



Agri-Trade FORUM

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The Importance of Sound Policies in Promoting Agricultural Growth and Trade

By Carlo Trojan, IPC Chairman

IPC held its fall 2008 plenary session in Des Moines, Iowa, at the margin of the annual World Food Prize symposium, and we were pleased to be able to participate in this year's very impressive Borlaug Dialogue program on "Confronting Crisis-Agriculture and Global Development: The Next Fifty Years." The symposium provided an opportunity for global leaders and experts to take stock of recent trends in agriculture and assess the extent to which current challenges will impact food production, food security, the environment, and global development over the long-term. Speakers outlined the daunting challenge facing the agricultural sector of having to double food production by the year 2050 despite increasing constraints on the availability of water and arable land. The importance of technological advances for increasing agricultural productivity was emphasized, as was the crucial need to increase investments in research, extension services and infrastructure in developing countries. IPC's role in the Dialogue was to add another important element to this list of "must dos" – namely the importance of sound policy frameworks, both at the national and international level.

Thus, our Brazilian member, **Pedro de Camargo Neto**, spelled out for the audience how Brazil managed to become an agricultural export powerhouse over the last twenty years by pursuing smart policies – be it tax reform or a consolidation of sanitary measures. Professor Kym Anderson presented the findings



Photo Courtesy of the World Food Prize

The IPC panel discusses the importance of sound agricultural trade policy at the World Food Prize Borlaug Dialogue. From left to right: Ms. Ann Tutwiler, Dr. Kym Anderson, Dr. Pedro de Camargo Neto, H.E. Tumusiime Rhoda Peace, and Dr. Robert Thompson

of the World Bank's research program on agricultural distortions; stressing that although important reforms have been undertaken in many developing countries, more remains to be done in order to decrease the insulation of domestic food markets, so as to lessen international food price volatility.

IPC Member Professor **Robert Thompson** highlighted the ways in which OECD countries continue to distort their agricultural production and disincentivize greater investment in agricultural production in developing countries, and Tumusiime Rhoda Peace of the African Union

spoke of the importance of a level playing field in the international agricultural trade regime for African producers. IPC Members, including **Carl Hausmann** of Bunge North America and myself, suggested that policymakers are not well advised to pursue self-sufficiency as a food security strategy in this food crisis, which is being exacerbated by the financial crisis. Specifically, we cautioned against the use of export restrictions applied in the name of food security, as they have mainly served to slow down a much needed supply response to the increases on the demand side.

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The green revolution inspired by Dr. Borlaug forcefully demonstrates the importance of increasing agricultural productivity through innovations. Today, such increases must occur in an environment of decreasing water and arable land availability and under the specter of climate change. Climate change will have an adverse effect on food production; food import dependency will rise in many regions of the developing world, hence the importance of well functioning global markets. Increased productivity and higher prices may result in surpluses in some regions and reduced import requirements in other. There will be however vast areas of food deficit in the world due to population growth and climate change impact. Altogether we will face a huge challenge in meeting the global food demand. That can only be done with an open, equitable and efficient food and agricultural trading system.



IPC Member Pedro de Camargo Neto describes the policy changes that catalyzed Brazil's tremendous growth as an agricultural producer and exporter at the 2008 Borlaug Dialogue.

Photo Courtesy of the World Food Prize

IPC Echoes G-20 Leaders' Charge to Conclude Doha Round

Leaders of the group of 20 major rich and emerging nations convened in Washington, DC on November 15 to address the global economic downturn and credit crisis. In the statement issued following the summit, leaders asserted the importance of remaining committed to free market principles and rejecting the temptation to erect barriers to trade during times of economic volatility. The leaders pledged to refrain from implementing new trade barriers designed to protect domestic industries for the next 12 months and directed Trade Ministers to reach an agreement in the now seven-year long Doha Round negotiations. Recognizing their role as the major players in the global trade system, the G-20 countries agreed that they each must make a contribution if the Round is to be successfully concluded.

This directive showing the strong political will to reach a multilateral agreement sends a breath of encouragement to trade negotiators in Geneva seeking to resolve outstanding issues, particularly in the ag-

riculture and industrial sectors. The timeline is indeed short to reach a deal before the end of the year. The negotiating texts that serve as the basis for agreement must be finalized by early December if Ministers are to meet before the Christmas holiday. If the G-20 countries truly hope to conclude the Round, they must actually show movement in their firmly held positions.

IPC commends the G-20 leaders for recognizing the importance of a sound multilateral trading system and applauds the continued efforts of negotiators in Geneva to reach consensus on difficult technical issues. An ambitious outcome of the drawn-out Doha Round negotiations will importantly lead to further agricultural and trade policy reforms.

