

Integrating African Agriculture into Global Markets

Moving African Agriculture Up the Value Chain

African Agriculture Through a Trade Lens

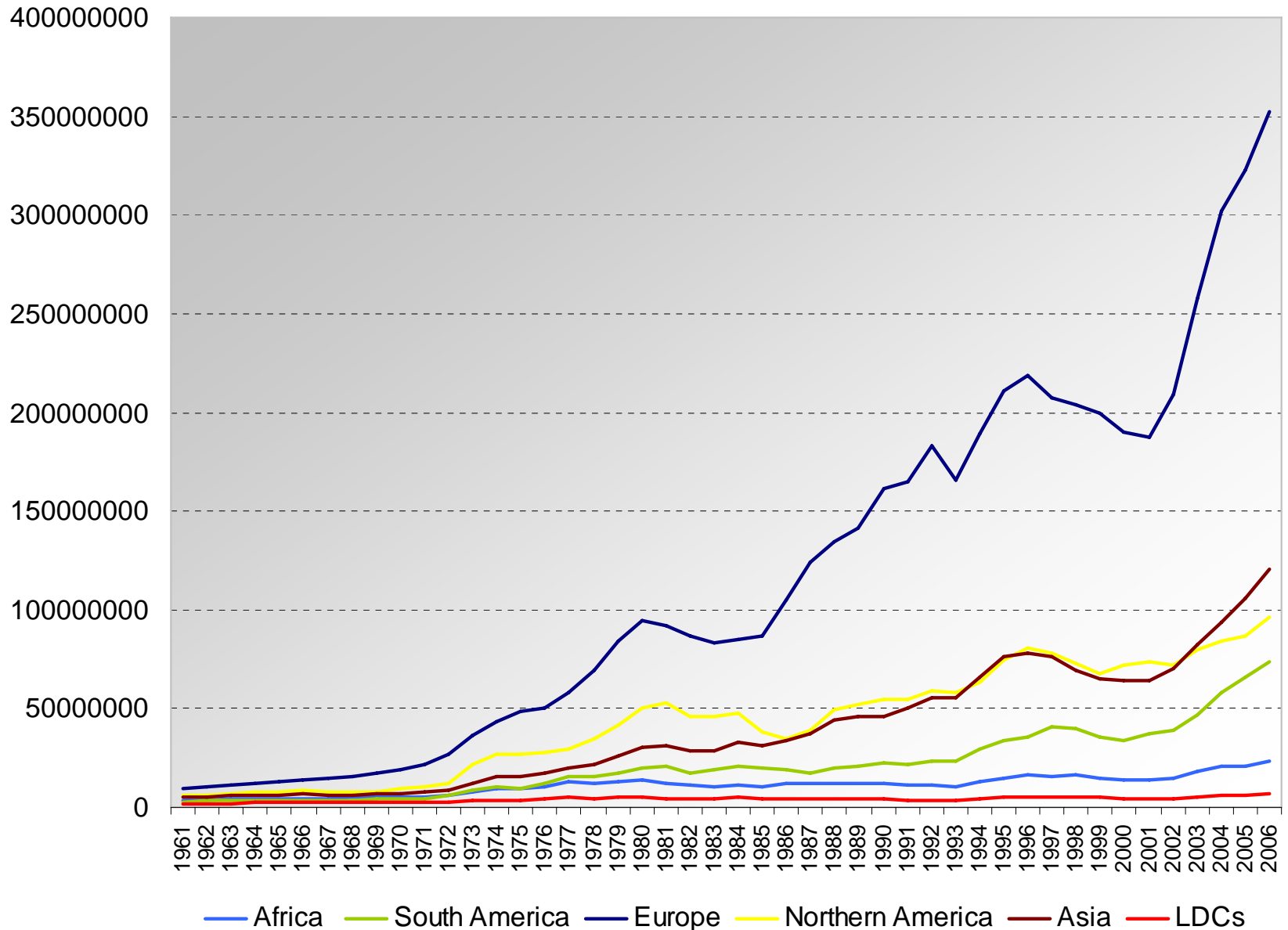
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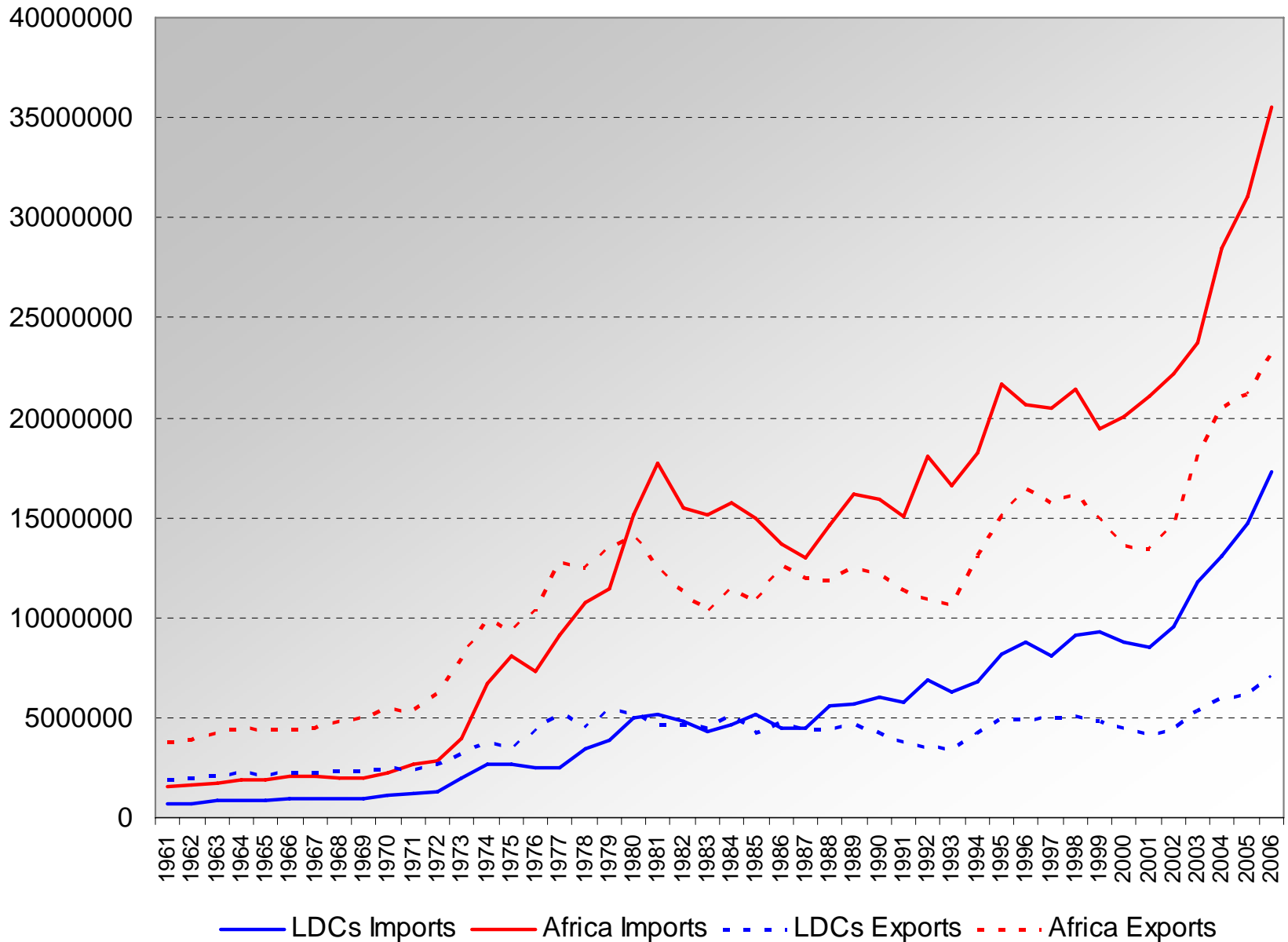
Presentation at the High Level Meeting on
« African Agriculture in the 21st Century: Meeting the Challenges,
Making a Sustainable Green Revolution »

