



# Note

## The Threat of Export Restrictions on Food Security in the Context of COVID-19

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### Summary

The COVID-19 pandemic is currently shaking our whole world. Governments are under pressure to take action quickly. But they should not succumb to panic as their decisions are not without consequences and the surge in raising trade barriers through export restrictions in March 2020 was not without effect on the food security of many developing countries. Indeed, those countries were already feeling the socio-economic effects of the pandemic and the greater difficulty in importing basic food commodities only added to their challenges. It is not the first time that the world faces a threat of global food insecurity. In 2007, the Global Food Price Crisis also triggered a burst in export restrictions which led to a rising price of foodstuffs. Now, twenty years after the beginning of the Doha Round, the issue of export restrictions is back in discussions of the World Trade Organization (WTO). This Note aims to present an overview of these topics and the potential consequences on the food security of millions of people. It also offers some recommendations for the times to come.

## Introduction

Amidst a pandemic like COVID-19, it is important to keep the composure and not to succumb to panic when it comes to important decisions. With multiple issues arising, governments ought to take rapid decisions, but they should be careful to keep an open eye on the repercussions of their choices, even if these happen on the other side of the world and can easily remain unseen.

During the first wave of coronavirus illnesses in March 2020, many countries faced panic buying from consumers on essential commodities, leading to food shortages in the supermarkets. Governments feared having to deal with food insecurity during this crisis and decided to undertake actions in order to secure their food stocks. On the 20<sup>th</sup> of March, Russia and North Macedonia restricted their exports of grains; wheat in particular. This triggered a domino effect and many countries began to implement the same measures. This sudden restriction of trade had serious consequences, especially on developing countries that were already facing socio-economic difficulties due to the pandemic.

Indeed, food export restrictions are an additional burden on food-importing countries. Those who already suffer from a reduced food supply due to labour shortages in the production, now have to deal with an even more reduced food supply, threatening food security.

It is in this backdrop that this note examines the links between export restrictions and food security during COVID-19. It starts by acknowledging the state of agriculture and food trade amidst the pandemic, with a focus on developing countries. Then, it defines export restrictions and highlights their potential impacts on the economy. As it is not the first time that food security is threatened globally, a quick reminder will be made of the Global Food Price Crisis of

2007-2008 and lines will be drawn between this event and our current crisis. Finally, the Note will end by pointing out at the current discussions of the WTO on the matter and by outlining some recommendations for governments in these times of crisis.

## Food Trade

According to the FAO, international trade in food and agriculture has more than doubled since 1995 and reached USD 1.5 trillion in 2018.<sup>1</sup> Emerging countries and the rest of the developing world contributed strongly to the expansion. Indeed, they account now for more than one-third of the world's total exports.<sup>2</sup> If this rapid growth in both the developed and developing world was made possible, it is mainly due to a conducive environment that made trade in agricultural commodities a good opportunity. First, the lowering of transport costs that we could observe for the past years made it cheaper to trade. Adding this to a decline in import tariffs and liberalizing trade policies, we obtain propitious trade conditions.

Other non-trade-related elements also contributed to the rise in food trade as income or population growth. Even though a rise in income has different marginal effects depending on its initial level, it has been generally observed that increased revenues led to a wider diversity of food consumed. Indeed, when eating is at first a matter of quantity of calories intake, it then shifts to a more diverse diet along with a rise in earnings. On top of that, naturally, as the number of individuals living on this planet grows, the demand for food will grow as well.

This recent trend of growing food trade flows led to the formation of global value chains (GVCs). Global value chains are defined as 'the international fragmentation of production' by the

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<sup>1</sup> Food and Agriculture Organization of the United Nations (FAO), 2020. *The State of Agricultural Commodity Markets 2020. Agricultural markets and sustainable development: Global value chains, smallholder farmers and digital*

*innovations*. Rome, FAO. Available at: <http://www.fao.org/3/cb0665en/online/cb0665en.html>

<sup>2</sup> Ibid

World Bank (WB).<sup>3</sup> They consist in unbundling the various steps of production in different countries in order to achieve efficiency gains. Nevertheless, GVCs do not only enhance trade in products, it also allows countries to exchange knowledge and to overcome limitations that could arise in less-developed countries. Overall, GVCs are a source of productivity and can lead to job creation and better living standards in developing countries in which they are implemented. Still, the increased GVC participation also has some downsides. First, from an environmental point of view, GVCs do not always result in better management of natural resources. The strive for growth and returns can lead to tragedies of the commons. And second, countries now rely on each other and on trade to acquire the final version of a good. The same way GVCs fostered growth through technology during high economic periods, they can also convey shocks and their impact from one side of the globe to the other. This is the major weakness of GVCs and the one which threatened the whole planet last year.

It is not the first time that the world is under pressure due to a global shock and a disruption in GVCs. In 2007, one year before the financial crisis, world food prices increased dramatically, leading to rising food insecurity in the developing world.

One year ago, with the outbreak of the COVID-19 pandemic, the world once again faced a global crisis. Disruptions in food supply and demand caused adverse impacts on trade but also on the food security of millions of individuals. In April 2020, the World Trade Organization (WTO) announced that the world merchandise trade could drop by 13-32 percent due to the COVID-19 pandemic disrupting economic activities.<sup>4</sup>

Fortunately, their revised estimate for the world merchandise trade is now a fall of 9.2 percent in 2020, followed by a rise of 7.2 percent in 2021 (which is much less than the 21.3 percent growth predicted in April 2020).<sup>5</sup>

The consequences of this drop in trade when it comes to food are still enormous. According to the FAO, an additional 83-132 million people may become undernourished in 2020 because of the COVID-19 pandemic.<sup>6</sup> This moves us even further away from achieving the United Nations' (UN) second Sustainable Development Goal (SDG) for 2030: Zero Hunger.

