

Comments on

“Price insulation and poverty impacts of market instability”

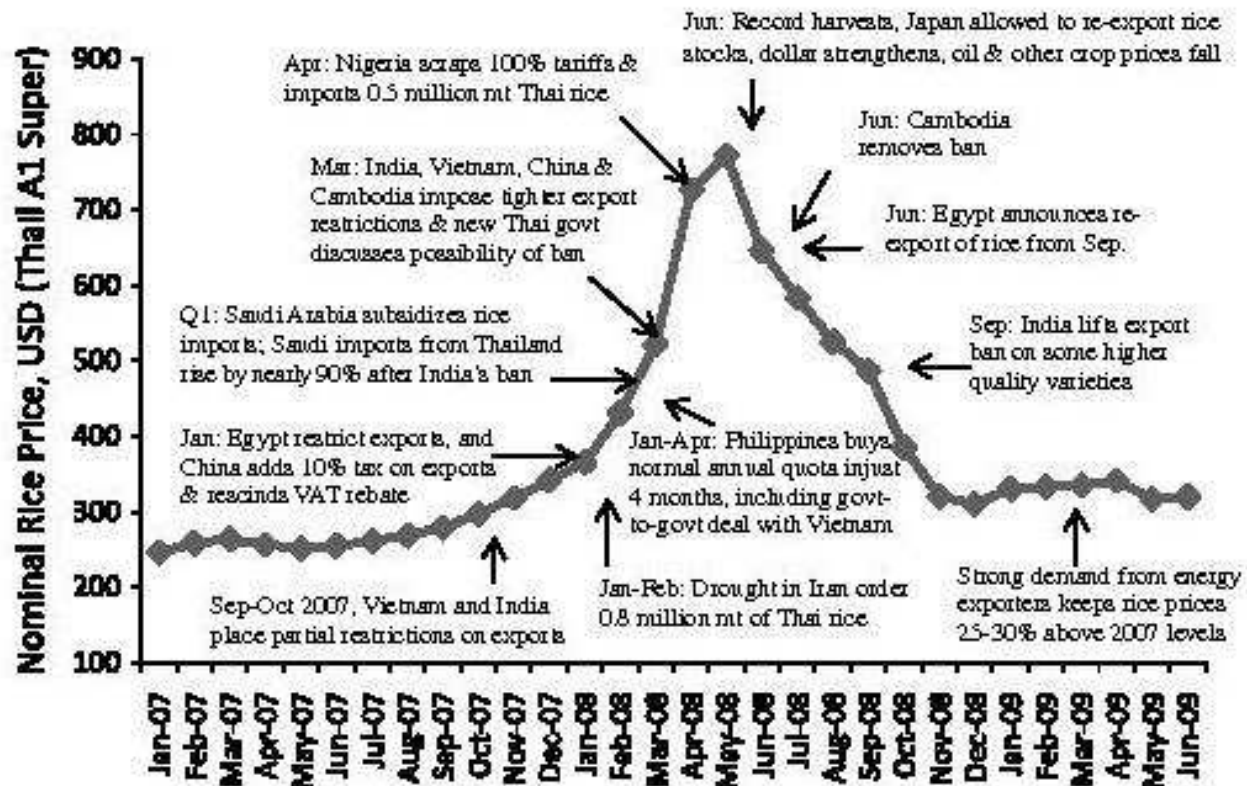
Kym Anderson, Maros Ivanic and Will Martin

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An extremely important paper...

