Sustainable Development and Trade Issues

ICTSD Resource Paper No. 3

ICTSD

INTERNATIONAL CENTRE FOR TRADE AND SUSTAINABLE DEVELOPMENT

# African Countries and the Agreement on Agriculture

## What Scope for Sustainable Development?

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March 2002

**Published by**

**International Centre for Trade and Sustainable Development (ICTSD)**
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# African Countries and the Agreement on Agriculture: What Scope for Sustainable Development?

by Isabelle Mamaty

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Printed by SADAG Imprimerie, 13 avenue de Verdun, F - Bellegarde-sur-Valserine Cedex.



ISSN : 1681-8954

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# FOREWORD

This paper seeks to introduce new perspectives into the debate on the liberalization of trade in agriculture. One of the great achievements of the Uruguay Round of trade negotiations was to bring agricultural policies under much greater multilateral disciplines through the new World Trade Organization. The Uruguay Round Agreement on Agriculture led to the conversion of non-tariff barriers to agricultural imports into bound tariffs, which are scheduled for phased reductions between 1995 and 2000, as are farm production and export subsidies. Developing countries have an extra four years to phase in their reduction commitments.

It is hoped that this paper will contribute to informing African policy makers about the full implications of implementing the WTO Agreement on Agriculture and its impacts on their respective economies. It outlines and analyses the existing African Group negotiating proposals and suggests measures that African countries could take in the pursuit of their sustainable development objectives.

Needless to say, and as the paper well shows, agriculture is the core of many African economies. It accounts for a large percentage of the gross domestic product in most countries in the region. In addition, the sector employs more than 60 percent of the labor force, represents a major source of foreign exchange, supplies the bulk of basic food requirements and provides subsistence and income for a large percentage of the rural African population. One will therefore understand the serious implications that any debate on this sector will have, and why developing countries, and particularly African countries, need to monitor the issues very closely. It is hoped that this paper will make that process easier.

This paper seeks to pose and answer a number of very pertinent questions with regard to the possible effects resulting from the implementation of the commitments by African countries under WTO Agreement on Agriculture, as well as commitments under related agreements such as the Agreement on the Application of Sanitary and Phytosanitary Measures, and the Agreement on Technical Barriers to Trade commitments. It also addresses how such implementation may enhance or limit the scope to address food security and sustainable development policies in the region. The paper makes a detailed examination of commitments made in the areas of market access, domestic support and export subsidies, while keeping in mind that this three-pillar approach to trade in agriculture might not be the most suitable framework in addressing the specificities of the sector.

The *Doha Declaration* has paved the way for WTO Members to continue negotiations in the broader context of a new round. A great deal of work remains to be done and research efforts in this area need to be stepped up. The negotiations cover a very broad sweep. There are deep implications of each of the negotiation issues and individual country positions, on food security and on the development concerns of African countries. Paragraph 13 of the *Doha Declaration* for instance opens the way for substantial reductions of exports subsidies and domestic support, while paragraph 14 reinforces the special and differential treatment aspect although not explicitly referring to the 'development box' issue. In responses to the concept of a development box, most Members agree that special and differential treatment has a high priority in the post-Doha agenda and that it is an integral part of the agriculture negotiations. However, some Members point out that the Ministerial Declaration puts special and differential treatment within the overall objective of achieving a fair and market-orientated agricultural trading system, so that all Members should participate in the reform program.

Whichever way the negotiations unfold, the stakes are high. Food security, other human development aspirations and sustainable development policy objectives and concerns must be addressed comprehensively. Policy formulation on this, and indeed all fronts, should involve those that will feel the repercussions of the policy choices. We have worked with the author toward this objective with stakeholders in dialogues in Africa and Geneva and look forward to the opportunity to further contribute to the capacity pool by continuing to bring to the table the sustainable development perspectives of those that would otherwise have little chance of being heard.

*Ricardo Melendez-Ortiz*
Executive Director

# INTRODUCTION

Agriculture is the core of many African economies. It accounts for more than 30 percent of Gross Domestic Product (GDP), employs more than 60 percent of the labour force, represents a major source of foreign exchange, supplies the bulk of basic food and provides subsistence and income for a large percentage of the rural populations[1] (Annex 1). Thus, significant progress in promoting economic growth, reducing poverty and enhancing food security cannot be achieved in most of these countries without developing fully the productive capacity of the agricultural sector and its contribution to overall economic development. As a result, and because the majority of African countries are WTO members (Annex 2), the WTO Agreement on Agriculture (AoA) and mandated negotiations under the agreement are of great importance to African countries.

Prior to the establishment of the WTO in 1995, Agriculture was one of the sectors that was not heavily regulated at the multi-lateral level. This scenario has since changed. The result of the regulation has been disappointing to many African countries. The expected expansion of market access opportunities has not been forthcoming. Developed countries are still known to make extensive use of Agricultural subsidies resulting in an imbalance in the international market. Although African countries have the flexibility to use similar domestic support measures, in practice, the Structural Adjustment Programmes (SAPs)[2] that most of them have undertaken since the 1980s prevent them from doing so. In this regard, new negotiations began in early 2000, with great expectations from many African countries that they would lead to the reduction in the imbalances resulting from the implementation of the AoA and to an improvement in market access. Above all, African countries —and developing countries in general— insist on the need for WTO members to fully address their development concerns while negotiating new agreements.

This policy brief aims to address the issue whether the implementation of AoA and the related agreements (The Agreement on the Application of Sanitary and Phytosanitary Measures (SPS), and the Agreement on Technical Barriers to Trade (TBT)) commitments by African countries and developed countries may enhance or limit the scope to address food security and sustainable development policies. These include commitments made in the areas of market access, domestic support and export subsidies. To address this issue, this brief will seek to answer the following questions: what have been the results of the Uruguay Round from an African perspective; how have the AoA and other related agreements been implemented and what impact has this had on the scope of the policy mix in terms of food security and sustainable development in the African countries; how may the proposals for current negotiations, if implemented, impact on the food security/sustainable development objectives of African countries?

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[1] 'Policy Issues and Options for African Countries' in *Multilateral Trade Negotiations on Agriculture*, Commodity Policy and Projections Service, Commodities and Trade Division, Food and Agriculture Organization, United Nations, September 1999.

[2] Structural adjustment reforms call for less government intervention in both the input and output markets and require reductions or elimination of budgetary outlays associated with these interventions such as elimination of price control, tariff reduction and elimination of input subsidies.

# AFRICAN COUNTRIES AND THE AGREEMENT ON AGRICULTURE: WHAT SCOPE FOR SUSTAINABLE DEVELOPMENT?

## 1. THE RESULTS OF THE URUGUAY ROUND FROM AN AFRICAN PERSPECTIVE

The conclusion of the Uruguay Round of trade negotiations in 1994 marked the first time that international trade in agricultural goods had come fully under the multilateral trade rules of the GATT/WTO. Much of the impetus behind the resulting Agreement on Agriculture (AoA) came from the major trading countries. For many developing countries while the AoA was not perceived as particularly fair or balanced it provided a concrete mechanism to bring the practices of developed countries under international trade disciplines for the first time. The agreement was structured under three "pillars" including: market access, domestic support and export subsidies. Alongside the adoption of the AoA were the agreements on Sanitary and Phytosanitary Measures and Technical Barriers to Trade, which covered certain aspects considered integral to agricultural trade.[3]

### 1.1 The main provisions of the Agreement on Agriculture (AoA)

The "long-term objective" of the AoA is to "establish a fair and market-oriented trading system through a programme of fundamental reform encompassing strengthened rules and specific commitments on support and protection in order to correct and prevent restrictions and distortions in world agricultural markets."[4]

In implementing these objectives each Member country to the WTO is obligated to make quantitative reduction commitments in the three main areas of the agreement on a country-by-country and commodity-by-commodity basis. These commitments are included in a legal document, referred to as a *Country Schedule*. For each area, commitments for reduction are made from a *base period* and over an *implementation period* that have been negotiated among Members and referred to in the *Modalities*.

The *base period* is the period from which the figure to be reduced is taken or calculated. For all countries, the base period for market access and domestic support is 1986-1988, and for export subsidies is 1986-1990. The *implementation period* is six years beginning in 1995 for developed countries and ten years for developing countries.

[3] While the SPS agreement by its nature focuses principally on agricultural issues, the TBT agreement has a wider application to trade in all goods.
[4] Doha Declaration, Article, 13WT/MIN(01)/DEC/W/1, 14 November 2001; See also the Preamble to the Agreement on Agriculture.

Table 1 below provides the reduction rates required for each country over the implementation period. It should be noted that least developed countries, including 33 African countries, have no reduction commitments to fulfil under the agreement (Annex 3).

**Table 1**
**Reduction rates required in the Agreement on Agriculture (percentage figures)**

| ***Reform areas*** | ***Developed*** | ***Developing*** | ***Least-developed*** |
|---|---|---|---|
| *Implementation period* | 1995-2000 | 1995-2004 | |
| ***MARKET ACCESS*** | | | |
| *Base period* | 1986-88 | 1986-1988 | |
| *Simple average tariff* | 36 | 24 | 0 |
| *Minimum reduction per tariff line* | 15 | 10 | 0 |
| ***DOMESTIC SUPPORT*** | | | |
| *Base period* | 1986-1988 | 1986-1988 | |
| *Total Aggregate Measurement of Support* [5] *(AMS)* | 20 | 13.3 | 0 |
| ***EXPORT SUBSIDY*** | | | |
| *Base period* | 1986-1990 | 1986-1990 | |
| *Value of expenditure on subsidies* | 36 | 24 | 0 |
| Quantity of subsidies exports | 21 | 14 | 0 |

### *1.1.1 Domestic support (Article 6)*

Under the Agreement, all domestic support in favour of agricultural producers is subject to rules. The two following types of domestic support measures were defined and disciplined under the AoA:

- Domestic support measures subject to reduction commitments because they are considered to have significant impacts on the volume of production, both at the product level, and at the level of the agricultural sector as a whole. They are expressed in terms of a "Total Aggregate Measurement of Support" or "Total AMS"[6]. Hence the total base AMS has been calculated for the base period 1986-1988, the reduction in the base total AMS proceeds in equal annual instalments over the implementation period. As a consequence, annual Current Total AMS values are included in the country schedules. In practice, this is a level *above which* a given country should not provide domestic support subject to reduction for a given year.

[5] Total AMS = (product-specific AMS exceeding *de minimis* + non-product specific AMS exceeding *de minimis)*
[6] AMS: which is the sum of expenditures on non-exempted domestic support, aggregated across all commodities and policies.

- Domestic support exempt from reduction commitments, which includes:
    - *"Green Box" measures (listed in Annex 2 of the AoA) as they were agreed by Members to have no, or at most minimal, trade distorting effects or effects on production*[7]*. A second item of this category is direct payments under production limiting programmes (often referred to as "Blue Box" measures) under Article 6(5)(a) of the AoA.*[8]
    - *Special and Differential Treatment for Developing Countries ('SDT') under Article 6 (Developmental Measures), i.e. support measures that fit into the developmental category, whether direct or indirect.*
    - *de minimis exemptions which allow any support for a particular product to be excluded from the reduction commitment if that support is not greater than 5 percent of the total domestic value of production of the agricultural product in question for developed countries, and 10 percent for developing countries.*

### *1.1.2 Export subsidies (Article 9)*

They are measured in terms of both the volume of subsidised export (in tons), and in terms of the budgetary expenditure on subsidies (in US$). In the country schedule, members specify:

- the base period level of support for 1988-1990[9] for affected commodities or groups of commodities[10].
- the bound level of support for 1995, which constitutes the starting point for reduction.
- the final level of subsidy after the reduction of the base level over the implementation period.

There are some exemptions for developing countries, not to reduce subsidies for marketing, processing and transport (AoA Article 9(4).

### *1.1.3 Market access (Article 4)*

The provisions and commitments defined by the AoA and the Country *S*chedules with regard to market access include the "tariffication" of non -tariff barriers to trade (NTBs) into tariff equivalents, tariff reduction and market access provisions. Tariffication**[11]** is the replacement

[7] Green Box measures must be provided through publicly funded government programmes (including government revenue foregone) not involving transfers from consumers and must not have the effect of providing price support to producers.

