

Trade Policy and Food Security

The Implications of the WTO's Agreement on
Agriculture for Caribbean Small Vulnerable
Economies (SVEs)

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Abstract

Agriculture is instrumental in the socio-economic development of Caribbean small, vulnerable economies. Economists have supported trade liberalization and its role in promoting economic growth, especially among developing countries, commonly referring to it as an 'engine of economic growth'. The paper focuses on the impact of the Agreement on Agriculture on food security in Caribbean SVEs and was approached by examining its three pillars. In terms of the objectives and commitments made under the Uruguay Round an assessment was made on the implementation of such commitments and the outcomes for the SVEs.

The research showed that to date, the objectives of the Agreement have not been fully realized and protectionism has actually increased in developed countries. The multilateral agricultural trade negotiations under the auspices of the World Trade Organization had projected the reduction in trade distortions and protectionism in international trade, thereby creating a fair trading environment for WTO members. This has resulted in the SVEs bringing to attention, in the current round of negotiations (Doha), trade-related problems experienced by the group, among which are the implications of the WTO agreements on their open economies, agriculture and sustained development.

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Acronyms and Abbreviations

AoA: Agreement on Agriculture

CARICOM: Caribbean Community

ECLAC: Economic Commission for Latin America and the Caribbean

ERS/USDA: Economic Research Service, United States Department of Agriculture

GATT: General Agreement on Tariffs and Trade

FAO: Food and Agriculture Organization

ICTSD: International Centre for Trade and Sustainable Development

IICA: Inter-American Institute for Cooperation on Agriculture

MFN: Most-favoured-nation

OECD: Organisation for Economic Co-operation and Development

SDT: Special and Differential Treatment

SSG: Special Safeguards

SVEs: Small Vulnerable Economies

UN COMTRADE: United Nations Commodity Trade Statistics Division

WTO: World Trade Organization

Introduction

In the 1996 Rome Declaration on World Food Security, global leaders made a commitment “to ensure that food, agricultural trade and overall trade policies are conducive to fostering food security for all through a fair and market-oriented world trade system.” They hoped to achieve increased levels of food security and the target was to halve the number of undernourished people in the world by 2015 especially in the developing world. Most of the world’s poorest and 1.02 billion undernourished persons (FAO 2009 estimates) are to be found in developing countries. This slows down the progress towards achieving the first Millennium Development Goal (MDG 1) and according to experts the situation has been worsened by both the recent food and economic crises.

The Caribbean SVEs are generally net-importers of goods and services, particularly in agricultural trade. In 2008, imports were valued at US\$61,326 (million) while exports at US\$30,542 (million), resulting in a trade deficit of -US\$30,784 (million) (COMTRADE 2009). In 2006, 78 percent of agricultural imports were accounted for by food imports, with food import bills increasing annually (FAO). Therefore, food imports significantly share in total imports, threatening the Caribbean’s food security status as a result of increased import dependency. Consequently, the Caribbean region has become more proactive in its determination to improve food security. This is clearly outlined in agricultural policies such as the CARICOM Community Agricultural Policy which states as a goal “improved income and employment opportunities, food and nutrition security, and poverty alleviation in the Community” (CARICOM Secretariat 2002). More specifically the regional governments through cooperation with national, regional and international organizations have formulated plans to improve the Caribbean’s food security situation in the coming years. Examples of such agricultural, food or food security initiatives are the Regional Transformation Programme in Agriculture, Jagdeo Initiative and Regional Food Plan.

The work of the Region has also extended to the WTO framework through the small, vulnerable economies group, a group of developing countries aimed at carving out flexibilities tailored to their characteristics and not to developing countries as a whole. The term applies to Members with economies that, in the period 1999 to 2004, had an average share of (a) world merchandise trade of no more than 0.16 per cent or less, and (b) world trade in non-agricultural products of no more than 0.1 per cent and (c) world trade in agricultural products of no more than 0.4 per cent (WTO 2008). To date the active proponents of the SVEs comprising about

twenty four (24) small states have become more active in the new round of agricultural trade negotiations. This has been evident throughout the Doha Round with the promotion of food security concerns, among other issues, by the SVEs.

The AoA was implemented “to establish a fair and market-oriented agricultural trading system.” Its three pillars domestic support, export subsidies and market access have facilitated the process of agricultural trade liberalization. It is however believed that the agreement has created winners and losers, significantly affecting the trading capabilities of developing countries. This can be seen in terms of the further opening of domestic markets to cheaper imports which means reduced export earnings and increased import dependency. Therefore, creating a complex relationship between multilateral trade liberalization, domestic trade reform and food security policies.

The Caribbean states were singled out from the larger SVEs grouping to allow for more in depth regional research. The Caribbean SVEs are Antigua and Barbuda, Barbados, Belize, Cuba, Dominica, Dominican Republic, Grenada, Guyana, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago. The purpose of the study will be to act as a support document for Caribbean agricultural trade policy stakeholders such as policy makers, trade officials, farmer organisations and others. Also, adding to the body of Caribbean-based research.

Literature Review

“Agricultural trade liberalization and trade reform in general, have significant impacts on all dimensions of food security for Caribbean countries – availability, access, utilization and stability.”

Agricultural Trade Policy and Food Security in the Caribbean: Structural issues, multilateral negotiations and competitiveness. J.R. Deep Ford, Crescenzo dell’Aquila and Piero Conforti, 2007.

Trade liberalization is an ongoing process in the multilateral trading system, under the auspices of the World Trade Organization (WTO). Trade liberalization defines trends by governments to promote the movement of goods and services through regulated trade; in other words, the removal of any restrictions to trade among countries. Increased commitments towards trade liberalization started after World War II and saw the establishment of trade organizations such as the General Agreement on Tariffs and Trade (GATT) and the WTO. These organizations were mandated with the task to minimize the effects of trade distortions and protection while at the same time promoting increased international trade. This has resulted in changes in the global trading regime, impacting all factors of trade in developed and developing countries.

Historically, a debate has developed between two schools of thought on trade liberalization and its impact on countries that engage. The proponents of trade liberalization date back to as early as the 18th century with economists such as Adam Smith and later, David Ricardo and John Stuart Mills. Traditional trade theory proposes that trade is based on comparative advantage. It takes place between countries that produce goods according to their factor endowment; labour-intensive countries specialize in agriculture and capital-intensive countries in industry. As specialization is fostered within these countries, participation in global trade will take place to meet domestic demands. “If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with part of the produce of our own industry, employed in a way in which we have some advantage” (Smith 1776)

In the work of Hechsher-Ohlin, Stolpher-Samelson and Rybznski and the beforementioned economists several advantages of trade liberalization are evident. Firstly, trade liberalization is referred to as ‘the engine of economic growth’. Endogenous growth models suggest that trade openness should be positively associated with growth. Harrison in

her 1991 paper concluded that the “correlation across openness measures are sometimes weak, but openness does seem to be positively associated with GDP growth – the more open the economy, the higher the growth”. In contrast, limited trade liberalization and the proliferation of restrictions will have the opposite effect. Therefore, countries with high protectionism will experience lower output and growth. Secondly, trade results in the reallocation of scarce resources to areas of greatest efficiency which increases a country’s access to and consumption patterns of goods and services. The trade liberalization proponents argue that as markets open and trade increases, the rise in competition causes domestic firms to be more productive. Consequently, the domestic market (both producers and consumers) gain through the availability of cheaper foreign inputs and an increase in purchasing power. Also, trade liberalization creates a suitable environment for firms to invest, taking advantage of reduced operating and production costs.

The prevailing view that trade liberalization leads to growth has been scrutinized by researchers, including Rodriguez and Rodrik (1999). They questioned the effectiveness of certain openness measures in determining levels of barriers to trade. This flaws the results of such studies and does not provide strong arguments for the correlation between openness and economic growth. Rodriguez and Rodrik proposed a revision of methodology and recommended the use of average tariffs in assessing a country’s openness and in turn its economic benefits. Others have also shown an interest in disqualifying the much lauded benefits of trade liberalization and the measurement of its effect on countries.

The opponents of trade liberalization or protectionists are of the opinion that a country benefits more from trade within its borders. Developing countries for example in Latin America for decades had ‘import substitution industrialization (ISI) policies, linked to the protection of infant industries. Protectionist theories are founded in the Prebisch-Singer (PS) hypothesis with the premise that openness to trade harms poorer countries. It creates trade imbalances, distortions and loss of jobs, just to name a few. Therefore, for protectionists trade liberalization is directly related to economic growth, development, poverty and gender issues. However, economists from the World Bank and IMF are usually cited as discouraging developing countries from having trade barriers and restricting exports, stating that they will not be able to attain economic growth with such policies. The structural adjustment programmes instituted in the 1980s were instrumental in the elimination of ISI policies, commencing trade liberalization in Latin America. In examining both views on trade liberalization it can be stated that openness to the global economy seems a necessary, though not sufficient, condition for sustained growth

and development (Fiestas 2005; EU 2006). The non-trade policies and infrastructure of a country are important for the ‘trickle-down’ effect of trade liberalization to occur.

