



30 April 2020

Rt Hon Jacinda Ardern
Prime Minister

Hon David Parker
Minister of Trade and Economic Growth

Hon Damien O'Connor
Minister of Agriculture

Hon Stuart Nash
Minister of Fisheries

(by email)

Dear Prime Minister Ardern, Minister Parker, Minister O'Connor, and Minister Nash

Re Food Security and Trade Policy Leadership

Thank you for your efforts to maintain our critical trading relationships at this challenging time, and for the leadership that New Zealand is taking in further opening and strengthening trade as the world responds to COVID19.

We are concerned at signs that some countries are resorting to 'beggar thy neighbour' policies such as imposing export restrictions on medical and food products. Such measures have been proven by history to be short-sighted and counterproductive, as they distort efficient markets and disincentivise investment in production and innovation. They also threaten food security and increase market volatility. As food producers and exporters, we are also very concerned to see major food producing countries increasing subsidies, price interventions and other measures that will inevitably exacerbate the effect of the crisis on others, and hamper recovery.

International trade will have a vital role in the world-wide economic recovery from COVID19 and providing food security. The WTO rules-based system underpins this trade and it is imperative that, to help the world's most vulnerable people as the pandemic spreads into third world countries, this system is enhanced rather than diminished at this time.

The recovery from COVID19 will require international cooperation and coordination. Global institutions such as the OECD, World Bank and IMF have already set out useful policy prescriptions, including:

- a. Boosting confidence in trade and global markets by improving transparency about trade related policy actions and intentions;
- b. Keeping supply chains flowing;
- c. Avoiding making things worse, through unnecessary export restrictions or other trade barriers; and



d. Even in the midst of the crisis thinking beyond the immediate.

Your efforts in addressing this crisis have enhanced New Zealand's credibility and reputation as a trustworthy member of the global community. We already have a high standing on global trade issues through our trade policies and our international leadership over many decades. We welcome the opportunity to work with the Government, to ensure that the New Zealand business community is supporting these initiatives as best we can.

We believe New Zealand is well-placed to show leadership in upholding the rules-based trading system and starting a serious global conversation on tackling the trade distortions and discriminatory policies that stand in the way of food security, global recovery and future prosperity.

Through our lens as food producers and exporters, we see some of those leadership opportunities including:

- Rejecting export restrictions, levies or policy interventions to promote self-sufficiency at the expense of the food security of others: We believe self-sufficiency policies risk creating supply uncertainty and are likely to lead to food insecurity in the long-term. It will not be feasible for all countries to meet the nutritional needs of their domestic populations. The economic, environmental and social costs of trying to do so could be very high.
- Maintaining New Zealand's approach of limiting any agricultural support to non-trade distorting measures (i.e. WTO Green-box): New Zealand farmers and the primary sector would not wish to see a return to distorting subsidies. Like export restrictions, they create long term harm and become very difficult to unwind. The Common Agriculture Policy was established in response to the food shortages of World War II. More than 70 years later the EU is still subsidising its farmers and dealing with periodic surpluses that de-stabilise markets elsewhere. Separately, the 2015 WTO Nairobi agreement to eliminate export subsidies took decades to achieve and could easily be lost through a collective turning back of the clock.
- Focusing on removing costs and barriers from supply chains: The present crisis is an opportunity for governments to re-examine food trade measures in terms of impact and efficacy – particularly unintended negative consequences. Removing tariff and non-tariff barriers to trade is one way to encourage and facilitate food trade and make food more affordable. NZIER calculated the overall cost of non-tariff measures on New Zealand primary sector exports to the APEC region to be US\$4.7 billion in 2011. Non-tariff barriers also create uncertainty, inhibit investment, increase the risks of entering new markets and have a greater impact on SMEs.
- Promoting trade policy responses to countries concerned about food security that reduce food trade costs: The World Bank's "Do's and Don'ts for trade policy response to COVID19" identifies positive actions as including tariff removal, aligning regulations to international standards, streamlining border clearance procedures (including making use of ICT), and removing unnecessary certification requirements. We appreciate the efforts that New Zealand officials have been undertaking to promote these approaches with trading partners.
- Avoiding distortion to markets by limiting Government intervention into existing commercial market processes: Internationally, private sector food companies have an impressive record of efficiently producing and trading food to meet the needs of people.



Breakdowns in food supply stem from poor governance of countries, corruption, and inappropriate government policy. In the current pandemic, where problems exist, the solution lies with removing the barriers that inhibit the private sector.

- Working with WTO Members to progress initiatives that support and strengthen the rules-based system: We have welcomed New Zealand’s leadership and participation in WTO statements such as the General Council Committee on Agriculture’s statement “responding to the COVID-19 Pandemic with open and predictable trade in agriculture and food products”. Ensuring the WTO continues to have a voice on these issues will be important in strengthening the rules-based system and building support for other initiatives.

In summary, any fleeting attraction for governments to intervene in food trade in the current crisis, with distorting barriers and subsidies, will be damaging to the subsequent world economic recovery.

Unfortunately, this crisis has occurred at a time when the WTO and the rules-based trading system are already under pressure.

The lesson from previous global recessions is that recovery of the world economy will require trade to expand again and that international cooperation on trade policy will be vital.

We believe that New Zealand can offer leadership on this and we are ready to provide whatever support we can to your efforts in this regard.

Yours sincerely,

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