*Organised by the Namibian Ministry of Environment and Tourism and
the UN Department of Economic and Social Affairs*

Value of Total Agriculture Exports by Region



Value of Agriculture Imports and Exports in Africa and LDCs



Source FAOSTAT

Enhancing African Agriculture Productivity and Moving Up the Value Chain:

The Role of Trade Measures

Policy objective

Trade instrument

1. Enhancing access to markets

- Tariff protection
- Preference erosion
- SPS/TBT measures

2. Promoting Domestic Transformation

- Removing tariff escalation

3. Removing trade distortions and anti-competitive practices in OECD countries

- Export subsidies
- Domestic Support

4. Enhancing competitiveness of domestic producers

- Domestic Support
- Aid for Trade

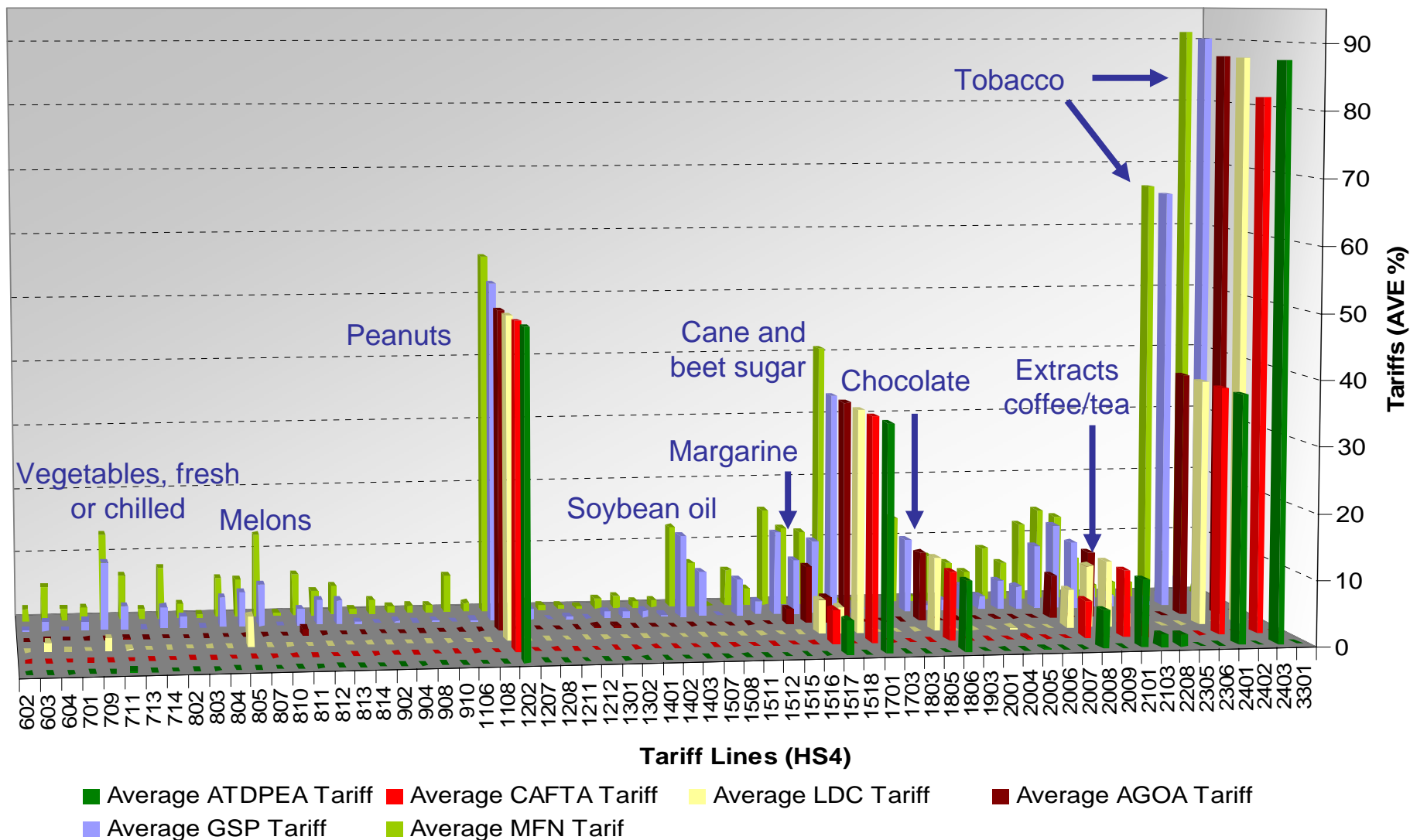
5. Reducing risks associated with ag production (price volatility, unfair competition)

