



Food and Agriculture  
Organization of the  
United Nations



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

**FAO Geneva Agriculture Trade Talks**

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# CONTENTS

- **Scope and objectives**
- **Overview of agricultural trade patterns**
- **Agricultural trade dependence on products and trading partners**
- **South countries and the multilateral trading system**
- **Participation in Regional Trade Agreements**
- **Conclusions**



## SCOPE AND OBJECTIVES

“South countries”, in this study, include a total of 150 countries, states and territories, and agricultural products include all products covered by the WTO AoA

### • **South vs. North countries**

- No universal definition of “South countries”; determined by objectives
- Since the focus was on regional patterns of trade, used UNDP classification of “Developing regions” (which are mostly countries classified as LI, LMI and UMI by world bank classification, but also a few HI)
- **Definition of agricultural products:** all products covered by the WTO Agreement on Agriculture

### • **Objectives**

- Aims to inform discussions of South-South and Triangular Cooperation on agricultural development
- provides an empirical overview of the patterns of agricultural trade among South countries;
- Identifies and discusses their exposure to shocks in international markets;
- And discusses the trade policy frameworks and agreements that underlie these trends.



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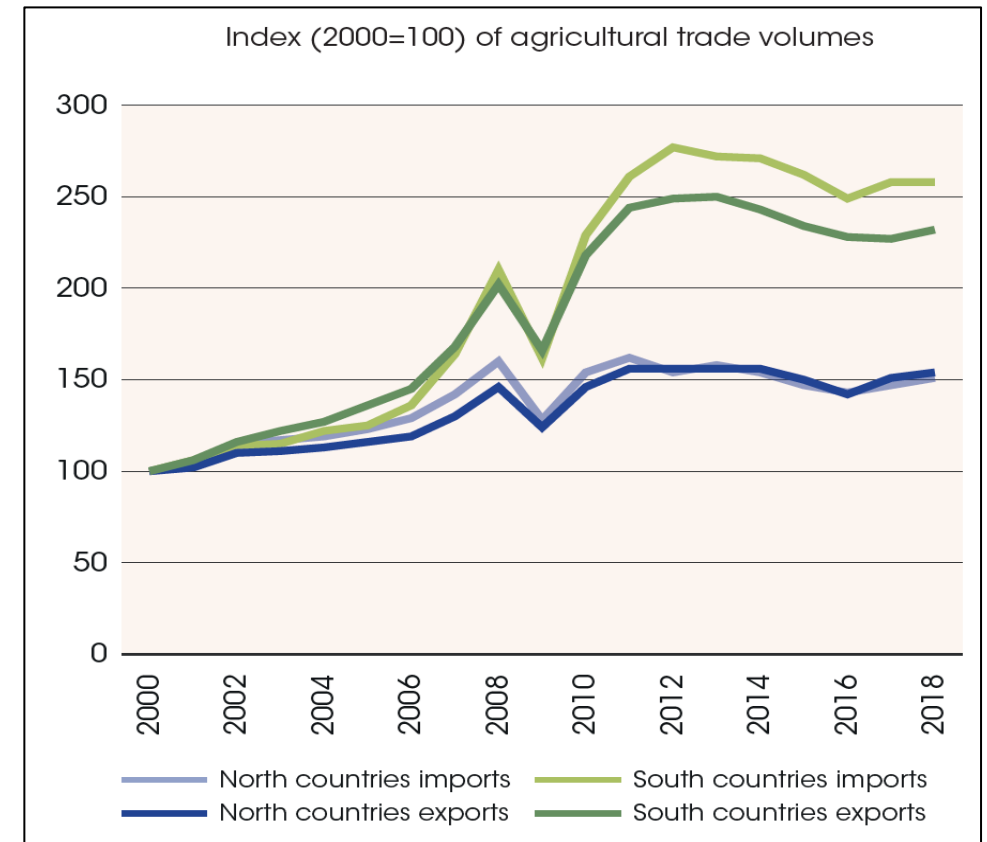
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## OVERVIEW OF AGRICULTURAL TRADE IN SOUTH COUNTRIES (1/4)

Increasing importance of South countries in global agri-food markets over the last two decades. Growth in their participation, as both exporters and importers, has outpaced that of North countries.

- North countries account for greater levels of both agricultural exports and imports compared to South countries
- However, steady expansion in the participation of South countries in agricultural trade, accounting for larger shares of global trade
- Overall, South countries' positive trade balance in all products, including agricultural products, has declined steadily over the last two decades, and especially after the 2007–2008 global food price crisis





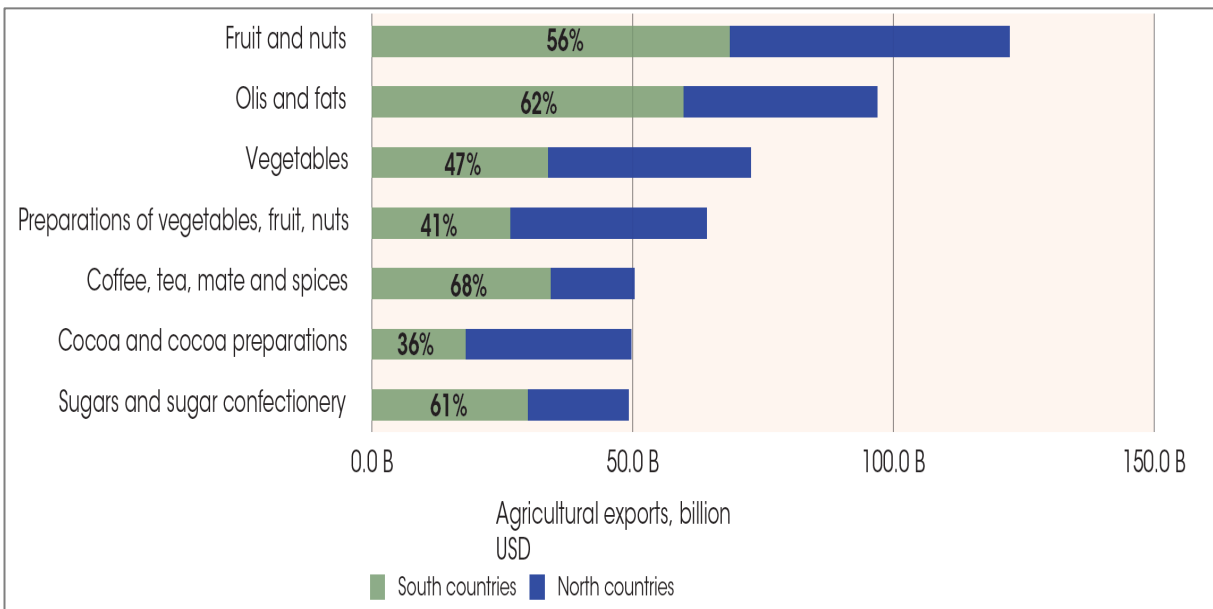
# OVERVIEW OF AGRICULTURAL TRADE IN SOUTH COUNTRIES (2/4)

