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N. Stezhko

Н. Стежко

**LIBERALIZATION OF THE WORLD TRADE OF AGRICULTURAL PRODUCTS
AS A FACTOR OF PROVIDING OF FOOD SAFETY****ЛІБЕРАЛІЗАЦІЯ СВІТОВОЇ ТОРГІВЛІ СІЛЬСЬКОГОСПОДАРСЬКОЮ ПРОДУКЦІЄЮ
ЯК ФАКТОР ЗАБЕЗПЕЧЕННЯ ПРОДОВОЛЬЧОЇ БЕЗПЕКИ**

In the article the problems of liberalization of the market of agricultural products as a constituent part of food safety are researched. It is established that agricultural sector of the most economically developed countries is protected by a complex and quite effective state system of measures that include such instruments as tariff system, non-tariff restrictions, quantitative restrictions on import, licensing and voluntary restrictions on export.

Keywords: liberalization, protectionism, international trade, food market, food safety.

У статті досліджено проблеми лібералізації ринку сільськогосподарської продукції як невід'ємної складової продовольчої безпеки. Встановлено, що сільськогосподарський сектор більшості економічно розвинених країн захищений складною і досить ефективною державною системою заходів, що включає такі інструменти, як тарифна система, нетарифні обмеження, кількісні обмеження імпорту, ліцензування, добровільні обмеження експорту.

Ключові слова: лібералізація, протекціонізм, міжнародна торгівля, продовольчий ринок, продовольча безпека.

В статье исследованы проблемы либерализации рынка сельскохозяйственной продукции как неотъемлемой составляющей продовольственной безопасности. Установлено, что сельскохозяйственный сектор большинства экономически развитых стран защищен сложной и довольно эффективной государственной системой мероприятий, которая включает такие инструменты, как тарифная система, нетарифные ограничения, количественные ограничения импорта, лицензирование, добровольные ограничения экспорта.

Ключевые слова: либерализация, протекционизм, международная торговля, продовольственный рынок, продовольственная безопасность.

The topicality of the problem and its relation with key scientific and practical tasks. One of the aspects of the development of the world economy is the formation of interstate strategy of trade of agricultural products. In the process of its realization the interests of different countries are usually in counterpart. Agricultural sector of most economically developed countries is protected by a complex and effective system of measures which include such instruments as tariff system, non-tariff restrictions, quantitative restrictions on import, licensing and voluntary restrictions on export.

The protectionist system is added with the state subsidies of national agricultural producers with the help of grants, privileged financing and other forms. As international trade is one of the most important driving forces of economic growth of the world society the issue of short-term and sufficient canceling of barriers in the trade of agricultural products becomes of utmost importance.

Analysis of recent scientific research. A considerable contribution into the issue of the world trade of agricultural products from the point of view of food safety have been made by the following scientists: P. T. Sabluk [1, p. 21], O. G. Bilorus [2, p. 38], I. V. Vlasov [3, p. 76], B. J. Pashaver [4, p. 46], Y. Y. Luzan [5, p. 27], V. K. Berehovyy [6, p. 72] and others. But the issue of the liberalization of the world food market in the conditions of globalization has not been studied fully.

The objective of the article is to research the process of liberalization of the world food market in the conditions of globalization and to determine its consequences for countries-exporters and importers depending on the level of their economic development.

The main material of research. During decades the most significant problem of the state policy of various countries was the choice between liberalization and protectionism in international food trade.

In the middle of 1980s the degree of state support of agriculture (the share of the state financing of farmers' income) was 22 % in the USA and in developed countries on average – 25–30 %, in the EU countries – 32 %, in Japan – 72 % [7, p. 50]. In general so-called “coefficient of protectionism” (correlation of domestic prices to the world's prices) which is under the protectionist policy usually exceeds one. In the middle of 1980s the coefficient was 1,15 in the USA (the average world level is 1,19), in the EU countries and other countries of Western Europe – 1,7.

The difference among countries in levels and methods of the state support of food export also prevented the process of liberalization of the world trade. For instance, export subsidies in the EU countries which are the part of their general agrarian policy exceeded state direct export subsidies of the USA that were at maximum level at the end of 1960 s. That created the increase of contradictions among certain countries on food market, especially in the result of decrease of the demand in the second part of 1980 s.

