be food security-enhancing, especially in focusing on the smallholder farmers and the vulnerable groups such as women and the youths than the 'aid for trade' which is a top-bottom approach. Thus, the G20 should assist developing countries, particularly those from Africa, to grow out of poverty and food insecurity by harmonising its SPS/TBT measures with international food safety regulations. This should involve;

- I. Developing a mechanism that will effectively and efficiently address the NTMs that are more stringent than that agreed upon under the WTO,
- II. Streamlining and trimming down the subsidies that increase agri-food production that is important for developing countries' agri-food export,
- III. Moderating sustainable standards requirements from developing countries – given their development stage.
- IV. Reconsidering the rule of origin that impedes the market access of developing countries export commodities such as fish, bananas, sugar, cereal, palm oil etc.

Supporting diversification and transformation of the food systems to ensure food security

The G20 should leverage the extant trade arrangements and the export diversification policies (Lopez-Calix, 2020) of some of the developing countries, particularly those from ACP, to support their aspirations for diversification of the export base. This could act as a catalyst for the expansion of the agri-food sector, in terms of outputs, employment, income and thereby food security, which would help developing countries in achieving the SDGs. Besides, the G20 should assist in facilitating investments in quality infrastructure and agri-food development financing in developing countries to serve as an impetus to the food system transformation. This will boost quality agri-food production, and processing and improve their food supply chains and thereby food security, while increasing the tendency to expand their market access extensively and intensively. Moreover, the expansion of the coverage of the G20 preferential trade arrangements and/or agreements with developing countries such as the African Growth and Opportunity Act (AGOA+), Post-Cotonou Agreement - Economic Partnership Agreement (EPA), Generalised System of Preferences (GSP), the Caribbean Basin Initiative, etc. – in terms of the agri-food commodities, recipient countries and trade policy measures – would propel their

domestic food security and agri-food competitiveness. Thus, to reduce food insecurity and propel the transformation of the food system and diversification of the export base, the G20 can support developing countries to:

- Upgrade their agri-food production facilities to enhance food security and the quality of outputs for export markets, particularly to the G20 developed countries.
- Attract investment in research and development to propel quality agri-food production, and processing and enhance the food supply chains and food security. Besides, this can act as a catalyst for innovation, which could improve their competitiveness.
- Develop the science and technology that would enhance modern technology adoption and improve the food supply chains' technologies to improve food production for food security and the quality of exports for enhanced competitiveness.
- Strengthen institutions to enforce agri-food quality standards to reduce the 'hurdle to pass' at the G20 markets. This should be in terms of the provision of adequate quality enforcement facilities and/or infrastructure.
- Improve capacity development for agri-food producers and exporters, the majority of whom have deficient knowledge of modern quality production techniques.

Acknowledging the sensitivity of the agri-food sector for national security and resilience to shocks in the G20 agri-food exports

The agri-food sector in developing countries should be taken as a sensitive and critical infrastructure given its importance to the economies of the countries. As a result of this, the continuous availability of food irrespective of the extant or emerging shocks at national or global levels should be taken as an essential part of national security. The continuous reliance on the G20 agri-food exports to developing countries has consequences for their food security and food systems, which could lead to dependence on food imports for their national food security. Rudloff (2020) argued that agri-food imports exert competitive pressure on national production and put food security at risk. In the case of shocks to the food supply chains in the G20, such as ecological disasters, plagues, pandemics - COVID-19 – and other exogenous shocks as well as endogenous shocks, would be catastrophic and risky for the food security in developing countries and thereby undermine the national food security. To this end, the sustenance of the national agri-food security is a critical infrastructure (Rudloff, 2020) that must be protected and maintained as sensitive national security. This is often achieved through the incentivisation of the domestic infant agri-food producers, enterprises and agro-industry. Developing countries' pursuit of national agri-food production, as well as a purposive and aggressive transformation of the food system for food security, becomes essential, as cross-border food supply chains are being disrupted frequently due to shocks such as the ongoing war between Russia and Ukraine.