[8] These are currently only used by three countries; the EC, Norway and the Slovak Republic (so far only in 1995-97) and have been a point of contention in negotiations. (need for confirmation here…how current, is 1995-1997 supposed to be the accuracy dates of the data info.?)

[9] An exception to the base period has been negotiated between the United States and the European Commission, which allows the starting level of export subsidy to be as they were in 1991-1992 exceeding those in the base period. (need for confirmation here…not clear what this means)

[10] Wheat and wheat flour, coarse grains, rice, oilseeds, vegetable oils, oilcakes, sugar, butter and butter oil, skim milk powder, cheese, other milk products, bovine meat, pig meat, poultry meat, sheep meat, live animals, eggs, wine, fruit, vegetables, tobacco, cotton.

[11] The formula used to tariffy is: $T = (P_d - P_w)/ P_w * 100$
where:
T = *ad valorem* tariff equivalent

of non-tariff barriers by tariffs. Non-tariff barriers are calculated for the base period (1986-1988) and are included in the Country Schedules as the base rate of tariffs from which reduction commitments commence. All the tariffs resulting from the tariffication process are bound –that is, have an upper ceiling- and should not exceed these levels at the end of the implementation period. For products previously subject to a tariff, if the tariff was bound, the bound level was taken as a base rate of duty. For unbound tariffs, in most of developing countries, the option of offering ceiling bindings was provided on these products. In that case, there was no obligation to reduce these tariffs and no obligation to calculate these ceiling bindings based on tariffication formula. Most of them have been arbitrary.

Where there is little existing trade (taking the base period average 1986-1988 as the benchmark), or where existing levels of imports are not maintained after the tariffication process mainly, importing countries are required to allow stipulated quantities of imports at a reduced rate of tariff by establishing the so-called tariff rate quota (TRQs), which constitutes the minimum access commitment. Country schedules should specify the initial quota (size of the quota in metric tonnes and tariff rate applied to within quota imports) and the final quota. Minimum access is applied on the most favoured nation basis.

Thirty-seven WTO members[12] have tariff rate quota commitments in their schedules, with a total of 1370 individual quotas for agricultural products mainly in developed countries (59 percent) and for fruit and vegetables, meat, cereals and dairy sectors. The issue of TRQs is particularly relevant for these products as the total volume of the scheduled TRQs in 1995 as a percentage of world trade in the products concerned ranged typically from 3 percent to 7 percent. For product groups such as dairy, meat and sugar, it exceeded 10 percent.

In addition, current access under bilateral agreement at preferential tariff rates has been maintained. In practice, minimum access quotas may have been used to maintain existing bilateral agreements (current access). Although the use of non-trade barriers has been eliminated under the AoA, some exemptions have been allowed for particularly sensitive products under certain conditions in Annex 5 of the AoA (e.g. the case of rice in Japan and Korea, or Israel for sheep meat) and are entered in country schedules.

Finally, a Special Safeguard clause (SSG) (Article 5) enables a country that has used the tariffication process to apply additional tariffs following an import price decline or sudden import surge[13]. In order to apply this concession to a particular commodity, the commodity must be marked in the Country Schedule with the symbol “SSG”.

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$P_d$ = domestic price (e.g. wholesale price)
$P_w$ = world reference price (import or export parity price)
This is the *ad valorem* tariff equivalent. To arrive at the base rate of the tariff, the ad-valorem equivalent would be calculated for each year of the base period and the average taken.

[12] Australia, Barbados, Brazil, Bulgaria, Canada, Colombia, Costa Rica, Czech Republic, Ecuador, El Salvador, EU, Guatemala, Hungary, Iceland, Indonesia, Israel, Japan, Korea, Latvia, Malaysia, Mexico, Morocco, New Zealand, Nicaragua, Norway, Panama, Philippines, Poland, Romania, Slovak Republic, Slovenia, South Africa, Switzerland, Thailand, Tunisia, United States, Venezuela

[13] FAO: the implications of the Uruguay round agreement on agriculture for developing countries, a training manual, 41, 1998.

## 1.2 Other related agreements

***Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) and Agreement on Technical Barriers to Trade (TBT Agreement)***

The SPS and TBT Agreements define rules for setting national standards and regulations relating to sanitary and phytosanitary measures, as well as to technical requirements for food safety and quality. WTO members should base their national measures on international standard guidelines set up by the Codex Alimentarius Commission (CAC) for food, the International Office of Epizooties (OIE) for animal life and health, and the International Plant Protection Convention (IPPC) for plant life and health. LDCs had 5 years to implement the SPS Agreement. For other countries the SPS agreement entered into force in January 1995.

**Box 1**
**SPS and TBT : safety of protectionism ?**

A recent World Bank study on the impact of EU food safety standards calculated that EU regulations on aflatoxine are likely to save only two lives per billion people – approximately one person every two generations. The same regulations will cost nine African countries a total of US $ 700 m in lost export revenue, which might have funded public investment in life-saving health services for thousands of people.

Source: Oxfam International, *Harnessing Trade for Development*, Oxfam briefing paper, August 2001

The commitments for developing countries[14] including least developed countries are less demanding than they appear as a result of economic restructuring and low initial levels of support. Furthermore, many factors that have been identified in the past as being responsible for the state of disarray in world agriculture and have adversely affected food security in developing countries are now subject to rules and disciplines and to reduction. However, in spite of this, there are still significant questions as to whether the AoA can provide sufficient space or support for developing countries to meet their most pressing needs related to food sufficiency, security and productivity; and employment and rural development.

The next section will discuss how the AoA commitments have been implemented both by the African countries and the developed countries.

[14] The designation of a developing country in the GATT/WTO is left to the country itself, however the commitments related to the designation, and hence to some degree to the designation itself, is potentially the subject of negotiation, and therefore of influence, by other member states.

# 2. IMPLEMENTATION OF THE AOA AND OTHER RELATED AGREEMENTS COMMITMENTS

## 2.1 African countries' commitments have been limited by pre-Uruguay round liberalisation

- Apart from South Africa, all sub-Saharan Africa (SSA) countries reported zero base Total AMS. As a result of a series of unilateral liberalisation measures under SAPs (reduction of tariff, elimination of input subsidies, elimination of price control, etc), most trade-distorting subsidies had been either eliminated or brought down to minimum levels before the Marrakech Agreement.

- Most African countries reported some limited support to agriculture under the Green Box, which covers many of the important agricultural support programmes in sub-Saharan African (SSA) countries, such as government services (research, plant, production etc.). African countries' expenditure on Green Box policies remains insignificant compared with that of other WTO members (see Table 2).

**Table 2**
**Total Expenditure on Green Box Measures by Member, 1995-1999**

| *Country* | *1995* | | *1999* | |
|---|---|---|---|---|
| | *Amount US$ million* | *Share in reported GB expenditure of all Members* | *Amount US$ million* | *Share in reported GB expenditure of all Members* |
| **G**rand total of reported expenditure | 129,440 | 100.00 | 126,735 | 100.00 |
| **T**otal of reporting developed countries | 110,173 | 85.1 | 110,958 | 87.5 |
| **T**otal of reporting developing countries | 19,271 | 14.9 | 15,776 | 12.5 |
| **T**otal of reporting African countries (Excluding South Africa) | 315 | 0.24 | 495 | 0.39 |
| **African countries** | | | | |
| Botswana | 11 | 0.01 | 00 | 0.00 |
| Gambia | n.a. | | n.a | |
| Kenya | 53 | 0.04 | 66 | 0.05 |
| Morocco | 157 | 0.12 | 378 | 0.30 |
| Namibia | 50 | 0.04 | 00 | 0.00 |
| Tunisia | 30 | 0.02 | 339 | 0.03 |
| Zimbabwe | 14 | 0.01 | 12 | 0.01 |

- Special and Differential Treatment (SDT) exemption provides these countries an additional scope for supporting their agricultural output through input subsidies to low-income or resource poor farmers and investment subsidies to agriculture, but few countries have used the SDT provisions.

- No African country has reported any measure under the Blue box.

- No African country has reported any use of export subsidies with the exception of South Africa. Rather, the tradition in Africa has been one of taxing exports, a practice not disciplined by the WTO.

- Most sub-Saharan African countries have chosen the option of tariff ceilings. Generally they have established high and uniform tariff bindings (Annex 4). This option was the one that gave them more potential flexibility as most of them had already undertaken unilateral liberalisation under structural adjustment programmes where one of the conditionalities was the conversion of NTBs together with a reduction of tariffs. Thus, most of their tariffs had already been low, so that having the option of high bound rate tariff allowed them to raise the tariff within the bound level in the future. The same case was applicable to countries with a low common external tariff. Therefore, only a few countries established their tariff bindings by converting non-tariff barriers to tariff using the tariffication formula and not the ceiling binding procedure (e.g. Southern African Customs Union (SACU[15]).

- No African countries opened Tariff Rate Quota (TRQs), that is to say that they have not provided minimum access for a specific product.

- Only three members of the SACU (Botswana, Namibia and Swaziland) have reserved the right to apply the Special Safeguard (SSG) provision in their country schedule for some specific products.

### 2.2 Insufficient resources and information have prevented them from benefiting from the flexibility within AoA

- Together, Green Box measures, SDT and the *de minimis* level allow developing countries to use some domestic support measures for their agricultural sector under certain conditions (green box, SDT and *de minimis* level), but almost all of these countries have too limited financial resources to provide such support.

- Most sub-Saharan countries did not provide information regarding support measures. This affects their ability to negotiate new rules as information on current support level is often simply lacking.

[15] SACU member countries: Botswana, Lesotho, Namibia, South Africa, Swaziland

- African countries face a lot of difficulties in adapting their national laws and regulations, and improving institutional capacities to meet their WTO obligations.

- Difficulties in meeting the SPS and TBT requirements: African countries have difficulty in raising the SPS/TBT standards of their exports to internationally recognized levels. SPS requirements are considered some of the greatest impediments to exports of agricultural and food products, particularly to the EC, by most developing countries[16]. An additional challenge arises where developed countries, on risk assessment grounds[17] adopt higher standards than those recognised by international standard setting bodies, as challenging those measures through the WTO dispute settlement mechanism requires significant intellectual and financial resources.

### 2.3 The benefits from the implementation of the AoA by developed countries have not materialized.

- Annual actual levels of AMS in OECD countries are far below annual Current total AMS values provided in the country schedules. Despite the reduction commitments, actual domestic support in OECD countries remains high[18]. Overall levels of subsidies have increased rather than decreased in OECD countries since the base period, from US$ 247 billion in 1986-1988 to US$ 274 billion in 1998. This was made possible by increased use of green box measures, which are exempted measures from reduction under the AoA.

- The volume of subsidised exports has remained below the permitted levels in most of export subsidy users. During 1995-1998, subsidy utilisation rates (i.e. the use of export subsidies relative to committed ceilings) has ranged between 14 and 42 percent for various cereals, less than 4 percent for oilseeds and oil products, 58 to 70 percent for dairy products, 54 to 71 percent for livestock products and 20 to 38 percent for other products. As world market prices trended downwards in the most recent years, utilisation rates have increased. Subsidies hurt "other agricultural exporters", by cutting their market shares and reducing export earnings. The strongest opposition to this practice has come from the Cairns Group[19] of net-food exporting countries. Most of the African countries are affected by the instability of the world markets and face additional transaction costs in trying to cope with these unstable markets, due to the

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[16] Center for food Economics Research (April 2000), *Impact of sanitary and phytosanitary measures on developing countries*, Spencer Henson, Rupert Loader, Alan Swinbank, Maury Bredahl and Nicole Lux, Department of Agricultural and Food Economics, University of Reading

[17] Risk assessment is defined as: the evaluation of the adverse affects on human and animal health from additives, contaminants, toxins and disease causing organisms in food beverages and feedstuffs, and/or the likelihood of entry, establishment or spread of a pest or disease and any associated biological and economic consequences

[18] Market access, Domestic Support and Export Subsidy Aspects of Uruguay Round Agreement on Agriculture Implementation in OECD Countries, Document COM/AGR/TD/WP (2000) and Experience with the implementation of the Uruguay round agreement on agriculture, FAO, Committee on Commodity problems, 63rd Session, CCP/01/11, 6-7 March 2001.