There are both winners and losers as a result of multilateral trade liberalization. Researchers forecasted that the Uruguay Round was no exception to the rule. Various econometric studies were carried out by international organizations such as the World Bank, OECD and GATT to estimate the Uruguay Round effect on WTO members. These studies may be categorized into three sets, pre, during and post Uruguay Round. They analysed the trade liberalization rules by means of models, including the computable general equilibrium (CGE) model. CGE models allow for the assessment of trade policy impact on countries or sectors, providing policymakers with a decision making tool. The different studies focused on different aspects of the agreements. For example, in Goldin and van der Mensbrugge (1996), the implications of the Agreement on Agriculture (AoA) were examined with specific focus on sub-Saharan Africa. In a compilation of post-Uruguay Round studies by UNCTAD (2000a) it was found that such studies estimated various outcomes for the individual countries and sectors. The analysts however generally concluded that East and South Asia would receive the largest welfare gain while the smallest gains going to the OECD, African and Latin American countries.

As it relates specifically to agricultural trade liberalization many researchers were also of the opinion that the gains to the developing countries would be unequal and limited. “Overall, the ability of developing countries to make adequate gains via export earnings to meet the increase in food import bills may be limited. Developing countries as a whole are expected to improve their trade balances by some US\$ 7.5 billion between the base period and 2000, of which US\$ 3.1 billion can be attributed to the Agreement [on Agriculture]. However, these gains are unlikely to be shared equally” (Healy et al 1998)

Critics of the AoA are very vocal on the negative impact of agricultural trade liberalization on food security. “There are three main problems with the AoA: it ignores the realities of global agricultural markets, it reinforces industrial agriculture at the expense of sustainable agriculture, and it fails to acknowledge the widely differing needs of countries at different levels of development.” (Murphy 2002) Food security is a developmental concern for all countries, especially those of the developing world. This developmental perspective is more concerned with the impact of trade liberalization on the livelihoods of small domestic producers and on wider rural communities as many persons depend on agriculture, both as a source of income and food, in these countries.

Over the last few decades several definitions have been formulated for food security, evolving and acquiring new aspects depending on the level of importance placed on achieving food security.

“Availability at all times of adequate world food supplies of basic foodstuffs to ensure a steady expansion of food consumption and to offset fluctuations in production and prices.” World Food Conference 1974

“Ensuring that all people at all times have both physical and economic access to the basic food that they need.” FAO 1983

“Food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life.” World Food Summit, 1996

“Food security is a situation that exists when all people, at all times, have physical, social, and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life.” FAO 2001

The WTO provides a trade policy perspective of the term, defining food security as a “concept that discourages opening the domestic market to foreign agricultural products on the principle that a country must be self-sufficient as possible for its basic dietary needs.” These concepts all involve the availability to sufficient food supplies to humans whether on a global, national, regional, household or individual level.

Four dimensions of food security food availability, access, utilization and stability are highlighted in the definition. The first aspect, food availability may be described as the availability of sufficient quantities of food of appropriate quality, supplied through domestic production or imports, including food aid. Secondly, food access means the access by individuals to adequate resources (entitlements) for acquiring appropriate foods for a nutritious diet. Entitlements are defined as the set of all commodity bundles over which a person can establish command given the legal, political, economic and social arrangements of the community in which they live, including traditional rights such as access to common resources. Another aspect is the utilisation of food through adequate diet, clean water, sanitation and health care to reach a state of nutritional well-being where all physiological needs are met. This brings out the importance of non-food inputs in food security. Finally, to be food secure, a population, household or individual must have access to adequate food at all times. This describes the stability dimension of food security. They should not risk losing access to food as a consequence of sudden shocks, for example, an economic or climatic crisis or cyclical events

such as seasonal food insecurity. The concept of stability can therefore refer to both the availability and access dimensions of food security (FAO 2006)

Most case studies to date have been focused on the analysis of food security at the household and individual levels (Jenkins and Scanlan 2001; Sharma 2006; Lovendal and Knowles 2006). These are linked directly to poverty and hunger conditions and seek to remove the generalities associated with aggregated data. The limitation of such aggregated data is that it fails to account for distribution of food supply in different areas, even within a country's rural and urban regions. Those studies examining the impact of the multilateral agricultural trade agreement, on the other hand, carry out research from a global or national perspective. National food security is concerned about the availability of domestic and imported food supplies; the ability of exports to purchase imports and the overall effects on price stability (Konandreas 2000; Ford et al 2007)

PART I

Agricultural Trade Liberalization: The Agreement on Agriculture

The Agreement on Agriculture is one of several agreements born out of the Uruguay Round of negotiations. It entered into force with the establishment of the World Trade Organization on January 1, 1995. The long-term objective of the AoA as stated in its preamble “is to establish a fair and market-oriented agricultural trading system”, a process that would allow for reform in the principles and disciplines that govern agricultural policies. The benefit in the long-run being improved predictability and security for importing and exporting WTO member countries. The procedure necessary for achieving this objective includes commitments to reduce those policies that create distortion in agricultural trade and production caused by agricultural support and protectionist measures.

Specific commitments in the areas of market access, domestic support and export competition were formulated in the Agreement. These rules and commitments, referred to as the three pillars, were pivotal in achieving the objective of a less trade-distorting global agricultural trading system. Also, WTO members should take into account non-trade concerns including food security and special and differential treatment for developing countries.

Market Access

The market access provisions and commitments of the AoA were made possible through the process of tariffication, tariff quotas, Special Safeguard, and special and differential treatment instruments. Article 4.2 of the Agreement prohibits the use of non-tariff border measures, subject to certain exceptions. The measures prohibited includes quantitative import restrictions, variable import levies, minimum import prices, discretionary import licensing, non-tariff measures maintained through state-trading enterprises and voluntary export restraints. Non-tariff measures were converted into tariff equivalents, i.e. by tariffication, in a bid to reduce the distorting effects of such measures. Additionally, the AoA specified the maximum or bound tariff rate that each member can apply to exports. Developed countries made commitments to reduce tariffs by an average of 36 percent on all agricultural products, with a minimum cut of 15 percent for each tariff line, over a 6 year period, starting in 1995. While for developing countries the cuts were 24 percent and 10 percent, respectively, for a 10 year period. Also under the market

access pillar, provisions were made for the application of a reduced tariff rate for a particular quantity of imports, equivalent to 5 percent of domestic consumption. This refers to the establishment of tariff rate quotas (TRQs) which ensured a level of minimum access for the products that had been tariffed. The AoA recognized a total of 1374 individual tariff quotas of which members have made binding commitments in their schedules.

Article 5 specifies the Special Safeguard (SSG) provisions which allow members to protect domestic producers against sudden import volume surges or a fall in import price. It is a temporary measure in which importing countries may impose additional tariffs, higher than the bound rates. For the 'volume trigger', the higher tariffs are applicable to the end of the particular year while for the 'price trigger', these can only be applied on a shipment-by-shipment basis. The SSG provisions are available mainly to developed countries that carried out tariffication and in this case, only 21 developing countries have access. The special and differential treatment (SDT) requires developed country members to take into account the particular needs and conditions of developing country members, providing for a greater improvement of opportunities and terms of access for agricultural products of interest to developing countries, including the fullest liberalization of trade in tropical agricultural products (WTO 2002). SDT under grains the entire Agreement, developing countries are given longer periods to implement the AoA provisions at lower levels, as compared to the developed countries. The key objective of these changes as it relates to market access was to stimulate investment, production and trade in agriculture by making agricultural market access more transparent, predictable and competitive; strengthening the link between national and international agricultural markets and relying more prominently in the market for guiding scarce resources into their productive uses both with the agricultural sector and economy-wide (WTO 2003).

Domestic Support

In agriculture, domestic support relates to any subsidy or other measure that allows higher producer prices than that of international prices. Direct payments to producers, including deficiency payments, and input and marketing cost reduction measures available only for agricultural production are examples of domestic support measure. A key objective had been to discipline and reduce domestic support while at the same time leaving greater scope for governments to design domestic agricultural policies, in the face of, and in response to, the wide variety of the specific circumstances in individual countries and individual agricultural sectors. The approach agreed upon is also aimed at helping ensure that the specific binding

commitments in the areas of market access and export competition are not undermined through domestic measures (WTO 2003). The domestic support pillar is designed to quantify all measures that are deemed as having a distorting effect on trade using the Aggregate Measure of Support (AMS) formula and progressively reducing such measures. The main targets are the developed country members with developing countries having lower obligations.

Domestic support that meet the requirement of having no, or at most minimal, trade-distorting effects or effects on production is referred to as 'Green Box' measures and are allowed under the AoA. 'Amber Box' measures are however deemed trade-distorting and are subjected to reduction commitments. The Green Box (Annex 2) covers a wide variety of government services programmes such as general services, public stockholding for food security purposes, domestic food aid, direct payments to producers, decoupled income support, government financial participation in income insurance and income safety-net programmes, payments (made either directly or by way of government financial participation in crop insurance schemes) for relief from natural disasters, structural adjustment assistance provided through producer retirement programmes, structural adjustment assistance provided through resource retirement programmes, structural adjustment assistance provided through investment aids, payments under environmental programmes, and payments under regional assistance programmes. Although these measures are not subject to reduction commitments, they should be provided through a publicly-funded government programme not involving transfers from consumers and not have the effect of providing price support to producers.

Other domestic measures are also exceptions to the reduction rule, but not included in the Green Box. Government assistance measures for rural development and are an integral part of developmental programmes in developing countries as stated in Article 6.2, are categorized as developmental measures. Another exception is trade-distorting measures that fall within the *de minimis* level of support. Member countries are not obliged to reduce domestic support where such support does not exceed 5 percent of the value of individual products or the total value of agricultural production, for developed countries (developing countries 10 percent). 'Blue Box' commitments of Article 6.5 allow members not to reduce support if such payments are based on a fixed area and yields, 85 per cent or less of production in a base period or a fixed number of livestock.