Hence, in future trade agreements and/or arrangements, the G20 should acknowledge and consider developing countries' agri-food sectors as:

- A sensitive sector, in which its domestic and infant agro-industry need to be protected from distorted market competitive agri-food imports for national food availability;
- A critical sector that ensures national security in food, especially in the prevention of national food disaster when imported food supply chains are disrupted, e.g. due to shocks such as plagues, wars, internal conflicts, political and socio-economic factors, especially in the G20 exporting countries;
- The G20 should back developing countries with critical infrastructure development and expand the scope of the agri-food base as a sensitive commodity in future trade arrangements or agreements for national food security.
- The G20 should assist developing countries, particularly those from Africa to (a) explore the WTO scope of subsidy provisions such as the Green, Blue and Amber boxes measures, etc., to ensure food security and expand the competitiveness of their agri-food sector; (b) facilitate modern technology adoption for economies of scale and size in the agri-food sector to enhance food security and dietary diversity; (c) facilitate agro-allied and/or agro-industry investments.

Facilitating investment in quality infrastructure in the food supply chains

The quality infrastructures are essential ingredients for the upgrading, expansion and transformation of the food systems, especially the food supply chains to improve food security. Hard quality infrastructure – such as laboratories, machinery, silos, metrology equipment and facilities, etc. – and soft quality infrastructure such as technical know-how, policies, manpower, etc. – are needed to improve developing countries' agri-food security and competitiveness. Thus, to broaden the export base and strengthen agri-food security and competitiveness:

- The G20 developed countries should assist in facilitating low-interest rates development loans, particularly at the International Monetary Fund (IMF) and at the World Bank to developing countries to overcome quality infrastructure deficiencies and boost agri-food production for food security and nutrition. Developing countries extended access to IMF special drawing right allocation (Dash et al., 2021) should be facilitated, especially during this COVID pandemic, to complement the efforts to rejuvenate the economies;
- The G20 should back developing countries to quest for development financing of the food systems and agribusiness insurance, particularly for the small and medium scale farms and businesses in the agro-industry. This would boost national agri-food production, and ensure food security and competitiveness;
- The G20 should champion and encourage intra-developing countries' agri-food trade and the reduction in the trade-restrictive behind the border measures to expand trade flows.

Besides, the G20 could leverage the African Continental Free Trade Area (AfCFTA) to support intra-and inter-regional trade in Africa, which would facilitate the movement of agri-food from surplus countries to deficit countries and thereby reduce food insecurity;

- The G20 should back developing countries in attracting investment to the food supply chains' quality infrastructure to strengthen the food systems by reducing food losses and enhancing food safety and food security. FAO-World Bank (2010) asserts that more than 46% of the \$940 billion needed to eradicate hunger in Sub-Saharan Africa by 2050 would be required from food supply chain management. Thus, preventing 25% of the post-harvest food losses is sufficient to feed all currently undernourished Africans (Basher, et al. 2013).

Reforming and repurposing the national and regional agri-food and trade policy measures in the G20

The G20 extant stringent trade policy measures at the national and regional levels, especially during this pandemic, which has generated increased market access concerns to developing countries' competitiveness and food security should be re-examined. Besides, agricultural and food policies such as subsidies and export supports in the G20 (Ruta, 2015) that have crowded out developing countries' agri-food products in the latter's domestic and export markets need repurposing to reduce the market distortions induced by the policies that impact the food security in developing countries. Hence, the need for agricultural and food policies in the G20 to ensure:

- That the agri-food exports to large extent reflect the competitive conditions of their exporting firms (reduction in subsidies, export supports, etc.) and do not put the producers in developing countries in a disadvantageous position to attain national food security and access the markets;
- The technical measures – SPS/TBT – should be imposed only for health purposes while reducing the proliferation of the restrictive World Trade Organisation (WTO) SPS agreement's precautionary principle;
- The price control measures in some of the G20 countries, particularly the entry price system for fruits and vegetables, should be de-emphasised to enable developing countries, especially those from Africa to enhance their market access and competitiveness, which will act as a catalyst to their national food security;
- Tariffs that are still germane to commodities such as sugar, horticulture, rice, etc. should be negotiated downwards to propel access to the G20 markets and stimulate national agri-food production that will propel food security.

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