[19] Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Fiji, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand, Uruguay.

use of export subsidies in developed countries. Although is not clear how much the depressed world market prices are transmitted into domestic markets (affecting both producers and consumers). But, it is likely that they negatively affect most African countries since the main products receiving export subsidies are basic foods, which represent a significant proportion of agricultural production and economic output.

- Agricultural tariffs remain high particularly on temperate-zone products. Compared to the non-tariff barriers of the 1990s, for two major cereals, wheat and maize, the bound tariff rates for developing countries are 94 percent and 90 percent respectively compared with 214 percent for wheat, 197 percent for barley, 154 percent for maize[20] in OECD countries in the first year of implementation (1995). Tariffs applied by developed countries on agricultural exports from developing countries, especially on sugar, meat, and dairy products, are almost five times higher than those applied on manufactured goods.

- The existence of tariff peaks in agriculture is most common in three product groups: major food staples; fruit and vegetables; and the food industry (processed food products). On average, close to 18 percent of agricultural lines are affected by national peaks in OECD countries as compared to 6 percent in non-OECD countries. 28 percent of total number of lines in agriculture are tariff peaks in the EC, 9 percent in the US and 22 percent in Japan[21].

- Tariff escalation[22]. Several studies have shown that although tariff escalation was reduced after the conclusion of the Uruguay Round, it still prevails in several important product chains, notably coffee, cocoa, oilseeds, vegetables, fruits and nuts, and hides and skins.

- Complex tariff structures still persist including non *ad valorem* and specific tariffs[23], in most developed countries, as do even more complex import arrangements such as seasonal restrictions or quotas. (I can't tell how this was supposed to be developed, was it supposed to be an example?)

- The *Marrakech Decision* that should have addressed the issue of possible negative impact of the implementation of the WTO agreement on net food importers and some selected developing countries did not succeed in creating an operational mechanism to assist these countries (see Box 4).

- While TRQs have the potential to create some new trading opportunities, a number of conceptual and implementation issues have arisen, including the lack of transparency

[20] FAO, Policy Options for Developing to Support Food security in the Post-Uruguay Round period, Panos Konandreas and Jim Greenfield, 1996.
[21] OECD: Post-Uruguay round Tariff regimes: Achievements and Outlook, 1999
[22] Tariff escalation: refers to a situation where tariffs rise as the processing chain advances. Tariff escalation as a barrier to trade will matter more in the coming years as trade is rapidly shifting to processed products
[23] An *ad valorem* tariff is a tariff that is expressed as a percentage of the value of imported product. A Specific Tariff is expressed as a fixed monetary amount per physical unit of the imported products (For example $20 per Kg).

in their administration, and the rather uneven setting of within-quota tariffs under the UR (Uruguay Round?). All these problems have been responsible for an under-utilisation of TRQs averaging about 60-65 percent overall, although in some cases market conditions, i.e. weak import demand itself, have also been identified as the main cause of under-fill. African countries have to ensure that they have fair access. The quota utilisation data for 1995-1998 are yet to be analysed to examine the extent to which the developing countries including those in Africa were able to access the new quotas. Such an analysis remains a priority in order to have a clear image of the improvement in term of market access.

## 2.4 Reasons for the perceived imbalances in the AoA

### *2.4.1 Market access*

The formula used to cut tariffs is based upon the un-weighted average of all tariffs. Thus any country theoretically possesses the ability to apply the minimum tariff cut -which is set at 15% for developed countries and 10% for developing countries-to their most important and sensitive products, while easily fulfilling the overall reduction cut,-24% for developing countries and 36% for developed countries-by making substantial tariff cuts on their least sensitive products. Many developed countries took advantage of this reduction minimising effect. This is why their reduction commitments did not lead to the major reduction of tariffs in key areas of interest to many developing countries.

About 80 percent of the tariffied items of the OECD countries are subject to Special Safeguards (SSGs) mainly for meat, cereals, fruit and vegetables, oilseeds and oil products and dairy products. Maintaining the SSG under present conditions (existing country and product eligibility) will perpetuate discrimination against those Members that do not have access to the SSG because they have chosen the ceiling binding option instead of tariffication, as largely done by developing countries. Another reason is that the general WTO safeguards as provided in the WTO Agreement on Safeguards are not automatic, but can only be applied if proof of injury of the domestic industry can be established.

A deeper analysis could be made on a country-by-country and product-by-product level in order to get a clear picture of the policy implications of the market access commitments. Although the implementation of market access commitments did not lead to substantial changes in tariff protection in term of tariff cuts, this should be considered as the foundation for deeper cuts in agricultural protection in future as most agricultural tariffs are consolidated.

Therefore, another long-term implication for developing countries, and particularly most African countries is narrowing of the margin between the preferential tariff rates granted under preferential schemes and the tariffs paid by other countries that are subject to reduction. This issue took up all the attention of the African countries during the UR as most of them benefit from the EC preferential scheme under Cotonou (see box 2)

**Box 2**
**The COTONOU Agreement**

The EU has granted a preferential trade regime to ACP countries since 1975, within co-operation agreements. Non-reciprocal trade preferences, commodity protocols and instruments for trade co-operation were part of the two Yaoundé Conventions (1963-1975), followed by four successive Lomé Conventions (1975-2000). Preferences were extended for eight more years (until the beginning of 2008) under the new Cotonou agreement signed in June 2000, for all countries of sub-Saharan Africa, except South Africa, as well as most independent developing countries in the Pacific and the Caribbean. After 2008, in order to make the preferential treatment compatible with WTO rules, the EU proposes to transform non –reciprocal preferences into reciprocal free trade agreements with regional groupings. For LDCs, preferences could be maintained without reciprocity

Despite the preferential scheme (duty free for industrial products and primary agricultural products), the share of ACP countries in total EC imports has continually decreased. In twenty years, their share decreased from 8% to 3% in favour of Asian countries that do not benefit from the preferential schemes.

For African countries, a lot of uncertainty is anticipated during the post-Cotonou period, apart the political aspect of the allocation of the negotiating mandate to the regional groupings. The opening of their markets to the EU would increase competition within their domestic markets even more. Thus each country would have to identify "sensitive" sectors based on its development objectives and negotiate some special safeguard provisions..

### *2.4.2 Domestic support*

Countries that have traditionally not provided domestic support are not allowed to do so.[24] That is the case in most African countries, mainly due to pre-Uruguay Round structural adjustments programmes. This means non-exempt support to agriculture in these countries should not exceed the *de minimis* level, which may limit their options to directly support agriculture in the future.The choice of the base period of 1986-1988 corresponded to a period when domestic support was high due to low world market prices. The reduction commitment of the base AMS calculated from the period of 1986-1988 was already fully met by 1995 because actual domestic support was lower compared to 1986-1988 due to higher world prices and domestic reforms undertaken in the developed country market (reform of common agricultural policy).

In practice therefore, countries have not reduced the actual level of protection due to domestic support. As a result, any reduction in domestic support during the implementation period may have little significant impact in the short/medium term.

As noted above, domestic support reduction commitments should be the base for future reform. For African countries, the claim of zero AMS (negative AMS for some of them) may

[24] Except in the case of green box subsidies.

be a constraint in the future in case there is a need to introduce additional subsidies for a specific product above the *de minimis level*. But the most important is that in correcting the implicit taxation of their agricultural sector, they may increase their AMS up to the authorised levels. This is an important point to consider when the main objective of the SAPs is to remove the implicit taxation in agriculture. With an AMS equal to zero or negative, a newly introduced non-exempt subsidy exceeding "*de minimis*" level will be translated into positive values of Current Total AMS and this will not be authorised by the WTO rules. That is to say, most of African countries have their AMS bound at zero level and the only option of using additional non-exempt support is under *de minimis* or special and differential treatment

### *2.4.3 Export subsidies*

The use of export subsidies was one of the most contentious issues during the Uruguay Round negotiations.

While reduction of export subsidies was negotiated, it should be noted that a "front loading" accord was agreed at the last minute between the US and EC, the main export subsidy users. This accord allowed the base period for reduction to be 1991-1992 instead of 1986–1988 as are used for tariffs and domestic support. This change in the reference period came about because in some cases subsidies had continued to increase substantially following the 1986-1988 base period and it was felt that a sudden cut to the base period level would have been too demanding. The solution was that while the overall cut in export subsidies under these arrangements would be larger, the impact of the reduction at the beginning of the implementation period was minimised.

It is important to point out that while export subsidies are not allowed in the WTO under the Agreement for Subsidies and Countervailing Measures (SCM Agreement) they continue to exist within the AoA for agriculture, though it was agreed that they would be subjected to reduction commitments. Since the majority of developing countries did not use export subsidies at the time of the agreement they were not allowed to use them in the future, while developed countries were allowed to maintain 64 percent of the base level of export subsidy outlays.

For many, the AoA commitments for African countries and developed countries were less demanding than they appeared in terms of the reduction in tariffs, domestic support and export competition. For African countries in particular, this was at least in part due to the liberalisation processes mandated under structural adjustment programmes. However, in the future, constraints resulting from their initial commitments, the commitments made by developed countries, and the AoA structure itself may limit their scope for food security and sustainable development policies. The following sections will deal with this issue.

## 3. IMPACT OF THE IMPLEMENTATION OF THE AOA & OTHER RELATED AGREEMENTS ON THE SCOPE OF THE POLICY MIX IN TERMS OF FOOD SECURITY AND SUSTAINABLE DEVELOPMENT IN THE AFRICAN COUNTRIES

In Africa, the livelihood of two thirds of the population depends on farming, and a substantial part of the population has to contend with abject poverty and constant food insecurity. Consequently, 39 percent of the population is undernourished (Annex 5). There is therefore an urgent need to implement policies that will effectively address this situation including the generation of higher incomes for the poor, higher agricultural productivity and food production.

African countries rely heavily on world markets for their food consumption as well as their agricultural exports. Protectionist policies in developed countries and market fluctuations contribute negatively to the already weak performance of domestic production. The policy objective of bringing agriculture into the GATT rules was to gradually remove inefficiencies in production and trade as well as to reduce protectionism and markets fluctuations. This was pursued by disciplining domestic agricultural policy at national level. For a given country, domestic agricultural policy is set towards specific objectives. For African countries, agriculture, by virtue of its central role in the economy, is one of the main components of the sustainable development strategy with a focus on ensuring food security.

In most of these countries agriculture has been taxed both through direct sectoral policies and indirectly through macro-economic policies, which were biased against agriculture. Prior to the Uruguay Round agreements most African Countries went through unilateral liberalisation under adjustment programmes, that brought about major changes in their agricultural policies.

Due to the definitive character of the AoA commitments in terms of policy, after recalling what may be a policy mix to ensure food security through sustainable development strategy, this section focuses on the particular commitments made by developed and developing countries which may enhance or limit the flexibility of the latter in domestic agricultural policies, in particular the food security policies.

### 3.1 What policies to address food security and sustainable development issues?

In terms of food security and sustainable development, there is an urgent need to enhance production in order to meet domestic needs as well as to promote investment and trade in agricultural products. This requires appropriate incentives to farmers (access to credit, land, input) as well as a sound economic and institutional environment (e.g. stable prices, infrastructure, research, promotion of extension services).

In addition, in order to raise domestic production (for tradable and non-tradable products), poor farmers should - whether “temporarily” or not - be protected from negative external shocks (market fluctuations). Amongst the above-mentioned measures, the only subsidies allowed are input subsidies. Subsidies for credits, water supply and electricity cannot be used by African countries unless there are under the *de minimis* level. In addition, the only protection for poor farmers comes in the form of bound tariffs that , as noted earlier, may not be sufficient in the case of low international prices.