Export Competition

An export subsidy as defined in the AoA refers to subsidies contingent on export performance. The aim of the AoA was to curtail the right to use export subsidies and reduce export subsidy expenditure. Only countries that had export subsidies during the base period were obliged to carry out reduction commitments, while all others were prohibited from using export subsidies. An exception to this rule is developing country members who may, in the implementation period, grant marketing cost and internal transport subsidies. The export subsidy reduction instrument required that developed countries reduce the volume of subsidized exports by 21 percent and budgetary outlays for export subsidies by 36 percent, over a 6 year period. Developing country cuts are 14 percent and 24 percent, respectively, over 10 years. The reduction requirements of the Agreement were applied to several types of export subsidies, as detailed in Article 9. These are a) direct export subsidies contingent on export performance b) producer-financed export subsidies c) payments on the export of an agricultural product that are financed by virtue of governmental action d) export marketing subsidies e) cost-reduction measures and f) subsidies on incorporated products. At the end of the Uruguay Round, 25 members had export subsidy reduction commitments specified in their schedules, with a total of 428 individual reduction commitments.

PART II

The Caribbean SVEs

The Caribbean SVEs is a diverse group with a total of fourteen WTO developing country members. They are located in relatively close geographical proximity to each other and consist of islands and mainland states. The small island states are Antigua and Barbuda, Barbados, Dominica, Grenada, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines. The larger island states are Cuba, Dominican Republic, Jamaica and Trinidad and Tobago while the mainland states are Belize, Guyana and Suriname. However, the group is characterized by heterogeneous social, economic and political factors leading to differences in economic development. As shown in Table 1, the estimated population of the Caribbean SVEs is 27 million in 2010, with two of the larger states, Cuba and the Dominican Republic accounting for over 74% of this population.

Since the 1970s, the agricultural sectors of the Caribbean SVEs have experienced declining importance to the economies. This has been linked to impacting trends such as the increase in urbanization, structural adjustment programmes, globalization and trade liberalization. Today, most of the economies are services-driven in areas such as tourism and financial services. In contrast, Trinidad and Tobago is more industry-oriented as the contribution of agriculture to GDP in 2008 was less than 1%. Guyana and Belize are however more dependent on agriculture, both having agricultural GDP of over 25%. As a result, the income per capita has also changed within the group with Trinidad and Tobago, Barbados, Antigua and Barbuda and St. Vincent and the Grenadines ranked among the Caribbean SVEs' four highest GDP per capita economies.

Table 1: Socio-economic Characteristics of Caribbean SVEs

Countries	Population (2010 est.)	Land Size (sq. km)	GDP per capita (2009 est.)	Contribution of Agriculture to GDP
Antigua and Barbuda	86,754	442.6	\$18,100	3.8%
Barbados	285,653	430	\$18,500	6%
Belize	314,522	22,966	\$8,100	29%
Cuba	11,477,459	110,860	\$9,700	20%
Dominica	72,813	751	\$10,200	17.7%
Dominican Republic	9,794,487	48,670	\$8,300	14.6%
Grenada	107,818	344	\$10,800	5.4%
Guyana	748,486	214,969	\$3,800	25.1%
Jamaica	2,847,232	10,991	\$8,200	6%
St. Kitts and Nevis	49,898	261	\$15,200	3.5%
St. Lucia	160,922	616	\$10,900	5%
St. Vincent and the Grenadines	104,217	389	\$18,100	10%
Suriname	486,618	163,820	\$9000	10.8%
Trinidad and Tobago	1,228,691	5,128	\$23,100	0.5%

Source: World Factbook

The Caribbean SVEs acceded to the WTO between 1995 and 1996 bringing into force the AoA within these countries in the same period. In the Doha Round the SVEs group emerged, with distinguishing characteristics from that of the wider developing country membership [see Box 1]. The SVEs perceive that these particular characteristics are directly related to their state of economic development which is in turn has been affected by the multilateral trading system and its agreements, including the AoA. The SVEs Committee developed a list of trade-related concerns, examples of which include:

- Tariff peaks and tariff escalation affect small, vulnerable economies as they impede the diversification and exportation of products with high value added.
- The agricultural and fisheries sectors in small, vulnerable economies play key roles in the attainment of their economic development goals, in particular with regard to food security, rural development, exports and employment. Therefore the volatility of international prices for agricultural and fisheries products exported by small, vulnerable economies constitutes an important factor of high vulnerability.
- The very limited participation of small, vulnerable economies in international trade prevents them also from effectively defending their export interests in cases of modification of schedules under Art. XXVIII of GATT 1994 and in the renegotiation of tariff concessions, which under current arrangements recognize only substantial interest defined narrowly.
- The high transaction costs, the isolation of island countries and the environment surrounding land-locked countries, are basic problems for these small developing economies.
- The WTO Agreement on Subsidies and Countervailing Measures contains provisions resulting in the low cost incentives granted by the small, vulnerable economies, which are essential for the development of export oriented industries, being unfairly treated as prohibited subsidies. (WTO 2005)

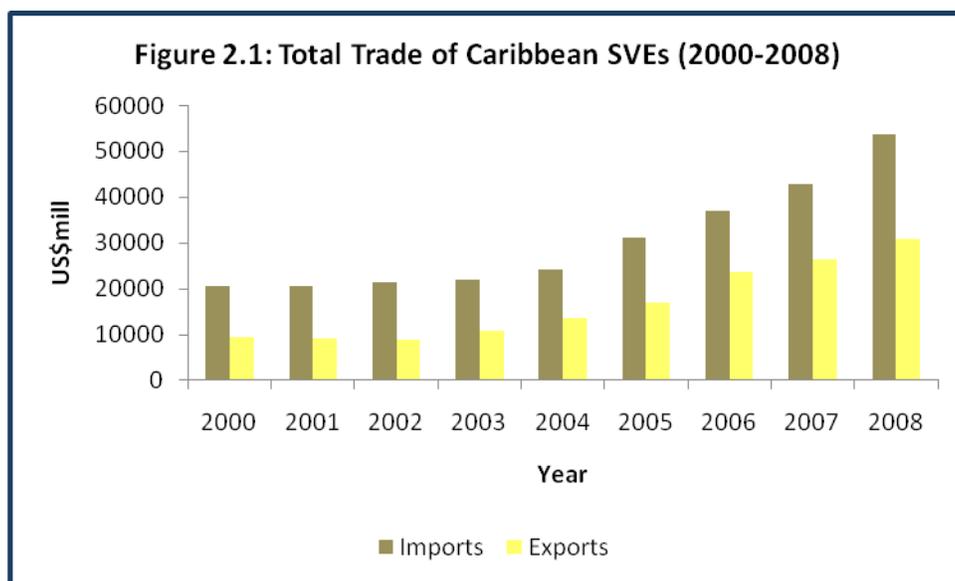
Box 1: Characteristics of Small, Vulnerable Economies

Source: WTO 2006

1. Physical isolation, geographical dispersal and distance from the main markets. Many are Small Island or landlocked developing countries.
2. Insignificant participation in the multilateral trading system and a minimal share of total world trade.
3. Small, fragmented and highly imperfect markets.
4. In general, very open economies.
5. Domestic markets with imperfect and highly polarized structures: either a multitude of small and micro enterprises, or cartels/monopolies.
6. Minimal or no export diversification: concentration of exports on very few products (especially commodities, traditional products and low value added goods).
7. Low supply of export services.
8. Dependent upon very few export markets.
9. Inadequate Infrastructure.
10. High degree of vulnerability.
11. Low competitiveness.
12. Low levels of productivity and insufficient supply.
13. Economic rigidity with high adjustment costs.
14. Unable to sustain diversified productions.
15. Considerable difficulties to attract foreign investment.
16. Lack of adequate market access opportunities to place their few export products.

It is evident that Caribbean SVEs are small players within international markets, as both importers and exporters. The composition of the resources has led to the creation of competitive advantage in the production and trade of a limited range of goods and services. The major trading partners of the Caribbean SVEs are the USA, Canada, European Union and CARICOM.

The Caribbean SVEs' total exports have seen significant changes in the contribution to the individual economies, with an increase of US\$21,540 million from 2000-2008, as shown in Figure 2.1. The total import bill was higher than the export revenues and increased by US\$33,033 million during the period. The difference in imports and exports i.e. the trade balance of the Caribbean SVEs have typically worsen during the nine years, a continuing trend from the 1970s with the depreciation of local currencies and the loss in major revenue earning industries. According to COMTRADE data, the trade deficit of Cuba more than tripled during the 2000-2008 period. Other countries which faced similar trade deficits were Guyana, Jamaica and the Dominican Republic. Twelve of the fourteen countries of the group have experienced an increase in the value of total value of imports as exports have declined, i.e. with the exception of Suriname and Trinidad and Tobago. These two countries had positive trade balances with Suriname moving from -US\$141 million in 2000 to US\$380 million in 2008. Trinidad and Tobago imports value increased by approximately 840%, a difference of US\$8082 million between 2000 and 2008.



