



FAO in Geneva Agriculture Trade Talks in collaboration the FAO Market and Trade Division

Agricultural trade in the Global South: An overview of trends in performance, vulnerabilities, and policy frameworks

Tuesday, 29 March 2022

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Key Take Away Points

- Growing levels of South-South trade – both within and between the six South country regions – contribute to diversifying trading partners, which reduces countries' exposure and vulnerability to exogenous shocks. In fact, over the last two decades, on aggregate, most South country regions have witnessed a reduction in the concentration of their trading partners, in both exports and imports. On the export side, it is important to take advantage of growing market opportunities and promote South countries' market access by providing complementary policy measures to improve competitiveness. These include investments in research and development, rural and market infrastructure, information and communication technologies, skills upgrading, and strengthened governance and institutional structures. On the import side, and particularly in countries that depend heavily on imports to meet their food demand, trade facilitation practices should be implemented to reduce regulatory barriers and improve trade efficiency. At the same time, it is crucial that the potential risks of trade openness for incomes, income distribution and inequality are identified and properly managed, for instance, through targeted social protection, labour market and other upgrading and upskilling measures.
- Several drivers are propelling the increasing participation of South countries in international markets. In addition to growing populations, incomes and rates of urbanization, declining transport costs and increasing participation in international trade agreements are key contributing factors. Many South countries have been participating in the multilateral trading system since the establishment of the WTO in 1995. The decline in import tariffs that resulted from this and the fact that applied tariffs continued to be well below bound tariff levels for agricultural products have contributed to trade growth. However, tariffs can differ substantially between different categories of products, and these tend to be higher for processed goods than for raw materials in the same category of products. This practice of tariff escalation is commonly applied in North countries and continues to be an important issue in the Doha Round negotiations of the WTO. It is important that South countries continue to engage in these negotiations and seek to achieve substantial improvements in market access for their products, in keeping with the long-term objective of the Doha Development Round.



- At the same time, globally, countries are increasingly participating in RTAs. Lower tariffs and harmonization of standards and procedures among signatories of RTAs can promote the integration of developing countries in different stages of the value chains, leading to greater opportunities for participating in markets and boosting trade. Provisions on agriculture in RTAs can therefore complement agricultural negotiations in the multilateral trading system. At the same time, however, there are concerns that RTAs can lead to trade diversion and preference erosion, along with the risks of marginalizing weaker and more vulnerable developing countries. The simultaneous participation of countries in multiple RTAs can also add regulatory complexity. Participation in RTAs should therefore be complemented by promoting the multilateral trading system, to support countries in realizing the full benefits of increased market participation for agricultural development and economic growth.
- Finally, this study highlighted the vulnerabilities that individual countries or groups of countries face, particularly due to the concentration of their exports in a few products. Promoting export diversification should therefore be a key policy priority in these countries, which in turn requires addressing supply-side constraints that limit the development and export of other competitive products. Such supply-side constraints can also mean that countries increasingly rely on imports to meet growing demand for diversified foods. For instance, LDCs as a group have remained net importers of agrifood products over the last two decades. In these countries, growing populations and rising incomes have boosted imports of food and agricultural products, as sluggish agricultural productivity growth has prevented production from keeping pace with this rising demand. Poor infrastructure, lack of access to inputs and finances, and low levels of investment and adoption of productive technologies, among others, have limited the potential for productivity growth. In these countries, policy measures to promote sustainable production and productivity growth are crucial. These measures may include training and extension, programmes to enhance access to high quality inputs and adequate financial services, and investments in rural infrastructure and marketing systems, all of which can help crowd-in private investments.
- In this regard, South-South and Triangular Cooperation can play a crucial role as an effective instrument for catalyzing economic development by fostering the exchange of innovation and good practices and expanding market opportunities across countries with similar priorities and shared development objectives, such as those reflected in the SDGs.

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