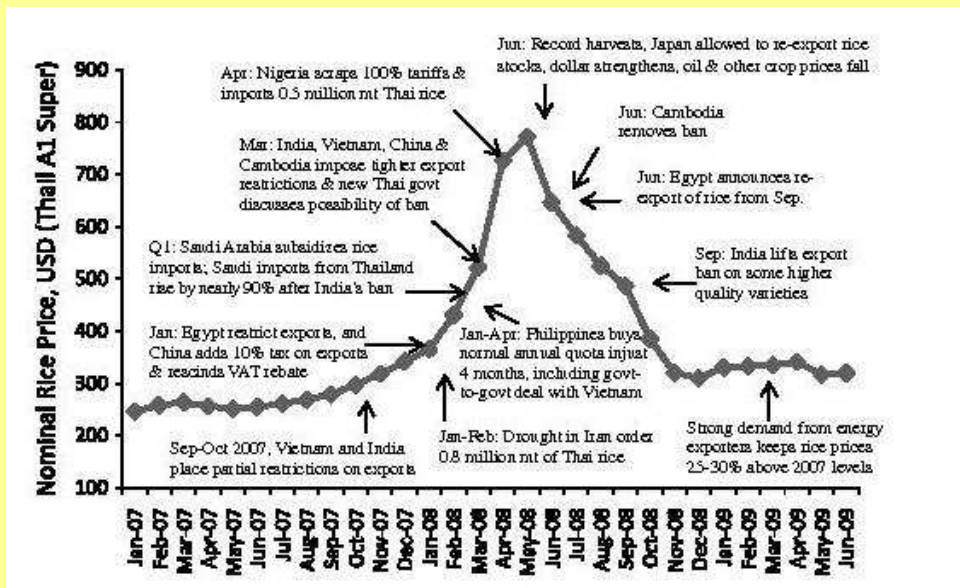
Country insulation policies and the 2008 bubble on the rice market



50% : export bans
50% : panic imports

Source: Headey (2011)

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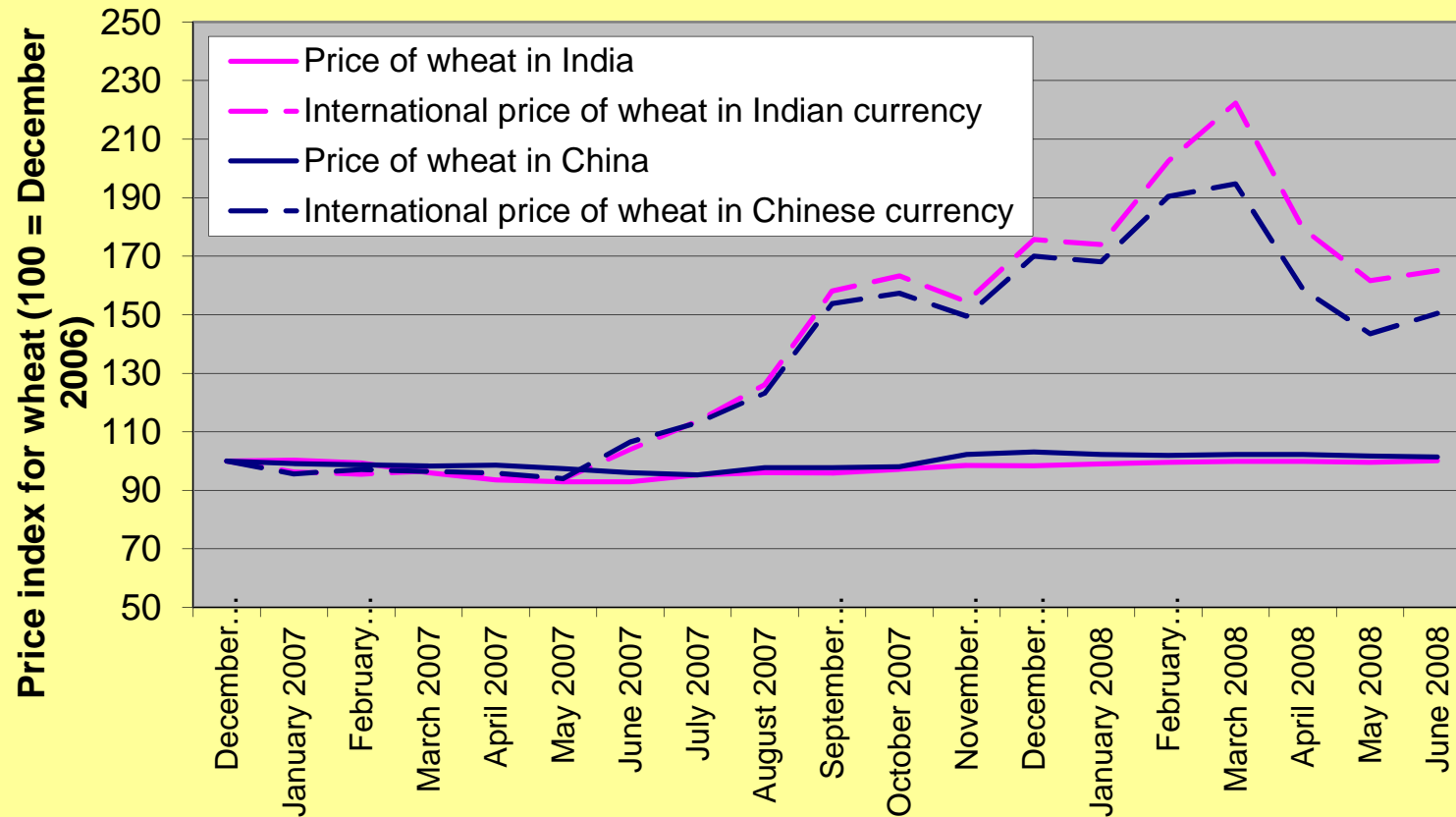
Source: Headey (2011)