The agricultural trade specialization of South countries differs significantly from that of North countries

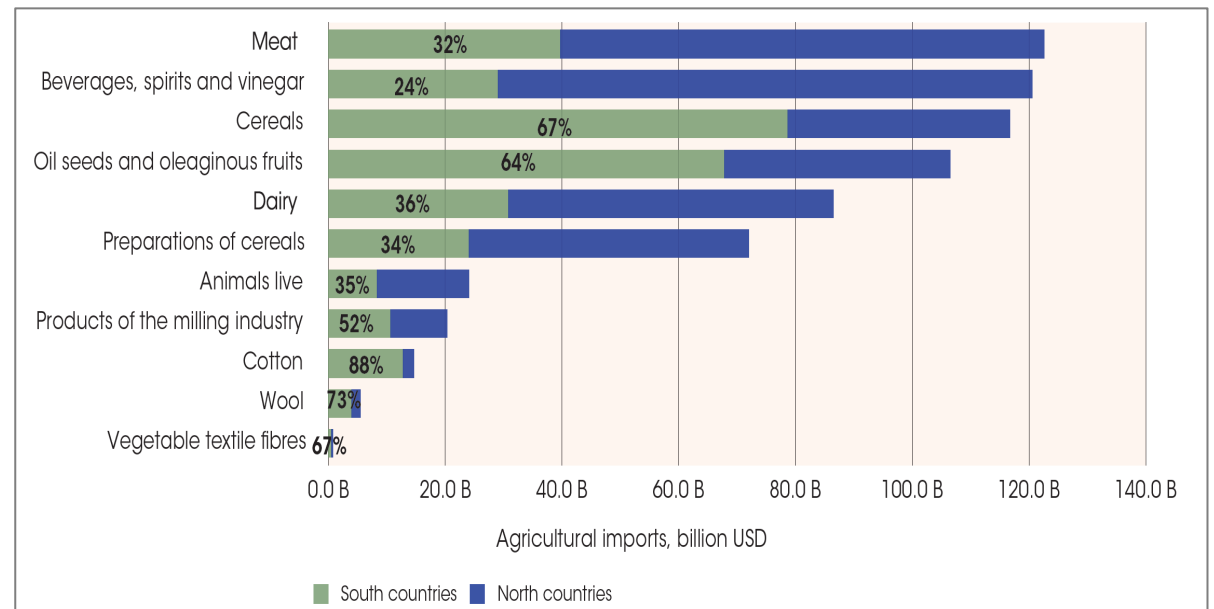
SCs are net exporters of fruits, vegetables, fats and oils, coffee tea, sugar, making up a significant shares of global exports, dominated by a few countries

SCs import food commodities and preparations e.g. dairy, cereals, meat, and vegetable textile fibres. Making up significant shares of global imports