An FAO study[25], recognises that "given the magnitude of the food insecurity problem in poorer WTO members, increased, rather than decreased support to agriculture in these countries is required for greater agricultural productivity and production growth". In addition, given their economic weight and financial capacity, increased support in these countries is likely to have negligible effects on "distortions in world agricultural markets". Besides, policies to enhance food security have been classified according to four criteria: efficiency, effectiveness, cost and equity [26]. Based on these criteria, the table 3 below shows that a cost effective mix of measures may include measures which are not exempted from AMS reductions (e.g. market support price).

**Table 3**
**Policy- mix for a better approach to food security**

| *Policies* | *More positive impact* | *Less positive impact* |
|---|---|---|
| Incentives to production via output price | border measures + targeted consumption subsidies<br>(for even more impact) | Subsidies of output price |
| Support of production | On domestic food staples | On exportables |

Source: based on FAO, *Incorporating food security concerns in a revised Agreement on Agriculture*, discussion paper n°2, FAO Geneva round table on "food security in the context of the WTO negotiations on agriculture, 20 July 2001

Past experience suggests that a sustained agricultural growth is achieved through a judicious mix of subsidies (e.g. inputs and water management subsidies), pricing policies and border measures, as well as other institutional and infra-structural support measures (agricultural credits, extension services, land reform, seed banks, crop insurance, storage facilities, road and transport, market and distribution systems) and that coupled measures policies have been more effective in rapidly raising agricultural productivity and production than decoupled ones [27]. However introduction of coupled measures is not WTO compatible unless they are under the *de minimis* level, while decoupled is[28].

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[25] FAO, *Incorporating Food Security Concerns in a Revised Agreement on Agriculture*, discussion paper No.2, FAO Geneva round table on "Food Security in the Context of the WTO Negotiations on Agriculture", 20 July 2001.
[26] *Ibid.*
[27] FAO, *Some issues relating to food security in the context of the WTO negotiations on agriculture*, discussion paper n°1, FAO Geneva round table on "food security in the context of the WTO negotiations on agriculture, 20 July 2001
[28] "Coupled Measures" are direct payments linked to prices or production for example Market price support, input subsidy.; While "decoupled" are not linked to production nor price and are included in the green box measures example: general services research, training vulgarisation.

## 3.2 The impact of the implementation of the AoA on the scope for food security policy in the African countries

The following section identifies the most heavily used policies by the African countries to support their agricultural sector. It indicates how the implementation of the AoA commitments, despite special and differential treatment provisions limit or may limit their use in the future.

### *3.2.1 Market access*

Tariff systems in most African countries include tariff duties and other duties and charges (ODC) for sensitive products, mainly food products, which have appeared not to be transparent and predictable from the point of view of other WTO members. As several countries have little more than tariffs to protect against external shocks and surges of imported projects, the use of simple tariffs is problematic as they may not be sufficient or the best instruments for protection.

Thus, even in some cases, a high bound rate is not sufficient due to the volatility of world markets. So, for example, the world market price of raw sugar fell from 12.3 US cents per pound in December 1997 to 7,2 US cents per pound in September 1998. This would have required a tariff rate of 70 percent if a country wished to stabilise the domestic market price at the level of December 1997 in case the initial tariff was zero (or a tariff of 105 percent if the initial tariff was already 20 percent)[29]. How are import surges supposed to be dealt with then?? The non-availability of the agricultural SSG can be a problem as other general WTO safeguards (e.g. Agreement on Safeguards, the Agreement on Subsidies and Countervailing Measures and related GATT Articles[30]) are cumbersome. This underlines the urgent need for an appropriate safeguard mechanism.

**Box 3**
**Tariffs in some selected African countries**

In Botswana, applied tariffs on agricultural products, are in the range of 0-35% with a simple average of 6%, while bound rate is 100% in a majority of cases. In Kenya, applied rates ranged between 0 and 95% (Annex 2) with a simple average for all agricultural products of only 17% in 1999 while the bound rate is 100%. In Senegal, the same situation is observed with applied tariff varying from 20% to 65% and a bound rate of 180%. This includes other duties and taxes.

[29] Assuming the simple expression, $Pd=Pw*(1+t)$, where Pd and Pw are domestic and world prices and t is the tariff rate. If Pd is to be maintained at 12.3 cents when Pw is 7.2 cents, t would have to be 71 percent. But if tariff was initially at 20 percent, the initial Pd would be 14.8 cents- to stabilise Pd at this level when Pw drops to 7.2 cents would require a tariff of 105 percent.

[30] Articles VI on Antidumping and Countervailing Duties; XII on Restrictions to Safeguard the Balance of Payments; XVI on Subsidies; XVII on Governmental Assistance to Economic Development; XIX on Emergency Action on Imports of Particular Products; XX on General Exceptions; and XXI on Security Exceptions.

### *3.2.2 Agricultural support*

African countries are highly restricted (or limited?) in what they can do in the area of export subsidies and domestic support in the future due to their adjustment programmes combined with WTO commitments.

African countries have been taxing more than subsidising their agriculture sector as domestic prices are generally much lower than international prices for many agricultural products, wherefore they tax producers. But since 1980s, the implementation of the SAPs had eliminated most trade-distorting subsidies in order to liberalise agricultural markets and to remove price controls based on administered agricultural prices. Thus, this unilateral liberalisation process prior to the Uruguay round made the UR commitments less binding for most of African countries. However, the potential use of direct subsidies, such as input subsidies that were mainly used and are still allowed under the AoA, are now prevented by many SAPs.

*Domestic support*

- Many African countries have had their domestic support options substantially curtailed. As noted above, SAPs have had a significant impact on limiting the policy scope by eliminating the use of direct subsidisation (market price support, input subsidies and others). Before the implementation of SAPs, most of the African countries used to implicitly tax their producers by offering a lower administered price compared to international ones. The elimination of such practices as well as the elimination of input subsidies may have an impact on the current AMS. As countries were only allowed to reduce their domestic support at the conclusion of negotiations, those countries with negative AMS only had recourse to the *de-minimis* provisions in the AoA[31].

- Traded input subsidies (seeds, fertilisers, pesticides, machinery, etc.) have been eliminated in most African countries following the implementation of SAPs although they are still allowed under the AoA for developing countries and are therefore exempted from reduction if targeted on low income or resource poor groups of farmers.

- Non-traded input subsidies (credit, water, electricity, etc.) are not exempted from AMS calculation. For countries that have not included them in their country schedule, their use in the future is not possible under current WTO rules.

- Marketing services through governments as well as other public investments (research, infrastructure etc, etc.) are excluded from the AMS calculation and could be used under the green box if they do not affect market prices

[31] This is set at 5% for developed countries, 10% for developing countries.

*Export Subsidies*

As far as export subsidies are concerned, where no use of export subsidies was reported, African countries are not allowed to use export subsidies in the future except for transportation and marketing assistance due to their developing country status. This special and differential treatment is useful since the high-cost of transport is one of the main impediments to export promotion in Africa.

In the past, one of the main arguments in favour of developing countries maintaining the opportunity to subsidise their exports in the short-term was the need for supporting infant industries. This argument can still be valid in the field of agricultural trade and certain types of incentive schemes (e.g. exemption or remission of indirect taxes of exported products and imported products used in their production). Facilities for customs duties continue to have relevance, as these allow targeting incentives to specific, selected agro-enterprises.

**Box 4**
**Marrakesh**

The ''Decision on Measures Concerning Possible Negative Effects of the Reform Programme on LDCs and NFIDCs''

The Decision was adopted by Ministers at Marrakesh as an integral part of the Uruguay round. It recognizes that least developed and net food importing countries may experience negative effects with respect to supplies of food imports following the greater liberalization of trade in agriculture. For that, there is a need to establish some mechanisms for assistance to these countries.

LDCs and some designated Sub-Saharan African countries were recognised by the WTO as net food-importing developing countries (NFIDC) eligible for assistance under the Marrakesh Decision. To date, the Decision has not been operationalised, despite the fact that food aid has dropped to very low levels and food import bills of LDCs and NFIDCs have risen. Implementation of the Decision has so far been hampered by several factors, including, among others, the requirement for providing proof of the need for assistance and whether these needs resulted from the reform process under the UR.

For many, the *Decision* has not adequately addressed the concerns of the food importing developing countries. Some of the problems encountered by developing countries include counter-cyclical food aid shipments and shrinking aid flows. The following reasons were identified: the *Decision* does not adequately define the problem (what are negative consequences?), it does not assign responsibilities, and it has no implementation mechanism. Some experts expressed the view that the fundamental problem with the *Decision* was that it inappropriately addressed foreign aid issues in the context of a trade agreement. Some experts recommended that the *Decision* be dropped because it was not enforceable, while others held the view that the *Decision* was important both on substantive economic grounds and politically, and that it should be strengthened.

It is recognised that the *Decision* requires proof of damage and causality, but it was noted that these were very difficult to establish given the multiplicity of factors that can affect agricultural trade flows and prices. Many developing countries are seeking revisions that would make the Decision more concrete and binding.

The use of these incentives is not specified in the AoA. However such measures are referred to in the list of Annex 1 of the WTO Agreement on Subsidies, which are generally prohibited but allowed for developing countries as part of special and differential treatment. Apart from that, the main constraints from using these schemes remain financial.

In the short term, the elimination of export subsidies could be harmful to the development interests of many African countries - especially for the net food importers – as one of the consequences may be the rise in world prices of the most basic food such as wheat, beef, coarse grains, dairy products and sugar. This should be considered on a case-by-case basis. That is the reason why most African countries call for the elimination of export subsidies provided that there is an operational mechanism to assist net food importers to support the possible negative effects (box 4).

### *3.2.3 Agreement on the Application of Sanitary and Phytosanitary Measures (SPS agreement)*

Adoption of international standards implies high adaptation costs that African countries cannot afford without appropriate technical and financial assistance. This translates into additional difficulties for their exports in developed countries' market.

The results of a survey by Codex Alimentarius confirm the importance of SPS and TBT standards as impediments to exports from African countries [32]. The most important was found to be insufficient financial resources for food controls (see Table 4).

**Table 4**
**Main difficulties faced by African developing countries in exporting food products**

| *Factor* | *Score (Percent)* |
|---|---|
| Insufficient financial resources for food control | 22 |
| Inadequate testing and inspection facilities | 36 |
| Inadequate trained manpower in the food industry | 41 |
| Inadequate standards and /or regulations | 50 |
| Inefficient food processing technologies | 51 |

Note: Each factor was scored on a five-point scale from "highest priority" (1) to "lowest priority" (5) Source: Mutasa and Nyamandi (1998)

Another risk related to SPS measures is that developing countries, for lack of financial means, invest only in high standard quality for export products while products that are locally consumed are of lesser quality. Thus, local consumer welfare may be compromised by either the non-availability of high quality products, or the limited availability at high prices [33]. For example in Senegal, Thiof, (a type of fish) that constitutes the main food in the country, is

[32] Mutasa, M.P. and Nyamandi, T. (1998*). Report of the Survey on the Identification of Food regulations and Standards within the Africa Region Codex Member Countries that Impede Food Trade. Paper presented at Workshop on Codex and Harmonisation of Food regulations*, Harare, August 1998.
[33] Center for food Economics Research (April 2000), *Impact of sanitary and Phytosanitary measures on developing countries*, Spencer Henson, Rupert Loader, Alan Swinbank, Maury Bredahl and Nicole Lux, Department of Agricultural and Food Economics, University of Reading

now becoming rare and expensive, and consumers are having to substitute it with less expensive and low quality fish.

Finally, limited participation of these countries, both in number and effectiveness, in international standard-setting bodies also continues to be an issue.[34]

### 3.3 How to introduce more scope to address food security and development issues in the AoA

In the course of the agriculture negotiations at the WTO, several proposals have been made by developing country Members dealing with the question how to provide developing countries[35] with special advantages and flexibility to enable them to appropriately address their developmental and food security concerns. The points made in these submission were principally based on the argument that, firstly, unequal trade rules favoring industrialised country Members needed to be balanced in light of developing countries' interests; and, secondly, the concept of Special and Differential Treatment (S&D) was to be made more robust and operational trough out the Agreement on Agriculture (AoA). To that end, the proposed "Development Box" concept would have implications for the rules on all the three pillars of the AoA, i.e. market access, domestic support and export competitions, and it would grant special rights to developing countries, but impose special obligations on developed countries.

