COVID-19 Pandemic Despair Could Reverse Agricultural Globalization

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The world is in the midst of a pandemic that has infected 1.50 million people and killed 89,931 so far (source: Johns Hopkins Coronavirus Resource Center, accessed on April 9, 2020). This pandemic is likely to cause many more casualties and damage when all is said and done. It has shut down economies around the world and put more than three billion people under lockdown. In this globalized planet, lockdowns and shutdowns in one part of the world (with medical, financial and food security concerns) quickly affect other parts of the world. Although globalization has had numerous benefits, including faster economic growth, higher standards of living, diversified consumption baskets and fewer people below the poverty line, many inherent risks have been exposed during the pandemic. This is particularly true for essential products such as food and health-related products such as medicine and medical equipment. According to a recent Wall Street Journal report (https://www.wsj.com/articles/as-countries-bar-medical-exports-some-suggest-bans-may-backfire-11585992600), more than 80 countries have imposed export restrictions, including 40 with an outright ban on some medicines and medical equipment.

As expected, trade restrictions on medicine and medical equipment are starting to spill over to other essential products, such as food, particularly for staples such as rice and wheat. In the past week, Vietnam, Cambodia and Myanmar have imposed export bans on rice to ensure enough supply for their own citizens. Similarly, Russia, Ukraine and Kazakhstan have introduced quantitative restrictions on wheat exports. Egypt has also decided to halt exports of legumes for three months.

Trade restrictions on staples are nothing new. In developing countries, the price of staples is sensitive and can make or break a government. Normally, this happens because of actions of grain-exporting countries, which leads to panic buying from importing countries, and the result is suffering by poor people in developing and least developed countries. From time to time, the market for staple grains, particularly for rice and to a lesser extent wheat, has flared up because of actions of grain-exporting countries causing food riots in poor grain-importing countries. This creates mistrust among grain importers, who normally vehemently pursue achieving 100 percent self-sufficiency after a crisis. But the high cost of achieving and maintaining self-sufficiency has always been lost to cheap international grains and countries have given up on self-sufficiency in the long run.

Already Integrated Global Food System

For the past two decades, agricultural trade has increased at an unprecedented pace with greater integration of the global food system. As Figure 1 shows, the value of agricultural trade reached USD 1.77 trillion in 2017 vis-à-vis USD 640 billion in 2000, close to a threefold increase. The salient feature of this trend is the broad participation in agricultural trade by emerging and low-income countries. The export share of this group increased from 9.4 percent in 2000 to 20.1 percent in 2015, led by large economies such as Brazil, China, India and Indonesia (FAO, 2018). More importantly, greater integration exists among food systems of middle- and low-income countries, with the share of volume of imports of agricultural products by middle- and low-income countries sourced from other middle- and low-income countries rising from 41.9 percent in 2000 to 54.4 percent in 2015 (FAO, 2018). Soybean trade is an example of the growing South-South trade in the past two decades, during which China and Brazil have emerged as the fastest growing importer and exporter of soybeans, respectively. China now accounts for nearly 60
percent of global soybean imports whereas Brazil accounts for 50 percent of the global exports and the United States, which used to dominate the market, has had its more than 90 percent

Figure 1. Value of World Agricultural Trade

![Figure 1. Value of World Agricultural Trade](image)

Data Source: FAOSTAT (accessed on April 8, 2020)

market share reduced to 32 percent (Figure 2). Overall soybean trade during this period has increased by more than threefold from 46 million tons in 1999-2000 to 152 million tons in 2019-20. The world has also witnessed strong expansion in the trade of sensitive staples such as wheat and rice. The volume of rice and wheat trade has increased by 80 percent despite two food crises (2008 and 2011) in the past two decades.

Figure 2. Growing South-South Soybean Trade

![Figure 2. Growing South-South Soybean Trade](image)

Data Source: PSD Online, USDA (accessed on April 6, 2020)

A more integrated food system is a win-win situation for all. It provides greater choice of food to consumers at an affordable price and improves food and nutrition security by redistributing from surplus
areas to deficit areas. An example case is the Philippines’ decision to replace quantitative restrictions on rice imports with fixed tariffs of 35 percent for ASEAN rice and 40 percent for non-ASEAN rice on March 5, 2020. Since rice is the most important crop in the country and the primary staple for most of the population, for nearly five decades, the Philippines has been controlling rice imports through licenses, quotas and government-to-government purchases to protect the domestic rice industry. Within a matter of months, imports of rice surged and the retail price dropped by 15 percent (Briones, 2019). The lower retail price makes a huge difference in the lives of the poor people who spend a large share of their total budget on rice, with the poorest 20 percent of the population spending as much as 19 percent of their total budget on food (from 2015 Family Income and Expenditure Survey, Briones et al. 2018). As expected, rice prices at the farm level have also gone down, causing an uproar among farming communities. But the government is committed to using the tariff revenue to support rice farmers in improving productivity and reducing costs.

**Reversal of Agricultural Globalization**

The ongoing COVID-19 pandemic has already raised concern about the revival of the domestic manufacturing/production of essential products for a national emergency such as this. This will gain more traction as this pandemic leaves behind a trail of destruction in lives and livelihood. Protectionist hardliners will definitely use this as a perfect launching pad to garner support for their cause. But it will all depend on how countries behave during the pandemic. This is particularly true for agricultural trade, which has a history of shutting down during bad times. Countries are particularly sensitive about the price of staples such as rice and wheat as their prices affect poor people in developing countries disproportionately more. During the fight against the pandemic and the long lockdown, a food crisis could really undermine a country’s efforts to contain the virus.

The good news is that only a handful of countries have implemented export restrictions on agricultural products until now. The major exporting countries such as the United States, China, India, Thailand, Canada, Argentina, Brazil and others have resisted putting any restrictions on agricultural exports. Countries should remember that the export restrictions during the food crises of 2008 and 2011 didn’t insulate them from global price increases. In addition, their reputations as a reliable source of supply were harmed, with importing countries adopting measures to expand domestic production and looking for alternate suppliers to diversify their risk. Unlike the past crises, if countries are forced into a food crisis while battling another urgent health crisis, the effect will be long-lasting in people’s mind. This might lead to a permanent reversal of globalization of agriculture with the reintroduction of non-tariff barriers, such as quotas and other quantitative restrictions. This would have serious adverse effects, leading to higher food prices in food-importing countries, less consumption diversity and greater food and nutrition insecurity among the poor. But, more importantly, agriculture now faces climate change, an essential component of agricultural production. With rising temperatures and more uncertain weather patterns, including droughts, floods and cyclones/typhoons, agricultural productivity is bound to be affected. But the effects are estimated to be uneven across regions and countries, with some regions doing worse than others. In some countries and regions, agricultural productivity is even expected to rise. In this changing production scenario, agricultural trade can play a key role in offsetting the adverse effects of climate change to ensure global food and nutrition security.

The ongoing lockdowns and shutdowns of economies have already created problems in moving agricultural products within and across countries with a slowdown in international trade. The World Trade
Organization now estimates that world trade will fall by 13 to 20 percent in 2020. With the slowdown in trade and record inventory of grains in warehouses, countries should be focused on keeping the food supply chain functional so that agricultural goods can move both internally and internationally rather than restricting agricultural exports. In addition, countries should ensure that farmers have whatever they need to plant, harvest and market their crops. This includes labor, inputs, service providers, transportation and markets. If the world does not produce enough food in the upcoming season, imposing trade restrictions would not do a country any good in ensuring its domestic food security.

References


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