## PRODUCTS IN WHICH SCs ARE NET EXPORTERS



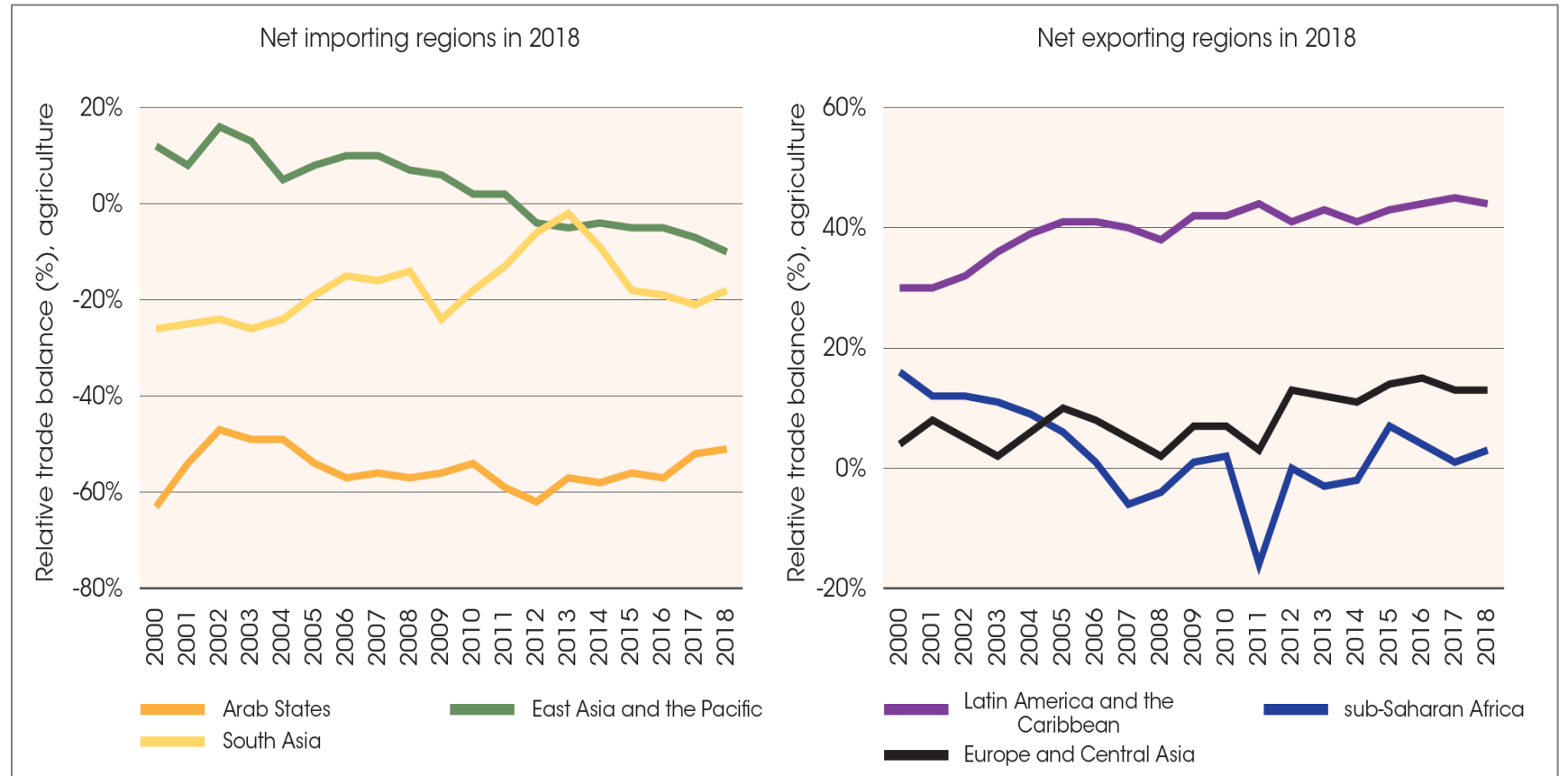
## PRODUCTS IN WHICH SCs ARE NET IMPORTERS



# OVERVIEW OF AGRICULTURAL TRADE IN SOUTH COUNTRIES (3/4)

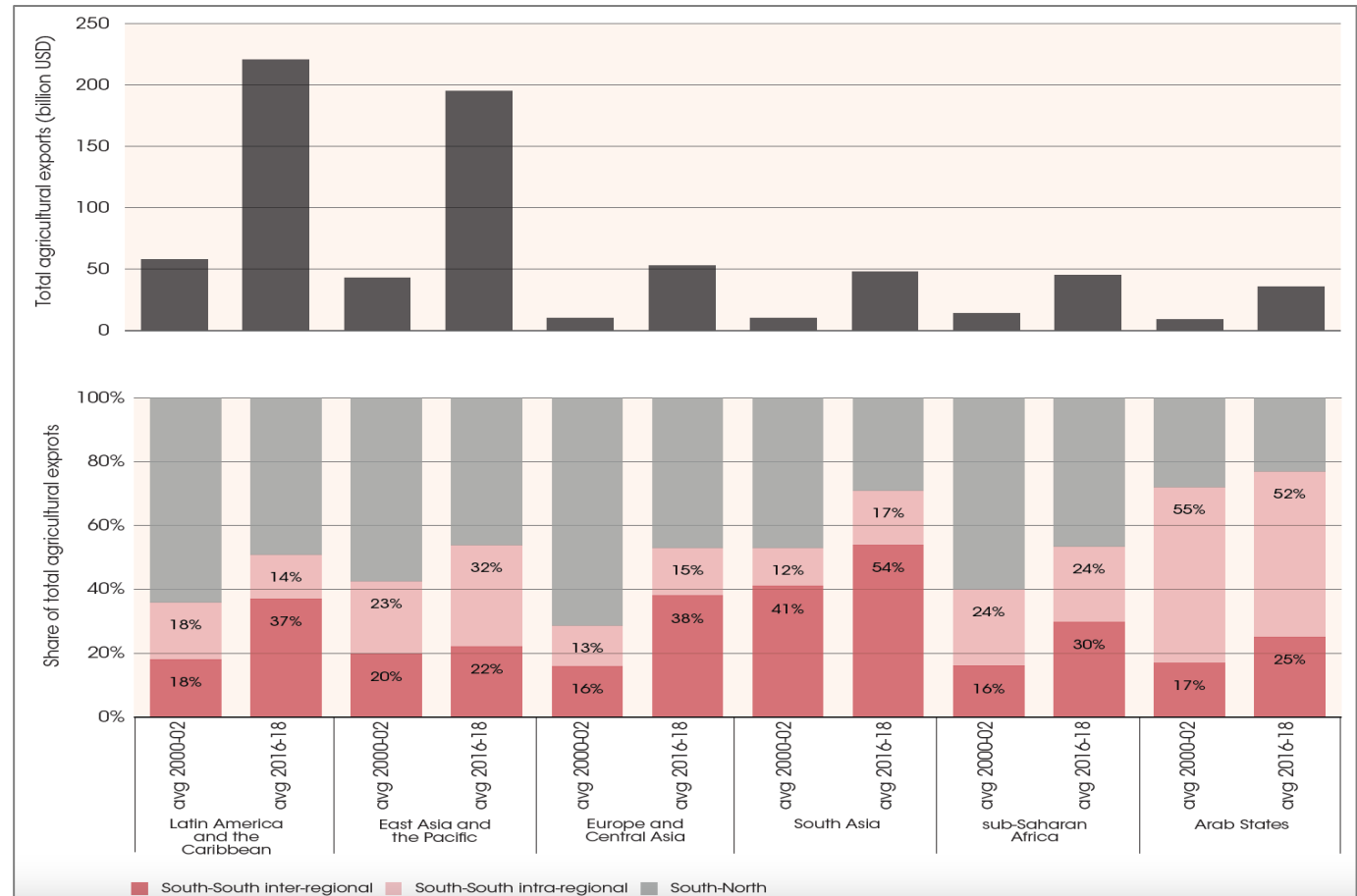
There are significant differences in agricultural trade patterns across South country regions