Responding to the concept of a "Development Box", most Members agree that S&D has a high priority in the post-Doha agenda and that it is an integral part of the agriculture negotiations. However, some Members pointed out that the Ministerial Declaration set S&D within the overall objective of achieving a fair and market-orientated agricultural trading system, so that all Members should participate in the reform program. Therefore, most OECD countries are opposed to the idea of creating a "two-tier system" for developed and developing countries. Others caution that a "Development Box" would impede "south-to-south" trade between developing countries, which should rather be promoted through the negotiations than restrained. Thus, instead of raising tariffs, some argue, developing countries should rather countervail against cheap subsidised exports from developed countries.

A "Development Box" based on the principle of S&D could – as proposed by the Like-Minded Group in a recent non-paper on the Box[36] as well as in a joint paper by the African Group together with the Like-Minded Group on S&D[37] – encompass the following elements:

[34]For example, the Codex Commission encourages, as a priority for more universal acceptance of its standards, greater developing country participation in its committees, but funding for such participation has been very limited.

[35] For example the submission by Cuba, Dominican Republic, Honduras, Pakistan, Haiti, Nicaragua, Kenya, Uganda, Zimbabwe, Sri Lanka and El Salvador on "special and Differential Treatment in Agriculture – the Development Box," G/AG/NG/W/13, June 2000; Indian submission on a "Food Security Box," G/AG/NG/W/102, January 2001; non-paper by Cuba, Dominican Republic, El Salvador, Honduras, Kenya, Nicaragua, Nigeria, Pakistan, Peru, Sri Lanka, Venezuela, Zimbabwe, July 2001.

[36] Non-paper by Cuba, Dominican Republic, El Salvador, Honduras, Kenya, Nigeria, Pakistan, Sri Lanka, Zimbabwe on the "Development Box", February 2002.

*General:*

- The lower reduction rate (2/3)[38] for developing countries used in the Uruguay Round, as an S&D is insufficient to reflect the disparities between developed and developing countries.
- Some sensitive staples/food security crops (FSCs) should be exempt from any reduction commitments.
- On domestic support, policy flexibility is needed for agricultural development and food security.
- Furthermore, a lifting of the *de minimis* threshold as well as credits for negative AMS should be agreed.[39]

*Tariffs:*

- Developing countries should be allowed to indicate the list of agriculture crops that would be subject to reduction commitments ("positive list" approach) so as to enable them to exempt basic FSCs from reduction and other commitments. In doing so, developing countries can:
  - Protect basic FSCs from surges of subsidised imports;
  - Protect the current levels of employment in subsistence farming; and,
  - Be able to use tariffs as a source of revenue generation required for investment in agriculture.
- As an S&D measure, they should also be able to maintain appropriate levels of tariff bindings to protect their farmers.
- Furthermore, they should be allowed to re-negotiate tariff bindings with regard to FSCs;
- On the other hand, developed countries should provide quota-free and tariff free access to products from low-income or resource-poor (LI/RP) farmers in developing countries.

*Domestic support:*

- Article 6.2 of the (S&D Box) should be expanded to include:
  - support promoting the integration of LI/RP farmers, particularly through subsidised credit and similar capacity building measures;
  - measures taken to increase domestic production of staple crops for domestic consumption (including input subsidies and any other kind of product specific support provided to LI/RP farmers); and
  - any spending on transportation costs for FSCs from surplus to deficit parts of a country.

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[37] Non-paper by African Group, Cuba, Dominican Republic, El Salvador, Honduras, Pakistan, Sri Lanka on "Special and Differential Provisions," February 2002.

[38] Whereas developed countries committed themselves to reduce tariffs by 36 percent, AMS by 20 percent, the value of export subsidies by 36 percent as well as the quantities of subsidised products by 21 percent, developing countries only had to bring down the respective categories by 24, 10, 24 and 14 percent. LDCs were exempted from any reduction commitments.

[39] The concept of 'negative AMS' applies if in the calculation of the AMS, domestic support prices are lower than the external reference price (so as to ensure access of poor households to basic foodstuffs), thereby resulting in negative product specific support. In that case – many Members suggest as e.g. in the WTO Document 'Compilation of Outstanding Implementation Issues Raised by Members' (JOB (01)/152/Rev.1) - Members shall be allowed to increase their non-product specific support by an equivalent amount.

- In terms of product-specific support, the *de minimis* should be calculated on an aggregate basis and negative product-specific AMS should be allowed to be offset against positive non-product-specific support.
- Annex II (Green Box), paragraph 13 should be revised in order to allow governments to target regional assistance plans to LI/RP farmers exclusively[40].
- Furthermore, developed countries should substantially reduce their trade-distorting support prior to asking developing countries to reduce their tariffs.

*Safeguards and Penalties:*

- An "appropriate" (i.e. non-onerous) safeguard mechanism should allow developing countries to respond to import surges in food security crops.
- "Dumping" should be generally prohibited and developing countries should be allowed to take "appropriate border measures" in the event that food security concerns are impeded by dumped farm products.
- Furthermore, "certain penalty measures" should be triggered where subsidised production harms domestic production in developing countries or displaces their non-subsidised exports in third markets.

<u>Other:</u>

- The *Marrakech Decision*[41] should be strengthened, and an international fund be established to help LDCs/Net Food-Importing Developing Countries (NFIDCs) acquiring the necessary foodstuffs from the international market.
- The peace clause (Article 13) should not be renewed, but developing countries' Green Box and S&D Box (Article 6.2) measures should not be actionable under the Subsidies and Countervailing Measures Agreement (SCM).

Despite an ambitious agenda in the revision of the commitments of the AoA, the development box obviously reflects an uncomfortable situation that should be addressed. The other component of the imbalance of the AoA resulted from the implementation of the commitments by developed countries. As mentioned earlier, in order to decrease distortions in international and domestic markets [42], there was a need to reduce the existing levels of agricultural support in developed countries[43] and to improve market access for products of interest to developing countries.

The following section reviews the main proposals of the ongoing negotiations and analyses their implications in terms of policy change in market access, domestic support and export subsidy.

[40] For the time being, Annex II paragraph 13 provides that all producers be eligible for such assistance.
[41] The Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food- Importing Developing Countries.
[42] *Proposal for a "Development Box" in the WTO Agreement on Agriculture*, Duncan Green, CAFOD and Shishir Priyadarshi, South Center, October 2001.
[43] Ibid.

# 4. IMPACT OF CURRENT NEGOTIATIONS PROPOSALS ON FOOD SECURITY & SUSTAINABLE DEVELOPMENT OBJECTIVES OF THE AFRICAN COUNTRIES

## 4.1 Towards future negotiations: difficult road from Doha

During all the WTO Ministerial Conferences after Marrakech[44], developing countries, including African countries, have pushed for an assessment of the implementation of the Marrakech agreements before launching any new round. At the Ministerial Conference in Singapore, new possible issues for future negotiations were proposed and though negotiations were not agreed, working groups were commenced (investment, competition policy, transparency in government procurement and trade facilitation). Some developing countries opposed expanding the agenda, arguing that current agreements should be implemented before adding new issues. Among these difficulties, and particularly in the AoA, the main concerns were: restoring balance in the AoA and providing more flexibility for addressing food security and rural development, expanding market access as well as providing appropriate technical assistance under the SPS and TBT Agreements.

## 4.2 The new negotiation proposals

Under the built-in agenda (Article 20), the first phase of negotiations on agriculture were launched in February 2000 in the Committee in Agriculture (CoA). It was devoted to receiving submissions on negotiating proposals and discussions of technical background papers during Special Sessions held in June 29-30, 2000, September 28-29, 2000, November 15-17, 2000 and February 5-7, 2001. The second phase was launched during the March 2001 special session of the CoA and is devoted to actual negotiations. The work programme decided in March scheduled six informal meetings on a topic–by-topic basis.

Positions on the agriculture negotiations may generally be divided into three main groups[45]: the “cautious group” is in favour of keeping the structure of AoA and advocates progressive liberalisation taking into account non trade concerns. This group is lead by the EC, and includes Norway, Switzerland, Japan, and Korea. The second group, the "ambitious group" calls for significant increases in market access, substantial reduction in domestic support and total elimination of trade-distortive subsidies. This group includes the USA and the Cairns Group. Finally the “special consideration group” includes many developing countries and several coalitions of developing countries with particular interests such as the Like-Minded Group, the African Group and the East-European Group.[46]

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[44] Singapore (1996), Geneva (1998), Seattle (1999)

[45] ICTSD, *Agriculture Negotiations at the WTO Update Report*, May-October 2001, Geneva, Switzerland, October 2001

[46] It should be noted that unlike the recognised groups within the negotiation process (eg. Cairns, African, Like-Minded), the reference to "cautious" "ambitious" and "special consideration" are made for ease of reference only and do not reflect actual groupings within the WTO. For a detailed look at the groups involved in the negotiations see WTO Agriculture Backgrounder document on the WTO website.

The extent to which each group (or even each country) is able to make concessions depends heavily on whether negotiations take place in a broader context or not. A broad negotiating agenda, going beyond agriculture and services which are part of the built-in agenda, under a single undertaking process allows for trade-offs in other sectors and increases the flexibility in country positions. In Doha, ministers decided to go for a new round and encompassing broader negotiations. This may help to "open up" discussions in agriculture, especially among countries with broad agendas. In the case of some countries, however, where their trade is heavily dependent on a few goods or services, such flexibility will be harder to achieve.

#### *4.2.1 A green light in Doha*

The *Doha Declaration* has paved way for WTO Members to continue negotiations in the broader context of a new round. A great deal of work remains to be done. In the agriculture sector, paragraph 13 of the declaration opens the way for substantial reductions of exports subsidies and domestic support, while paragraph 14 reinforces the special and differential treatment aspect although not explicitly referring to the development box issue[47].

The implementation issues will be considered in further negotiations as part of the single undertaking[48] between now and 2005. As an exception, a decision to extend the timeframe for developing countries to comply with the provisions of the SPS Agreement was taken in Doha.

Some developing countries are disappointed that implementation issues are part of this "single undertaking" process, which has created the feeling that they will have to pay "twice"[49] to correct the imbalances they perceive in the Agreements. However, the increased participation of developing countries in the negotiations process and the conclusions of the *Doha Declaration* leave many hopeful that Doha has put their interests at the centre of global concerns.

Concerning capacity building and technical assistance, an interim report is due to be presented in December 2002 regarding the implementation of the provisions contained in the declaration, though for most developing countries such an assessment was a left over issue dating back to Marrakech.[50]

Special and Differential Treatment is mentioned everywhere in the Declaration, and this may be a reason for developing countries to be optimistic[51]. African countries, like many other developing countries, hope that this round will be a "development round". But in Doha, many

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[47] CAFOD analysis of WTO Doha declarations, Duncan Green, 25 November 2001.
[48] Single undertaking process: a country signs and therefore implements all agreements.
[49] Duncan Green, Analysis of WTO Doha Declarations, CAFOD 25 November 2001
[50] Doha Declaration Article 41. "We have established firm commitments on technical cooperation and capacity building in various paragraphs in this Ministerial Declaration. We reaffirm these specific commitments contained in paragraphs 16, 22, 25-27, 33, 38-40, 42 and 43, and also reaffirm the understanding in paragraph 2 on the important role of sustainably financed technical assistance and capacity-building programmes. We instruct the Director-General to report to the Fifth Session of the Ministerial Conference, with an interim report to the General Council in December 2002 on the implementation and adequacy of these commitments in the identified paragraphs."
[51] Duncan Green, *Analysis of WTO Doha Declarations*, CAFOD 25 November 2001.

of them may have been diverted from this objective by the granting of the waiver[52] that allows the Cotonou agreement to continue until 2008.