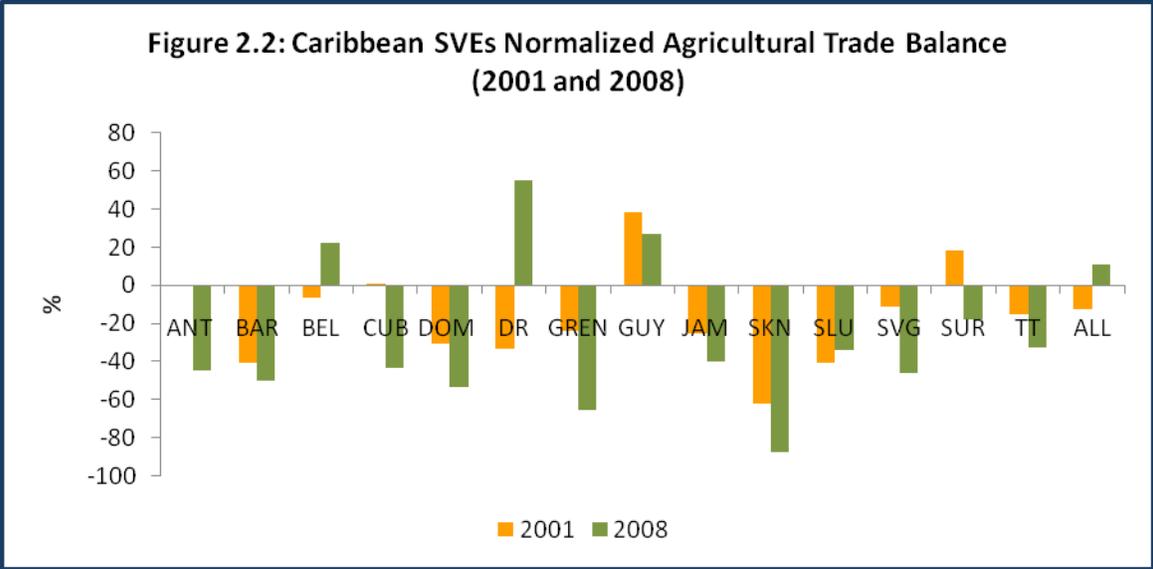
Source: COMTRADE

Annex 1 of the Revised Draft Modalities for Agriculture of July 2008 defined a SVE as an economy for which the average share of world agricultural trade did not exceed 0.40 percent in the period 1999-2004. An examination of trade data for 2007 further supports this characteristic revealing for agricultural imports a percentage share range of 0.004-0.19 percent. Similarly, the SVEs also made a small contribution to world agricultural exports. Dominican Republic had the highest percentage share for the group at 0.945 percent and St. Kitts and Nevis the lowest with 0.003 percent.

The general agricultural trade balance for the Caribbean SVEs has worsened from 2001-2008, although there has been increased trade in agricultural imports and exports. Agricultural exports are an important source of foreign exchange for the Caribbean SVEs. However, there has been a decline over the years in their traditional exports such as bananas, citrus and sugar. In 2001-2004, the trade gap between agricultural imports and exports was very small. Agricultural imports were only valued at a slightly higher cost than agricultural exports. A significant rise occurred in agricultural exports in 2005 where it peaked in 2006. Imports have continued on an increasing trend.

As shown in Figure 2.2, the agricultural industries of the group are net-importers based on the normalized trade balance indicator. Exceptions are seen in some countries where for both periods Guyana recorded net-exports for agricultural products, Suriname in 2001 and

Belize and the Dominican Republic in 2008. The group combined achieved net-exporting status in agricultural trade in 2008, a change from net-importing, which was in place in 2001.



Source: ITC

In the Caribbean SVEs, protection of the agricultural industries is mainly done through the use of tariffs. In the Uruguay Round, the tariff lines for agricultural products were bound at the ceiling level of 100% with some countries having exceptions, usually above this rate. For example, Antigua and Barbuda has higher bound rates for beer, spirits, margarine and bananas. The average bound rates for two countries, Cuba and Dominican Republic, were less than 40%, much lower than the group's average of 100% (see Table 2).

In terms of applied tariff rates, the Caribbean SVEs, with the exception of Cuba and the Dominican Republic, as members of CARICOM apply the Common External Tariff (CET). As a result, the applied tariff rates for agricultural products range between 0-40%, many being largely subjected to a 40% tariff. Most of the rates are ad valorem with specific tariffs applied to a few items. Fruit and vegetables; fish and fish products; animals and products thereof; tobacco; beverages and spirits; coffee, tea, sugar and cocoa; and oils and fats are the agricultural product categories subjected to the highest average rates. The lowest tariffs are applied to agricultural products such as dairy products, and cut flowers and plants. Barbados is one of the most highly protected Caribbean SVE. There are MFN tariffs of 40-236% on imports. For example, tariffs of up to 200% are applied to imports of meat products and 155% to powdered milk. Also products such as tomatoes, onions, beans, peppers, and lettuce have tariffs of between 180-200%.

Table 2: Caribbean SVEs average MFN applied tariffs and bound rates for agricultural products

Country	Year	Applied Rate (%)	Bound Rate (%)	Bound Coverage (%)
Antigua and Barbuda	2009	18.6	105.0	100.0
Barbados	2007	26.9	110.8	100.0
Belize	2008	17.0	101.1	100.0
Cuba	2009	15.2	37.3	100.0
Dominica	2007	21.1	112.2	100.0
Dominican Republic	2008	12.5	39.6	100.0
Grenada	2008	15.2	101.0	100.0
Guyana	2008	19.7	99.7	100.0
Jamaica	2006	18.1	97.2	100.0
St. Kitts and Nevis	2009	18.5	108.6	100.0
St. Lucia	2007	14.1	114.6	100.0
St. Vincent and the Grenadines	2007	15.3	114.6	100.0
Suriname	2007	19.8	19.9	100.0
Trinidad and Tobago	2008	15.5	90.3	100.0

Source: World Bank

Tariff quotas are not used generally. However, in the case of the Dominican Republic, Barbados and Trinidad and Tobago commitments were made in the Uruguay Round on tariff quotas. The Dominican Republic maintains import tariff quotas on chicken meat, corn, dry beans, garlic, onions, powdered milk, rice, and sugar. In Trinidad and Tobago, tariff quotas have been used occasionally for sugar imports. Barbados no longer administers a tariff quota regime for agricultural products, even though it has reserved the right for 36 products. In general, the Caribbean SVEs are not eligible for the use of the SSG instrument of the AoA as they utilized the ceiling binding option instead of tariffication. In 2002 Barbados invoked price-based special safeguard actions for 23 agricultural products.

The domestic support measures notified to the WTO's Committee on Agriculture can be categorised as Green Box and developmental measures. The majority of the domestic support provided by these governments are within the Green Box and exempted from reduction commitments. In 1999, the Dominican Republic's government expenditure for agricultural measures amounted to RD\$440 million and increased in 2007 to RD\$1,820.5 million (approximately US\$55 million). Jamaica also notified its agricultural support services amounting to US\$9.3 million during 1999-2000 and US\$13.9 million in 2002-2003. All support notified by the Guyanese government fell under the Green Box and totalled G\$2,656,125 in 2004.

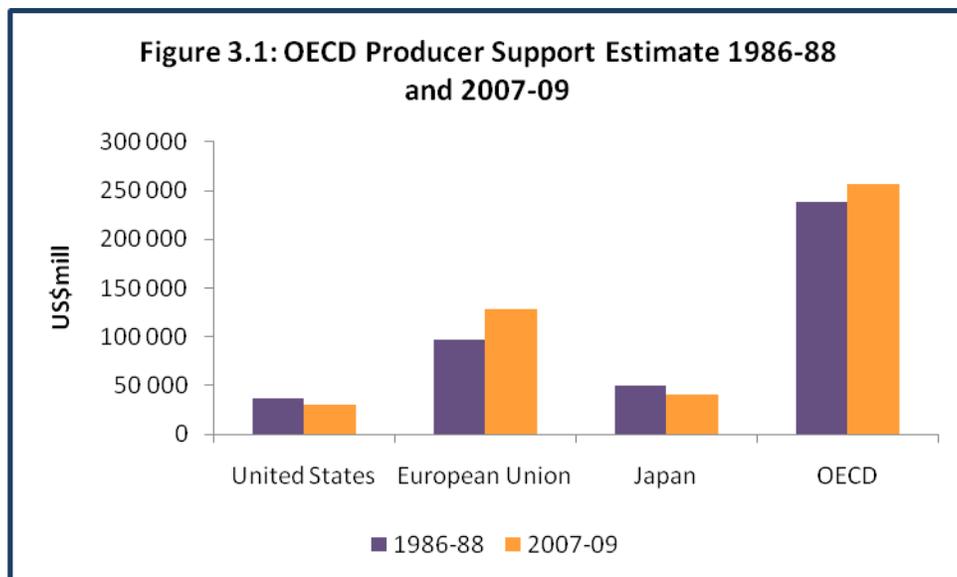
Examples include general services such as current expenditure activities by the Crops and Livestock Department of the MFCL, the National Agricultural Research Institute (NARI) and the National Dairy Development Programme (NDDP). Trinidad and Tobago with its small agricultural contribution provide support to farmers in the form of direct payments for mainly land preparation, infrastructure and research. In the 1999-2004 period, the Government granted payments totalling approximately TT\$211 million (US\$33.5 million) for price support and input subsidies. Suriname was the only Caribbean SVE that provided no domestic support to agricultural production based on its notifications to the WTO.

A review of WTO notifications by each of the Caribbean SVEs indicates that no export subsidies have been applied to agricultural products.

