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The Issue of Public Stockholding in the WTO

**Food Security and WTO Domestic Support
Disciplines pos-Bali**

by

Rina Oktaviani

Bogor Agricultural University, Indonesia



CENTRE FOR POLICY DIALOGUE (CPD)
B A N G L A D E S H
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Food Security and WTO Domestic Support Disciplines pos-Bali

by Alan Henry Matthews

Discussant
Rina Oktaviani
International Trade Analysis and Policy FEM
IPB, Indonesia



About the paper





- Discuss the controversy of the compatibility of the WTO rules on food security in developing countries.
- Review proposals made for the solution to the procurement of public food security stocks under WTO rules
 - Provide more flexibility (policy space) for developing countries → enlarging the scope of exempt policies or increasing the limit of AMS Supports
 - Encourage countries to use less trade-distorting policies
- Further consideration
 - Explicit allowance in the AoA to adjust the support for excessive rates of inflation → could be the problem
 - Use the administrated price for price support and as a safety net



Discussion

- The background of food price fluctuation, food security and AoA are clear
- Clear qualitative justification of every proposal
- How to choose commodities that are eligible to the food security propose? Trade diplomacy?
- How is the impact of the developing country which could not apply PSH?
- How about the quantitative impact of the proposal in Macro and Micro economy of the country as well as the income distribution and poverty incidence
- Need a further study

Indonesia compare to other countries

| Description |  |  |  |  |
|---|--|---|---|---|
| Food Security ¹ | 12.2 | 23.7 | 5.5 | < 5 |
| Notification product for PSH ² | Not yet | Rice, Wheat, Pulses, Cotton, Mustard, Jute | Wheat, Rice, Corn, Soybean, Cotton, Rapeseed, Pig | Paddy |
| Anggaran ² | Rp 697,8 bil (USD 59 mil) | USD 5,4 bil | RMB 57,9 bil (USD 9,5 bil) | RM 410 jt (USD 128 mil) |

Note :

1. IFPRI. 2011. *Global Hunger Index*. The Challenge of Hunger : Taming Price Spikes and Excessive Food Price Volatility. IFPRI, Washington.

2. Laporan ke WTO : Indonesia : G/AG/N/IDN/30/Rev.1, China : G/AG/N/CHN/21, India : G/AG/N/IND/7, Malaysia : G/AG/N/MYS/25.

Keterangan GHI : Low, Moderate, Serious, Alarming, Extremely Serious

Indonesia Case (preliminary result) (Oktaviani, et al, 2014)

- Using the CGE model of Indonesian Economy
- Simulations:
 - 1 : Consumer price subsidy for Rice, Maize, Soybean, Sugar and Beef.
 - 2: Transfer payment to the poor household in rural and urban area

Impact on Macroeconomy

| Macroeconomic Variables | Price Support | Tranfer Payment |
|--|----------------------|------------------------|
| BOT/GDP | -0.2640 | -0.0001 |
| Budget Defisit (billion Rupiah) | -20,825.54 | -9,935.63 |
| CPI | 1.4823 | -0.0001 |
| GDP | -0.0143 | 0.0000 |
| Consumption | 1.8379 | 0.0001 |
| Government Expenditure | 1.8379 | 0.0001 |

Create trade and budget deficit more int the price support with the inflation and reducing GDP

Impact on Sectoral Economy

| Sectors | Output | | Output Price | | Import | |
|---------|---------------|------------------|---------------|------------------|---------------|------------------|
| | Price Support | Transfer Payment | Price Support | Transfer Payment | Price Support | Transfer Payment |
| Soybean | -1.59 | 0.00 | 4.88 | 0.00 | 8.66 | 0.00 |
| Maize | 1.66 | 0.00 | 8.31 | 0.00 | 21.25 | 0.00 |
| Beef | 2.50 | 0.00 | 7.12 | 0.00 | 14.77 | 0.00 |
| Rice | 1.17 | 0.00 | 5.78 | 0.00 | 12.40 | -0.01 |
| Sugar | 2.00 | 0.00 | 3.01 | 0.00 | 8.35 | 0.00 |

Price support will increase output and output price, except for Soybean output,.
 An increase of output less than an increase of import. → high import dependency

Transfer payment could not provide an incentive for sectoral economy

Impact on Household Income

| Household Group | Price Support | | Transfer Payment | |
|-----------------|---------------|-------|------------------|------|
| | Nominal | Real | Nominal | Real |
| rural1 | 0.87 | -0.61 | 0.26 | 0.26 |
| rural2 | 1.02 | -0.47 | 0.20 | 0.20 |
| rural3 | 0.89 | -0.60 | 0.00 | 0.00 |
| rural4 | 0.92 | -0.56 | 0.00 | 0.00 |
| rural5 | 1.11 | -0.37 | 0.14 | 0.14 |
| rural6 | 0.82 | -0.66 | 0.00 | 0.00 |
| rural7 | 1.17 | -0.31 | 0.00 | 0.00 |
| urban1 | 1.14 | -0.34 | 0.13 | 0.13 |
| urban2 | 1.02 | -0.46 | 0.00 | 0.00 |

Real household income decrease in all household groups due to inflation. Transfer payment will increase the real household income for the poor household group



Notes

- Which policy and commodities that government choose depend on the political will of the government
- The policy is also depend on the government budget
- There is a trade off among the policy that the government should be choosen.

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Thank you