Beyond principles, what matters is the actual and detailed technical outcome of the negotiations. For instance, agreeing on a reduction in domestic support may be an empty promise unless applied levels instead of the more "virtual" committed levels are affected.

Based on the declaration and the different positions already taken in agriculture negotiations, the following section will attempt to review different alternatives and their possible effects on African countries.

## 4.3 Different alternatives of negotiating proposals and possible effects on African countries

### *4.3.1 Domestic support proposals*

Thirty countries[53] have included non-exempt subsidies in their schedules and are allowed to use them under the terms of agreed reduction commitments. For most African countries, as mentioned earlier in this report, there is no possibility of introducing new non-exempt subsidies unless under *de minimis* or SDT category. Although financial resources limit significantly the use of domestic support in most of African countries, it appears for some sensitive products that African countries may need direct subsidies to boost local production, and to improve producer revenue.

So far in the negotiations, the debate could be summarised as follows:

- For the cautious group, the reduction of domestic support should follow the Uruguay round classification maintaining green and blue boxes.
- For the ambitious group, all agricultural support (including green box and blue box) should be reduced, and finally eliminated. Some members of that group, particularly the US, have proposed the use of a fixed reduction rate, uniform to all WTO members, e.g. as a percentage of GDP.
- Developing countries, including the African Group, focus on the substantial reduction of support by developed countries and more flexibility for developing countries to address food security and rural development issues.

To enable African countries to benefit from the reduction of domestic support in developed countries, this reduction should originate in changed policies to be effective. As noted in the first section of this paper, most actual domestic support that has been notified[54], is below the

[52] The Cotonou waiver was granted during the Doha ministerial. It consists of extending the existing preferential scheme agreed in Cotonou (and replacing Lomé) until 2008.

[53] Argentina, Australia, Brazil, Bulgaria, Canada, Colombia, Costa Rica, Cyprus, Czech Republic, EU, Hungary, Iceland, Israel, Japan, Jordan, Korea, Mexico, Morocco, New Zealand, Norway, Papua New Guinea, Poland, Slovak Republic, Slovenia, South Africa, Switzerland-Liechtenstein, Thailand, Tunisia, United states, Venezuela.

[54] Notified domestic support is domestic support that a given country actually provides and should report to the Committee on agriculture.

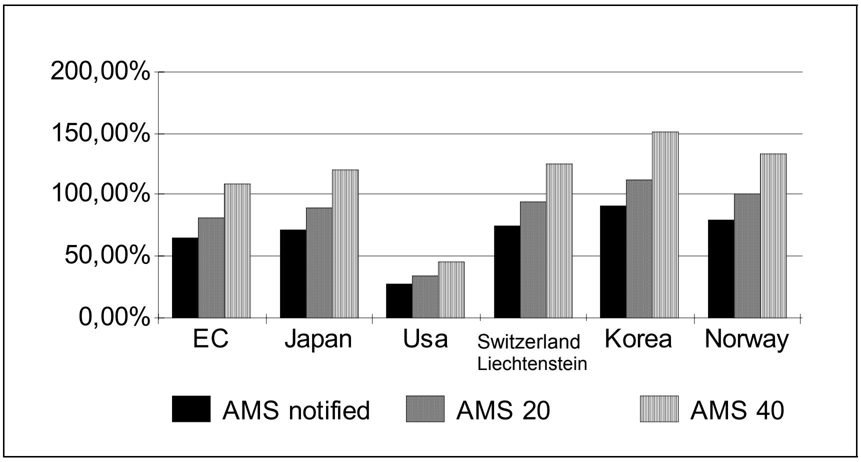
bound commitment levels. In that context, the reduction of the level of protection in developed countries would be effective only if actual notified domestic support is reduced.

This section reviews three alternatives built upon the proposals on the negotiating table. Based on the assumption that any change in protection would occur only if the actual level of domestic support is reduced, the methodology used is as follows: we have calculated the actual domestic support of the main users of domestic support as a percentage of their committed domestic support (AMS notified) and looked at the change in percentage that results after a cut in the committed level. If this percentage moves over 100 percent, that means that actual domestic level is beyond the committed level and therefore should be reduced. To be more realistic, such a scenario should use the implementation year as this would be the base for future reduction, but we have used data as available at the time. In spite of its many imperfections, this simple method, however, gives a rough idea of which formula would effectively reduce the actual level of domestic support.

- *Alternative 1: UR formula*

The first proposal is related to the formula used during the Uruguay round, which consisted of a linear cut of AMS of 20 percent for developed countries and 13.3 percent for developing countries (see table 1). From figure 1, we can see that it is only after a reduction cut of 40 percent of the committed level that the actual domestic support level would take over the committed level of domestic support for all the countries except for the USA.

**Figure 1**
**Alternative 1: Uruguay Round (UR) formula**




Source: mimeo, FAO, 2000
**AMS notified**: average actual AMS (1995-1997) as percent of commitment level; **AMS20**: actual AMS as a percentage of commitment level after a 20 percent of reduction on AMS commitment level; **AMS 40**: actual AMS as percent of commitment level after a 40 percent of reduction on AMS commitment level

This option was proposed by most countries in the cautious group. It would be anticipated that future commitments would involve further reductions of the AMS ceilings. One possibility is that reductions may continue along the Uruguay Round-formula, i.e. based on the aggregate AMS for the entire farm sector and at moderate rates. Such reductions, however, may not be significantly restrictive for all countries (developed and developing). It would allow countries to make heavier cuts in some ‘unimportant’ product sectors with little or no reduction in sensitive sectors. Thus, a second option could be to reduce AMS for each product or each group of products. This method would hurt sensitive food production sectors and would bite even deeper in the long run. This option, however, seems unlikely since it was rejected during the Uruguay Round negotiations and there appears to be little support for it now.

- *Alternative 2: Reduction of AMS based on fixed percentage in total value of production*

This option has been proposed by a few countries, including the USA and India. This option requires a lower rate of reduction compared to the first option to reduce the actual levels of protection. It consists of allowing the use of AMS as the same percentage of GDP for all countries.

Table 5 shows in column 1 the percentage of current AMS as a percentage of agricultural GDP. The following columns 2 and 3 indicate whether there will be a change in actual domestic support if the authorised upper levels of AMS are respectively 15 percent and 25 percent of the GDP. This formula has the advantage of being simpler to apply. But it is not at all for the advantage of the “cautious” group members EC and Japan, in comparison to the US. Thus, it is doubtful that the two countries could accept this formula.

**Table 5**
**Alternative 2: AMS percent of total production**

| *Country* | *Current AMS as percentage of agric. GDP* | *Scenarios of lowest limit of support as percent of GDP* | |
|---|---|---|---|
| | *1995-97* | *15 percent* | *25 percent* |
| EC | 41.0 | y | y |
| Japan | 37.7 | y | y |
| US | 5.5 | n | n |
| Switzerland -Liech | na | ? | y |
| Korea | 8.9 | n | n |
| Norway | 42.2 | y | y |

Source: mimeo, FAO, 2000

- *Alternative 3: Reduction of total support (all boxes) based on fixed percentage in total value of production*

This alternative is in the same line with alternative 2, except that it is taking into account ALL support to the agricultural sector, and not only AMS. This option proposed by developing countries amongst others, would lead to a significant reduction in support in OECD countries and probably may have an effect on world prices. The advantage of this option is that its applicability on actual notified levels of domestic support is effective in most of OECD countries. This option is probably the one in favour of non-domestic support users.

**Table 6**
**Alternative 3: Total support to agriculture in 1995 (billion US$)**

| | *Total support to agriculture* | *Total support as a percentage of agric. GDP* | *A threshold of 20 percent of agric. GDP* |
|---|---|---|---|
| EC | 116.3 | 50.0 | y |
| Japan | 69.6 | 70.0 | y |
| USA | 60.9 | 54.4 | y |
| Switzerland-Liechestein | 5.9 | | |
| Korea | 8.3 | 27.3 | y |
| Norway | 3.3 | 91.0 | y |
| Thailand | 2.2 | 11.7 | n |
| Venezuela | 1.3 | 31.2 | y |
| Mexico | 2.7 | 15.0 | n |
| | | | |
| Botswana | 0.01 | 5.4 | n |
| Kenya | 0.05 | 2.2 | n |
| Namibia | 0.05 | 14.7 | n |
| South Africa | 1.4 | 25.9 | y |
| Zimbabwe | 0.01 | 1.4 | n |

Source: mimeo, FAO, 2000

In alternatives 1 and 2, there is still some room for shifting support between products and from a box to another, particularly to green box measures. That is what has occurred during the implementation of the AoA. Thus, in OECD countries green box measures have increased from 24 percent of agricultural support in 1986-1988 to 46 percent in 1996. One way to reduce this shift is to redefine green box provisions in order to tighten eligible measures.

### *4.3.2 Export subsidy proposals*

Twenty-five WTO Members have made export subsidy commitments.[55] In the Doha Declaration, ministers committed themselves "to reduce, with a view to phasing out, all forms of export subsidies," but "without prejudging the outcome of the negotiations". Although the reduction of export subsidies is on the negotiating table, the outcome will heavily depend on the modalities. Like domestic support, actual notified levels of export subsidies are below the committed bound levels in the Country schedule. The reduction in the level of export subsidies would be effective only if it resulted in the reduction of the actual level of export subsidies and not the committed ones.

Like domestic support, export subsidies are mainly used by developed countries with a share of more than 80 percent for the EC, followed by Switzerland-Liechtenstein. Export subsidies are mainly used for field crops, meat and dairy products. The export subsidy debate is still facing some limitations through the AoA as:

[55] Australia, Brazil, Bulgaria, Canada, Colombia, Cyprus, Czech Rep, EU, Hungary, Iceland, Indonesia, Israel, Mexico, New Zealand, Norway, Panama, Poland, Romania, Slovak Rep, S. Africa, Switzerland-Liechtenstein, Turkey, United States, Uruguay, Venezuela.

- Current provisions favour those countries that were prior users of export subsidies, but others are prohibited from using them.
- Current provisions discipline explicit subsidies but not implicit ones (credit guarantees, etc.).
- Expiration of the Peace Clause (AoA Article 13, “Due Restraint”) means the negotiations must make some progress by the end of 2003, or many countries will start Dispute Settlement proceedings against export subsidies.

The EC, as the main user of export subsidies, has been opposed to efforts of other Members, notably the ambitious group, which has advocated their elimination. For the EC, The Doha Declaration is a victory in the export subsidy area as the condition to consider the reduction of export subsidies, was to take into account “all forms of export subsidies” (including state enterprises, export credits, food aid, etc.).

The African Group along with other developing countries favours the elimination of export subsidies by developed countries and advocates the continuation of special and differential treatment (export subsidies on marketing and transport) for developing countries. The benefits of eliminating exports subsidies could be substantial since:

- Export subsidies may artificially lower the world price of the subsidised agricultural products, as subsidies to the exporters may lead to “dumping” of the products on the world market at a price lower than the domestic one.
- Export subsidies can have an adverse effect on the competitiveness of developing country exports, as those countries do not or cannot provide such subsidies, as in the case of most African countries[56].

However, the reduction of export subsidies may hurt the net food importers. While the increase in international prices as a result of the removal or reduction of export subsidies may not be very significant, the short-term costs of higher world prices may still be substantial for many of the low-income countries, irrespective of the long-term advantages for food exporters. African negotiators will need to decide for themselves whether to press for an end to this practice, or to continue export subsidisation beyond the Uruguay Round. The answer to that question will largely depend on the results of an analysis of the potential impact of the elimination of export subsidies on individual countries. Perhaps the most desirable option for African countries would be to advocate the elimination of exports subsidies with compensation for net food importers. This question of compensation will be particularly important during the new phase of reduction as result of the ongoing negotiations.

***By what rate should export subsidies be effectively reduced?***

The same method used to estimate the effects of domestic support reduction has been used for export subsidies. That is to say, the changes in export subsidy commitment levels are effective only if there are changes in actual levels of export subsidy expenditures. For that, the level of actual export subsidies is calculated as a percentage of the committed level of export subsidy.