The sound rationale for multilateral trade rounds is that they provide trade-offs across sectors, which allows for an overall balance in the wide context of the negotiations rather than in individual sectors.

They have also been considered the best option for developing countries, as they maximize their limited negotiating capacity and ensure the broadest gains. Very important development aspects of the Doha Round, such as the Duty Free-Quota Free provision will not come to fruition unless the Round is concluded, and important reforms, including trade facilitation measures and the elimination of export subsidies by 2013, will not be implemented.

In a time of great economic uncertainty, a conclusion of the Round would send an important signal that the international community can act in concert to resolve complex, global challenges and would help stave off a reversion to protectionist policies. An open and equitable global food system is essential to stimulating economic growth and raising the standard of living around the world. Countries must consider the costs of failure and act now to ensure a sound trading system for the future.

IPC to Publish Paper on WTO Compatibility of Social Standards for Biofuels

IPC is pleased to announce the upcoming publication of a discussion paper on "Social Standards in Biofuels Sustainability Criteria," which was commissioned by the German Agency for Technical Co-operation (GTZ). This paper serves as a companion piece to the seminal IPC/REIL 2006 discussion paper "WTO Disciplines and Biofuels: Opportunities and Constraints in the Creation of a Global Marketplace." Neither publication seeks to provide definitive answers as to what types of measures are or are not WTO compliant; indeed such answers can only come through agreement among WTO members or through WTO jurisprudence. Rather, this paper serves to zero in on the most relevant WTO provisions and on the considerable legal uncertainty, which exists not only for social standards, but indeed for other types of "non-trade related concerns."

The broader debate about linking social conditionality to trade measures is likely to continue. For it to be resolved would require much greater common ground globally than now exists on the best method for advancing social rights around the world. Should trade measures be seen by the international community as an effective way to promote such rights, there will also be a need to clarify how WTO rules relate to such measures. This clarification may eventually be established through WTO jurisprudence, but this would be a lengthy process. As evidenced by the proliferating number of standards being developed, however, social standards for biofuels are being linked to trade without such common ground having been

reached. In light of this trend, the paper does offer a number of recommendations:

- A multitude of different social standards schemes and certification schemes imposes considerable costs on producers, is especially harmful for developing country producers, and risks confusion among consumers. While competition and experimentation may have some advantages, international coordinating mechanisms are desirable to ensure that the multiplication of different schemes does not have negative effects and to ensure a minimum level of coherence.
- Many social issues raised in the context of biofuels production, i.e. unfavorable labor conditions and displacement of indigenous people, are not unique to the biofuels sector. This reality puts into serious question the wisdom of applying such social standards only to biofuels and their feedstocks. One social issue, which is arguably unique to biofuels - as opposed to agricultural production more generally - is their impact on food security. Yet it appears difficult to devise effective food security criteria through standards; a simpler and faster alternative would arguably be to reconsider ambitious mandates for biofuels in transportation fuel or to promote those biofuels produced from feedstocks that do not compete with food or on land that does not compete with agricultural land.

This study was authored by Steve Charnowitz, Jane Earley and Robert House and will be available in December at <http://www.agritrade.org/publications>.

IPC Cautions that Protectionism Will Not Achieve Food Security

As the volatile world economy raises fears about food security in countries around the world, IPC's forthcoming study, entitled "Agricultural Export Restrictions: Welfare Implications and Trade Disciplines," shows the negative effects that arise from the trade-inhibiting nature of export restrictions and issues recommendations for alternative policies to ensure food security. The study also examines the historical treatment of export restrictions in trade agreements and makes suggestions for tightening disciplines on the countries implementing these policies.

The export restrictions that were implemented in response to rapidly rising food prices in 2007 and 2008 led to further price increases by placing limits on global supply and undermining the level of buyer confidence. The paper analyzes the rationale behind and the consequences of export restrictions. The analysis shows that all types of export restrictions lead to a deterioration of welfare in both the country imposing such measures and the rest of the world.

On the trade negotiation front, the paper examines the imbalance among trade disciplines for exporters and importers and demonstrates how this imbalance distorts the distribution of benefits from the trade system. The paper also explores the options available for restoring the balance. While there are steps that can usefully be taken in the bilateral, regional and plurilateral realm, multi-lateral disciplines will be most effective.

This study was authored by Siddhartha Mitra and Tim Josling and will be available in December at <http://www.agritrade.org/publications>.