- Special/sensitive products
- Safeguard mechanisms

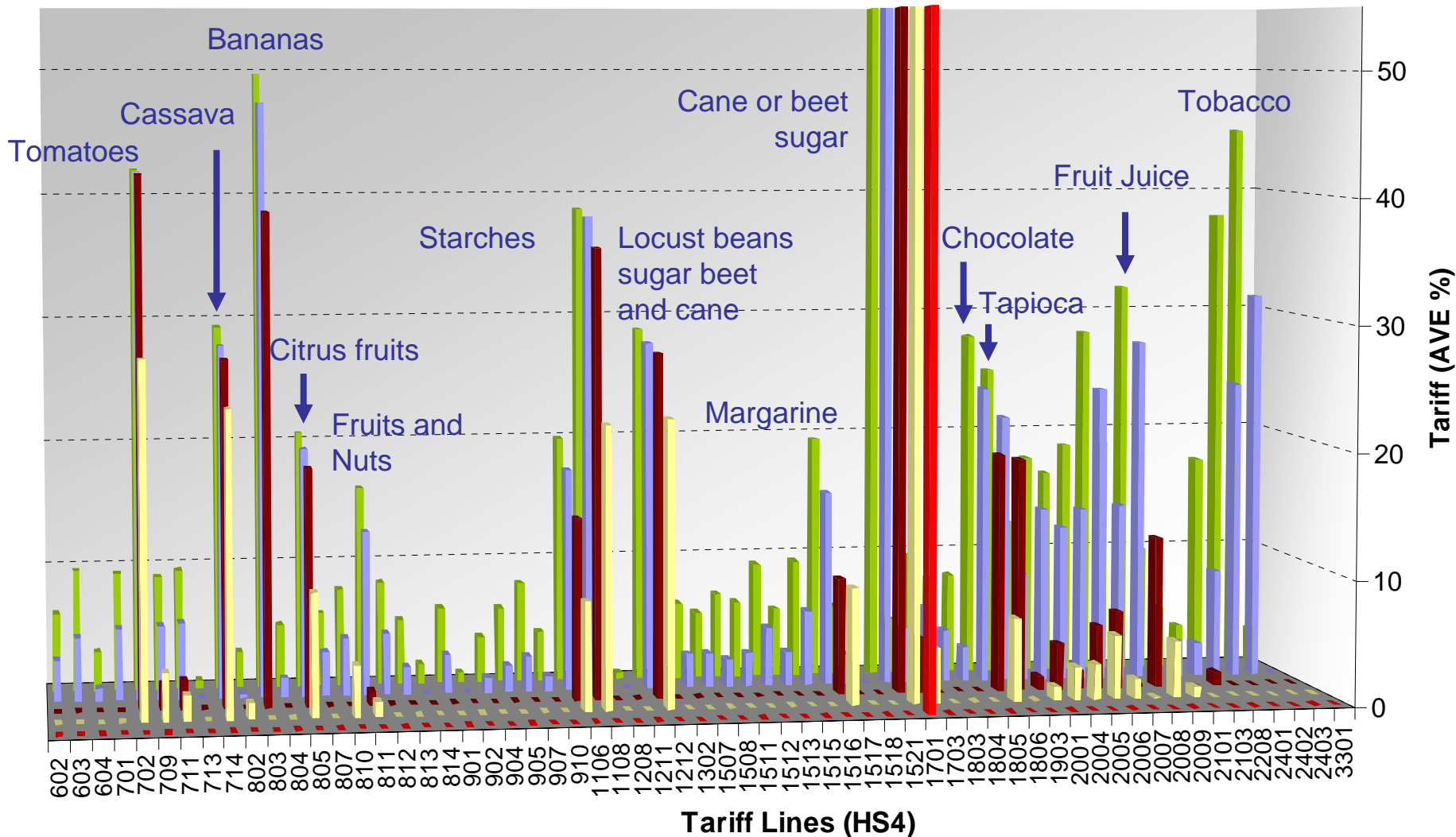
1. Market Access Conditions: A Focus on Tropical Products

- Overall, 87% tropical products at 0%.
- With the exception of bananas and sugar ACP benefit from similar preferences as their direct competitors (e.g. Latin America) on main markets (GSP+, CAFTA, ATPDEA).
- Peaks remain: e.g. Cassava (EU), tobacco (US), groundnuts (US+Japan), Citrus (EU+Japan).
- Africa unlikely to be severely affected by preference erosion resulting from WTO cuts: real causes are elsewhere – free trade agreements (FTAs), EU Common Ag. Policy reform, etc.