The COVID-19 pandemic impacted the food market through many channels. On the supply side first, we could observe a striking reduction of the food supply. Indeed, movement restrictions, sicknesses, and disruptions in supply chains caused labour shortages which, in turn, impacted the production of labour-intensive crops such as fruits and vegetables. A survey conducted by the FAO on food systems during COVID-19 between April and May 2020 indicated that 40 percent of the respondent cities faced restrictive measures on human mobility that led to labour shortage in local agriculture and food-related activities.<sup>7</sup>

Still, not every country is harmed in the same proportion and sadly, the developing world is often more fragile when it comes to disruptions in value chains. As shown in the map below, those countries tend to rely on fruits and vegetables production which is labour-intensive and perishable, therefore being more restricted during pandemics.

<sup>3</sup> World Bank (WB) website. Available at:

<https://www.worldbank.org/en/topic/global-value-chains>

<sup>4</sup> World Trade Organization (WTO) press release of 8 April 2020. Available at:

[https://www.wto.org/english/news\\_e/pres20\\_e/pr855\\_e.htm](https://www.wto.org/english/news_e/pres20_e/pr855_e.htm)

<sup>5</sup> World Trade Organization (WTO) press release of 6 October 2020. Available at:

[https://www.wto.org/english/news\\_e/pres20\\_e/pr862\\_e.htm](https://www.wto.org/english/news_e/pres20_e/pr862_e.htm)

<sup>6</sup> FAO, International Fund for Agricultural Development (IFAD), United Nations Children's Emergency Fund (UNICEF), World Food Programme (WFP) and World Health

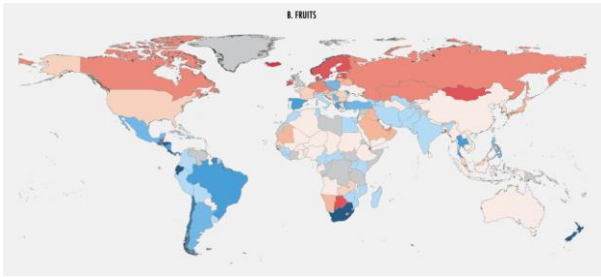
Organization (WHO). 2020. *The State of Food Security and Nutrition in the World 2020. Transforming food systems for affordable healthy diets*. Rome, FAO. Available at:

<http://www.fao.org/3/ca9692en/online/ca9692en.html>

<sup>7</sup> FAO. 2020. *Cities and local governments at the forefront in building inclusive and resilient food systems: Key results from the FAO Survey "Urban Food Systems and COVID-19"*, Revised version. In: Food and Agriculture Organization of the United Nations. Rome. Available at:

<http://www.fao.org/documents/card/en/c/cb0407en>

**Figure 1: Export dependency on fruits, average 2015-2017**



Note: Exports dependency denotes the share of available domestic food supply that has been imported. Values in blue indicate that the country is a net exporter.

Source: FAO report on the State of Agricultural Commodity Markets (2020)<sup>8</sup>

In 2014, during the Ebola outbreak in West Africa, the reduction of labour availability in agriculture led to a 20 percent decline in rice production and had large economic impacts in the following years.<sup>9</sup> This is an example of what could have happened in 2020.

In the long run, the food supply reduction could lead to shortages of some agricultural goods that could not have been produced and to the collapse of small and medium scale farms which would lead to more poverty amidst already vulnerable farmers.<sup>10</sup>

On the demand side now, the COVID-19 pandemic has mixed effects. The demand for food is quasi-inelastic, but still, during difficult times, it can be affected. For example, the restriction of movements of individuals decreased the accessibility of food.<sup>11</sup> People could not go to

markets or to restaurants anymore. On the other hand, government policies such as stimulus packages provided incentives for individuals to consume. Panic runs on basic food commodities were also observed all around the world. However, the increase in food demand because of fears of food scarcity was mainly observed in developed countries only.<sup>12</sup> An explanation for this phenomenon could be that citizens of the developing world do not have enough savings to buy large amounts of food.

In the fear of food shortages, coming from either the increase in demand or the drop in supply, governments may be tempted to implement export restrictions in order to secure at least part of their production. Those measures are not without consequences as we will see and they are now once again at the centre of a debate at the WTO.<sup>13</sup>

## Export Restrictions

Export restrictions are limitations by governments on the quantity of goods exported to specific countries. They can take multiple forms such as export prohibitions, licensing requirements, export duties, quantitative restrictions or voluntary export restrictions.<sup>14</sup> The relevant WTO rules provide some pointers regarding export restrictions. Article XI:1 of the General Agreement on Tariffs and Trade (GATT) 1994 stipulates that: 'No prohibitions or restrictions other than duties, taxes or other charges, whether made effective through quotas, import or export licences or other measures, shall be instituted or maintained by any contracting party on the importation of any

<sup>8</sup> Food Price Index from Primary Commodity Price System (PCPS) based on International Monetary Fund (IMF) data. Available at: <https://data.imf.org/?sk=471DDDF8-D8A7-499A-81BA-5B332C01F8B9>

<sup>9</sup> FAO. 2015. *Crop and Food Security Assessment – Liberia, Sierra Leone and Guinea Special Report*, Rome. Available at: <http://www.fao.org/emergencies/resources/documents/resources-detail/en/c/276089/> AND WB. 2016. *2014–2015 West Africa Ebola Crisis: Impact Update*. Available at: <http://pubdocs.worldbank.org/en/297531463677588074/Ebola-Economic-Impact-and-Lessons-Paper-short-version.pdf>

<sup>10</sup> FAO. 2020. COVID-19 and the role of local food production in building more resilient local food systems. Available at: <http://www.fao.org/documents/card/en/c/cb1020en/>

<sup>11</sup> Ibid

<sup>12</sup> Espitia, Alvaro; Rocha, Nadia; Ruta, Michele. 2020. *COVID-19 and Food Protectionism: The Impact of the Pandemic and Export Restrictions on World Food Markets*. Policy Research Working Paper; No. 9253. World Bank, Washington, DC. Available at:

<http://documents1.worldbank.org/curated/en/417171589912076742/pdf/Covid-19-and-Food-Protectionism-The-Impact-of-the-Pandemic-and-Export-Restrictions-on-World-Food-Markets.pdf>

<sup>13</sup> WTO news from 21 January 2021. Available at: [https://www.wto.org/english/news\\_e/news21\\_e/agri\\_21jan21\\_e.htm](https://www.wto.org/english/news_e/news21_e/agri_21jan21_e.htm)

<sup>14</sup> Kim, Jeonghoi (2010). *Recent Trends in Export Restrictions*. OECD Publishing (101). Available at: [https://read.oecd-ilibrary.org/trade/recent-trends-in-export-restrictions\\_5kmbjx63sl27-en#page1](https://read.oecd-ilibrary.org/trade/recent-trends-in-export-restrictions_5kmbjx63sl27-en#page1)

product of the territory of any other contracting party or on the exportation or sale for export of any product destined for the territory of any other contracting party'.<sup>15</sup> But there are exceptions, especially when it comes to foodstuffs or essential products. Article XI:2(a) states that paragraph 1 should not extend to: 'Export prohibitions or restrictions temporarily applied to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting contracting party'.<sup>16</sup>

Still, when implementing an export restriction or prohibition, it is the duty of the WTO member to undertake two actions in accordance with article 12 of the WTO Agreement on Agriculture. First, it shall 'give due consideration to the effects of such prohibition or restriction on importing member's food security'.<sup>17</sup> And second, it should give notice to the Committee on Agriculture of all necessary information such as nature, type of goods and duration. Those notifications ensure transparency among WTO members.

On top of that, members also shall notify every two years all quantitative restrictions (QR) in force according to the 2012 'Decision on Notification Procedures for Quantitative Restrictions'. If it should introduce an export restriction as a result of COVID-19, the country would have to notify it 'as soon as possible, but no later than six months from their entry into force'.<sup>18</sup>

Up to this date (February 2021), only six countries

notified export restrictions to the Committee on Agriculture: Kyrgyzstan, Viet Nam, Myanmar, Ukraine, North Macedonia and Thailand.<sup>19</sup> A report written by Bacchetta et al. (2021) for the WTO recorded 23 countries having implemented foodstuffs restrictions as a result of the COVID-19 pandemic.<sup>20</sup> Nevertheless, it is still a challenge to grasp the true number of temporary export restriction measures enforced since the beginning of 2020. By combining multiple informal sources from the WTO<sup>21</sup>, WB<sup>22</sup> and the International Food Policy Research Institute (IFPRI)<sup>23</sup> we could account for a total of 32 countries with export restrictions on foodstuffs during COVID-19.<sup>24</sup> Those numbers highlight the need for enhanced transparency in notifications at the WTO.

As we have seen previously, governments implement export restrictions primarily to ensure a sufficient domestic supply of key products. Amidst a crisis like COVID-19, countries may fear shortages of foodstuffs and in order to ensure food security domestically, they install more restrictive trade policies. However, this is not without consequences.

First, the impact of export restrictions on the exporting country is not entirely positive. The restriction will rise domestic supply up, as expected, and this will induce a fall in the domestic price. Nevertheless, the reduction in domestic prices will also lower the incentive to

<sup>15</sup> WTO. 1994. General Agreement on Tariffs and Trade. Article XI. Available at:

[https://www.wto.org/english/res\\_e/publications\\_e/ai17\\_e/gatt1994\\_art11\\_oth.pdf](https://www.wto.org/english/res_e/publications_e/ai17_e/gatt1994_art11_oth.pdf)

<sup>16</sup> Ibid

<sup>17</sup> WTO. Agreement on Agriculture. Article 12. Available at :

[https://www.wto.org/english/docs\\_e/legal\\_e/14-ag\\_02\\_e.htm#articleXII](https://www.wto.org/english/docs_e/legal_e/14-ag_02_e.htm#articleXII)

<sup>18</sup> WTO. 2012. Decision on notification procedures for quantitative restrictions. Available at:

<https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=Q:/G/L/59R1.pdf&Open=True>

<sup>19</sup> WTO database. Available at : <https://docs.wto.org/>

<sup>20</sup> Bacchetta, Marc ; Bekkers, Eddy ; Piermartini, Roberta ; Rubinova, Stela ; Stolzenburg, Victor and Xu, Ankaï. 2021. *COVID-19 and Global Value Chains. A Discussion of Arguments on Value Chain Organization and the Role of the WTO*. Economic Research and Statistics Division. WTO. Available at:

[https://www.wto.org/english/res\\_e/reser\\_e/ersd202103\\_e.pdf](https://www.wto.org/english/res_e/reser_e/ersd202103_e.pdf)

<sup>21</sup> WTO database Agriculture Information Management System on Export Restrictions. Available at :

<https://aqims.wto.org/en/ExportRestrictions/ViewResults>

WTO database on Market Access. Available at:

[https://docs.wto.org/dol2fe/Pages/FE\\_Browse/FE\\_B\\_009.aspx?TopLevel=5089#/](https://docs.wto.org/dol2fe/Pages/FE_Browse/FE_B_009.aspx?TopLevel=5089#/)

<sup>22</sup> WB database on COVID-19 Trade Policy. Available at:

<https://www.worldbank.org/en/topic/trade/brief/coronavirus-covid-19-trade-policy-database-food-and-medical-products>

<sup>23</sup> Glauber, Joseph; Laborde, David; Martin, Will and Vos, Rob.