PART III

Post-Uruguay Round Trends in Agricultural Trade Liberalization

The AOA was a significant step in the agricultural trade system reform process. The volume of agricultural trade has expanded substantially in the years after the Uruguay Round. However, analysts are unable to determine the percentage attributable to the Round. As stated in the WTO special studies report on the Uruguay Round agreements, there has been a decline in the share of traditional bulk agricultural products such as unprocessed tropical products, cereals, oilseeds and cotton while that of high-value and processed goods have increased and continue to do so. Empirical evidence reveals that total agricultural protection has increased in the post-Uruguay Round period. The producer support estimate (PSE) is a measure calculated by the OECD to estimate the level of protection offered to agricultural producers by OECD countries. It is an aggregated measure including domestic support, tariffs, export subsidies and other means of protection into a single value. According to latest 2009 report from the OECD, agricultural protection has increased by 22 percent in the OECD countries, after the decline experienced in 2004 (Figure 3.1). This is as a result of government support to farmers in Canada, South Korea, Norway and Switzerland rising.



Source: OECD

Market Access

Tariff levels of agricultural products remains high and in particular cases, higher than before the implementation of the AoA. Agricultural products have higher tariff protection than non-agricultural products. There are high tariffs on temperate-zone food products and low rates on tropical products (FAO 2000) as developed countries seek to protect domestic producers. Global agricultural bound rates are also at high levels, averaging 55 percent during the period 2006-2009. Statistics on post-Uruguay Round bound tariffs show that for both developing countries and developed countries have higher bound rates for agricultural products than on industrial goods (see Table 3). Bound rates are usually exceeding applied tariff rates by a wide margin, even though for developing countries, the applied tariffs are often below bound rates.

Many economists are of the opinion that the objective of the tariffication process for transparency of border measures has not been actualized (de Gorter et al 2004). Developed countries are seen as implementing complex tariff structures in which a high percentage of tariff lines consist of non-ad valorem (specific, compound and mixed) tariffs; deteriorating the transparency of tariff structures. Twenty five WTO members, both developed and developing, have non-ad valorem bindings on more than 50 percent of their agricultural tariff lines. Developing countries have higher transparency as they mainly have ad valorem tariffs.

Table 3: Average MFN Applied Tariffs and Bound Rates by Major Sector 2006/9

	Applied Rate (%)			Bound Rate (%)		
	All goods	Agricultural goods	Industrial goods	All goods	Agricultural goods	Industrial goods
Developing	10.3	14.5	9.9	44.6	61.0	33.4
Low Income	11.9	14.7	11.2	57.7	69.2	37.0
Middle Income	9.5	14.5	9.2	37.4	56.4	31.4
High Income non-OECD	7.4	8.4	6.9	26.0	38.1	23.8
High Income OECD	3.7	10.7	2.8	7.7	18.8	6.1
World	9.5	13.6	9.1	39.5	54.9	30.1

Source: World Bank

Tariff peaks continue to be an issue of concern for market access in agricultural trade even after the implementation period. Tariff peaks occur when higher tariffs are applied to particular agricultural products, usually products of special domestic interest. A joint study in 2000 by UNCTAD/WTO showed that post-Uruguay Round tariff peaks in most cases exceeded

30 percent, largely ranging 350-900 percent. These peaks were concentrated in developed countries in major food staples such as meat, cereal, milk, butter, cheese, sugar and cotton; fruits, vegetables and fish; and processed food products. Another prevalent market access barrier to agricultural products was a system in which tariffs increased according to the level of processing, referred to as tariff escalation. Therefore, the average tariff applied to raw commodities is lower compared to average tariffs on higher processes agricultural products. Escalating tariffs are mainly seen in developed countries, although this feature can also be found in some developing countries. Agricultural products widely affected by tariff escalations include cocoa, coffee, fruits, soybeans, dairy and beef. According to de Gorter et al (2004), the beef and chocolate industries are affected most frequently by tariff peaks, followed by dairy products (milk and butter). In contrast, 'de-escalating tariffs' may occur when the higher tariffs are accorded to raw agricultural materials, for example sugar.

The use of tariff rate quotas as allowed under the AoA has enhanced market access to previously closed markets and increased access. It is noted however that tariff quotas have been under-filled, recording declining trends over the years. WTO members with commitments have only achieved two thirds utilization of the various tariff quota categories. Post-Uruguay Round WTO notifications show that the special safeguard instrument has been used only in a few instances. From the group of countries eligible to use SSGs, only ten have utilized the option to date. Therefore, the modest use of special safeguards suggests that countries' concerns regarding import surges for tariffied commodities were not warranted (OECD 2001). Barbados is the only Caribbean SVE with SSG commitments.

Domestic Support

Empirical evidence post-Uruguay Round has lead to the conclusion that the aim of the AOA domestic support provisions has been met. There has been the movement away from trade-distorting measures towards minimal trade-distorting measures, i.e. Green Box support has significantly increased in several WTO member countries. However, it must be noted that domestic support is largely concentrated in a few countries. In the Uruguay Round 34 countries made reduction commitments of which the US, Japan and the EU account for 90 percent of total OECD domestic support (OECD 2001). This also reveals that domestic support is mainly utilized by developed countries.

WTO notifications show that most of the domestic support provided by governments to producers falls under the Green Box category. Therefore, post-Uruguay Green Box spending

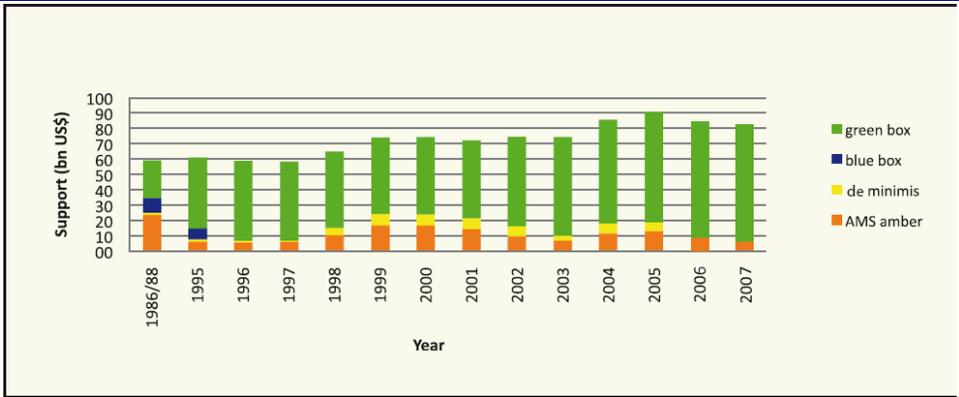
has increased significantly in comparison to the other categories, with most of the expenditure being directed towards domestic food aid. The largest increases were seen in Japan, the US and the EU (Figure 3.2). The US notified Green Box payments of US\$76.2 billion in 2007, an amount of which domestic food aid accounted for over 70 percent. Green box domestic support is relatively small in developing countries. A high portion of developing country domestic support is concentrated in China, accounting for about 80 percent (ICTSD 2009).

Few countries have utilized Blue Box support after the Uruguay Round. Norway, Japan, Slovenia, Iceland, the Slovak Republic, the US and the EU are the only WTO members that have used such measures. UNCTAD's 2003 analysis of the Blue Box provided evidence showing that the EU had the largest portion of domestic support falling within this category, averaging US\$23.5 billion per year during 1995-1999. In 1995 the US support amounted to US\$7 billion and Norway averaged US\$1 billion per year in the period 1995-2000. Japan averaged US\$611 million during 1998-1999 while the remaining three countries spent less than US\$25 million each, for 1995-2000. Of the seven countries previously mentioned, only five still use Blue Box domestic support as the US has since reclassified as Green Box policies.

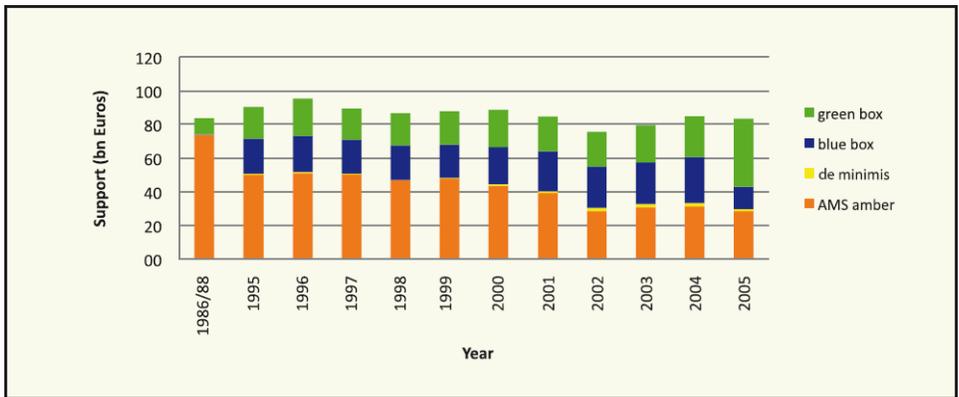
A major concern that arose during the Doha agricultural negotiations has been whether or not all of the Green Box and Blue Box policies comply with the principle of 'no or minimal distortion to production and trade'. WTO members, especially developing country members, have argued that these measures have trade distorting potential as they guarantee producers' income and may lead to overproduction. The OECD is however of the opinion that 'the total amount of the payment as well as the detailed design and duration of a programme are critical factors for determining the impact of policies on production and trade' (OECD 2001).