Applied and MFN Tariff in the US on Selected Tropical Products



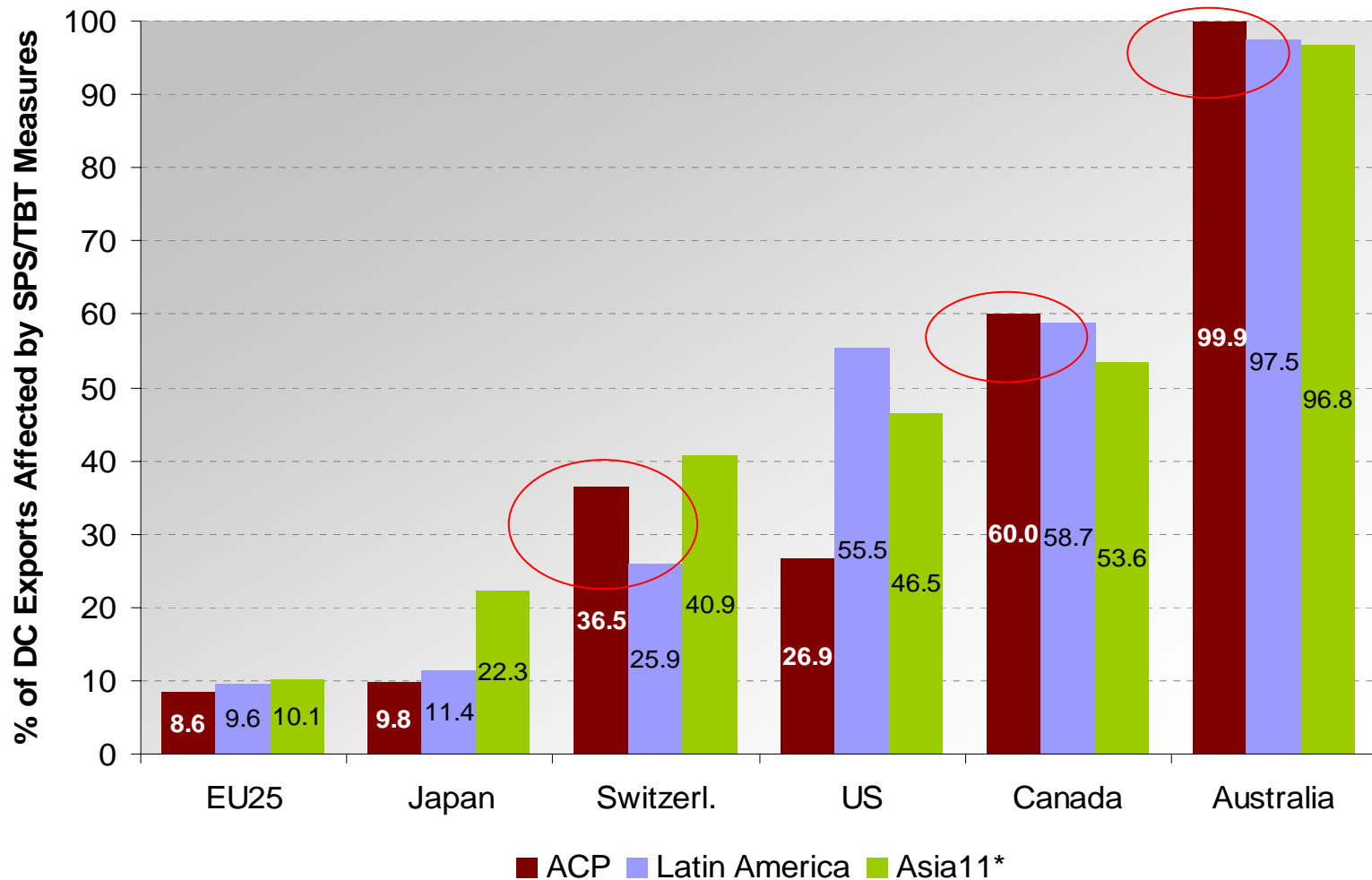
Applied and MFN Tariffs in the EU on Selected Tropical Products



Source: Elaboration ICTSD, based on data in Bureau, J-C., Disdier, A-C. and Ramos, P., (2007). *A Comparison of the Barriers Faced by Latin American and ACP Countries' Exports of Tropical Products*. Issue Paper No.9. ICTSD

How are African Exports Affected by Sanitary and Phytosanitary (SPS) Measures?