2020. *COVID-19 : Trade restrictions are worst possible response to safeguard food security*. IFPRI. Available at:

<https://www.ifpri.org/blog/covid-19-trade-restrictions-are-worst-possible-response-safeguard-food-security>

<sup>24</sup> Algeria, Angola, Armenia, Argentina, Belarus, Cambodia, Cameroon, Egypt, El Salvador, Gambia, Honduras, India, Iran, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Myanmar, North Macedonia, Pakistan, Romania, Russia, Serbia, South Africa, Sudan, Syria, Tajikistan, Thailand, Turkey, Ukraine, Viet Nam, Zambia

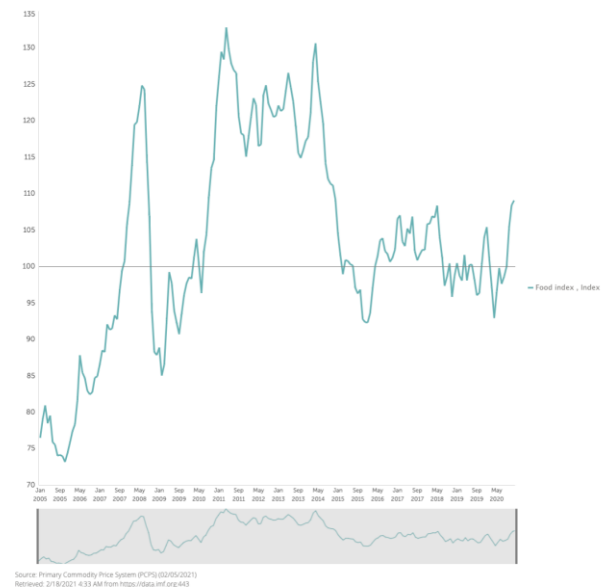
produce domestically.<sup>25</sup> In the long run, the country may lose its comparative advantage and local firms may stop producing if importing countries decide to invest in their own productivity and self-sufficiency as insurance against future supply disruptions.<sup>26</sup> On top of that, higher foreign prices increase the temptation to smuggle goods out of the economy which would be totally counterproductive given the initial goal of the policy.<sup>27</sup> Altogether, the export restrictions could have detrimental effects on the long-run economy of the exporting country.

Second, the impact of export restrictions on the rest of the world is unambiguously negative. If the country is a large exporter, a drastic reduction in its exports will drive the world prices higher. Furthermore, countries could retaliate. The fear of foodstuffs shortages rises as the global supply decreases, triggering a domino reaction of restrictive policies all around the world. In May 2020, Espitia and al. (2020) conducted research in order to estimate the potential effect of the pandemic and export restrictions on the world food market. They came to the conclusion that even though the initial shock to the food supply was quite small, 'the potential escalation in prices as a result of the multiplier effect of (uncooperative) trade policy can be significant'.<sup>28</sup> According to them, this multiplier effect could lead to the price of food being three times higher than the initial COVID-19 shock. So far, to our knowledge, no other studies were conducted to confirm this estimation.

Still, as of today, a steady increase in world food prices can be observed. The FAO's Food Price Index, which tracks monthly changes in

international prices of commonly-traded food commodities, reaches its highest level since July 2014.<sup>29</sup> Even though the prices did not reach such high-levels as during the Global Food Price Crisis, we should be careful that the trend does not go on.

**Figure 2: Food Price Index from Primary Commodity Price System (PCPS)**



Source: International Monetary Fund (IMF) data (02/05/2021)<sup>30</sup>

Although there are to our knowledge no conducted studies estimating the impact of export restrictions on the rise in prices, it is likely that this surge in prices comes from a relatively tight global supply and low stock estimates. During last eight months, prices have been steadily rising, led by cereals, vegetable oils and

<sup>25</sup> WTO. 2020. *Export Prohibitions and Restrictions. Information Note*. Available at: [https://www.wto.org/english/tratop\\_e/covid19\\_e/export\\_prohibitions\\_report\\_e.pdf](https://www.wto.org/english/tratop_e/covid19_e/export_prohibitions_report_e.pdf)

<sup>26</sup> Ibid

<sup>27</sup> Bacchetta, Marc ; Bekkers, Eddy ; Piermartini, Roberta ; Rubinova, Stela ; Stolzenburg, Victor and Xu, Ankai. 2021. *COVID-19 and Global Value Chains. A Discussion of Arguments on Value Chain Organization and the Role of the WTO*. Economic Research and Statistics Division. WTO. Available at:

[https://www.wto.org/english/res\\_e/reser\\_e/ersd202103\\_e.pdf](https://www.wto.org/english/res_e/reser_e/ersd202103_e.pdf)

<sup>28</sup> Espitia, Alvaro; Rocha, Nadia; Ruta, Michele. 2020. *COVID-19 and Food Protectionism : The Impact of the Pandemic and*

*Export Restrictions on World Food Markets*. Policy Research Working Paper;No. 9253. World Bank, Washington, DC. Available at: <http://documents1.worldbank.org/curated/en/417171589912076742/pdf/Covid-19-and-Food-Protectionism-The-Impact-of-the-Pandemic-and-Export-Restrictions-on-World-Food-Markets.pdf>

<sup>29</sup> FAO news. 4 February 2021, Rome. Available at :

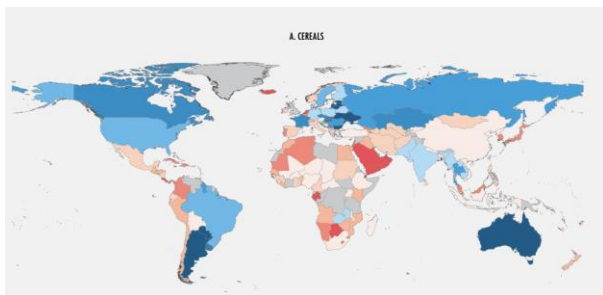
<http://www.fao.org/news/story/en/item/1372486/icode/>

<sup>30</sup> Food Price Index from Primary Commodity Price System (PCPS) based on International Monetary Fund (IMF) data. Available at: <https://data.imf.org/?sk=471DDDF8-D8A7-499A-81BA-5B332C01F8B9>

sugar, according to the FAO.