Figure 3.2: Domestic Support by Categories for US, EU and Japan

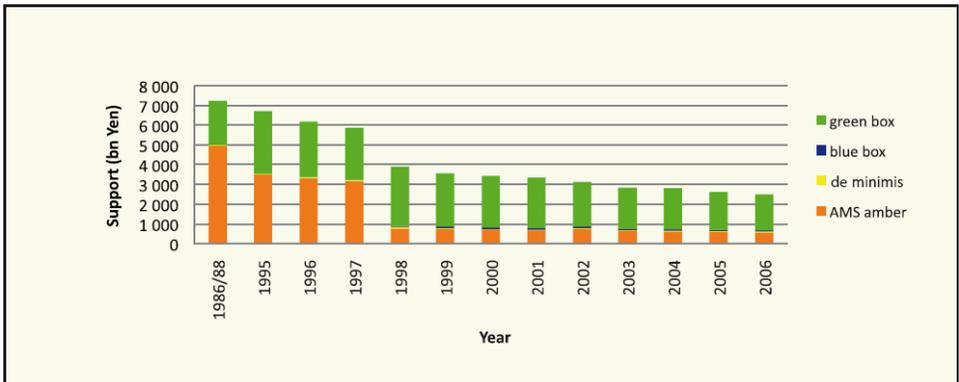
4.1 US Domestic Support



4.2 EU Domestic Support



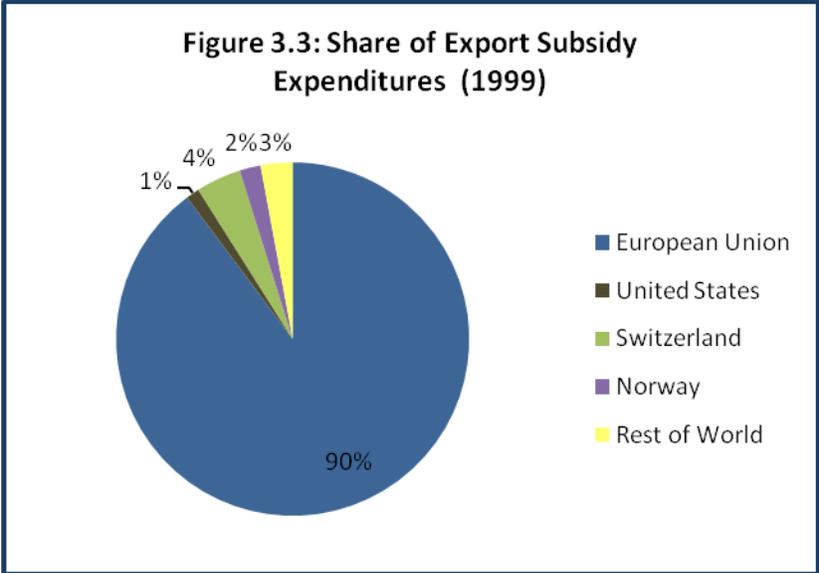
4.3 Japan Domestic Support



Source: ICTSD

Export Subsidies

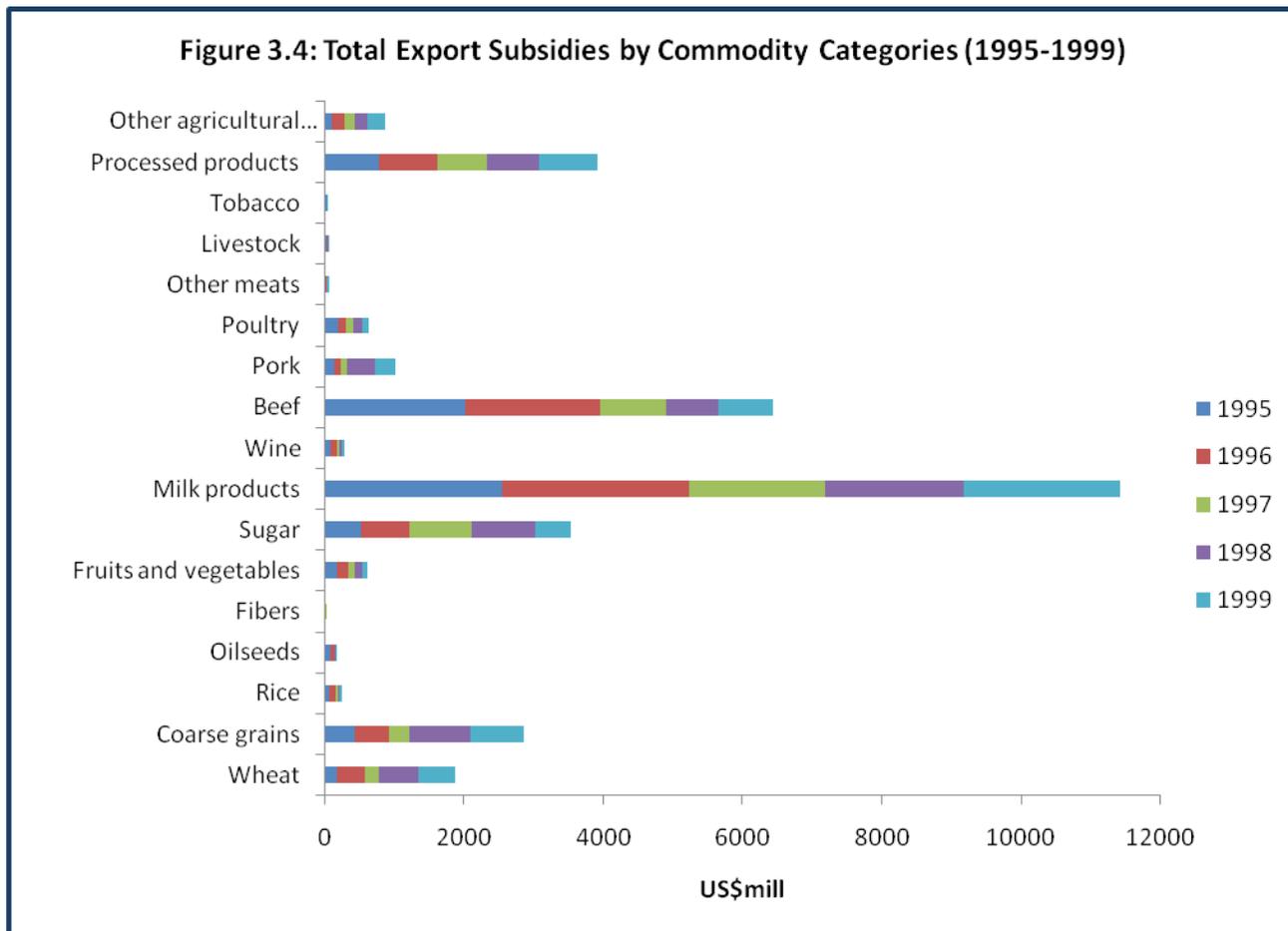
The EU accounts for 90 percent of all export subsidies (Figure 3.3). The other important OECD countries' share of export subsidy expenditure was 4 percent (Switzerland), 2 percent (Norway) and 1 percent (US), while the rest of the world accounted for 3 percent. The EU provided export subsidies of an estimated value of US\$16 billion for the period 2001-2005. Most of the export subsidies are concentrated in a few agricultural products, dairy, wheat, coarse grains, fruits and vegetables, sugar, beef, and rice (Figure 3.4).



Source: ERS/USDA

The AoA rules on export subsidies signified great achievements in the ‘substantial progressive reductions in agricultural support and protection’. The utilization of export subsidies fell during the implementation period, averaging US\$6.2 billion in 1995-2000, below that of the allowed aggregate level of approximately US\$10 billion. This has been the result of the reduction or removal of export subsidies and conversion into domestic support policies by several of the countries eligible to use them. However, because the base year for the commitment reductions was a period of high export subsidies and low world prices, the actual annual expenditure was consistently below the target level. Also, due to ambiguities in the Agreement such as ‘front-loading’ and ‘rollover’, countries were able to increase the appearance of reductions in export subsidies. Front-loading describes a situation where countries used a different base period, while rollover is one in which countries could transfer unused subsidy commitments across years.

The Revised Draft Modalities for Agriculture, July 2008 has made provisions for the elimination of export subsidies in agricultural trade by the end of 2013 by all WTO members being entitled to such.



Source: ERS/USAD

PART IV

The Impact of Agriculture Trade Liberalization on Food Security in the Caribbean SVEs

Commitments were made within the context of the WTO's AoA that brought about changes in the global agricultural trading regime, in turn affecting conditions within domestic agricultural sectors. As stated by the Caribbean SVEs themselves, the agricultural sectors play pivotal socio-economic roles in developing countries. 'The importance of the agricultural sector goes much beyond its economic contribution to the SVEs...fundamental social and non-commercial policy objectives and concerns of the developing countries are linked to the performance of the agricultural sector such as food security, rural development, poverty reduction and livelihood security' (WTO 2005a) The changes resulted in wider societal consequences as well.

Food security takes into consideration the availability of food supplies, accessible, to be efficiently utilized by the total population of a country, not being negatively affected by seasonal or long-term conditions that impact on the stability of such supplies. Food security in Caribbean SVEs was assessed using food balance data obtained from the FAO. A food balance sheet presents a comprehensive picture of the pattern of a country's food supply during a specified period. The food balance sheet shows for each food item the sources of supply and its utilization. (FAO 2003) Of importance to this research is the supply of food which is estimated by production, imports, exports and stock changes, i.e. [production + (imports-exports) + stock changes]. The supply of major food products such as cereals, starchy roots, sugars and sweeteners, meat and offals and milk has changed in the last two decades (see Table 4). During the period, a general decline was experienced in three countries (Antigua and Barbuda, St. Kitts and Nevis and St. Lucia) and six others had increases. A moderate decline or increase in the food groups was seen for the remaining countries (Belize, Cuba, Dominican Republic and Suriname). National food security remains an issue for concern for the Caribbean SVEs.