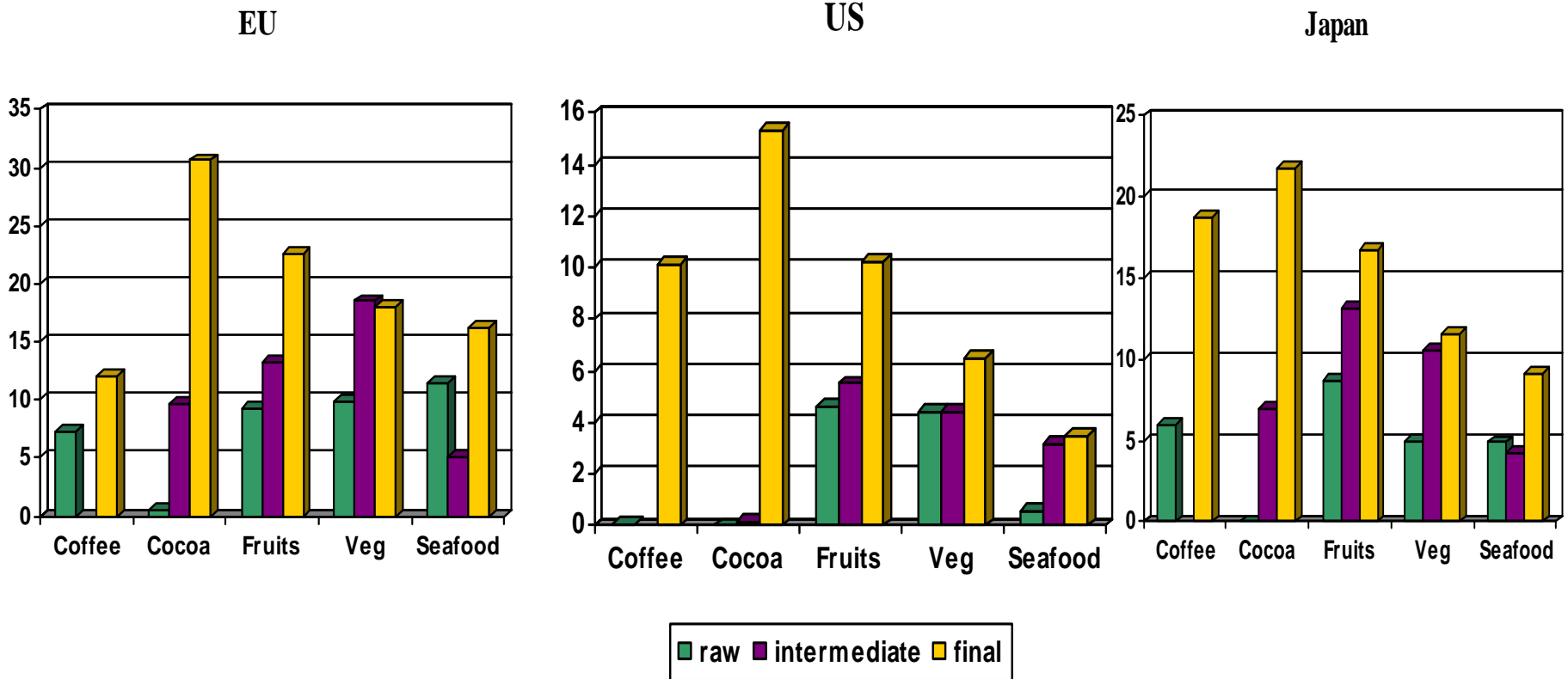
Share of Developing Country Exports of Tropical Products Affected by SPS/TBT Measures in Major Markets



*Asia 11 includes: Bangladesh, Brunei Darussalam, Burma, Cambodia, India, Indonesia, Malaysia, Philippines, Thailand, Vietnam

2. Tariff Escalation

Average Most Favored Nation (MFN) Applied Out-of-quota Duties (%)



Source: World Bank, Global Agriculture Trade and Developing countries

The need to Take Preferential Schemes into Account: the Case of Cocoa in EU

	MFN tariff %	GSP tariff %	GSP+ tariff %	Cotonou tariff %	EBA tariff %
Cocoa beans, raw or roasted	0	0	0	0	0
Cocoa paste	9.6	6.1	0	0	0
Cocoa butter, fat and oil	7.7	4.2	0	0	0
Cocoa powder, not containing added sugar	8	2.8	0	0	0
Cocoa powder, containing less than 5 % of sucrose	8	2.8	0	0	0
Cocoa powder containing 5 % or more but less than 65 % of sucrose	27.7	22.5	19.7	19.7	0
Cocoa powder containing 65 % or more but less than 80 % of sucrose	26.2	22.7	18.2	18.2	0
Cocoa powder containing 80 % or more of sucrose	66.4	62.9	58.4	58.4	0
Cocoa powder containing 31 % or more of cocoa butter or milk fat	28.4	23.5	18.7	0	0
Chocolate milk crumb	58.4	53.9	43	0	0
Chocolate flavour coating	42	38.5	33.7	0	0
Chocolate filled	23.5	20	15.2	0	0
Chocolate filled with added cereal, fruit or nuts	24.2	20.7	15.9	0	0
Cocoa preparation containing alcohol	14.6	11.1	6.3	0	0
Cocoa preparation filled	22.8	19.3	14.5	0	0
Cocoa preparation not filled	19.4	15.9	11.1	0	0
Sugar confectionery containing cocoa	25.9	22.4	17.6	0	0
Spreads containing cocoa	23.4	19.9	15.1	15.1	0
Preparations containing cocoa for making beverages	21.7	18.2	13.4	13.4	0

Protection of Domestic Transforming Industry

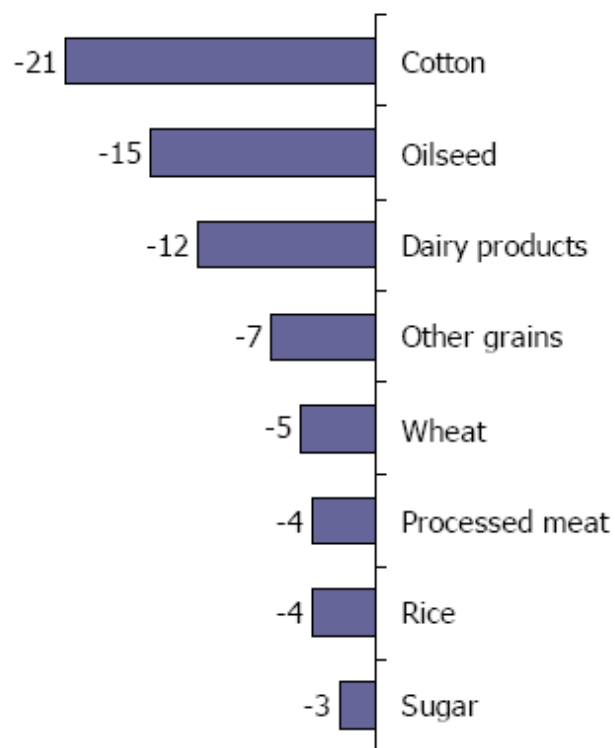
Sugar Content

Tariff « des-escalation »