Yet, this does not have the same impact in every country. Sadly, once again, developing countries are more subject to those rises in prices, especially when on basic necessities such as cereals. In fact, developing countries also tend to be more dependent on others and are more likely to be importing countries for grains.

### Figure 3: Import dependency on cereals, average 2015-2017



Note: Import dependency denotes the share of available domestic food supply that has been imported. Values in red indicate that the country is a net importer.

Source: from FAO report on the State of Agricultural Commodity Markets (2020)<sup>31</sup>

This map shows how Africa is dependent on grain importation. It imports a vast majority of its cereals from the top exporters, namely: the United States of America (USA), Ukraine, Argentina and the Russian Federation.<sup>32</sup> Among those top exporters, only the USA did not impose export restrictions last year. Ukraine implemented

restrictions on the exportation of wheat from April to July 2020 to prevent critical shortages of foodstuffs.<sup>33</sup> Argentina suspended exports of maize until the 28<sup>th</sup> of February 2021 and is accustomed to those restrictions, often used to counter food price inflation.<sup>34</sup> Finally, the Russian Federation imposed many export restrictions, principally on wheat, meslin, rye, barley, corn and all sorts of processed grains until June 2020.<sup>35</sup> Russia also began taxing grain exports from February 2021 with a fixed tariff at first.<sup>36</sup>

This was not without consequences for developing countries importing primarily from those top exporters. As examples, we can cite Benin or Eritrea, which are both importers relying entirely on Russia for their wheat imports.<sup>37</sup> Egypt is also mainly dependent on Russia and is threatened by those new tariffs. It gets 77.4 percent of its wheat imports from Russia which represents 1'663'407 USD Thousands.<sup>38</sup> In South America, Bolivia relies at 93.2 percent on Argentina for its wheat imports. The restrictions by the latter will therefore shake food security in the country. Finally, a good example of retaliation can be observed in North Asia. On the 20<sup>th</sup> of March 2020, the Russian Federation announced a temporary 10-day ban on the export of grains. Two days later, Kazakhstan followed the lead and took measures to ensure food security in its own country.<sup>39</sup> As Kyrgyzstan relies primarily on Kazakhstan for its wheat import, Kyrgyzstan saw 50 percent of its imported calories disappear, forcing itself to impose the same restriction.<sup>40</sup>

<sup>31</sup> Food and Agriculture Organization of the United Nations (FAO), 2020. *The State of Agricultural Commodity Markets 2020. Agricultural markets and sustainable development: Global value chains, smallholder farmers and digital innovations*. Rome, FAO. [online] Available at: <http://www.fao.org/3/cb0665en/online/cb0665en.html>

<sup>32</sup> International Trade Centre (ITC). 2020. Trade Map based on UN COMTRADE and ITC statistics. [online]

<sup>33</sup> WTO doc. Ukraine notification to the Committee on Agriculture. Available at : [https://docs.wto.org/dol2fe/Pages/FE\\_Search/FE\\_S\\_S009-DP.aspx?language=E&CatalogueIdList=263005&CurrentCatalogueIdIndex=0&FullTextHash=&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=True](https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&CatalogueIdList=263005&CurrentCatalogueIdIndex=0&FullTextHash=&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=True)

<sup>34</sup> Feed Navigator article. Byrne, Jane. 01/05/2021. *Argentina's export restrictions and strong US export sales pushing up global maize prices*. Available at: <https://www.feednavigator.com/Article/2021/01/05/Argentina-s-export-restrictions-and-strong-US-export-sales-pushing-up->

[global-maize-prices#:~:text=Argentina%2C%20which%20accounted%20for%2022,19%20pandemic%2C%20noted%20the%20analysts.](#)

<sup>35</sup> WTO database on Market Access. Available at: [https://docs.wto.org/dol2fe/Pages/FE\\_Browse/FE\\_B\\_009.aspx?TopLevel=5089#/](https://docs.wto.org/dol2fe/Pages/FE_Browse/FE_B_009.aspx?TopLevel=5089#/)

<sup>36</sup> Nasdaq news. Devitt, Polina. 02/05/2021. Russia risks repeating Argentina's mistake with grain export tax. Available at : <https://www.nasdaq.com/articles/russia-risks-repeating-argentina-s-mistakes-with-grain-export-tax-2021-02-05>

<sup>37</sup> WB database on COVID-19 Trade Flows and Policy. Available at: <https://www.worldbank.org/en/data/interactive/2020/04/02/database-on-coronavirus-covid-19-trade-flows-and-policies>

<sup>38</sup> Ibid

<sup>39</sup> Global Trade Alert. Latest State Acts. Available at: <https://www.globaltradealert.org/latest/state-acts>

<sup>40</sup> Laborde, David, Abdullah Mamun, and Marie Parent. 2020. *COVID-19 Food Trade Policy Tracker* [dataset]. Washington,

Luckily, retaliation did not pursue all around the world but it was enough to lower confidence in global value chains and to endanger food security in some countries.

In Zimbabwe, the FAO estimates 3.38 million people in the need of urgent humanitarian assistance between the January-March 2021 period, primarily on account of reduced agricultural output and significantly high food prices. Eighteen other African countries are on the FAO list for countries requiring external assistance for food under the reason of high level of food prices due to the pandemic.<sup>41</sup>

We can therefore conclude that the COVID-19 pandemic did threaten food security in developing countries through a reduction of supply and that export restrictions aggravated this initial shock. As of today (February 2021), it is difficult to assess whether there still exists some export bans on foodstuffs due to a lack of transparency. ITC reports four countries that still have barriers to exports: Algeria, Kuwait, Mali and Tajikistan. As those countries are not among the major food exporters, it is not too threatening. However, many quantitative export restrictions were changed into tariffs or taxes like in Russia, for example. Thus, trade barriers are higher now than before the COVID-19 pandemic.

