Agricultural export restrictions and the WTO: What options do policy-makers have for promoting food security?

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why use export restrictions? why not?

- countries do intervene to restrict exports
- when international prices rapidly increase, for any country with a significant share of food insecure population intervening, either to contain the increase of domestic prices or to limit the effects on the poor, is a necessity
- restricting exports is one of the options
- however, by restricting its exports a country makes prices in other countries increase further (beggar-thy-neighbor effect) and stimulates a domino effect involving both importers and other exporters (‘prisoner’s dilemma’ trap)
- significant short and medium term indirect effects on food security
In 2007/08 and 2010/11, countries reacted to the price ‘spikes’ in different ways:

- Those who had price stabilization and safety net policies already in place activated them
- Many exporters introduced export restrictions
- Many importers reduced import protection

Export restrictions proved effective in reducing upward variability of domestic prices.

...and, symmetrically, they also made prices for cereals increase significantly more in other countries, exacerbating the impact of the crisis.

However, in the case of rice in 2007 they were themselves a major cause of the price ‘spike’.
export restrictions and international price ‘spikes’

many studies assessed empirically the market and food security effects of export restrictions introduced in 2007/08 and 2010/11, using a variety of simulation models, and all concluded these effects were substantial


**why more stringent WTO rules on export restrictions?**

- to avoid them exacerbating the negative effects on the food security of many of the poor in the event of a rapid increase of international prices
- to restore importers confidence in the market as a reliable source of food at all times
- to increase investments in exporters’ agriculture
- to avoid importing and exporting countries’ policy reactions falling in a ‘prisoner’s dilemma’ trap
- to eliminate discrepancy of ‘WTO+’ rules on export restrictions imposed on newly acceded countries
- to reduce the asymmetry between regulations of import and export restrictions
**what are the options for an agreement?**

a) **exempting from the imposition of export restrictions and extraordinary export taxes food purchased by international organizations to be distributed on a non-commercial basis for humanitarian purposes**

- would avoid an additional cost on the purchase of food aid when this is needed the most
- benefits would be significant, costs marginal
- wide convergence emerged at 2009 FAO WFS and at the 2011 G20 meeting
- it has been considered in preparation of the 2011 Ministerial, but no consensus materialized
b) improving the enforceability of existing disciplines by clarifying some of the terms used, adopting a transparent, unambiguous language, and by making the notification and implementation procedure more stringent and effective

- current disciplines would be left unchanged
- conditions under which export restrictions can be used (Article XII:2a of GATT 1994) clarified
- implementation procedure (Article 12 of the AoA) strengthened
- a significant step forward
what are the options for an agreement?

c) making the use of export restrictions conditional on the exporter maintaining unchanged with respect to a recent reference period the share of domestic production which is exported

- current disciplines would be left unchanged
- implicit constraint on export taxes
- a less stringent constraint could be considered, e.g. the ratio exports/production being at least equal to 80% of that in the reference period
- provisions could be included to release the constraint altogether in case of a sudden significant drop in domestic production
what are the options for an agreement?

d) prohibiting the use of export restrictions other than export taxes on exports directed towards poor net food importing countries

- export taxes would remain unrestricted
- PNFIC? from the union of the two sets of NFIDC and LDC, at one end, to net food importing LDC alone, at the other; DC and LDC with a share of the domestic population being food insecure above a threshold
- positive list of staple foods
- three issues: arbitraging, stricter than otherwise ERs on exports to other destinations, using export taxes instead
what are the options for an agreement?

e) imposing stricter disciplines for export restrictions as well as export taxes

- all export restricting policies would be prohibited
- exceptional circumstances would be defined under which the prohibition would not apply, in terms of countries, staple food products and trigger mechanism
- countries: from all DC and LDC, to LDC only
- trigger mechanism should include both a trigger activated by a significant increase in the domestic price, and one activated by a significant increase in exports (consistent with SSP in the AoA or SSM, if agreed)
what are the options for an agreement?

f) full ‘symmetry’ in regulating import and export restrictions

- ‘taxification’ of all existing export restrictions other than export taxes
- reduction of export taxes, both, the existing ones and those resulting from the ‘taxification’
- binding of all export taxes
- a Special Safeguard Clause for products for which export restrictions different from a tax existed

...
what are the prospects for an agreement?

- a WTO agreement on export restrictions could, at least in principle, occur under three alternative scenarios: a ‘single undertaking’ (part of the agreement concluding the Doha Round), an ‘early harvest’ (an agreement on a limited number of issues, reached on the side of Doha Round negotiations) or a ‘stand alone’ scenario (an agreement on export restrictions only)

- …and I am going to leave it to you to assess the probability that each of these scenarios has to materialize
there is an inverse relationship between the probability of an agreement including stricter disciplines on export restrictions and the ‘ambition’ of these disciplines in terms of restricting the policy space of exporting countries

but, if an agreement emerges in Bali…

are there alternatives to a WTO agreement, i.e. an agreement within a different institutional framework (such as FAO, the G20, or ICAs)?
Thank you!