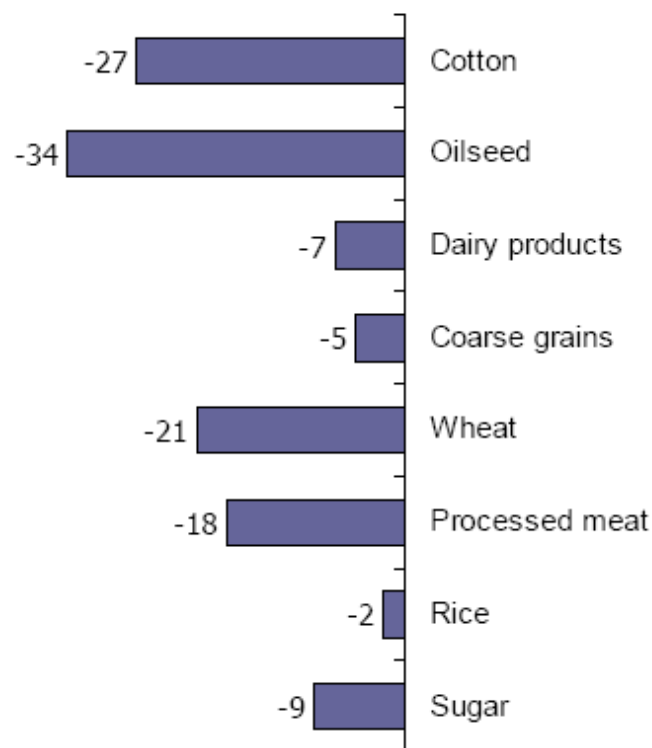
3. The Importance of Removing Trade Distorting Policies...

Global trade distortions remain pervasive

Real international commodity prices have been suppressed by current global trade policies (% of price)

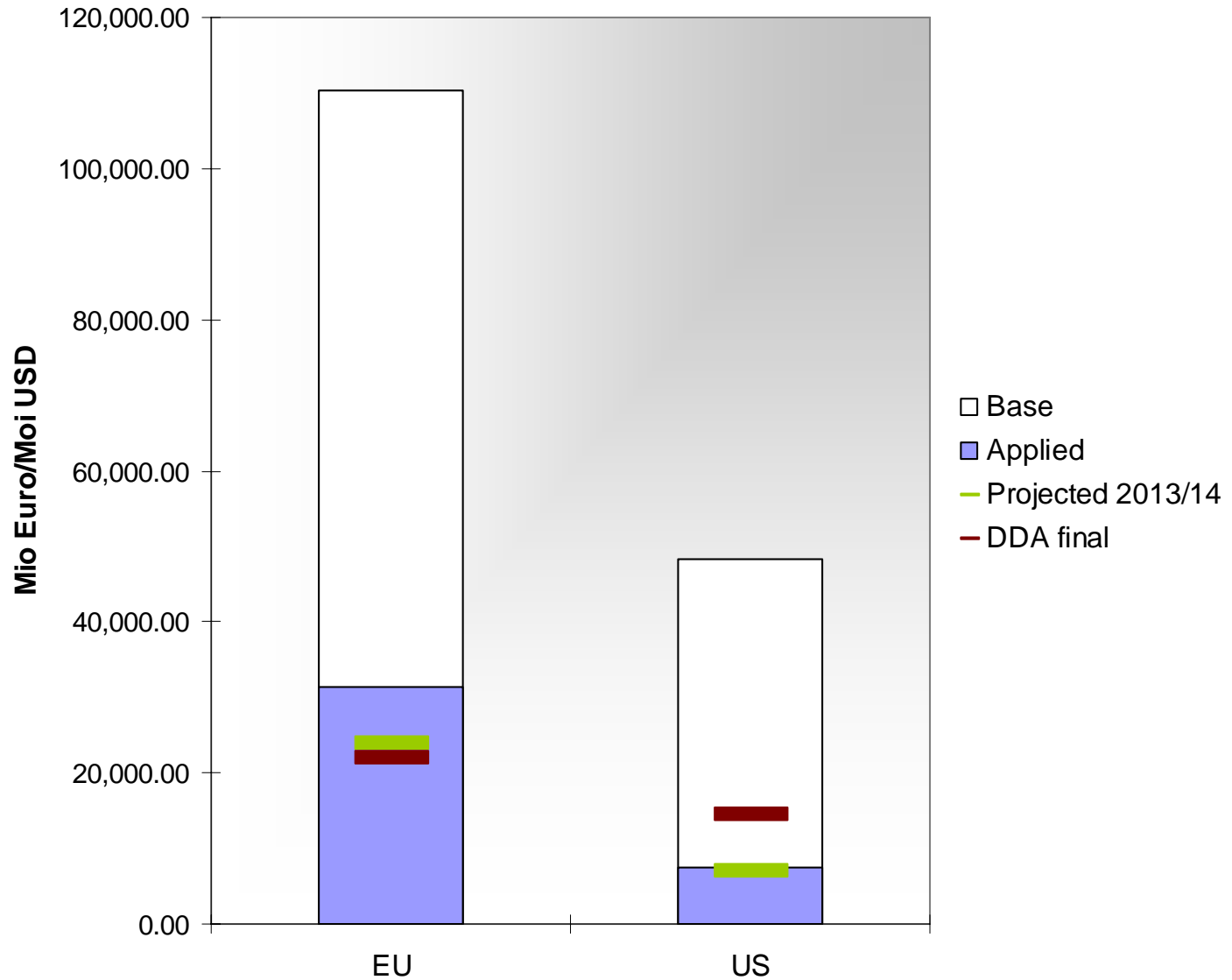


Trade share losses to developing countries due to current global trade policies (% point loss to developing country trade shares)



.... And the Doha Round is Unlikely to Remove them....