Table 4: Comparison of Per Capita Food Supply between 1992-1994 and 2003-2005 by Major Food Items (kgs/person)

Country	Food Items				
	Cereals	Starchy	Sugar and	Meat and	Milk (excluding

	(excluding beer)	Roots	Sweetners	Offals	butter)
Antigua and Barbuda	-	-	↑	-	-
Barbados	↑	↑	↑	-	↑
Belize	↑	-	-	↑	-
Cuba	↑	↑	-	↑	-
Dominica	↑	↑	-	↑	↑
Dominican Republic	-	↑	-	↑	-
Guyana	↑	↑	↑	↑	↑
Jamaica	↑	-	↑	↑	↑
St. Kitts and Nevis	-	-	-	↑	-
St. Lucia	-	-	-	-	↑
St. Vincent and the Grenadines	↑	↑	↑	↑	↑
Suriname	-	-	↑	↑	-
Trinidad and Tobago	↑	↑	↑	↑	↑

↑ increase

- decline

Source: FAO

The relationship between agricultural trade liberalization and food security is one consisting of positive and negative outcomes (Konandreas 2000; Beierle 2002) It has been described as ‘complex’, with differing results depending on certain factors such as the trade status of countries, i.e. net-exporters or net-importers, developed or developing; domestic policies and multilateral trade commitments. ‘Trade contributes to food security in a number of ways: it augments domestic supplies to meet domestic consumption needs; it reduces supply variability, though not necessarily price instability; it fosters economic growth; it makes more efficient use of world resources; and it permits global production to take place in those regions most suited to it.’ (Konandreas 2000) Trade liberalization may change global trading structures and trade patterns. The numerous stakeholders are also affected as it may cause adjustments in the expenditure and revenue of governments, incomes of producers and purchasing power of consumers.

Agricultural trade liberalization has long-term effects on the trade and production of agricultural products by Caribbean SVEs. After the implementation period of the AoA, their share in global agricultural trade has not increased as was forecasted. The agricultural trade share of the group has essentially remained at levels seen in periods before the Agreement, not experiencing any significant growth. The liberalization process led to large tariff cuts, the binding of their tariffs at high levels and relatively low applied tariff rates. Consequently, Caribbean SVEs are described as ‘small and highly open and liberalized economies’. The opening of their

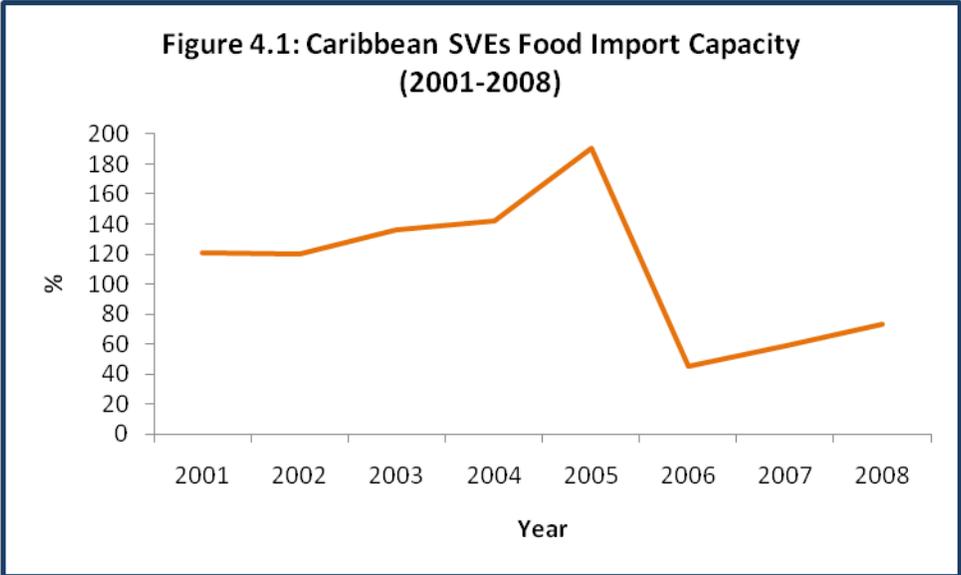
markets has created a spill over effect of heightened competition from cheaper and higher quality imports, providing increased variety for consumers.

A projected outcome for developing countries was the increased opportunity for agricultural products to access markets that had had high restrictions or simply, new markets. The result of this has been challenging for the Caribbean SVEs as they are limited by inefficiencies in the agricultural sectors and the ability to transfer factors of production to gain competitive advantage in certain products. The prevalence of higher tariffs on temperate products as compared to low tariffs being applied to tropical products means increased market access for developing countries. However, with the proliferation of non-tariff barriers, Caribbean SVEs producers are faced with difficulties in accessing the markets of developed countries. Non-tariff barriers such as technical regulations and standards are largely found in the group's major trading partners, the US and EU.

The AoA has further legitimized the use of certain measures making it possible to use 'no or minimal' trade distorting tools to support the agricultural industries. Additional protection to the domestic producers has been afforded through domestic support initiatives. Domestic support enhances the production ability of farming units, for example, by providing farmers with input subsidies through national, regional and international funding by organizations such as the ministries of agriculture and the Caribbean Development Bank.

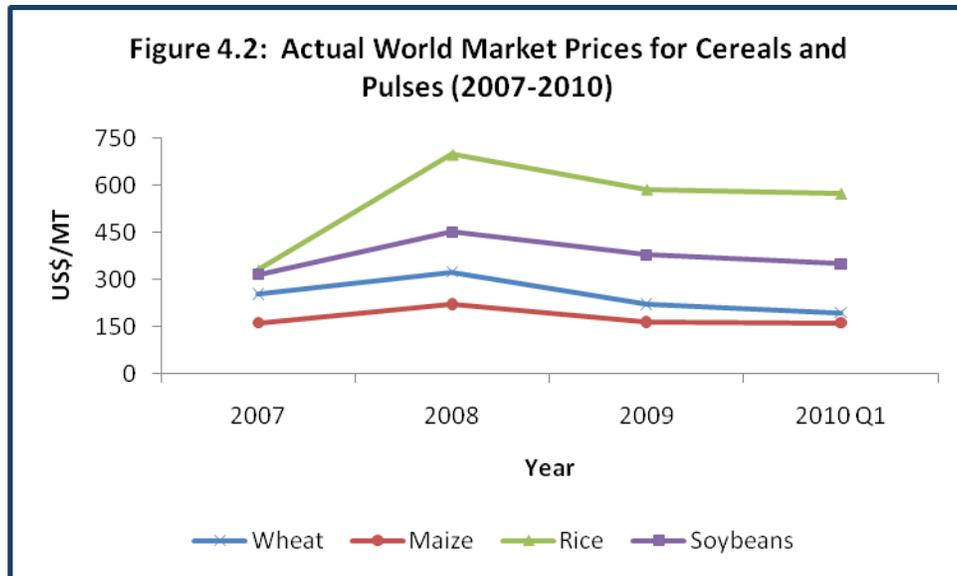
As previously highlighted, the Caribbean SVEs are net-importers of agricultural products. Most have adopted food policies that are aimed at food self-reliance, with growing interest in increasing domestic production to lower import dependence. They are also constrained by land resources, natural disasters and other factors that impede their capacity to produce the required amount for domestic consumption. This is where the world market as a source for food supplies becomes a necessary option for Caribbean SVEs. The food import bill for the group amounted to US\$7.024 billion in 2008 and has continued on an increasing during 1995-2008. Only two countries, Belize and Guyana showed positive food trade balances. The share of food imports to agricultural imports is very high, totalling over 90 percent for the group. This food import dependence influences the ability of agricultural exports to finance food imports, which refers to the import capacity. As shown in Figure 4.1, it looks as if the Caribbean SVEs' food import capacity has declined in recent years, a drastic decline from that of the mid-1990s. Each of the Caribbean SVEs domestic food supply consists of a high percentage share of imported goods. Some of this food imports is accounted for by the tourism industry. Also, many of the much smaller states such as the smaller island states of the Eastern Caribbean do not have the land

resource to fully support increased domestic production. Trinidad and Tobago imports a lot of its manufacturing inputs.



Source: ITC

The stability of global production and trade has also been influenced by agricultural trade liberalization. Production is transferred to countries with the competitive edge, a result of the lowering of protection levels. It allows for the reduction in fluctuations in consumption patterns in developing countries. However, dependence on world trade can inadvertently impact on the stability of domestic food supplies. The world market has occasionally experienced interruptions brought about by economic, socio-political and environmental events. An important example is the effects of the recent food crisis of 2007-2008. Large exporting countries placed export restrictions on cereal supplies in an attempt to ensure their domestic supplies. The food crisis resulted in low cereal quantities available for trade and increased market prices. Figure 4.2 highlights the rise in the world market prices for wheat, maize, soybeans and rice for 2008. Prices increased between 2007-2008 by 28% for wheat, 37% for maize, 43% for soybeans and as high as 110% for rice. The AoA has provisions that protect members from the institution of new export restrictions or prohibitions. Article 12 requires that a WTO member take into consideration the effect of export restriction impositions on the food security of importing countries. The members have to notify the Committee on Agriculture on the nature and duration of such measures.