- Arab States are significant net importers, followed by South Asia and East Asia and Pacific.
- By contrast, Latin America and the Caribbean is a significant and growing net exporter, followed by Europe and Central Asia and Sub-Saharan Africa



# OVERVIEW OF AGRICULTURAL TRADE IN SOUTH COUNTRIES (4/4)

Growing levels of South-South trade – both within and between the six South country regions – have been a key feature of the growth in both agricultural exports and imports of South countries







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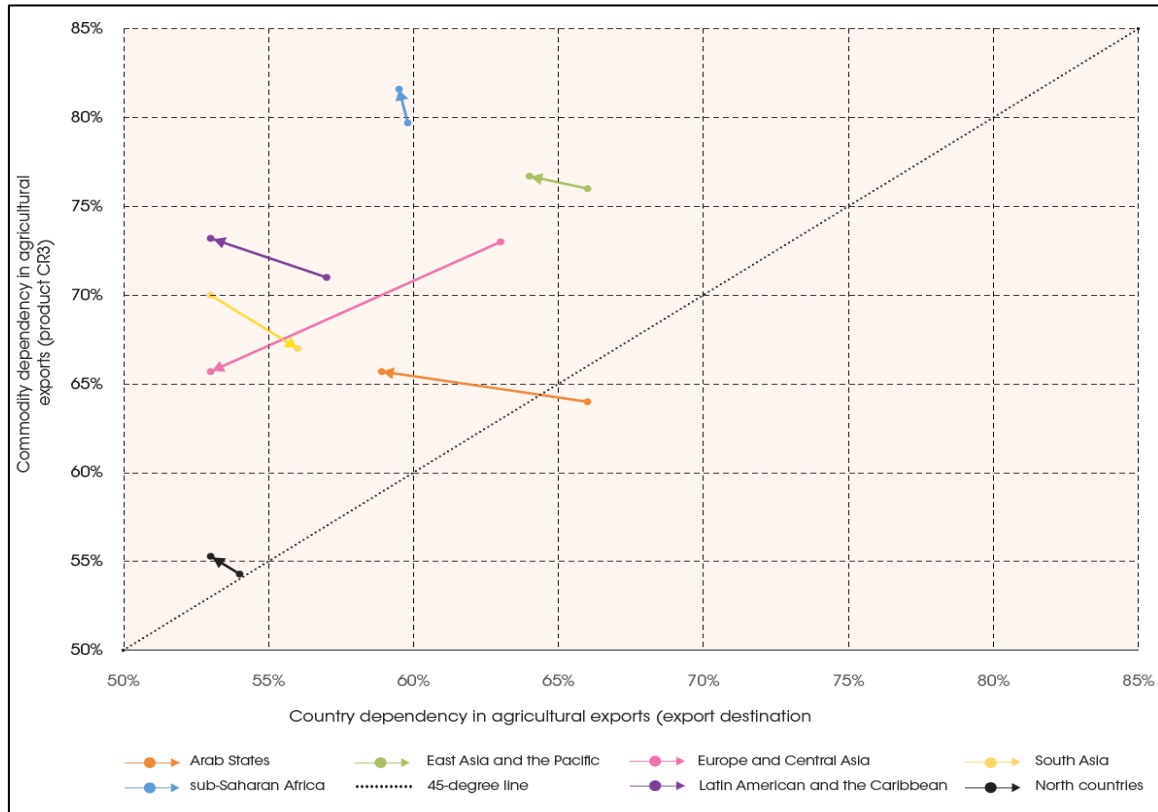
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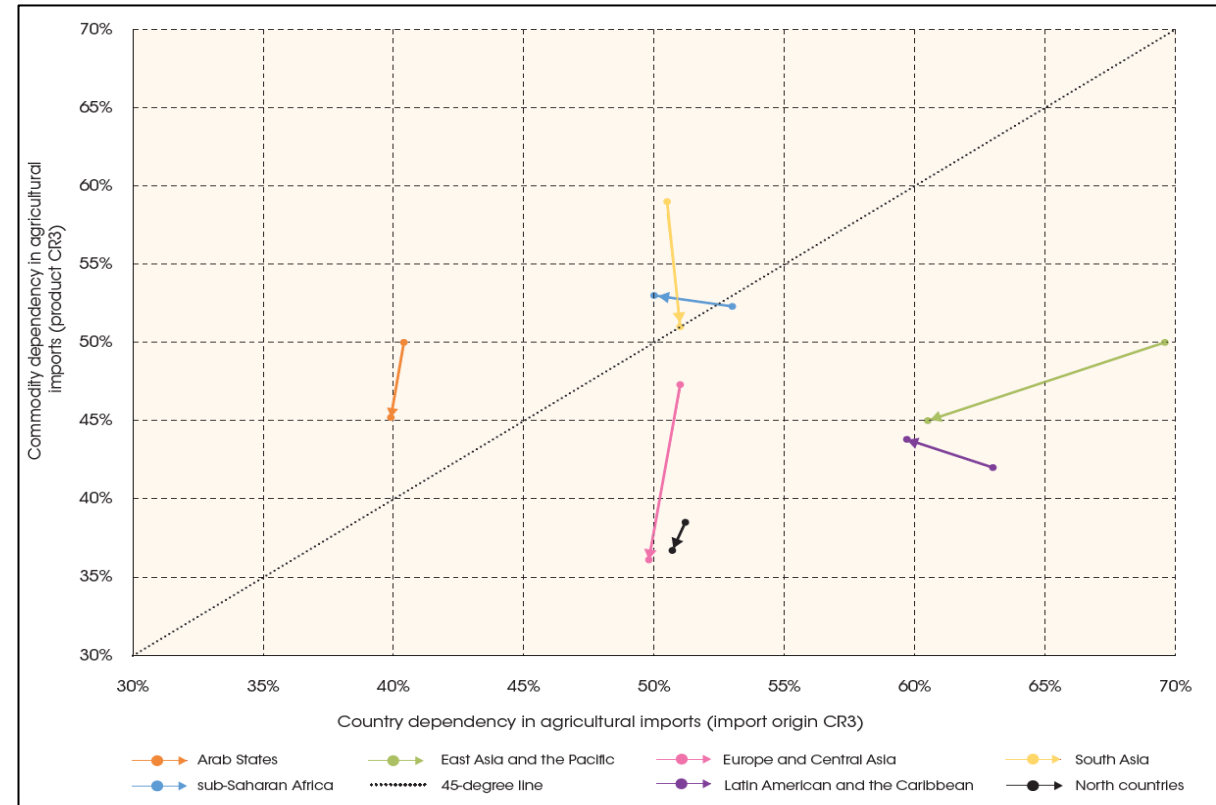
# DEPENDENCE ON AGRICULTURAL TRADE IN SOUTH COUNTRIES (1/3)

