

Agriculture:
the Dog that Didn't Bark?

Tim Josling
and Stefan Tangermann

Motivation

- Agriculture known as a sector that has enjoyed high levels of protection at the border and support on internal markets
- But no major protectionist measures have been announced as a result of the economic crisis
- Does this represent a major policy shift?
- Or have circumstances been such that farmers have not needed (or requested) action?
- Or have the policy responses been there but been overshadowed by other events?

Evidence

- Government action toward agriculture in response to economic events could take one of four forms:
 - New border measures in favor of agriculture
 - Quasi-automatic application of countercyclical measures already in legislation
 - New action to shield consumers/users of farm products
 - Financial stimulus to the sector
- Evidence of all four reactions in WTO/WB lists

Actions noted by WTO

- New border measures (19)
 - Increase import taxes (9)
 - AD/CVD measures (3)
 - SPS Measures(2)
 - Elimination of export taxes (4)
 - Increase in export subsidies (2)
- 15 countries took action at the border
- Most involved only a few products
- Some (AD/CVD and SPS) may have little to do with economic stimulus

Actions noted by WTO

- Counter-cyclical measures under existing legislation (2)
 - Re-introduction of import levies (1)
 - Re-introduction of export subsidies (1)
- EU re-introducing cereal import duties
- EU re-introducing export subsidies for dairy products
- Would have been difficult for EU not to have acted in this way to declining world prices
- Other countercyclical policies less evident

Actions noted by WTO

- Consumer Protection Measures (9)
 - Reduction in import taxes (5)
 - Removal of SPS measures (2)
 - Introduction of export taxes (2)
- Mainly a lagged response to high prices in 2007-08: other countries took these actions in previous year
- SPS measures may not have been in response to price changes

Actions noted by WTO

- Financial stimulus to farm sector (13)
 - Funds for rural development (1)
 - Increased support prices (3)
 - Input subsidies (2)
 - Income support (3)
 - Improved rural credit (4)
- Major rural stimulus package in China: still within WTO limits

Summary of actions in food and agriculture

- Several small changes in trade policy, mostly limited in scope and posing few trade problems
- Modest inclusion of agriculture in stimulus measures
- No major actions by developed countries
- Most action was in developing countries (not least developed countries)
- Several actions would probably have taken place under other circumstances

So Why Did the Dog not Bark?

- Political significance of agriculture has diminished - the dog has changed behavior
- Little adverse effect on agriculture - the dog had no reason to bark
- Many small actions could make up a significant policy response - the dog did bark, but was drowned out by the noise from other sectors

Change in behavior?

- Agriculture has been losing political influence
 - Change to direct payments away from price supports
 - Increased involvement of other actors
 - Trade rules becoming increasingly constraining
- But too soon to write off agricultural protection

Nothing to bark at?

- Agriculture enjoyed high prices in 2007-8
- Farm incomes often at record levels in 2008
- Income-inelastic demand for food has mitigated impact of recession
- Big impact has been slower growth in emerging economies, restricting trade
- Existing ag policies absorb much of impact from falling prices

Barking not loud

- Agricultural actions have been small in effect but could pick up if recession persists
- Uruguay Round Agreement on Agriculture had some impact on restricting protectionist responses
- Need a tighter framework for limiting government response that distorts trade

Lessons

- URAA has stood up well under the strain
- No actions taken that violate schedules and rules
- Developed country responses generally sensitive to trade implications
- Need to tighten up disciplines on trade-related actions

Lessons

- The instrument is readily at hand
- Completion of the Doha Round would add the necessary disciplines
 - Export subsidies would be eliminated
 - Trade-distorting domestic support would be decimated
 - Bound tariffs would come down significantly
 - Safeguard mechanism for developing countries would be introduced
- Adding stronger provisions on export taxes would improve the package

Thanks

Tim Josling (josling@stanford.edu)

Stefan Tangermann (stefan.t@ngermann.net)