The decrease led to the crisis of international trade of agricultural products. The developed countries dramatically increased subsidies for national agricultural producers; the state measures to stimulate export were expanded and there was strengthening in import regulation. All the measures made the development of regular international trade and economic relations more complex and led to the creation of “trade wars” which worsened the position of the countries. Besides, the growing state support of national agricultural producers in developed countries increased the burden of budget costs significantly which slowed down the growth of agricultural efficiency. The deceleration was the consequence of weakening of competition on national and international markets and as a result the decrease of the growth of the effectiveness of international labour division, particularly, as a result of irrational structural changes in rural farming. Rational development of international labour division presupposes refusing protectionism in internal as well as in external trade balancing the conditions for all the participants of the world food market.

The attempts to include the issue of liberalization of the trade of agricultural products into the agenda of numerous trade negotiations which were held in the frames of General Agreement on Tariffs and Trade (GATT) were made many times. Starting with the first round of the negotiations (Geneva, 1947) the GATT country-members systematically put this issue for general discussion. But there was no considerable progress in solving this problem. Only 26 years later during the Tokyo round of negotiations (1973–1979) the trade of agricultural products became a separate point of the agenda. Some countries demanded to apply the same approaches during the negotiations on agricultural products as during the negotiations on industrial products. Despite the fact that the initiative was not supported by the majority the positive result of the Tokyo round was the decision to increase import quotas on some kinds of agricultural products and partial coordination of tariff preferences.

Agriculture is traditionally considered to be one of the most sensitive spheres in the aspect of liberalization in regulation of production and trade.

Thus S. I. Mikhnevych states that a considerable progress was achieved during the Uruguay round when negotiating parties (GATT members) could include agricultural sector to the process of many-sided regulation [8, p. 136].

The main agreements are reflected in the Agreement of agriculture [9, p. 35] and have to provide a more liberal and foreseen access to the market, shortening of export subsidies, restricting domestic support of agricultural producers. The necessity to sign the Agreement on agriculture was due to the fact that the level of the support of national agricultural producers in some developed countries (EU countries, Japan, Norway, Switzerland and Southern Korea) was very high and this prevented the appearance of products from other countries on their markets.

The initiators of the reforms of international agricultural trade were the countries of the Cairns Group. The Cairns Group of countries was formed in 1986 in order to influence the negotiations on agricultural issues in the frames of GATT/WTO. The Group consisted of 18 countries with highly-productive and competitive agrarian sector (Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Pakistan, Paraguay, Peru, the Philippines, South Africa, Thailand, and Uruguay). Some years later Hungary left the Group. The main arguments for the use of reformation were the statements that considerable subsidies of agrarian sector in developed countries lead to massive economic losses (overproduction of agricultural products) and prevent the development of fair competition. That is why the signed Agreement on agriculture was aimed to restrict the stimulation of production and decrease the efficiency of trade measures and thus, gradually allow international agro-production sphere functioning according to market signals but not according to the rules of subsidy competition.

The Uruguay round finished with the Agreement on agriculture with the six-year transition period (ten-year period for developing countries) starting in 1995. During this period the WTO had to conduct reforms in the sphere of trade of agricultural products and worked measures that regulate only import duties.

Developed countries were to lower the duty rate gradually during six years to the average of 36 %. As for developing countries, they were to decrease duties to 24 % during ten years. Five articles of the Agreement were especially dedicated to the problems of developing countries. They concerned the access to the market, food safety (especially countries-net-importers of food), support of domestic production, the ways of informing about the taken measures and technical support (table 1).

The important aspects are to determine the base or reference period and fixed level of import tariffs which have to be reduced further. Differentiations among countries that took part in the Uruguay round and countries that held the negotiations concerning joining the WTO are clearly reflected in the commitments concerning agricultural trade (table 2).

Table 1

**Liberalization of trade of agricultural products according
to the results of the Uruguay round, % [10; 11, p. 60]**

Indicators	Developed countries, six years (implementation period 1995–2000)	Developing countries, ten years (implementation period 1995–2004)
Tariffs		
Average reduction of all kinds of agricultural products	36	24
Minimum reduction per product	15	10
Internal support		
General reduction of support of agro-producers	20	13
Threshold level of the amount of support measures	5	10
Export subsidies		
Subsidies' value	36	24
Subsidy volumes (base period 1986–1990)	21	14

Table 2

Comparison of commitments for groups of countries in WTO frames [12]

Indicators	Country-members of the Uruguay round	Countries that joined WTO after the Uruguay round
Domestic support	Base period for calculation of commitments concerning domestic support – 1986–1988	Base period for calculation of commitments of domestic support as a rule last three years before negotiations.
Export subsidies	Base period for calculation of commitments according value and volume 1986–1990.	Base period for calculation of commitments concerning export subsidies as a rule last three years before negotiations. An important influence on the countries is made by the Cairns Group that demands to cancel all export subsidies.
Import tariffs	These countries could give tariff preferences and get them from other countries. They also could take responsibility concerning the access to the market	Preferences for access to the market are limited and depend on the viewpoints of the countries that are the WTO members.