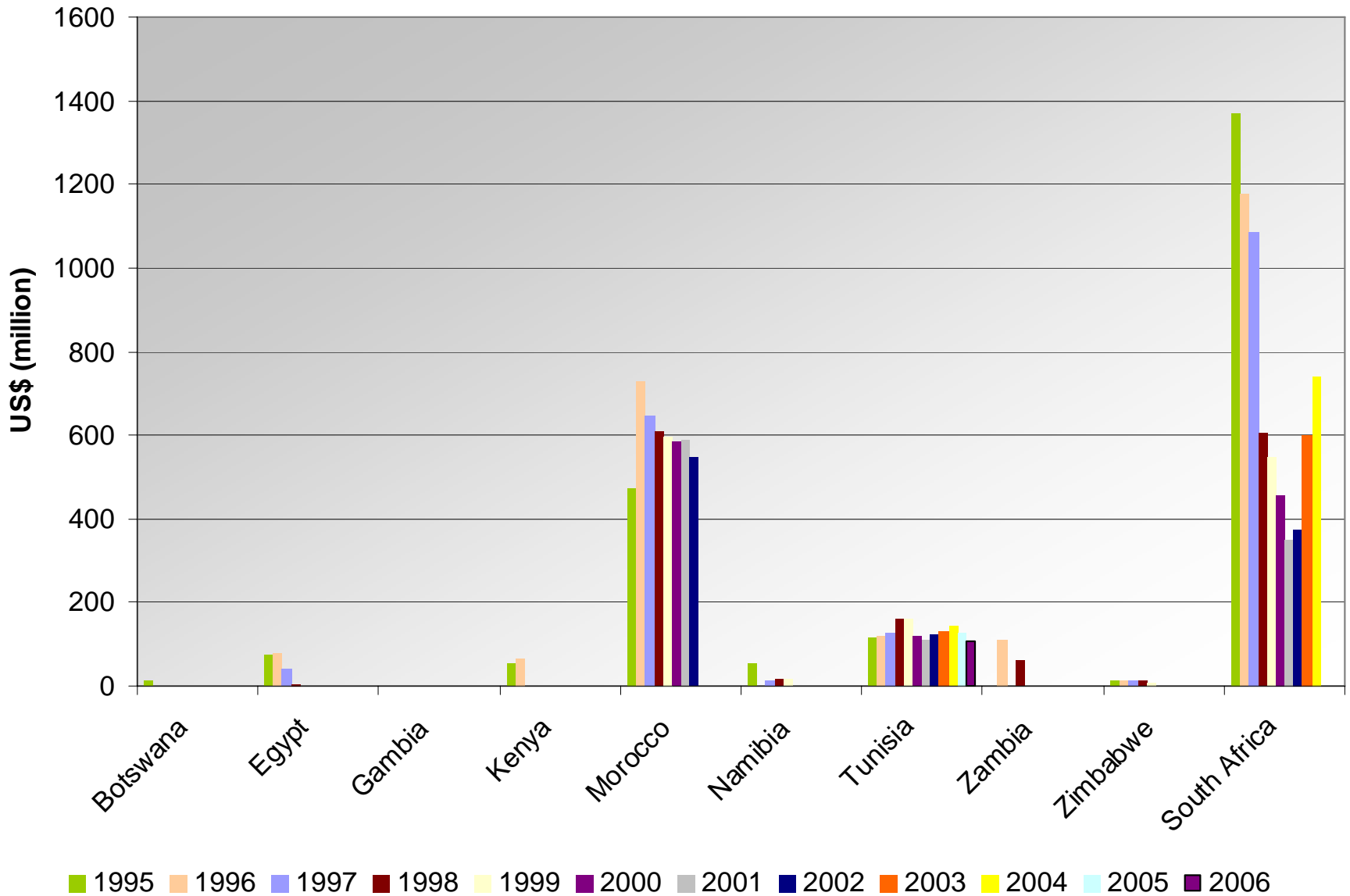
Overall Trade Distorting Support in the EU and US




4. Enhancing African Agriculture Productivity: the Role of Domestic Subsidies

- Overall, Africa has enough policy space to address supply side constraints through WTO compatible subsidies
- However, as a ratio of agriculture gross domestic product, agriculture spending declined from 7.4% in 1980 to 6.7 % in 2002. (This declining trend in ag. spending is occurring within the context of rising total public sector spending in many African countries.)
- No clear picture of trends in domestic support: few countries have consistently notified the WTO.
- Non trade distorting measure form a substantial proportion of total domestic support (100% in Kenya, Zimbabwe, Zambia and South Africa since 2001)
- Spending on extension service, research and training are the most frequently reported spendings followed by disaster relief, and regional assistance programmes.