On aggregate, South country regions have seen a reduction in their dependency of agricultural trade flows on specific partner countries; on the other hand, product-dependency in exports has increased

### TRENDS IN PARTNER AND COMMODITY CR3 IN EXPORTS



### TRENDS IN PARTNER AND COMMODITY CR3 IN IMPORTS



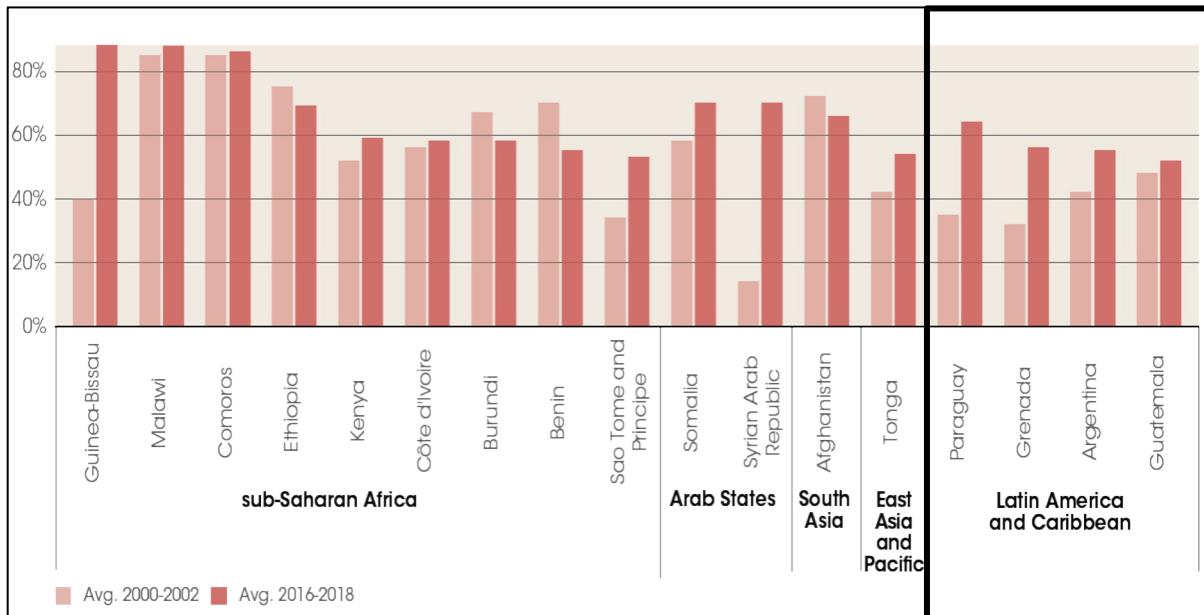
# DEPENDENCE ON AGRICULTURAL TRADE IN SOUTH COUNTRIES (2/3)

## EXAMPLES OF EXPORT DEPENDENCY

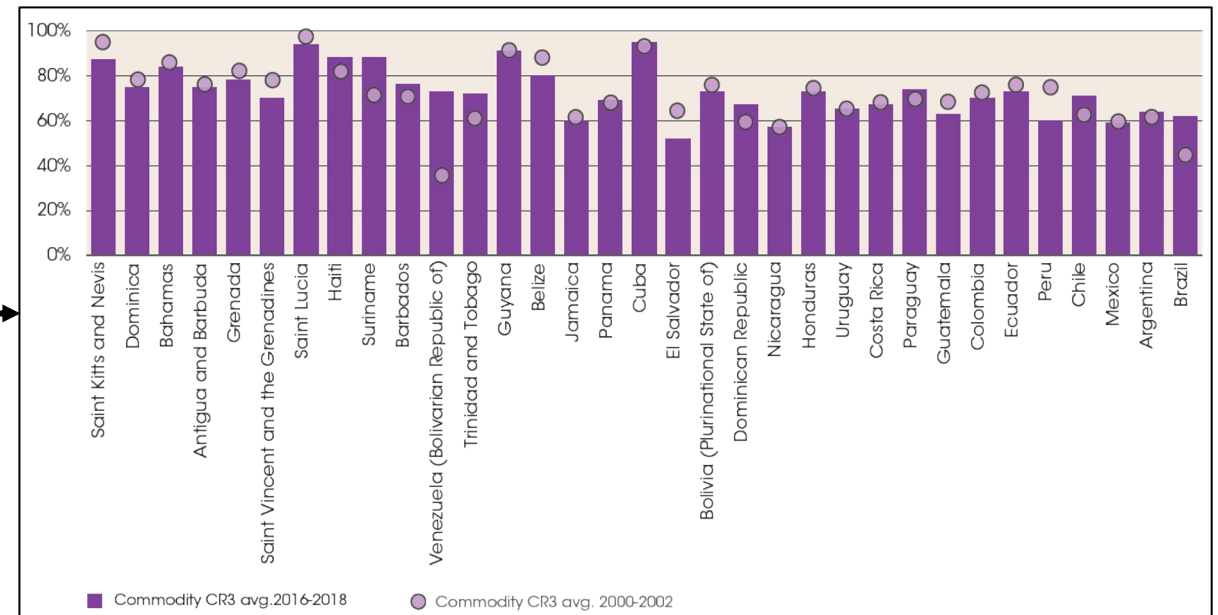
Many South countries derive over 50% of their total merchandise export earnings from agricultural exports and this has grown in most cases

