Collective Action or Self-Preservation? The Underlying Tension Disrupting G20 Agricultural Policy

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Executive Summary
Ever since the 2008 financial crisis and ensuing period of food price volatility, G20 countries have assumed responsibility for overseeing and facilitating the smooth-running and evolution of the agricultural industry. Agricultural issues have re-emerged on the agenda year after year, with the 2019 Osaka Summit proving to be no exception. This policy brief will highlight the ‘progress versus protectionism’ dilemma faced by G20 members. Ultimately, it finds that the 2019 agriculture agenda will not have the intended impact and will remain largely redundant until structural flaws in the global trade system are addressed. Finally, some measures relating to prospective trade reform will be put forward for consideration to improve the transparency and effectiveness of global agriculture.

The G20, Agriculture, and the Propensity to Protect
In the last decade, the G20 presidencies have focused their attention on a variety of issues facing agriculture. Agendas in the early years aimed at opening-up world markets and promoting free trade to mitigate the adverse effects of the recession. The 2011 Cannes Summit saw the formation of the Agricultural Market Information System (AMIS) to address excessive spikes in food prices and commit greater resources and research towards strengthening agricultural trade and insuring farmers against risk. More recent summits have adjusted the focus towards creating a more sustainable industry, including using green technologies in production processes protecting biodiversity.

Up until 2015, G20 agricultural policy ran parallel with and complemented the WTO Doha Development Round (DDR) – a collection of negotiations which encouraged more transparent
trade and endorsed anti-protectionist policies to help developing countries ‘catch up’. Verbal commitments, however, failed to translate into tangible results, owing to the US and EU’s refusal to lower or remove agricultural subsidies. This led to the collapse of talks. Unhelpfully, G20 members have not proved to be the best role-models, implementing over 3,500 ‘trade-distorting’ measures between 2009-2015, including currency devaluations to make exports more competitive, productivity payments, and tariffs on agricultural imports and exports. Consequently, the failure of DDR and the clear reluctance of G20 countries to universally practice free trade policies has given rise to Regional Trade Agreements (RTAs) and Preferential Trade Agreements (PTAs). These arrangements exemplify discriminatory liberalisation against developing countries, who are often excluded.

The Current Situation

Given that Japan’s farming industry is one of the most domestically protected in the G20, it is hardly surprising that its agricultural agenda in 2019 has steered away from promoting freer markets. Instead, when agricultural ministers met in Niigata to discuss three key policy themes for tackling global challenges, they concluded the need for greater use of ICT and Artificial Intelligence technology to encourage more productive and carbon-efficient agriculture, promotion of inclusive growth through innovation in food value chains (FVCs), and commitment to collaboration on research in the industry. While it is difficult to disagree with the desirability of such outcomes, these policies are unlikely to encourage the necessary systemic change required to improve the fairness and transparency of the agricultural system.

For example, FVCs (mechanisms which comprise all activities to bring farm products to consumers) in developing countries are adversely impacted by the existence and prevalence of tariffs and other forms of protectionism. The complex and fragile nature of agricultural production chains means it can take years for a stage in the chain to become efficient and profitable. Commodity surpluses that result from disrupted production chains (due to countries electing to import from elsewhere) can also be highly problematic for the durability of farm businesses. In addition, RTA and PTA institutions marginalise countries in need of FVC innovation, thus widening the gap between developed and developing countries. The 2019 Agricultural Ministers Declaration acknowledges this but visibly fails to monitor or regulate inequalities, merely asking that countries ‘respect their obligations in this area’. Where PTAs do involve developing countries, costs of compliance can become a serious burden and counteract the supposed benefits of an agreement.
Interestingly, Japan’s agenda visibly ignores important contemporary developments affecting the industry, including the US-China trade war, individual state struggles (e.g. the rural mental health crisis in India), and the wide variation in compliance standards that is hindering the ability of developing states to meet obligations while maintaining productivity. Success in creating stability and durability in the agricultural industry is highly dependent on, and tightly interconnected with, international trade activity. However, economic policy pursued by many G20 countries remains notably at odds with the liberal economic norms advocated by the forum, exacerbated by the recent election of many anti-establishment world leaders. Reconciling trade rules with agricultural goals should be a top priority for the G20, given recent confusion and contradictions that have disrupted the agricultural trade landscape.