[56] Hathaway, D and Ingco, M., “Agricultural liberalization and the Uruguay round”, *the Uruguay round and the Developing countries*, ed. Matin, W. and Walters, A. World Bank, 1996

For a given cut rate, the change is measured by the change in the actual export subsidy level (in volume as well as budgetary outlay) as a percentage of the committed level of export subsidy.

Thus, the reduction of the export subsidy level would only be effective in the event that the share of actual export subsidy level as a percentage of the committed level of export subsidy is above 100 percent, so that the actual export subsidy level is above the committed export subsidy level, and should therefore be reduced. If we consider the main users of export subsidies, i.e. the EC and Switzerland-Liechtenstein, figures 2 and 3 show that it is only up to a reduction rate of 30 percent that the reduction of the actual notified level is occurred both in terms of budgetary outlays and subsidised volume of exports.

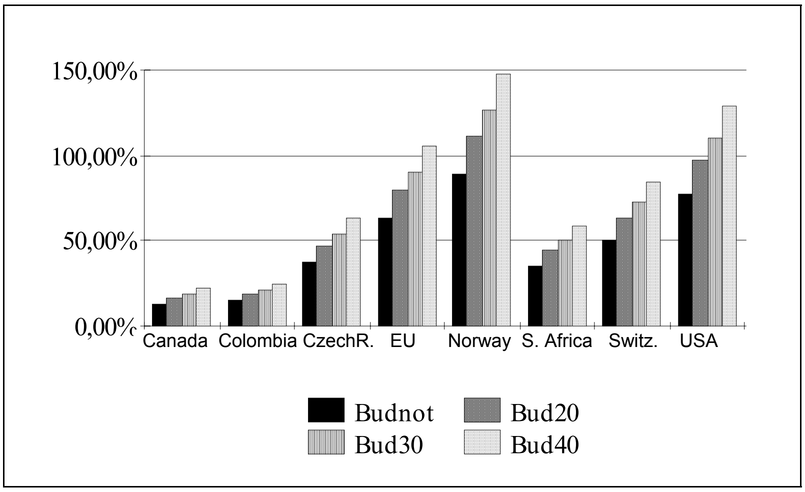
In addition, the reduction commitments are flexible enough to allow countries to use great amount of subsidies on specific products as commitments could be established for groups of products (e.g. coarse grains, oilseeds, vegetable oils, live animals, fruit and vegetables). For instance the category “coarse grains” covers 46 products.

There are still some loopholes due to the interpretation of Article 9 that provides for flexibility when implementing export subsidies. Some members treated the non-used subsidies allowed in one year as a “deposit” to be carried over in the following year. Thus, in the following year, that member’s total export subsidy level effectively exceeds the initial annual commitment level.

The difficulty in the reduction of export subsidies lies in the flexibility that exists in the reduction commitments. To be efficient, future reduction commitments should be:

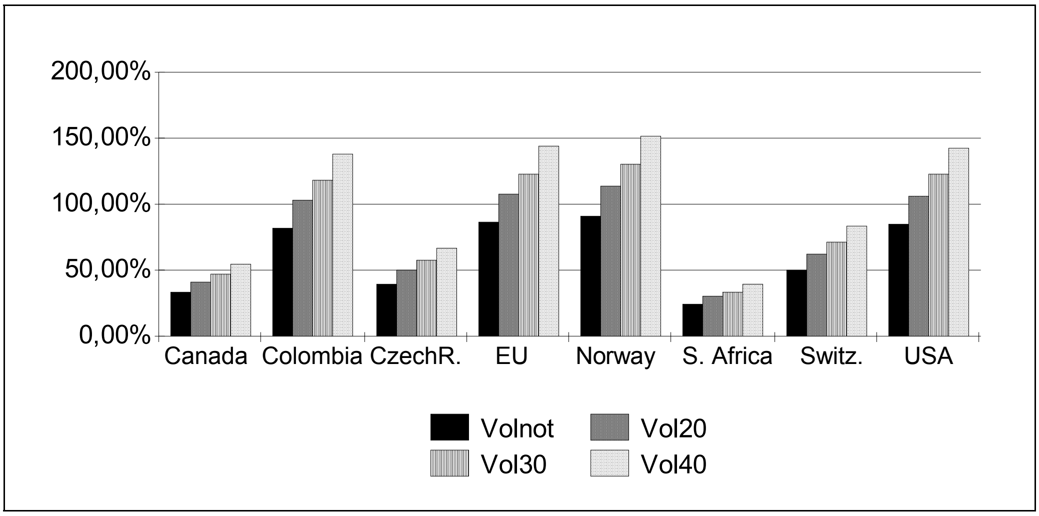
- Product specific to avoid the flexibility to shift from one product to another.
- Clearly defined in terms of the interpretation regarding the implementation procedure of the reduction commitment in order to avoid the reporting of export subsidies from a year to the successive one.
- And finally, the rate of reduction should be high enough to reduce the notified export subsidies and not only the bound one.

**Figure 2**
**Use of Export subsidies for budgetary outlays (Bud) in percentage of commitment levels**




(1) Bud 20: after 20 percent of reduction of commitment levels, Bud 30: after 30 percent reduction of commitments levels and Bud 40: 40 percent of reduction of commitment levels.
(2) Source: calculations done on the basis of table provided by WTO Secretariat, Doc reference.

**Figure 3**
**Use of Export subsidies (volume) in percentage of commitment levels**




(3) Vol. Not: notified volume; Vol. 20: after 20 percent of reduction of commitment levels, Vol. 30: after 30 percent reduction of commitments levels and Vol. 40: 40 percent of reduction of commitment levels.
Source: calculations done on the basis of table provided by WTO Secretariat, Doc reference.

### *4.3.3 Market access proposals*

The division between the ambitious and cautious group is still persistent in market access. Whereas the ambitious group would like to see a substantial tariff cut in order to eliminate tariff escalation and tariff peaks, as well as the elimination of the SSG, the cautious group is still in favour of maintaining the SSG together with a progressive reduction with possible exemption for sensitive products. For developing countries, and African countries in particular, the main concern is to expand their market access not only for traditional products but also for processed products.

A FAO study[57] assessing the changes in tariff escalation resulting from the UR tariff concessions in Japan, EC and United states showed that after the full implementation of the UR commitments more than 50 percent of the commodity pairs examined would still have bound escalating tariffs, with an average nominal tariff wedge of 17 percent. The highest post –UR bound tariff escalation was present in the dairy, sugar, fruits and vegetables, tobacco and hides and skins sectors. This confirms the existence of tariff peaks rather for processed products than for primary products. The results also showed that the incidence of tariff peaks is more prominent in the developed than in the developing economies, both in terms of frequency and average levels.

As the reduction rate would apply to all WTO members, the choice of the formula will depend on the objectives that countries would like to achieve. The Elimination of tariff peaks[58] and tariff escalation[59] in developed countries are one of the main objectives that African countries are having on their agendas.

The following section discusses the possible impacts of using different formulas of tariff cuts and their respective impacts on tariff escalation and tariff peaks. Table 6 summarises the results of the use of three different formulas on tariff structure of both developed and developing countries (linear cuts, a harmonising formula and the Uruguay Round formula, using the database AMAD[60]).

The first column shows the results of a repetition of the Uruguay Round approach, which is a linear tariff cut. This formula has been used during the Uruguay Round with a 36 percent average reduction in developed countries and a 24 percent cut in developing countries. The second column also represents the results of a linear tariff cut, but in that case the reduction

[57] *The Impact of the Uruguay Round on Tariff Escalation in Agricultural Products*, 1997. J. Lindland, Commodities and Trade Division. FAO, Rome.

[58] There is no standard definition of tariff peaks. Given the large price variations in agricultural products, 20 percent could be regarded as a low threshold, however an earlier WTO/UNCTAD study used 12 percent as a threshold level. No account is taken of the possibility that a low bound tariff plus an associated special safeguard duty could also result in a higher tariff than the peak as defined here. See *The Post-Uruguay Round Tariff Environment for Developing Country Exports: Tariff Peaks and Tariff Escalation*, (TD/B/COM.1/14/Rev.1), January 2000, UNCTAD, Geneva.

[59] Tariff escalation occurs when higher tariffs are levied on products resulting from higher stages of processing

[60] AMAD is an inter-agency cooperative effort among Agriculture and Agri-Food Canada; EU Commission, DG Agriculture; OECD Directorate for Food, Agriculture and Fisheries; UNCTAD, TRAINS Database unit; USDA, Economic Research Service; and FAO, Commodities and Trade Division. The AMAD database is publicly accessible through the Internet at http://www.amad.net, and includes information on tariff protection and market access conditions for agricultural product tariffs.

rate is the same for developed and developing countries (50 percent), and finally, the third column illustrates the effect of a "Swiss" harmonising formula[61].

**Tableau 7**
**Resulting Tariffs after the Application of Tariff Cutting Formulae to Selected Commodity Groups with Peak Tariffs in the Developed and Developing Countries (average percentage)**

| *Commodity Group* | *UR formula* $t_1 = t_0 * (1 - 0.36)$ *or* $t_1 = t_0 * (1 - 0.24)$ | | *50% linear cut* $t_1 = t_0 * (0.5)$ | | *Swiss formula* $t_1 = (a_{max}*t_0)/\ (a_{max} + t_0)$; $a_{max}=100$ | |
|---|---|---|---|---|---|---|
| | *Developed Countries* | *Developing Countries* | *Developed Countries* | *Developing Countries* | *Developed Countries* | *Developing Countries* |
| Bovine | 123 | 63 | 96 | 42 | 13 | 12 |
| Pork | 107 | 55 | 84 | 36 | 13 | 12 |
| Poultry | 89 | 55 | 70 | 36 | 13 | 12 |
| Dairy | 100 | 60 | 78 | 40 | 14 | 13 |
| Ovine | 86 | 61 | 67 | 40 | 13 | 12 |
| Other meat | 58 | 41 | 45 | 27 | 12 | 12 |
| Coarse Grains | 79 | 61 | 62 | 40 | 13 | 13 |
| Rice | 79 | 47 | 61 | 31 | 13 | 12 |
| Wheat | 89 | 57 | 69 | 37 | 14 | 12 |
| Oilmeals | 20 | 52 | 15 | 34 | 10 | 13 |
| Oilseeds | 133 | 59 | 104 | 39 | 14 | 12 |
| Vegetable Oils | 69 | 43 | 54 | 28 | 12 | 12 |
| Sugar | 53 | 53 | 41 | 35 | 13 | 12 |
| Fruits & Vegetables | 77 | 39 | 60 | 25 | 13 | 12 |
| Cocoa | 75 | 33 | 58 | 22 | 13 | 11 |
| Coffee | 44 | 41 | 35 | 27 | 11 | 11 |
| Tea | 61 | 58 | 48 | 38 | 12 | 12 |
| Tobacco | 45 | 61 | 35 | 40 | 12 | 12 |
| Cotton | 19 | 47 | 15 | 31 | 10 | 12 |
| Hard Fibres | 35 | 76 | 27 | 50 | 12 | 14 |
| Hides & Skins | 31 | 44 | 24 | 29 | 12 | 12 |

Includes only countries in the AMAD database of which 30 are developing and 16 are developed. All tariffs in ad-valorem equivalent Source: AMAD and FAO2001.
To: initial tariff
Tn: final tariff
Amax: upper bound on all resulting tariffs

Table 7 shows that only the harmonisation formula or "Swiss formula" reduces peak tariffs by reducing very high tariffs proportionately more than lower tariffs. The results depend on the choice of the coefficient that should be negotiated. In this example, the coefficient is set at 100, which means that all tariffs above 100 percent are reduced below that level. In addition, the use of the UR formula does not lead to a reduction of tariff peaks which remain in all commodity groups, both for developed and developing countries, while the linear formula

[61] The so-called "Swiss method", which was applied in the Tokyo Round, is designed to achieve deeper cuts in high tariffs and to address the problem of tariff peaks. The formula is $T_1=aT_0/(a+t_0)$, where $T_0$ is the initial tariff, $T_1$ is the new tariff and $a$ is a parameter that determines the depth of cut. The reduction parameter, $a$, used in Tokyo Round was 16, but this reduction method was designed for initial tariffs that were less than 50 percent. With the parameter $a$=16 a tariff of 350 percent is reduced to 15 percent; with $a$=60 the reduced tariff is 51 percent; with $a$=140 the reduced tariff is 100 percent. See *The Current WTO Agricultural Negotiations: Options for Progress*, 2001. P. Dixit, T. Josling and D. Blandford, IATRC, Washington.

with a 50 percent reduction cut, although implying lower protection levels, would not eliminate tariff peaks either. The impacts of these formulae on tariff structures are accentuated if used on applied tariffs. To increase the effect of linear cuts on tariff peaks, conditions could be set as minimum tariff cuts (as was the case for example during the Uruguay Round) or capping all tariffs at some maximum rate.

