

Policies in OECD countries across a range of sectors (agriculture, aid, trade etc.) that can have a significant impact on food security.

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[Finding the appropriate PCD narrative](#)

OECD country agricultural policies have been consistently criticised for their adverse effects on developing country agriculture and on the growth and development prospects of developing countries. The criticisms are directed against both the way subsidised OECD agricultural products undermine the local markets for domestic producers and compete with developing country exports in third country markets, and at the way trade barriers make it more difficult for developing countries to export to OECD markets.

More detailed investigation shows that developing countries are not necessarily all affected in the same way by OECD agricultural policies (for example, some countries benefit from preferences and would be adversely affected by the erosion of these preferences). The fact that some developing countries, and groups within developing countries such as poor consumers, might benefit from the low world market prices has long been acknowledged. But it was the negative impacts of low world market prices on agriculture that were the focus of the political criticism described in the previous paragraph. The focus on the effects of low world market prices for producers was justified by the predominance of agriculture as a source of employment and economic activity and the evidence that the spill-over and multiplier effects of agricultural growth are higher in low-income economies than for growth in other sectors.

This primary focus on producers changed with the food price spike of 2008-09. International organisations and development NGOs which previously had highlighted the negative effects of low world food prices on poverty and development turned to highlighting instead the negative impact of high world food prices for poverty. This seemed to contradict the view underlying criticisms of the incoherence of OECD

agricultural policies that unduly low world food prices were the cause of poverty and food insecurity in developing countries.

Changes in food prices create both winners and losers between and within developing countries. Identifying more development-coherent policies in this situation means recognising the important role that prices play in allocating resources at a global level. Trade-distorting agricultural policies are incoherent because they depress world market prices and discourage food production in developing countries below its optimal level. Biofuel mandates are incoherent with development even if they raise global agricultural prices above market-determined levels because they send a misleading signal to developing countries and encourage a mistaken and potentially costly misallocation of resources. But sets of policies have important distributional impacts within developing countries, creating both winners and losers, but ultimately the coherence of these policies is judged by whether they distort the sensible allocation of resources in developing countries.

Whole-of-government' approach

PCD analysis typically starts by taking an individual OECD country policy, such as agricultural policy, and evaluating its impact on developing countries. When policies are examined from the perspective of a developing country objective such as food security, then a range of OECD policies may be relevant. The impact of agricultural policy on developing countries works through its effect on the level and stability of world market prices, and this will also be a relevant channel for other OECD policies. But, in addition, other policies also bring new channels of impact into the picture.

Non-agricultural OECD policies relevant to food security in developing countries include food safety, sanitary and phyto-sanitary (SPS), trade, environmental, renewable energy, climate change and research and innovation policies. Food safety and SPS measures, if abused, affect world market prices but also have a discriminatory effect as they are usually targeted against specific exporting countries. Trade policies clearly affect world prices, but also increasingly involve agreements on 'beyond the border' measures with specific countries or groups of countries. Environmental policies may limit agricultural production and hence influence world

prices, but can also impact on developing countries through influencing the global stock of biodiversity. Renewable energy policies may also limit food production and hence world prices, but will also affect developing countries through their influence on fossil fuel prices. Climate change policies may limit agricultural production or influence consumption patterns and hence the level of world prices, but by influencing the stock of greenhouse gases in the atmosphere they also affect yield levels in developing countries. Policies towards agricultural research and the use of innovations (for example, biotechnology) also have the potential to influence OECD agricultural production levels and hence world market prices, but may also increase the shelf of technologies available to developing countries and hence their yield potential in the longer-run.

It might be possible, with creative modelling, to determine the overall impact (positive or negative) of all a particular country's policies on food security in developing countries. But, even assuming that this would be possible and that the results were credible and accepted, the value of such an exercise can be questioned. The fact that some policies might benefit developing countries and thus offset possible damage from other policies does not legitimise or justify the incoherence of those policies with adverse effects. If such policies could be reformed, then the benefits to developing countries would be even greater.

Policy change in a world of distortions

Policy changes never take the form of 'an either/or' choice, e.g. whether a country should have an agricultural policy or not. Policy change usually involves either a change in policy instrument, e.g. a move from coupled to decoupled payments, or a change to the setting of an instrument, e.g. the level of a coupled payment. In a policy setting where there are already other policy instruments in place, evaluating the impact of a policy change needs to take account of the 'theory of the second-best'. This theory notes that, where an existing distortion is in place, changing a second policy may have welfare effects opposite to that which might have been normally expected.

An obvious example is that introducing policies to promote biofuel use (which tend to raise world market prices) can, at an aggregate level, work to offset the effect of agricultural policy in lowering world market prices. The fact that one policy may act to counter the adverse effects of another policy on developing countries is relevant when measuring impacts, but should not be used to justify either policy from a PCD perspective.

Impact on 'development', not 'developing countries'

Given the heterogeneity of developing countries, there will always be some countries that gain from a particular OECD country policy stance even while others are made worse off. Also within developing countries, there are some groups that gain while other groups are made worse off. Simply adding up the winners and losers from a particular OECD country policy can provide a first indication to determine if that policy is coherent with the development objective of reducing poverty or not. But it cannot be the sole factor taken into account. Some of the effects will be impact effects while others come into play over time, so the time period for the analysis would have to be specified. There may be disagreement on the set of developing countries to be included in the calculation, and whether these should be weighted equally or using some other set of weights. The relative importance to be given to producer and consumer interests would need to be established. Sometimes the measured impacts are biased because of the existence of other distorting policies in place. Sometimes the effect will depend on the policy stance in the developing country itself, and changes in developing country policies will change the size and even the direction of the measured impact of the OECD country policy.

For these reasons, evaluating the coherence of OECD policies for food security should focus more on their implications for the framework of global rules rather than a mechanical calculation on their impacts on developing countries. Developing countries have the main responsibility to provide the appropriate incentives and to make the necessary investments to improve their food security, but their decisions will be influenced by the global framework and rules environment. Greater predictability and stability in global rules to allow developing countries to take

advantage of the gains from trade, and ensuring that these rules are consistent with efforts to improve food security, should be key metrics for the measurement of PCD.