High and rising dependence on a small number of agricultural exports

### AGRICULTURAL EXPORTS AS A SHARE OF TOTAL MERCHANDISE EXPORTS



### PRODUCT CR3 IN EXPORTS IN LATIN AMERICA AND THE CARIBBEAN

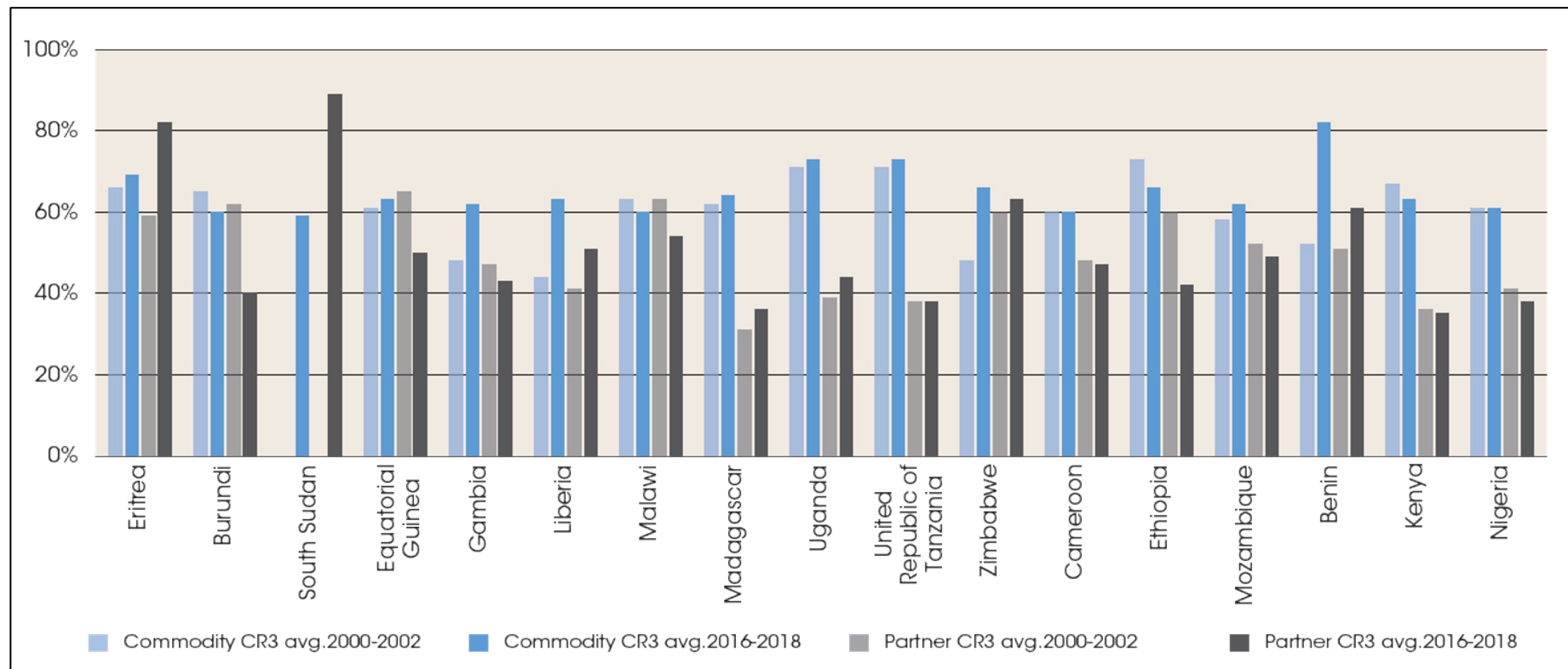


# DEPENDENCE ON AGRICULTURAL TRADE IN SOUTH COUNTRIES (3/3)

## EXAMPLES OF IMPORT DEPENDENCY

- On avg. SSA has highest commodity CR3 in imports of all regions
- 17 countries with commodity CR3 in imports over 60%
- There is more diversity in partner CR3 – in many cases countries diversified their sources of imports