In conclusion, the majority of export restrictions were only temporary and allowed to avoid being in a situation like during the Global Food Price Crisis in 2007-2008 and 2010-2011. Nevertheless, as prices kept rising for the past eight months and as trade barriers are still higher, this is an issue to keep an eye on.

## Earlier Global Food Price Crisis

In 2006-2007 and again in 2008-2009, a succession of shocks created a gap between the global demand and supply for food, leading to an increase in the world food prices. Despite the many differences between the Global Food Price Crisis and the COVID-19 crisis, in origin and in spread, lessons can still be learnt.

The potential causes for the surge in prices in 2006-2007 are many and researchers still differ about them. Even so, here is a list of the most cited drivers and a comparison with the state of the world in 2020-2021.

First, during the Global Food Price Crisis, poor harvests had been observed in major food exporters which led to low global stocks and a rise in food prices. On the contrary, in the beginning of 2020, food prices were still low and stock levels relative to consumption for major grains were 70-100 percent higher than in the late 2000s.<sup>42</sup> Still, since July 2020, commodity prices have been rising and stocks of cereals declining in spite of large harvest and low demand due to economic freeze.<sup>43</sup>

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DC: International Food Policy Research Institute (IFPRI). Available at: <https://www.foodsecurityportal.org/tools/COVID-19-food-trade-policy-tracker>

<sup>41</sup> FAO. List of countries requiring external assistance for food. Available at: <http://www.fao.org/giews/country-analysis/external-assistance/en/>

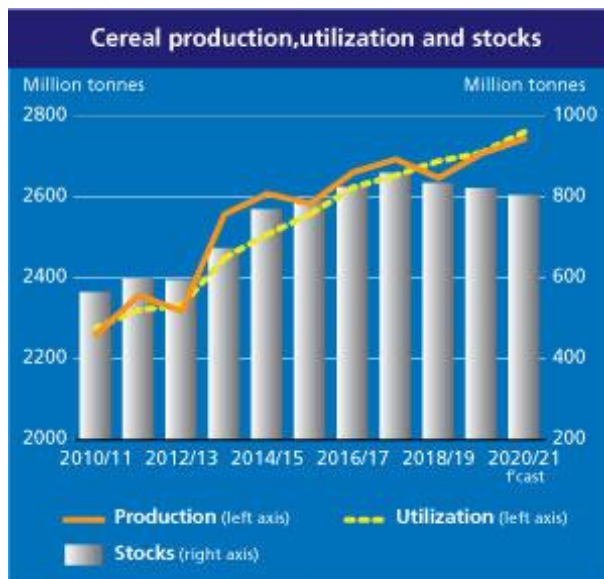
<sup>42</sup> Espitia, Alvaro; Rocha, Nadia; Ruta, Michele. 2020. *COVID-19 and Food Protectionism : The Impact of the Pandemic and Export Restrictions on World Food Markets*. Policy Research

Working Paper;No. 9253. World Bank, Washington, DC. Available at: <http://documents1.worldbank.org/curated/en/417171589912076742/pdf/Covid-19-and-Food-Protectionism-The-Impact-of-the-Pandemic-and-Export-Restrictions-on-World-Food-Markets.pdf>

<sup>43</sup> Murphy, Sophia ; Smaller, Carin. 2020. *We Can Prevent a COVID-19 Hunger Crisis if We Look Back and Learn*. IISD blog. Available at: <https://www.iisd.org/articles/hunger-crisis-covid-19>



**Figure 3: Cereal production, utilization and stocks**



Source: FAO Cereal Supply and Demand Brief. February 2021.<sup>44</sup>

In 2007-2008, the global demand for food was rising thanks to an increase in per capita income, biofuel subsidies and lower interest rates.<sup>45</sup> Nowadays, the global demand for food is slowing down due to the economic recession but still remains higher than production.

In addition, the energy prices, for oil especially, were booming during the Financial Crisis. This is not the case today, as oil prices remained at low levels during the pandemic due to restrictions in travel and trade.<sup>46</sup>

Although the origins of the two crises differ, one thing remains similar. In both cases, governments relied on export restrictions in order to ensure domestic food security and low food prices. During the Food Global Shortage of 2007-2012, 251 export-restrictive measures were implemented.<sup>47</sup> Argentina, Cambodia, China, Egypt, India, Pakistan, Russia, Ukraine and Vietnam were among the major exporters of grains to limit their exports.<sup>48</sup> But already at that time, only 8 countries notified their quantitative restrictions under Article 12 of Agreement on Agriculture. Thus, the lack of transparency is an unsolved issue, still jeopardising trade information today.

Export restrictions implemented during the Global Food Price Crisis destabilised the market in a detrimental way. Even though they were not a key driver of the price spikes, export restrictions rather contributed to exacerbate the magnitude of the crisis by 'putting significant additional upward pressure on prices, whose rise had been initially fueled by other factors'.<sup>49</sup> According to Giordani, Rocha and Ruta (2016), uncooperative trade policies alone were responsible for an increase in global food prices by 13 percent, on average.<sup>50</sup> This impact was even higher for foodstuffs. A study conducted by Martin and Anderson (2012) reported that changes in trade policy accounted for 45 percent of the increase in the world price of rice and 29 percent of the world price of wheat.<sup>51</sup> Consequently, governments should have learnt from their mistake and realised that export

<sup>44</sup> FAO. 2021. *FAO Cereal Supply and Demand Brief*. Available at: <http://www.fao.org/worldfoodsituation/csdb/en/>

<sup>45</sup> Anania, Giovanni. 2013. *Agricultural Export Restrictions and the WTO: What Options do Policy-Makers Have for Promoting Food Security? ICTSD Programme on Agricultural Trade and Sustainable Development*. Issue Paper No. 50. International Centre for Trade and Sustainable Development (ICTSD). Geneva. Available at:

<https://www.files.ethz.ch/isn/173336/agricultural-export-restrictions-and-the-wto-what-options-do-policy-makers.pdf>

<sup>46</sup> Huang, Eustance. 02/19/2021. *JPMorgan says two factors could drive up oil prices by another \$5 to \$10 per barrel*. CNBC news. Available at:

<https://www.cnbc.com/2021/02/19/jpmorgan-says-two-things-could-push-up-oil-prices-by-another-5-to-10-per-barrel.html>

<sup>47</sup> WTO. 2020. *Export Prohibitions and Restrictions*. Information Note. Available at: [https://www.wto.org/english/tratop\\_e/covid19\\_e/export\\_prohibitions\\_report\\_e.pdf](https://www.wto.org/english/tratop_e/covid19_e/export_prohibitions_report_e.pdf)

<sup>48</sup> Anania, Giovanni. 2013. *Agricultural Export Restrictions and the WTO: What Options do Policy-Makers Have for Promoting Food Security? ICTSD Programme on Agricultural Trade and Sustainable Development*. Issue Paper No. 50. International Centre for Trade and Sustainable Development (ICTSD). Geneva. Available at:

<https://www.files.ethz.ch/isn/173336/agricultural-export-restrictions-and-the-wto-what-options-do-policy-makers.pdf>

<sup>49</sup> Ibid

<sup>50</sup> Giordani, P. N. Rocha, M. Ruta. 2016. *Food prices and the multiplier effect of trade policy*. *Journal of International Economics*, Volume 101, Pages 102-122. Available at: <https://www.sciencedirect.com/science/article/abs/pii/S0022199616300484?via%3Dihub>

<sup>51</sup> Martin, W. and K. Anderson. 2012. *Export Restrictions and Price Insulation during Commodity Price Booms*. *American Journal of Agricultural Economics*, Volume 94(2), pages 422-7. Available at: <https://onlinelibrary.wiley.com/doi/abs/10.1093/ajae/aar105>

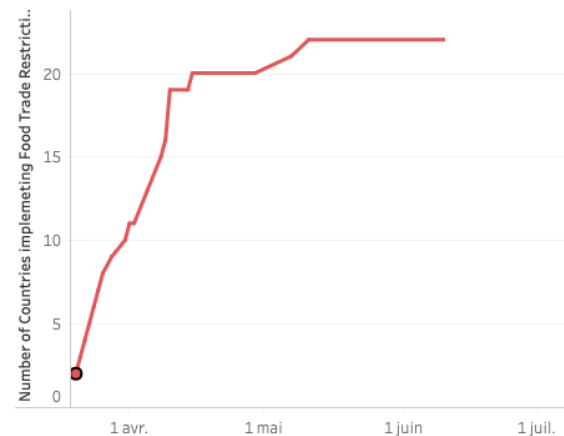
restrictions were not the solution.

Furthermore, restrictions from 88 countries remained in place after the crisis, creating a restricted trade environment for the following years.<sup>52</sup> This too is likely to happen after the COVID-19 pandemic. Indeed, even if export bans have been widely removed, some are now transformed into taxes or tariffs. The consequences of such behaviour could be higher food prices and a decline in trade.

## Role of the WTO

The main difference between the Global Food Price Crisis and the COVID-19 crisis when it comes to export restrictions is that the WTO and other organisations responded quickly to the first surge of export restrictions in the wake of Covid 19. The first countries to restrict their exportations, namely Russia and North Macedonia, began doing so on the 20<sup>th</sup> of March 2020. Then, other countries retaliated and the number of restrictions escalated quickly as plotted on the following figure.

**Figure 4: Number of countries implementing Food Export Restrictions**



Source: Food Export Restrictions Tracker developed by David Laborde (IFPRI)<sup>53</sup>.

Fortunately, the WTO responded quickly to this spiral of restrictive measures. On the 26<sup>th</sup> of March 2020, the Deputy Director-General Alan Wolff said that the COVID-19 pandemic calls for an ‘unprecedented level’ of international cooperation to tackle the crisis.<sup>54</sup> Five days later, the heads of the WTO, FAO and World Health Organization (WHO) issued a joint statement calling on governments to minimise the impact of COVID-19 related border restrictions on trade in food.<sup>55</sup> But this was not enough to stop the panic. At the G20 virtual meeting of agriculture ministers on the 21<sup>st</sup> of April, the Director-General Roberto Azevêdo urged them to ‘act collectively to ensure that our responses to the COVID-19 pandemic do not unintentionally create food shortages’.<sup>56</sup> After this statement, the number of food export restrictions slowed down and by the summer, a majority would be abolished.

This demonstrates once again the importance of quick reactions, transparency and information in times of a crisis. The role of organisations such as

<sup>52</sup> WTO. 2020. *Export Prohibitions and Restrictions. Information Note*. Available at: [https://www.wto.org/english/tratop\\_e/covid19\\_e/export\\_prohibitions\\_report\\_e.pdf](https://www.wto.org/english/tratop_e/covid19_e/export_prohibitions_report_e.pdf)

<sup>53</sup> Food Export Restrictions Tracker developed by David Laborde (IFPRI). Available at: <https://public.tableau.com/profile/laborde6680#!/vizhome/ExportRestrictionsTracker/FoodExportRestrictionsTracker>

<sup>54</sup> WTO news. 2020. Available at : [https://www.wto.org/english/news\\_e/news20\\_e/ddgaw\\_26mar20\\_e.htm](https://www.wto.org/english/news_e/news20_e/ddgaw_26mar20_e.htm)

<sup>55</sup> WTO news. 2020. Available at: [https://www.wto.org/english/news\\_e/news20\\_e/igo\\_26mar20\\_e.htm](https://www.wto.org/english/news_e/news20_e/igo_26mar20_e.htm)

<sup>56</sup> WTO news. 2020. Available at: [https://www.wto.org/english/news\\_e/news20\\_e/dgra\\_21apr20\\_e.htm](https://www.wto.org/english/news_e/news20_e/dgra_21apr20_e.htm)

the WTO, FAO or WHO in raising awareness on those complicated issues is undeniable and prove to be effective.