Total Amount of Domestic Support Reported to the WTO by African Countries



Enhancing Competitiveness: Early Lessons from EU Support to ACP Banana/Sugar Producers

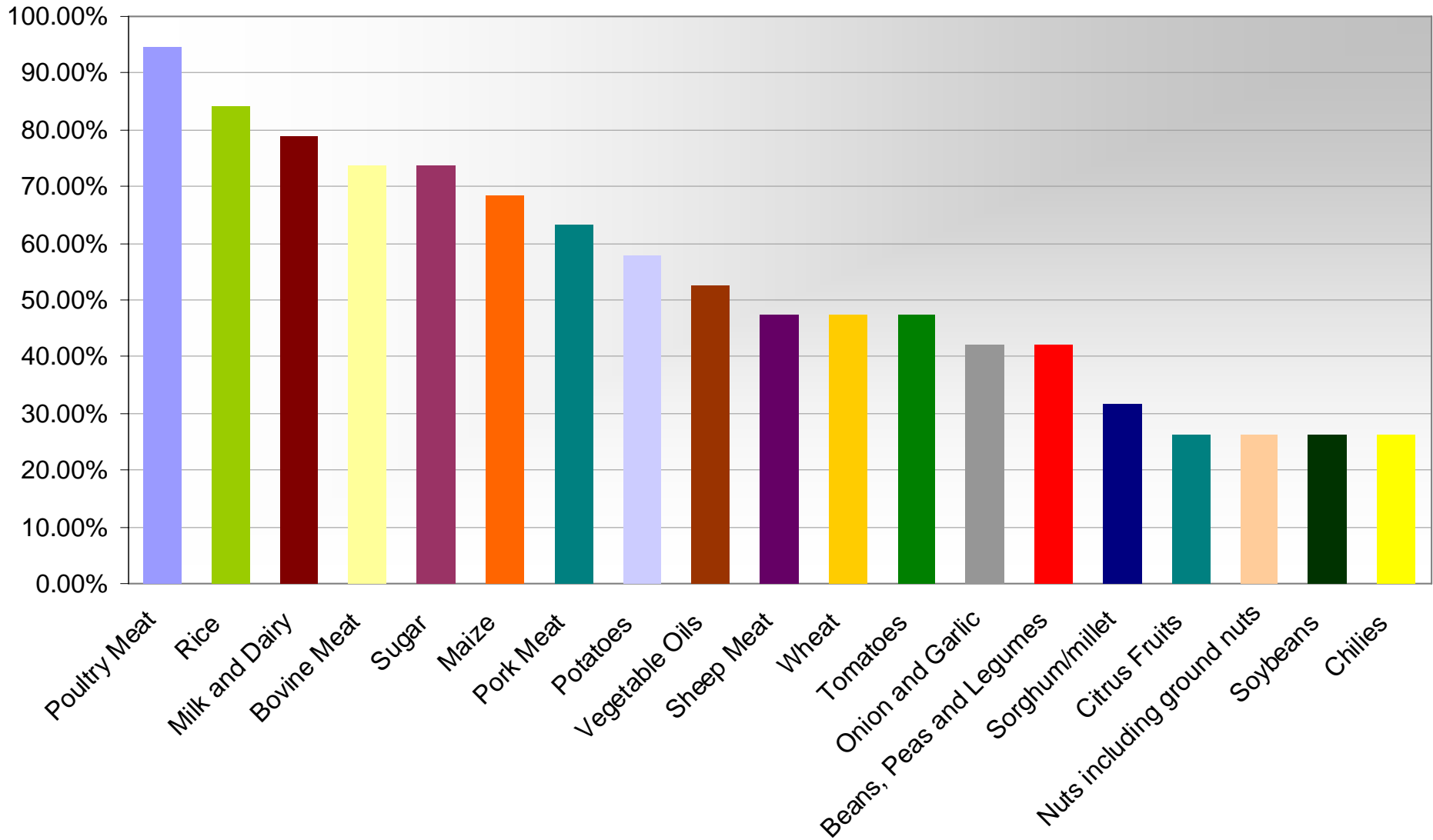
- Initial focus was on enhancing competitiveness. Increasingly also on diversification and social adjustments
- The efficiency of aid delivery in supporting time sensitive adjustment processes.
- Programmes for enhancing competitiveness are most effective (transparent and quick) where assistance is provided directly, on a co-financed basis in support of economic operators-own investment plans (Cameroon).
- Delivering support within smallholder farming systems is extremely difficult. Often intermediate structures needed to be established to deliver assistance.  High transaction costs
- Need to focus on:

- Transition to luxury markets & moving up the value chain (co-financing vs sectoral plans)
- Diversification: infrastructure for food safety compliance (training, low cost loans, incentives for small holders)
- Diversification in ag. based on a market led approach
- Supporting Social Adjustments (budgetary support, e.g. health, education, housing, small loans facilities)

5. Import Competing Sectors: Reducing the Risks Associated with Agricultural Production

- Price volatility and unfair trade practices:
 - The need for an effective safeguard mechanism to deal with import surges and price depression (ideally based on prices as opposed to volumes)
- Careful/targeted liberalisation to protect livelihood:
 - WTO unlikely to affect tariff levels in majority of African countries
 - Need to focus on gentler tariff reductions for key special products (SP) in EPAs and FTAs
 - 19 ICTSD Studies using a methodology based on 22 indicators of food/livelihood security and rural dev.
 - Lessons from ICTSD studies: On average SP represent 12% of ag. tariff lines and roughly 20% of ag. imports
 - Series of « core products » highlighted in studies

Special Products Most Frequently Identified in ICTSD Country Studies*



* Countries covered include Barbados, Peru, Pakistan, Sri Lanka, Kenya, Honduras, Philippines, Fiji, Vietnam, Ecuador, Nicaragua, Papua New Guinea, China, Indonesia, Tanzania, Ghana, Cote d'Ivoire, Mali, Nigeria