G20 Osaka

This year’s summit in Osaka has, as many could have predicted, been dominated by the hype surrounding Donald Trump’s G20 appearance, especially relating to a string of derogatory Tweets and comments aimed at other member states and their leaders. The hostile trade relations between the US and China have received intense scrutiny. This has not only had a detrimental impact on global growth, but affected the agricultural industries of G20 countries too. In an attempt to allay fears of a lengthy and destructive trade war, Sonny Perdue, the US Secretary of State for Agriculture, acknowledged that farmers in the United States had indeed been the victims of the US-China trade war. He warned that the dispute would not be resolved at the summit, and although Trump and Xi have agreed to trade talks, the agricultural issue will likely take months to settle. This means the US aid package to farmers – projected to cost up to US$28 billion – will continue.

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It is not only the US and China that feel the effects of the trade war. In an informal gathering of the BRIC countries at this year’s G20 summit, Indian Prime Minister Modi advised that there is a need to reform WTO rules, because one-sided decisions and disputes are felt by the entire system. Xi Jinping concurred, warning that protectionist measures are leading to economic blockade. He continued, however, by advising that, in the face of such protectionism, a country must ‘increase resilience and capability’ by putting up its own barriers. This inclination to revert to protectionism as a retaliatory act highlights a weak commitment to achieving a fair trading system. During the working lunch on the first day at the summit, many leaders expressed their desire to see WTO rules updated. Greater regulation of global trade may provide added
transparency and certainty for the agriculture industry, thus reducing speculation and the price volatility that inevitably accompanies it.

In the Leaders’ Declaration released at the end of the summit, the G20 notably refrained from denouncing protectionism, calling instead for “free, fair, nondiscriminatory, transparent, predictable and stable trade”. As summarised by Putin, “there were no breakthrough decisions but ... all participants have confirmed their aspiration to work further on improving the global trade system, including the aspiration to work on WTO reform”. Significantly, the article in the declaration on agricultural outcomes failed to acknowledge the importance of reforming global trade for enabling progress on agricultural goals.

Next Steps
Given that G20 members have broadly agreed on the need to reform the global trading environment, some measures for consideration are:

1) More extensive use of decoupling strategies to sever the relationship between agricultural subsidies and production. This was a strategy adopted by the EU in 2003, which aimed at, and succeeded in, breaking the link between support policies and market prices by removing the incentive to produce, reducing risky behaviour, and protecting farmer’s incomes. This strategy is more realistic than abolishing subsidies, as governments can protect their own farmers while not disadvantaging developed countries with market prices that are dependent on the actions of subsidy recipients.

2) Reduce the cost of compliance where PTAs are already in place. Adhering to multiple and conflicting sanitary and phytosanitary standards makes it difficult for developing countries to maximise efficiency. The G20 may address this situation by collaborating to find and list potential conflicts in their PTAs and working out ways for developing countries to mitigate adverse impacts.

3) Regulatory streamlining. In other words, align protectionist policies to ensure that countries retain some power over their domestic economies but that unnecessarily obstructive policy is eradicated. For example, while it may not be possible to prevent countries in the EU and North America providing subsidies to farmers, there may be scope to abolish less frequently used measures, such as export tariffs.
4) Promote multilateral preferentialism which enables countries to join agreements should they wish, although not all will.

The failure of the DDR, ongoing heightened tensions in international trade, and the absence of a statement on protectionism in the 2019 communiqué have exposed the reality that protectionism is a global trend that is here to stay. The continual abuse of trade norms has highlighted that commitments at the declaratory level are firmly at odds with operational truths. In order for progress to be made, the G20 must promote policies that address key structural barriers, rather than pursue strategies that assume countries to be on a level playing field in agricultural trade.

Furthermore, despite the fact that tariffs are at their lowest levels in decades, trade will never be entirely free. States ultimately want to look after their own citizens and economies, which inevitably involves some protectionism. The G20 has long recognised its importance in global agricultural matters and role in promoting fairness and transparency. However, until these aims are reconciled with more comprehensive, realistic regulation of the international trading environment, developed countries will continue petty ‘tit-for-tat’ protectionism, and developing countries will remain isolated by an ever-increasing wealth gap.

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