Still, it also revealed an ambiguity in the WTO agricultural rule book and prompted new discussions over export restrictions on the international stage. On October 1, 2020, the Deputy Director-General Alan Wolff stated that the COVID-19 pandemic was a 'wake-up call' and that the WTO members must 'bullet-proof' the Agreement on Agriculture to avoid the global food supply to become unpredictable in times of crisis.<sup>57</sup> During the December 2020 General Council meeting, a proposal was submitted by Canada and members of the Ottawa Group on not to impose agricultural export prohibitions or restrictions relating to the UN's World Food Programme (WFP) for humanitarian aid. Unfortunately, WTO members could not find an agreement on this. Several Asian and African countries raised serious concerns that the draft decision could adversely affect their food security programmes.<sup>58</sup>

Since then, a group of nearly 80 WTO members issued a joint statement on the 21<sup>st</sup> of January pledging not to impose restrictions on foodstuffs purchased by the WFP for humanitarian aid.<sup>59</sup> But this is not enough for Mr. Leonardo Rocha Bento, the facilitator on export restrictions. He said on the 5<sup>th</sup> of February 2021 that he will continue working with members to reach a text agreeable to all by MC12.<sup>60</sup> Even though this text would only apply to purchases by the WFP, it would already be a great step toward food security for the crises to come.

## Recommendations

Altogether, the earlier Global Food Price Crisis and other episodes of food value chain disruptions brought helpful experience in the wake of COVID-19. This allows us to make the following main recommendations from organisations to the governments:

### ● *Keeping Open Food Markets and Trade*

This is the primary outcome of studies conducted after 2012. Exports restrictions have a counter-productive impact on food prices and only contribute to the rise of the latter. Moreover, it destabilises markets and provokes wealthier food importers into panic purchases. Therefore, it is important to improve cooperation among countries and to avoid beggar-thy-neighbor policies like in 2007-2008.<sup>61</sup>

### ● *Improving Transparency*

The lack of data on which country implements which policy leads to a global uncertainty in the market and higher volatility in prices. For this reason, the WTO recommends to improve transparency and reiterates its guidelines.<sup>62</sup> Governments should ensure publications of trade policies at the national level and should report their quantitative restrictions decisions as soon as possible to the Committee on Agriculture. They should also update their information regularly and provide additional information if necessary.

### ● *Implementing Social Protection Programmes*

Stay-at-home regulations, massive layoffs and illnesses led to a detrimental loss of daily income for many already vulnerable families. On top of that, the cancellation of school meals due to the

<sup>57</sup> WTO news. 10/02/2020. Available at : [https://www.wto.org/english/news\\_e/news20\\_e/ddgaw\\_02oct20\\_e.htm](https://www.wto.org/english/news_e/news20_e/ddgaw_02oct20_e.htm)

<sup>58</sup> Washington Trade Daily. 12/18/2020. Available at: <https://files.constantcontact.com/ef5f8ffe501/ec47c599-5c0c-47fd-80cf-a46244c5af8b.pdf>

<sup>59</sup> WTO news. 01/21/2021. Available at: [https://www.wto.org/english/news\\_e/news21\\_e/agri\\_21jan21\\_e.htm](https://www.wto.org/english/news_e/news21_e/agri_21jan21_e.htm)

<sup>60</sup> WTO news. 02/05/2021. Available at: [https://www.wto.org/english/news\\_e/news21\\_e/agri\\_05feb21\\_e.htm](https://www.wto.org/english/news_e/news21_e/agri_05feb21_e.htm)

<sup>61</sup> FAO. 2020. *COVID-19 and the risk to food supply chains: How to respond?* Rome. Available at : <http://www.fao.org/documents/card/en/c/ca8388en/>

<sup>62</sup> WTO. 2020. *Export Prohibitions and Restrictions. Information Note.* Available at: [https://www.wto.org/english/tratop\\_e/covid19\\_e/export\\_prohibitions\\_report\\_e.pdf](https://www.wto.org/english/tratop_e/covid19_e/export_prohibitions_report_e.pdf)

closure of schools exposed children to malnutrition. Thus, food banks should ensure deliveries of basic food necessities to most-affected regions. Governments should provide safety nets and could also implement cash transfer programmes through mobile payments which are quick to implement and minimise human contact.

### ● *Supporting Smallholder Farmers*

Restrictions on movement and logistic bottlenecks drove to an accumulation of perishable products and hence to food losses. Moreover, lockdowns and labour shortages due to the absence of migrant seasonal workers decreased the possibility to timely harvest. Consequently, the FAO recommends no lockdown and provision of financial assistance for farmers. In the long-run, it advises expanding processing facilities in order to improve storability and prevent gluts of unprocessed food.<sup>63</sup>

Additionally, the development of e-commerce for smallholders could be an opportunity to safeguard themselves against future similar shocks. Otherwise, it would be necessary for developing countries to build a more resilient local food system. Were those disruptions of the global food value chain to become more frequent, shorter supply chains would reinforce food security in those countries. Not only would it provide more job opportunities for the inhabitants, but it would also be a more sustainable option, reducing carbon print and food losses.<sup>64</sup>



## **CUTS International, Geneva**

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<sup>63</sup> FAO. 2020. *Preserving African food value chains in the midst of the coronavirus crisis*. Rome. Available at : <http://www.fao.org/3/ca9067en/CA9067EN.pdf>

<sup>64</sup> FAO. 2020. COVID-19 and the role of local food production in building more resilient local food systems. [online] Available at: <http://www.fao.org/documents/card/en/c/cb1020en/>