Proposal to put WTO disciplines on X restrictions:

- FAO, IFAD, IMF, OECD, UNCTAD, WFP, the World Bank, the WTO, IFPRI and the UN HLTF (2011) : input for the G20
- G20 Action plan (2011). Only for WFP exports.
- WTO 2011 MC: not endorsed

Country insulation policies can be an effective way to protect developing country consumers



Source: OECD (2009)

43.2% of undernourished people live in India and China (FOODSECURE 2013)

Is it *really* a good idea to forbid X restrictions?

Effect of insulation policies on global poverty and food security

Protecting effect on the consumers of the countries that implement insulation policies



Adverse effect on the consumers of the rest of the world
(because it push up international prices)

The effect on global poverty and global food insecurity can be positive or negative.

Anderson, Ivanic and Martin 's paper provides the first estimation of the net effect of 2008 insulation policies on global poverty

Protecting effect on the consumers of the countries that implement insulation policies



Adverse effect on the consumers of the rest of the world

Increase in global poverty : + 8 million people (not statistically significant)

Anderson, Ivanic and Martin 's paper result

Increase in global poverty : + 8 million people (not statistically significant)



WTO rules should be modified to forbid export restrictions

Anderson, Ivanic and Martin 's paper result

Increase in global poverty : + 8 million people (not statistically significant)

ROBUSTNESS

to methodological choices :

2013 version: Pint : + 8 million poor people

2012 version: UV of M and X: - 173 million poor people

to the poverty line used (1.25 USD / day in 2005 PPP dollars)



WTO rules should be modified to forbid export restrictions

Anderson, Ivanic and Martin 's paper result

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LOGICAL INFERENCE ISSUES

Inductive reasoning : 1 case (1 crisis)-----> Insulation policies increase poverty

Differentiated treatment of importing and exporting countries: disciplines on X restriction measures only (not on M subsidies) . 50-50 (D. Headey). Same objective, same consequences on the rest of the World.