Source: IMF

Caribbean SVEs agricultural trade liberalization has further altered national export revenue and price volatility. 'Agricultural exports constitute one of the major sources of export earnings for the SVEs, vital for financing infrastructure and other development needs. Export earnings are also critical in the procurement of food from international markets' (WTO 2005b) Food security is therefore dependent on export performance. However, this has been affected by the decline in agricultural export outputs (or exports in general) which reduces the group's foreign exchange earning capacity. The coverage ratio in Table 5 shows the capacity of exports to finance imports for the period 2000-2008. Eight of the countries experienced a decline in export capacity to over import purchases. The reduction in export revenue impacts on the ability to finance food imports.

The AoA was expected to raise commodity prices in international markets, however, prices especially for tropical commodities have remained or declined to low levels since the end of the 1990s. A significant decline has occurred in traditional agricultural exports such as banana, sugar and citrus causing a decrease in contributions of these products to agricultural GDP. Low tariffs on tropical products in developed countries, lowers the world market price for these goods which reduces export earnings. It can be seen where there has also been the erosion of preferences in the major trade partners of the Caribbean SVEs. Preferential arrangements are not WTO-compliant as they go against its MFN (most-favoured nation) principle which calls for equal treatment to be extended to all of its members. The Caribbean SVEs attempting to improve agricultural performance, implemented diversification programmes largely to increase

processing of value-added products. Tariff escalation may cause difficulties in diversifying agriculture as higher tariffs are placed on higher processed goods in developed countries.

Table 5: Coverage Ratio for the Caribbean SVEs, 2000 and 2008

Country	2000	2008
Antigua and Barbuda	6.8	26.7
Barbados	23.5	23.7
Belize	41.6	32.4
Cuba	36.2	25.8
Dominica	36.5	16.2
Dominican Republic	15.1	17.1
Grenada	31.7	8.0
Guyana	86.3	60.6
Jamaica	39.2	32.9
St. Kitts and Nevis	14.8	13.2
St. Lucia	13.2	22.1
St. Vincent and the Grenadines	33.8	13.9
Suriname	75.8	128.1
Trinidad and Tobago	129.2	194.3

Source: ITC, ECLAC

One notable benefit of trade liberalization is the lowering of primary agricultural commodities prices within the global market. The use of domestic support and export subsidies indirectly leads to the artificial depression of world commodity prices. These policies generally have a negative global impact as the producers in the subsidizing countries gain while a loss is incurred by producers in non-subsidizing countries and consumers and taxpayers of the subsidizing. A resulting advantage is lower priced imports for consumers in importing countries. It should be noted that concerns have been raised by the Caribbean SVEs that low price imports and import surges, if not properly managed, can have deleterious effects in the small and fragile agricultural sectors of the SVEs (WTO July 2005). In fact, sustained lower priced imports have over time affected domestic markets, increasing producer loss as they are unable to compete at such prices. This also undermines the incentive to invest in agriculture and hinders the production of substitutes of wheat, dairy products, beef and other subsidized commodities. In an attempt to reduce the negative impact of these low-priced imports, governments have maintained instruments such as import licensing to curb import surges. The high tariffs of the Caribbean SVEs, however, means higher prices to consumers as prices increases for producers.

Conclusion

The typical view is that continued global conditions as it relates to climate, economics and politics affect trade policies and will further degrade access to food, especially in the developing countries. The study aimed to examine food security and the possible impact of trade policy, notably the WTO Agreement on Agriculture on the accessibility and availability of food in the

Caribbean SVEs. As well as how the agreement may be manipulated (policy space) to benefit the Caribbean.

Based on information provided through the research process, several phenomena are evident:

1. The objective of the AoA for a fair trading system with the removal of trade distortion and protectionist measures was not fully realized with the implementation of the commitments made by the WTO members. High protectionism remained in the large producers of the developed world, for example the US, EU and Japan.
2. The expected gains from the agricultural trade liberalization process for developing countries did not materialize as expected. Caribbean SVEs share in global agricultural trade had not changed after the implementation period.
3. Protectionism has increased in the post-Uruguay Round period and more government funds are being directed towards domestic support and export competition policies. This has benefited producers in the subsidizing countries, limiting their risks. Export subsidies are however trade-distorting tools that artificially suppress prices in the world market.
4. The Caribbean SVEs are open economies and this leads to the influx of cheap imports resulting in changes in welfare; a loss for domestic producers while consumers experience gains.
5. The reduction in traditional agricultural exports and tariff escalation in markets of interest for the Caribbean SVEs have reduced export earnings in basic agricultural production while high-valued manufactured goods are affected by a rise in non-tariff barriers, poses a threat to diversification efforts.
6. The Caribbean SVEs are net-food importers which impinge on the ability of their exports to finance import requirements. The coverage ratio and food import capacity indicators highlights the growing import dependence in these countries.
7. Domestic prices are high in the Caribbean prices due to tariff (border) protection, seen as important to the protection of local agriculture. They are also faced with annual price volatility as global commodities undergo changes, for example, the 2007-2008 food crisis increases the prices of basis food items (cereals and pulses).

8. There is evidence of an indirect correlation between the trade liberalization and food security. Multilateral trade liberalization influences domestic trade policies in developed and developing countries which in turn affects commodity prices, supply-demand interactions and in part rural development.

In conclusion, it is evident that the objectives of the AoA have not been fully actualized 15 years after its entry into force. The AoA is an instrument for development in Caribbean SVEs, relating to issues of food security, rural development and poverty, however, it cannot be fully shown that the food (in)security is attributable to the Agreement. The overall stability of the availability of food supplies to the Caribbean SVEs maybe as a result of a number of factors other than agricultural trade liberalization. These factors exist in the national socio-economic and political environment and include inappropriate agricultural knowledge, technologies, and practices; inadequate agricultural inputs; marketing and transportation systems which inhibit the effective movement of food from producers to consumers; inappropriate economic policies; ineffective private sector; and natural resource, climatic, and disease constraints.

Therefore, it must be suggested that in order to prevent the indirect impact of agricultural trade liberalization on food security, a comprehensive approach to policy reform is necessary. Caribbean SVEs should take into consideration all aspects of agricultural policy, i.e. on the international, regional and national platforms, as well as changes not only within the agriculture sector but the wider economy.

Firstly, to mitigate the impact of the economic and food crises, the governments need to stimulate economic growth and encourage investment. The governments can garner benefits from current bilateral trade agreements with larger economies to fuel the economy with increased foreign capital and technical assistance. Incentives should be provided for companies or individuals to invest in agriculture and its lagging industries, namely sugar, beef, dairy and agro-processing. This investment should be directed towards increasing the capital capacity of the industry and improve the technological capabilities of the producers, suppliers and other stakeholders; thereby moving the focus solely from raw commodity production to value-adding processes. This would in turn foster growth in these agricultural industries and in the short to medium term improve economic conditions. Additionally, investments in other economic sectors could be beneficial as well, acting as income sources for the financing of food import bills. This may cause spinoff benefits to the wider economy into other areas such as distribution, and marketing.

Secondly, the governments need to take advantage of free trade agreements and their development opportunities. Most of the Caribbean SVEs, with the exception of Cuba, have

signed the CARIFORUM-EC Economic Partnership Agreement (EPA). The EPA has as one of its component the European Development Fund amounting to €165 million for which each country has been allocated a specific amount. For example, approximately J\$ 1.5 billion has been allocated to the government of Jamaica to facilitate the ability to take advantage of the EPA, such as in business development. This would require the employment of trade policy consultants with specialization in project development to create project proposals based on European Union requirements.

Another proposal is for the transformation of the agricultural industry and in turn the manufacturing industry. Most of the agricultural products are for the export market while inputs for manufacturing are mainly imported. It is therefore recommended that the Caribbean SVEs improve the drive to reduce food imports through the use of import substitution initiatives and by utilizing the provisions of the WTO agreements. This can be achieved by implementing sound sanitary and phytosanitary measures that are not in opposition to WTO rules but limits the amount of imports that are 'dumped' on domestic markets, especially from the much larger countries. As a result, further reforms in technology, training and standards are needed in public organisations such as the bureaus of standards and the customs divisions. In addition, food import substitution may be encouraged by increasing regional production of starchy root crops, aimed at imported cereal replacement.

Also, the continued deepening of the regional integration process, especially in terms of a regional food policy seen through cooperation in the production, importation and distribution of food supplies such as cereals. The combined sourcing of supplies can help reduce the cost associated with transportation while improving the coordination of food reserves. In addition, there has to be social and developmental aspects to mitigating the impact of the many contributing factors to the food security situation in the Caribbean SVEs. Therefore, a sustainable approach needs be taken so that solutions will be more long-term and preventative instead of curative. Some of the possible solutions include targeting the society's vulnerable groups such as the elderly, pregnant mothers and the poor, for example through education on the maintenance of a balanced diet.

Finally, the group need to take advantage of the 'special products' and SVEs flexibilities allowed for through the draft text of December 2008. This should enable SVEs to protect domestic producers and the selected 'special products'. Also, continuing the drive for the expansion of the eligibility to use Special Safeguard which can be fundamental in the curbing the influx of import surges within the small economies of the Caribbean SVEs.

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