COMMODITY AND PARTNER CR3 IN IMPORTS IN SUB-SAHARAN AFRICA





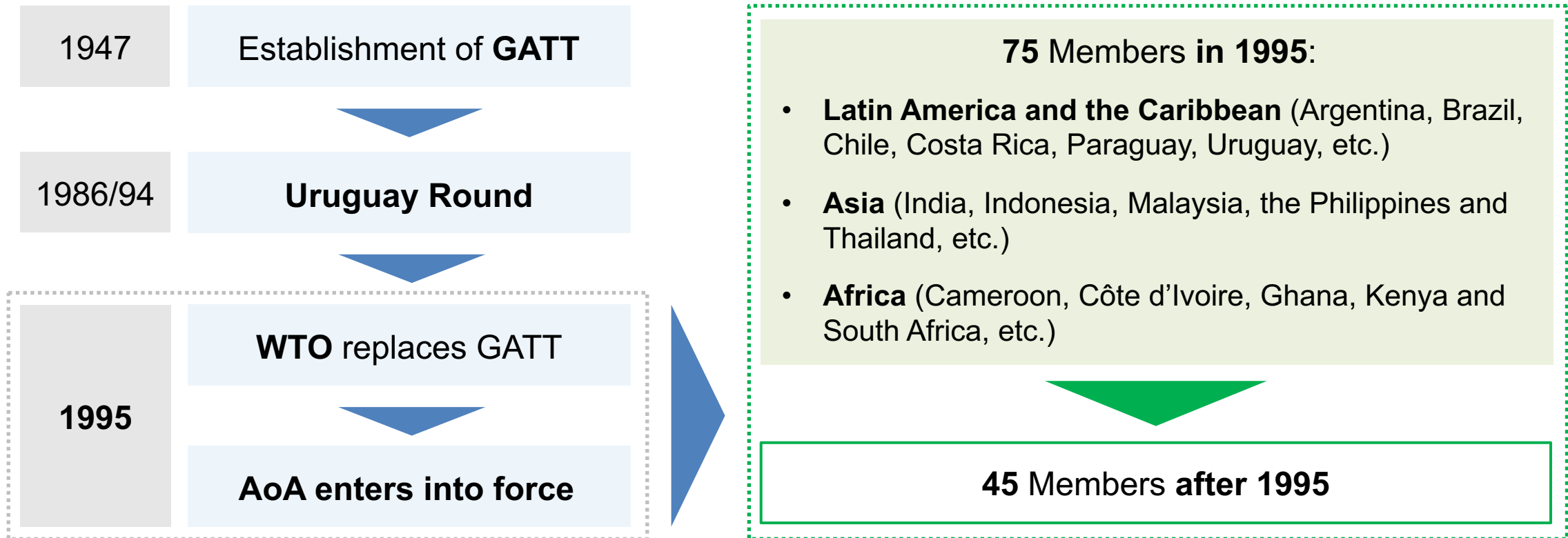
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# THE MULTILATERAL TRADING SYSTEM

With the creation of the WTO, the Agreement on Agriculture entered into force on 1 January 1995. The AoA constitutes the only legally binding multilateral treaty regulating agricultural trade





# BOUND AND APPLIED TARIFFS

An overview of “WTO agricultural tariffs” in South and North countries

## AVERAGE TARIFFS BY REGION AND COUNTRY

	Bound	Applied	North countries	Bound	Applied
<b>South countries</b>	57.0	14.4	Australia	3.5	1.2
<b>Regional Groups</b>			Canada	14.3	15.1
Arab States	44.80	16.9	Iceland	113.7	22.1
East Asia and the Pacific	39.83	12.0	Israel	78.1	12.5
Europe and Central Asia	17.91	13.0	Japan	19.1	15.5
Latin America and the Caribbean	59.5	13.8	Korea, Republic of	58.0	56.8
South Asia	80.7	18.8	New Zealand	6.1	1.4
Sub-Saharan Africa	72.2	15.1	Norway	133.6	40.4
<b>Other Groups</b>			Russian Federation	10.9	10.5
SIDS	66.2	14.6	Switzerland	47.6	32.4
LDCs	76.4	15.7	United States	4.9	4.7
LLDCs	57.2	13.3	European Union	12.7	11.4

1

SCs are usually **more open to trade** than their bound tariff rates would suggest

2

SCs have considerable **“water in the tariffs”**

3

SCs could significantly **increase their tariffs** while respecting **WTO commitments**

Source: FAO calculations based on World Tariff Profiles 2020



# THE STATE OF PLAY AT THE WTO (1/3)

WTO: ensuring transparency, stability and openness in the multilateral trading system

TRADE NEGOTIATIONS	TRANSPARENCY	DISPUTE SETTLEMENT
Continuation of <b>the reform process</b> to achieve “the long-term objective of substantial progressive reductions in support and protection”	Fulfilment of <b>transparency obligations</b> to the WTO in a timely manner	Provision of <b>security</b> and <b>predictability</b> , ensure the <b>rights</b> and <b>obligations</b> of Members, and <b>clarify</b> such rights and obligations through <b>interpretation</b>



South countries have been **actively participating** in the DDA as their **interest in setting global trading rules** has been growing. However, **conflicting positions among countries exist**



GROUPS IN WTO AG. NEGOTIATIONS		
ACP	Trop. prod.	G-20
G-33	Pacific	Cairns
SVE	LDCs	...





# THE STATE OF PLAY AT THE WTO (2/3)

WTO: ensuring transparency, stability and openness in the multilateral trading system

## TRADE NEGOTIATIONS

Continuation of **the reform process** to achieve “the long-term objective of substantial progressive reductions in support and protection”

## TRANSPARENCY

Fulfilment of **transparency obligations** to the WTO in a timely manner

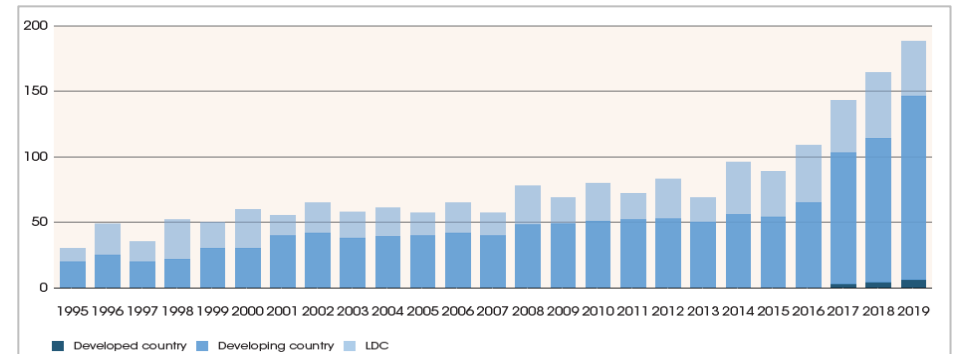
## DISPUTE SETTLEMENT

Provision of **security** and **predictability**, ensure the **rights** and **obligations** of Members, and **clarify** such rights and obligations through **interpretation**