Storage policies are not considered. A way to reduce panic imports.
Policy implication: relax WTO disciplines on PS

WTO rules should be modified to forbid export restrictions


Anderson, Ivanic and Martin 's paper result

Increase in global poverty : + 8 million people (not statistically significant)

LOGICAL INFERENCE ISSUES (continued)

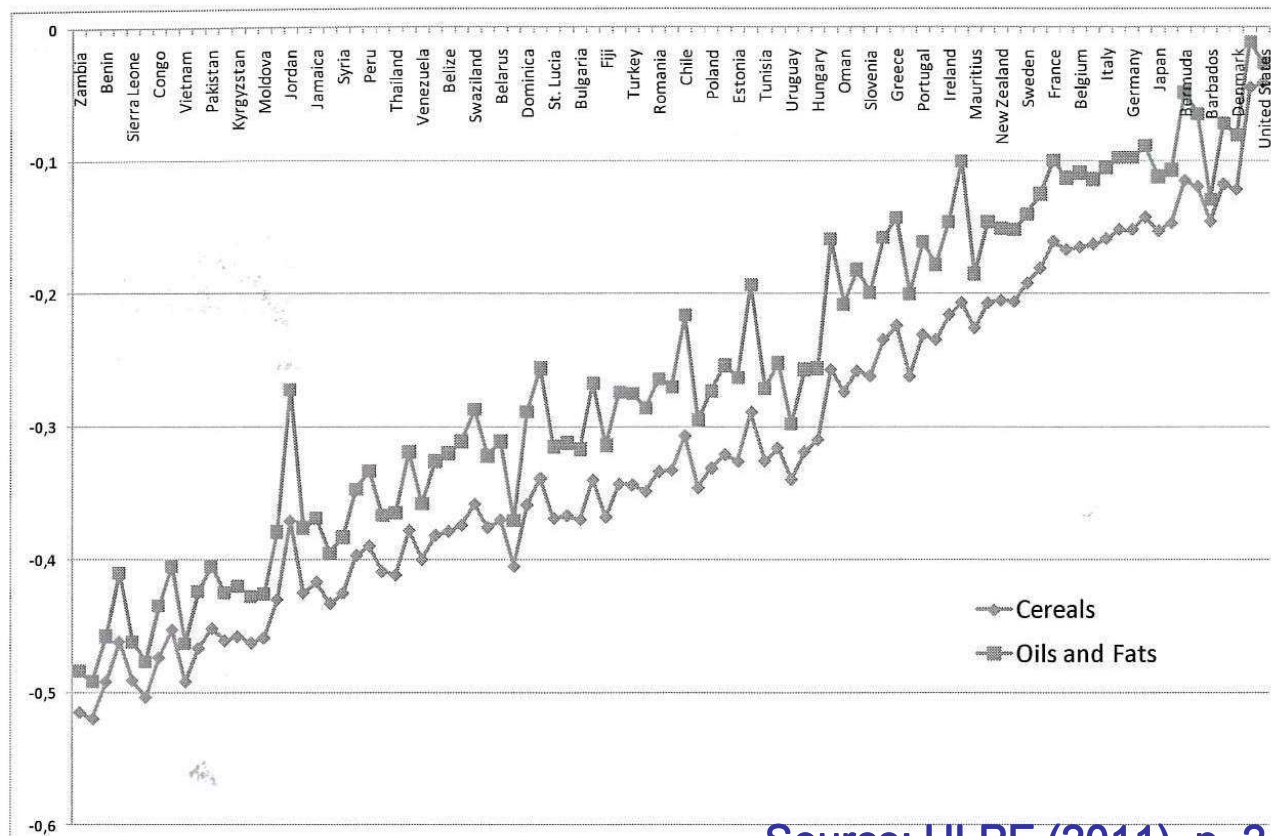
In-between trade policies are not considered:

	No discipline on insulation policies	Insulation policies forbidden
• the level of Pint instability	-	+
• the allocation of price instability among countries	+	-



Which countries reduce their consumption in case of price spikes (in a World of free trade)?

Figure 4: Price elasticity distribution at world level, 1996 (Unconditional Frisch own price elasticity)



Source: Regmi *et al.* (2001)

Source: HLPE (2011), p. 24

The adjustment would be made by the reduction of the consumption of the poorest countries.

*Thank you for your
attention*

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