Save the Date

IPC will hold its 2009 spring seminar on May 10-11 in Salzburg, Austria. Agriculture, climate change and trade experts from around the world will analyze the role of food and agricultural trade in meeting the food and environmental security challenges of the 21st century. We hope you will join us in Salzburg!

New IPC Members

IPC welcomed four additions to the membership 2008: Devry Boughner, Jason Clay, Sarah Hull, and Willem-Jan Laan.

Devry Boughner joined Cargill's Public Affairs office in Washington, DC, in September 2004 as Director, International Business Relations. At Cargill, Boughner is responsible for Asia Affairs and International Trade Policy. Prior to joining Cargill, Boughner worked at the U.S. International Trade Commission and served at the Office of the United States Trade Representative.

Jason Clay is Senior Vice President and Managing Director, Markets at the World Wildlife Fund. He leads WWF-US' work on forests, fisheries, agriculture, aquaculture, and finance. Dr. Clay also leads WWF's efforts to work with private sector companies to improve their supply chain management, particularly with regard to ingredient sourcing and carbon and water neutrality.

Sarah Hull is Head, Global Public and Government Affairs at Syngenta Crop Protection AG. Ms. Hull joined Syngenta in 2003 and recently moved to the company headquarters in Switzerland to assume her current position, where she is responsible for public policy strategies, stakeholder engagement, issue management and government relations.

Willem-Jan Laan is Director, Global External Affairs at Unilever and based in Rotterdam, the Netherlands. Mr. Laan also represents Unilever in several external associations, and his work focuses on agriculture and trade policy, biotechnology, sustainable agriculture, and renewable energy.

The IPC looks forward to the contribution these new members will make toward the mission of promoting a more open and equitable global food system.

MEMBER UPDATES

IPC extends its congratulations to Member **Tim Groser** of New Zealand, who was appointed Minister of Trade, Minister of Conservation, Associate Foreign Minister and Associate Minister for Climate Negotiations (international) following New Zealand's national elections on November 8. While his cabinet positions require Mr. Groser to resign from membership, the IPC looks forward to his continued contribution to IPC's pragmatic policy recommendations in his new capacity.

Also in November, IPC Member **Jiro Shiwaku** of Japan announced his retirement from the IPC. Mr. Shiwaku is the former Vice Minister for International Affairs at the Japanese Ministry of Agriculture, Forestry, and Fisheries and has been an IPC Member since 1998. IPC would like to express its gratitude to Mr. Shiwaku for his many contributions to the organization over the years and wishes him success in his future endeavors.

IPC WORK PROGRAM

At IPC's Fall 2008 plenary meeting, the group's work program for 2009 and 2010 was approved. IPC will focus its analytical and advocacy efforts within three core areas:

1. IPC will define the role of food and agricultural trade in the context of global food security, as well as climate change and climate variability.
2. IPC will push for a conclusion of the Doha Development Round and analyze other options for promoting agricultural trade liberalization.
3. IPC will continue its emphasis on the importance of implementing internationally agreed and scientifically justified food standards.

IPC MISSION

The International Food & Agricultural Trade Policy Council (IPC) promotes a more open and equitable global food system by pursuing pragmatic trade and development policies in food and agriculture to meet the world's growing needs. IPC convenes influential policymakers, agribusiness executives, farm leaders, and academics from developed and developing countries to clarify complex issues, build consensus, and advocate policies to decision-makers.

IPC MEMBERS

Carlo Trojan (Chairman), The Netherlands Carl Hausmann (Vice-Chairman), United States Marcelo Regunaga (Vice-Chairman), Argentina

Bernard Auxenfans, France
Malcolm Bailey, New Zealand
Devry Boughner, United States
Joachim von Braun, Germany
Piet Bukman, The Netherlands
Jason Clay, United States
Csaba Csaki, Hungary
Pedro de Camargo Neto, Brazil
H.S. Dillon, Indonesia
Franz Fischler, Austria
Michael Gifford, Canada

Timothy Groser, New Zealand
Jikun Huang, China
Sarah Hull, United States
Nicolas Imboden, Switzerland
Robbin Johnson, United States
Hans Jöhr, Switzerland
Timothy Josling, United Kingdom
Willem-Jan Laan, The Netherlands
Rolf Moehler, Belgium
Raul Montemayor, Philippines
Joe O'Mara, United States

J.B. Penn, United States
Carlos Perez del Castillo, Uruguay
Michel Petit, France
Henry Plumb, United Kingdom
Hiroshi Shiraiwa, Japan
Jiro Shiwaku, Japan
James Starkey, United States
Jerry Steiner, United States
Robert L. Thompson, United States
M. Ann Tutwiler, United States
Ajay Vashee, Zambia