



# Reaping the Benefits of Trade for Growth and Competitiveness in Farm and Food Systems

## Highlights

- Trade-distorting farm policies are gradually being rolled back in some major producing countries but increasing in others. Agriculture and food tariffs generally remain high, and there are concerns that Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) measures are sometimes used with protectionist intent.
- While reliance on export restrictions has increased in recent years, the use of other export measures, such as export subsidies, has fallen. Indeed, World Trade Organization members have now agreed to eliminate export subsidies entirely.
- Overall, current policies worldwide continue to constrain trade and reduce global welfare – much can therefore be gained from further market opening and integration.
- Policies need to shift more rapidly away from production- and trade-distorting support, and to instead address productivity, sustainability and resilience objectives directly.
- Flanking policies – social protection, for example – should be designed to facilitate needed structural adjustment and improve overall competitiveness, while assisting those who may be adversely affected by trade reform.



## What's the issue?

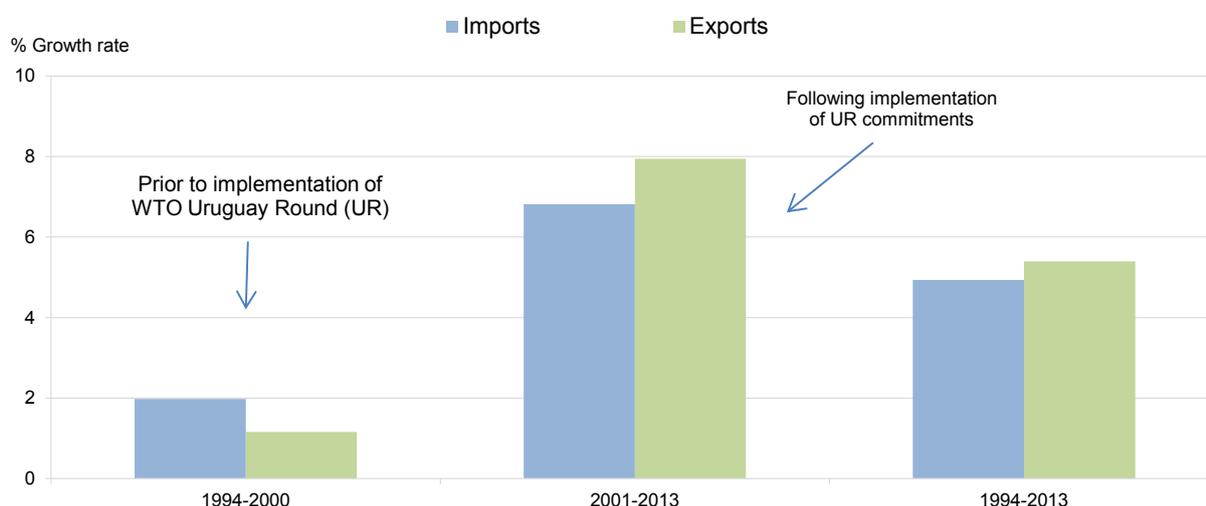
Global agricultural production and trade have continued to grow strongly since 2000. Trends have been most notable in Asia and South America, creating shifts in the relative importance of producing regions, along with new sources of supply and increased reliance on international markets.

Trade in primary agriculture and processed foods has increased at a faster pace than seen in the previous decade, as world markets have started to exploit the benefits of a more robust rules-based trading environment. For agro-food products overall – primary and processed – trade

has also become less concentrated, as the rise of new production centres has increased so-called “south-south” trading patterns.

Meanwhile, domestic support has been re-structured in a number of major producing countries and, in some cases, production-distorting support has been reduced. In others, however, distorting support has risen sharply as countries strive for self-sufficiency in response to the food price crisis of 2007-08. Overall, there has been a convergence in support between emerging and developed countries.

## WORLD AGRICULTURAL MARKETS ARE REAPING THE BENEFITS OF REFORMS WITHIN THE RULES-BASED TRADING SYSTEM



Note: Compound annual growth rate, measured in nominal USD.  
Source: OECD calculations based on WITS data, <http://wits.worldbank.org>.

Where trade policy in particular is concerned, agro-food tariffs have fallen globally, but on balance still remain high. For many countries, tariffs form an important part of their agricultural policy settings. During the recent period of high agricultural prices, the use of export restrictions became more prevalent. Nevertheless, the use of export subsidies has fallen. Indeed, at the 10th World Trade Organization Ministerial Conference in December 2015, it was agreed to eliminate export subsidies entirely.

Finally, recent years have also seen increased use in some countries of Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) measures in ways that suggest protectionist intent.

As recent OECD work shows, the current suite of agricultural policies significantly negatively affects global agro-food trade. Without these, agricultural trade would be 5.3% higher and trade in food products would be 9.7% higher. Current policies particularly limit trade in intermediate products, suggesting that the development of Global Value Chains (GVCs) in the agro-food sector has been hampered.

Many current trade and domestic support policies aim to increase food production. In certain countries, they may succeed in increasing production of the targeted commodities, but usually at the expense of others. From a global perspective, moreover, they may not achieve this result. Current policies particularly affect sectors for which demand and trade are projected to grow strongly in the future, suggesting that negative economic impacts are likely to increase over time.

For particular countries, OECD analysis suggests that using restrictive trade policies in pursuit of goals such as food security or to secure decent living standards for farmers is likely to be counterproductive. Increased interdependency of countries within the global trade system means that such policies impose costs on both domestic economies and on those of trading partners, which increasingly tend to be other developing countries.



### What should policy makers do?

- **Avoid introducing new production- and trade-distorting measures** and shift more rapidly away from such policies which are already in place.
- **Initiate flanking policies – such as social protection – to facilitate needed structural adjustment**, to assist those adversely affected by trade liberalisation, and to ensure more inclusive growth.
- **Invest available resources in measures to improve long-term competitiveness and sustainable productivity**, employing measures that are targeted and tailored to those purposes.
- **Remove obstacles to development of upstream and downstream industries and to integration in GVCs**, by strengthening markets and institutions and by investing in infrastructure where needed. Corporations, for their part, should follow OECD guidance for responsible business conduct in agro-food chains.

- **Implement the WTO Trade Facilitation Agreement fully and rapidly.**
- **Ensure that SPS and TBT measures affecting agro-food are appropriate, well-founded in science and do not unnecessarily impede trade.**
- **Participate in international regulatory co-operation efforts** with a view to reducing regulatory frictions that impact trade flows.
- **Put in place additional disciplines on export restrictions in order to reduce the scope for disruption to international markets.**
- **Use all avenues – unilateral, regional and multilateral – to continue the process of rolling back restrictive and distorting measures**, while favouring the more broad-based multilateral route which is likely to generate the largest benefits.



### Further reading

This document is based on the evidence and analysis found in a number of OECD reports and papers published in recent years:

- **Evolving Agricultural Policies and Markets: Implications for Multilateral Trade Reform** (forthcoming)
- **Issues in Agricultural Trade Policy**
- **Trade Dimensions of Food Security**

A complete list of relevant books and papers can be found at <http://oe.cd/taking-stock> or on the Agriculture Ministerial website at [www.oecd.org/agriculture/ministerial](http://www.oecd.org/agriculture/ministerial).