**A large number of notifications**, mainly from South countries, **remained pending** for the 1995 to 2019 period

## OUTSTANDING NOTIFICATIONS





# THE STATE OF PLAY AT THE WTO (3/3)

WTO: ensuring transparency, stability and openness in the multilateral trading system



Out of 593 disputes filed by Members between 1995 and 2019, 84 cases (**14 percent**) **cited the AoA** in the request for consultations. **South countries have been involved 44 times as respondents**, accounting for around **50 percent** of the overall initiated cases



NUMBER OF AG. INITIATED CASES					
	1995-1999	2000-2004	2005-2009	2010-2014	2015-2019
All disputes	185	139	78	86	105
Ag. disputes	33	22	12	10	7
Ag. disp. as %/Tot	17.8	15.8	15.4	11.6	6.7



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# REGIONAL TRADE AGREEMENTS

South and North countries are increasingly participating in RTAs

DEFINITION		LEGAL BASIS
<p>RTAs are trade agreements of a mutually preferential nature. They include bilateral, regional and inter-regional free trade agreements (<b>FTAs</b>), <b>economic unions</b>, <b>customs unions</b>, and <b>common markets</b></p>		<p><b>Article 24</b> of the General Agreement on Tariffs and Trade (<b>GATT</b>) and the <b>Enabling Clause</b></p>
TREATMENT OF AGRICULTURE IN RTAs		GLOBAL TRENDS
<p><b>Tariff reduction:</b> In general WTO-plus (sensitive sectors exceptions)</p>	<p><b>SPS / TBT:</b> often deeper commitments that the WTO ones</p>	<ul style="list-style-type: none"> <li>✓ By limiting the number of parties involved and focusing on their strategic interests, agreements can be concluded more swiftly</li> <li>✓ The increasing role played by RTAs in driving trade liberalization is reflected in the greater participation of developed and developing countries alike in RTAs</li> <li>✓ Since the 90's, the number of RTAs notified to the WTO has grown from approximately <b>50 to more than 350 currently in force</b></li> </ul>
<p><b>Agricultural safeguards:</b> often deviate from WTO rules to cover limited number of products</p>	<p><b>Export prohibitions and restrictions:</b> usually reaffirm rights and obligations of the WTO rules</p>	



# MEGA RTAs

Traditional RTAs are typically concluded between natural trading partners. However, this has been changing rapidly

- Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)
- Regional Comprehensive Economic Partnership (RCEP)
- Pacific Alliance
- African Continental Free Trade Area (AfCFTA)**
- ...



The Agreement to establish the AfCFTA was signed on **21 March 2018** by 44 African countries

RATIFICATION	OBJECTIVES
<ul style="list-style-type: none"> <li>✓ As at 5 February 2021, 36 countries have deposited instruments of ratification</li> </ul>	<ul style="list-style-type: none"> <li>✓ Gradually liberalizing <b>tariffs and reducing non-tariff barriers</b>, including in agri-trade</li> <li>✓ Reduction of tariffs has significant <b>potential to expand intra-regional trade by over 80 percent</b></li> </ul>
STRUCTURE	
<ul style="list-style-type: none"> <li>✓ It includes <b>protocols</b> covering trade in goods, services, and a <b>dispute settlement mechanism</b>, as well as a set of <b>annexes</b></li> </ul>	



# RTAs: OPPORTUNITIES AND CHALLENGES (1/2)

RTAs can lead to trade creation. However, they can also lead to several challenges

## TRADE CREATION

Tariff reduction within a RTA displaces a member's **higher-cost production with lower-cost imports** from another member

## TRADE DIVERSION

The reduction – or elimination – of tariffs among RTA parties **favours less economically efficient producers**, as it shifts imports from low-cost countries, which are non-participants in the RTA, to higher-cost RTA exporters

## PREFERENCE EROSION

Lower tariffs between RTA parties result in **non-participating developing countries losing the competitive advantage** they had through preferential market access schemes

## MARGINALIZATION

Weaker and more vulnerable developing countries **are not participating** in major RTAs





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# CONCLUSIONS

## KEY FINDINGS

- Growing levels of South-South trade contribute to **diversifying trading partners**, which **reduces countries' exposure and vulnerability to exogenous shocks**
- Countries or group of countries can face specific vulnerabilities: concerning **exports**, these are often **concentrated in few products**. In **imp. countries**, **poor ag. productivity growth** has prevented production from keeping pace with demand
- With the establishment of the WTO, **decline in import tariffs have contributed to trade growth**
- **Participation in RTAs is increasing**. This can lead to great opportunities, but also to trade diversion, preference erosion and marginalization

## POLICY PRIORITIES AND ACTIONS

- Exp. countries: to take **advantage of growing market opportunities and promote South countries' market access**
- Imp. countries: **trade facilitation** measures should be adopted. Targeted **social protection, labor market and other upgrading and upskilling measures** are key
- Promoting **export diversification**
- **Addressing supply-side constraints** that limit the development and export of other competitive products
- Support policy measures to **promote sustainable production and productivity growth**
- South countries should **continue to engage in WTO negotiations, seek to achieve improvements** in market access, and keep with the long-term objective of the DDA
- Participation in **RTAs should be complemented by promoting the multilateral trading system**



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SUSTAINABLE  
DEVELOPMENT  
GOALS

# THANK YOU

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