The achieved agreements could be considered significant especially if we take into account long period of time when the issue had not been on the agenda of many negotiations in the frames of multi-sided trade system. But the process of realization of agreements puts up a very important question of how liberalization of the world trade of agricultural products influences the provision of food safety of the majority of countries.

Conclusions. Taking into account the above-mentioned we may formulate the following position concerning food safety. Firstly, in order to provide food safety of any country there should be guaranteed stable and sufficient levels of production which will completely satisfy the demand of the country. Secondly, food safety can be achieved only in case of guaranteed physical and economic conditions of access to food products. Thirdly, in order to achieve food safety agricultural products should be delivered on international markets in sufficient amount. And finally, the last but not least element of food safety is the provision of population with high quality food products.

It is obvious that basic principles of food safety presuppose not only production of sufficient amount of high quality products but also the support of relevant and stable deliveries of agricultural products on the world markets.

The financial potential and physical access are the key criteria to provide population with food products. So, the countries with different levels of income and potential of resource base have the tasks of different level of complexity. And if physical access to food products is blocked by unforeseen circumstances (a war, export embargo and restrictions) than economic access is limited by insufficient purchasing power or in other words – poverty.

In the achievement of food safety international trade plays a great role. It facilitates economic growth; provides a wide range of deliveries; creates conditions for effective use of the world resources; stimulates the expansion of production in the spheres that are the most favourable from economic point of view.

Countries that are dependable on agricultural trade (exporters as well as importers) will be positively influenced by effective development of the world economy and the trade will facilitate economic growth and increase of income. Exporters receive profits due to active demand and importers have possibilities to settle import contracts without particular problems. A more stable general trade process will lessen risks that unforeseen policy of trade partners may lead to disruptions in currency earnings and the fail of purchasing power concerning food import.

Stimulating the growth of income, increasing the volume and the range of food products which are available on domestic market the world trade strengthens food safety in every of its dimensions (the accessibility of food, stability of deliveries and quality of products). But international trade alone can hold certain risks such as instability of product deliveries; influence of exporters on the stability of deliveries. Let us consider every one separately.

The countries that mostly depend on the import of food products are worried that their trade prospects are not at all optimistic and there are no guarantees that so-called free trade will really lead to the stability of deliveries. The liberalization of the world trade of agricultural products can change the conditions of demand and supply. According to viewpoints of foreign scientists [13, p. 47] market regulators influencing the prices will stabilize them in long run and decrease the probability of sharp fluctuations. But detailed changes in agricultural production (for instance climatic conditions) will not allow avoiding changes of the world prices and as a result guarantee the stability of food deliveries. Moreover, the characteristic feature of agricultural products trade is the domination of limited quantity of the world countries-exporters that also do not facilitate the stability of deliveries and prices especially in the periods of unfavourable climatic conditions for agriculture. Taking into account this fact the global instability of food deliveries and prices cannot be settled in a short time prospect. Thus, it is obvious that liberalization of trade can also have unfavourable influence on food safety in every of above-mentioned examples.

Another issue that worries countries-importers of food is the provision of stable deliveries. The situation when the world food markets have no natural competitive environment is a result of agrarian sector subsidising by developed countries. This is impossible for developing countries. That is why there are grounds to be anxious that countries-exporters may introduce export embargo or export taxes. But the experience of previous years shows that the influence of the restrictions was very inconsiderable and concerned primarily soybean market (USA embargo on soy export during 1973) and grain (introduction of taxes on export of bread cereals in 1995–1996 by the EU). At the same time the introduction of agrarian sector into the system of multi-sided regulations of trade and economic relations of the WTO gives certain guarantees that in future discrimination measures will not be used.

It is necessary to take into account that countries-exporters of food products make decisions on the sale abroad depending on the situation on local market. They may regulate their agricultural export not only by increasing duties (there is no demand to raise duties in the WTO regulations) but introducing quantitative restrictions. And we are speaking about a strategically important product and it is creating a certain potential to introduce embargo which decreases possibilities to trade agricultural products freely.

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Рецензенти: І. М. Миценко, д.е.н., професор, зав. кафедри міжнародної економіки Кіровоградського національного технічного університету; Л. О. Петкова, д.е.н., професор, зав. кафедри міжнародної економіки ЧДТУ.