



Agricultural Trade and Food System Transformation Virtual WTO Agriculture Symposium

WEDNESDAY 2 DECEMBER 2020

OPENING SESSION

10:00 - 11:30

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Director

WTO Agriculture and Commodities Division

Opening Remarks

"WTO Agreement on Agriculture @ 25"

**Ladies and gentlemen,
Distinguished panellists,
Distinguished guests,**

I would like to start by thanking all previous speakers for their interventions and for finding time to take part in this important event. A wealth of information has been presented on the future of food systems, the UN Food Systems Summit, and the human right to food. As mentioned by Deputy Director General, Alan Wolff, these two days are intended to provide an opportunity for delegations, civil society, academics and the private sector alike to discuss the many important issues that you have all raised, as well as the other topics on our agenda.

I would simply like to use the time allocated to me to highlight some of the main trends we have seen in world trade in food and agricultural products over the past 25 years. While on some fronts, there has been radical change, on others, the world has virtually stayed the same. I would then like to set out some of the factors which in the future may propel further change; factors which will undoubtedly be considered in these two days. The COVID-19 pandemic was certainly a disruptor, but there will be many other disruptors too going forward. The WTO rule-book must stand prepared to weather these changes, and to continue to provide a solid governance framework. Towards the end of my talk, I will comment briefly on the important monitoring role that the WTO plays in the field of agricultural trade policies. A role that will become ever more important in the future.

World trade in agricultural products has risen significantly over the past 25 years. In fact, agricultural exports more than tripled from USD 450 billion to USD 1.5 trillion, representing an average annual growth rate of 5% per year. However, the share of agricultural products in total merchandise trade has fallen, mainly due to the higher rate of growth of industrial products.

The main traders and the composition of agricultural trade has also changed, and in a very positive way I might add. Asia, South and Central America, and Africa have all become more important traders. This is a good sign, as it shows that the trading system has begun to deliver the market access opportunities that the developing world has been seeking.

Also significant, is the change in the role of China in world agricultural markets. Today, China has risen to become the world's greatest net-food importing country, with a trade deficit for agricultural products of around USD 80 billion. Back in 1995, it had been a net exporter.

The composition of world agricultural trade is also, unsurprisingly, different. The most highly traded agricultural products today are soybeans, food preparations, and wine and alcoholic beverages. Their combined share in total agricultural trade stands at 10%. Back in 1995, the top three products were coffee, wheat, cigarettes and tobacco.

There is no doubt, however, that one of the most important changes experienced over the past 25 years relates to the rise of agricultural Global Value Chains (GVCs). While 61% of the value-added content of world agricultural exports originate from the agriculture industry, the remaining value-added comes from manufacturing and services. Back in 1995, our food systems were less globalized.

To drive home the point of our globalized food production, I often like to say that our food is "assembled" and not "produced". A bar of chocolate provides the perfect example. Most people don't realize the number of countries involved in the production of a simple chocolate bar.

- West African countries, particularly Cote d'Ivoire and Ghana, are the leading producers of cocoa today, accounting for some 60% of the world cocoa supply.
- The milk that goes into our chocolate comes from many different locations. Among the world's top milk exporting countries are New Zealand, Germany, the Netherlands, and the United States.
- In a bar of chocolate, we also find sugar and we find various additives and flavourings, which are themselves sourced from across the globe. Among the world's top sugar exporting countries are Brazil, Thailand, India, France and Guatemala. And I will spare you the details on hazelnuts and raisins, which would come from yet another set of countries.

- Not to mention that when that bar of chocolate is finally "assembled", it then needs packaging, marketing, transportation and retail sale. All of these goods and services can also come from different locations.
- So the reality is that a bar of chocolate is not made in any particular country, it is "made in the world".

And that does not stop with chocolate but applies to many more of our foods. The extent to which our food systems at the global level have become integrated is therefore notable and represents a sizeable change from 1995 to today.

Let me now turn to what has not changed very much, and that is what I will call "concentration". A few countries account for the bulk of world's energy intake, while a few countries account for the bulk of exports of the most traded commodities. Today, global food security is underpinned by trade in three crops – maize, wheat and rice, which account for around 60 per cent of global food energy intake. A fourth crop, soybean, is the world's largest source of animal protein feed, accounting for 65 per cent of global protein feed supply.

Similarly, commodity exports continue to be as concentrated amongst a few countries as they were back in 1995 (albeit with a different country composition). For example, 100% of the world's soybean exports are exported by only 10 countries. The same applies to rice and many other commodities. The top 10 exporters of rice have accounted for over 90% of world exports, whether in 1995 or today. The top 10 exporters of wheat account for 88% of world exports, the top

ten exporters of cotton account for 90%, and the top ten exporters of meat account for 70%. Finally, the phenomenon of "thin agricultural markets" that existed back in 1995 continues to be with us today. Only 25% of world wheat production enters international trade, and for rice the market is even thinner with only 5% of world rice production entering into international trade.

The concentration of our energy intake, of the main exporters of key commodities, and persistence of fairly thin markets for certain commodities, does not, however, negate the fact that our food is much more globally produced. This should make us pause and reflect on the implications of this trend. Clearly, we need to continue to open international markets, and to level the playing field in agricultural trade, to allow for greater diversification.

The COVID-19 pandemic delivered a wake-up call on the need to protect GVCs in agriculture and prevent them from breaking under the weight of food export restrictions, and other trade barriers erected at the peak of the crisis. To some extent, policymakers succeeded in this mission, with warnings issued by WTO and other international organizations and G-20 leaders. But as DDG Alan Wolff just said, the WTO rulebook needs to be upgraded to deal effectively with protectionist policies and not contain only pleas and declarations. All WTO Members should be prepared to contribute to the enhancement of the WTO rulebook. A fairer and market-oriented agriculture trading system is in the interest of all Members, so the necessary compromises have to be made for this objective to be realised.

As we look to the future, our agricultural trading system will be confronted with many other disruptors. These include the automation and digitalization of agriculture, and generally technological change. All in the face of significant stressors: rising global population, urbanization, and climate change. As our agricultural trading system continues to be called upon to move food from one end of the globe to another, it will be incumbent upon WTO Members to strengthen the WTO rulebook so it may weather these changes.

But just as important as the agricultural negotiations, is the role of the WTO in the monitoring of agricultural trade policies. While the WTO's negotiating group on agriculture tends to get most of the attention, the WTO's regular Committee on Agriculture also deserves praise for its sterling work.

Seeing the Committee in action this year has simply been extraordinary. The WTO's 164 members have used the Committee as the platform in which to grill each other on all sorts of policies – old and new - with an impact on agricultural trade. This is an international exercise in accountability; and a fine example of how to manage globalization and to ensure that it remains in the interest of all.

This year, the Committee has played a crucial role in the monitoring of the trade policy measures enacted in the wake of the COVID-19 pandemic. Questions posed in the Committee in relation to the pandemic have revolved around the newly erected border measures and subsidy programs for farmers. Members have sought assurances that these measures would be temporary, and non-trade distorting. Many non-COVID related questions have also been discussed, such as

questions on the UK's new border controls on food during the Brexit transition, or questions on recently concluded bilateral or regional trade agreements and their consequences for third parties.

These meetings are incredibly rich in content and demonstrate not only the need for the WTO as a forum for negotiations, but also as a place where trade concerns can be discussed and diffused. This role must be cherished and amplified. There can be no limit to dialogue in the WTO.

I thank you for your attention.