Using a static partial equilibrium model[62], the potential trade impacts of the three alternative tariff-cutting options have been estimated by FAO. Given that, the cuts were taken from final Uruguay Round bound tariffs in all cases. The concluding results were that:

- The use of the Uruguay Round formula would have little effect on trade flows of most commodities because of the current gap between bound and applied rates.
- The 50 percent linear cut would have more effect on both applied tariffs and trade flows.
- The biggest trade effects would result from the application of the Swiss formula with a coefficient of 100 with no commodity exceptions.

***Effects on African countries of the different formulas***

The use of *applied* rather than *bound* rates, as proposed by the United States, would not be to the advantage of African countries as applied tariffs are low in most of these countries. Many African countries would have to reduce tariffs at higher rates than other countries, including OECD members. However, regardless of which formula is chosen, African countries could seek to negotiate, as a special and differential treatment, a different rate of reduction and/or exceptions for certain commodities.

The Swiss Formula-which is close to the current proposals of the 11 developing countries[63] and Canada- would have the largest trade effects according to the results of the partial equilibrium model used by FAO. There would be a significant reduction in tariffs of temperate products, which may benefit exporters. But on the other hand, tariffs would be reduced in most African countries unless they are allowed exceptions for sensitive products under S&D treatment. In addition, there would be a significant erosion of tariff preferences.

Besides tariff reduction, tariff complexity and the administration of TRQs as well as preferential market access are also of high concern for African countries in the current negotiations. The non-ad valorem tariffs make it difficult to estimate the actual protection and to make a comparison across countries. In general, TRQs have low fill rates depending on the method used, and that is why more transparency is needed for exporters to benefit from additional opportunities in terms of improved market access. For African countries, to ensure that they will benefit from this additional market access, they may ask for special and differential treatment for greater access to the TRQs. One suggestion is that developing countries, LDCs in particular, should have priorities in the allocation of TRQs.

[62] Agricultural Trade Policy Simulation Model (ATPSM)

[63] Cuba, Dominican Republic, El Salvador, Honduras, Kenya, India, Nigeria, Pakistan, Sri Lanka, Uganda, Zimbabwe

However, additional access to developed countries' markets has already been provided to LDCs on a unilateral basis by the European Communities, the United States and other developed countries. These initiatives (EBA, see box 6) may lead to negative impacts on non-LDC African countries, as their access to the EC would not be under the same terms. On the other hand, improved market access for LDCs should not be a threat as supply constraints are significant in these countries.

**Box 6**
**EBA**

The Em's Everything But Arms (EBA) proposal offers duty free access to all LDC imports except ARMAMENTS. The EBA came into effect for most products from 1 January 2001, except for sugar, rice and bananas which will be phased-in gradually until January 2004. Unlike the Cotonou agreement, EBA is not under contractual basis and therefore subject to change at the EU's discretion. In addition, a safeguard clause provision is included and allows the EU to withdraw preferences whenever LDC exports go far above their "usual" levels.

Among 48 LDCs that benefit from EBA, 33 of them are African countries. An assessment of the impact of EBA provided by Oxfam (1) concluded that:

- Only products where LDCs pay import tax in the EU will be affected e/g. beef, cheese, maize, bananas, rice and sugar. These products are highly protected (under protocols for bananas, sugar and beef and quota regimes for the others.
- The greatest improvement in market access would be for non-ACP LDCs compared to ACP LDCs because they receive fewer preferences. Thus, Bangladesh (rice, sugar and molasses), Myanmar (rice and sugar) and Cambodia (rice) may see improvement in market access. But ACP LDCS are potential beneficiaries, as their imports were €95 Million compared to €361.000 for non-ACP LDCs.
- Other non-LDC developing countries suppliers to the EC market may be negatively affected due to greater competition. As far as African countries are concerned, that may be the case of Senegal (in 2000, the UN ECOSOC recommended the status of LDC to the Senegal, a former non LDC) and Mauritius for molasses and Zimbabwe for Beef.
- Non ACP LDCs benefit from preferences on identified products. Hence, only Countries that are parties to the Cotonou Sugar and Beef protocols eg. Madagascar, Malawi, Tanzania and Zambia for sugar and only Madagascar for beef protocol excluding Burkina Faso, Chad, Liberia and Uganda
- Based on the total exports versus exports to EU, some countries have been identified as being dynamic and may switch their exports towards the more favourable EU market. That may be the case of Sudan (beef and maize), Uganda (maize) and Malawi (in relation to rice)
- It should be said therefore that provided the negative trend of the EU imports from ACP LDCs and non ACP LDCs of the 11 identified items have declined while their competitors part have mainly increased during the same period (1995-99) and the limited supply capacity of LDCs, the benefit of EBA may not be substantial.

(1) Source: The impact of the EU's everything but Arms ' proposal: A report to Oxfam: Final Report, Oxfam, Christopher Stevens and Jane Kennan, January 2001, Institute of Development Studies

### *4.3.4 Other related agreements (SPS, TBT)*

*Agreement on the Application of Sanitary and Phytosanitary Measures (SPS), and the Agreement on Technical Barriers to Trade (TBT)*

The challenge here is different and mainly depends on whether African countries should comply with the SPS and TBT requirements and adopt international standards or not. Therefore there are two alternatives.

Alternative 1: adoption of SPS/TBT by African countries, in which case African country exporters would face the same SPS/TBT requirements in the domestic and export markets.

Alternative 2: African countries do not adopt SPS requirements. They would face different SPS requirements in the domestic and export markets.

**Box 7**
**Good example of regional cooperation**

Regional cooperation can also take place through more formal institutional structures. Good examples are the Regional Plant Protection Organisations (RPPOs) within the IPPC. In the case of Africa the RPPC is the Inter-African Phytosanitary Council (IAPSC), which was formed in 1954 to provide a forum for co-operation in establishing phytosanitary standards within Africa and to act as the regional co-ordination body of for the IPCC. The IAPSC currently has 51 members. Within the WTO, the Africa Group is an official forum for discussion of all issues associated with trade, including SPS measures. The group meets weekly in Geneva and is provided with administrative support and translation facilities by the WTO.

It would likely be counter-productive for African countries to press for an exemption from, or a weakening of, WTO rules relating to SPS/TBT; or for that matter, lower international standards. This would merely have a negative impact on consumer confidence *vis-à-vis* their products in importing countries and therefore be a disincentive of an enhanced export potential. The conformity with SPS/TBT standards implies high costs that most African countries could not afford without requiring external assistance. A World Bank study estimated that implementing just three of the Uruguay Round agreements on TRIPS, Customs Valuation, and Sanitary and Phytosanitary regulations could cost more than a year‘s development budget for the poorest countries[64]. The SPS and TBT Agreements contain promises of financial and technical assistance for the developing countries, so that making these promises concrete is one major issue to pursue in the ongoing negotiations. However, a regional approach may be more cost effective in assisting African countries and establish SPS standards within Africa, at a regional level. (See box 7). Besides that, African countries should make sure that SPS/TBT standards are not used as disguised trade barriers by developed countries.

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*lopment*, Oxfam briefing paper, August 2001 From J. Michael Finger and Philip Schuler (1999), *Implementation of Uruguay Round Commitments: the Development Challenge*, Policy Research Working Paper No. 2215, Development Research Group, World Bank, Washington

### *4.3.5 Special and Differential Treatment (SDT)*

The "imbalances" that emerged during the implementation of the AoA have led many countries to the conclusion that SDT in practice did not significantly help fulfill the development objectives of the countries using it. In fact, many countries were of the view that the real special and differential treatment in the AoA was accorded to developed countries as they were allowed to continue providing high levels of domestic support and export subsidies.

Throughout this Policy Brief, it has been shown that due to the central role of agriculture in African countries, attention should be drawn to this sector to make sure that African countries really benefit from the liberalisation process while achieving food security and sustainable development objectives.

SDT was limited during the UR only to the granting of longer implementation periods and lower cuts, but largely required developing countries to implement the agreements on the same basis as developed countries. This focus on longer implementation periods would have been more legitimate if complemented by an appropriate technical assistance package. In the future, SDT mechanisms should be more closely matched with measures that have the capacity to advance the development objectives of the countries involved. Furthermore, transition periods for implementing WTO agreements should have been based on development milestones rather than on arbitrary dates.

In this regard, two factors should be central for determining appropriate SDT treatment within WTO rules: the likely development impact of the rules, and the capacity of a country to adjust to them. The adjustment to rules (implementation of the agreements) implies financial and technical resources that –for the time being - no African country could afford. Unlike several other agreements (i.e. SPS and TBT), the AoA does not have specific provisions for technical and financial assistance to developing countries, with one exception of some measures contained in the *Marrakech Decision)*. In the Doha Declaration it is recognised that SDT should be an integral part of the WTO Agreements and that "*all special and differential treatment provisions shall be reviewed with a view to strengthening them and making them more precise*"[65].

[65] para 44 of Doha Declaration: *We reaffirm that provisions for special and differential treatment are an integral part of the WTO Agreements. We note the concerns expressed regarding their operation in addressing specific constraints faced by developing countries, particularly least-developed countries. In that connection, we also note that some members have proposed a Framework Agreement on Special and Differential Treatment (WT/GC/W/442). We therefore agree that all special and differential treatment provisions shall be reviewed with a view to strengthening them and making them more precise, effective and operational. In this connection, we endorse the work programme on special and differential treatment set out in the Decision on Implementation-Related Issues and Concerns*.

**Box 8**
**SDT under the AoA: little practical significance**

Les dispositions de TSD prennent différentes formes dans le cadre de l'AsA :

Les dispositions qui reconnaissent de manière générale (i) que le TSD fait partie intégrante de l'accord; (ii) que les pays développés doivent s'efforcer d'améliorer les possibilités d'accès aux marchés pour les produits agricoles présentant un intérêt particulier pour les pays en développement: et (iii) la mise en oeuvre du programme de réforme du cycle d'Uruguay peut avoir des effets négatifs qui sont abordés dans la Décision ministérielle de Marrakech. Ces dispositions ne sont pas véritablement contraignantes et n'ont pas impliqué d'engagements concrets de la part des pays développés. En terme d'acces au marché par exemple, mis à part les produits tropicaux, de nombreux produits d'exportation, pour lesquels les pays en développement ont un intérêt particulier, n'ont bénéficie que d'un taux de réduction très bas sur plusieurs marchés importants (p.ex. le sucre, les fruits et légumes, les produits de l'élevage)

SDT provisions take different forms under the AoA:

- Provisions that recognize special interest generally: (i) a general recognition that SDT is an integral part of the agreement, ii) that developed country members will provide greater market access for agricultural products of particular interest to developing countries, and iii) a consideration of the possible negative effects of the implementation of the reform programme, in the form of taking actions as outlined in the Marrakech ministerial decision. These provisions were considered only “best endeavour" efforts, as they did not involve binding commitments from developed countries. In terms of market access for instance, apart from tropical products, several other export commodities of interest to the developing countries had benefited from a very low reduction rate in several major markets: e.g; sugar, fruit and vegetables, rice, livestock products …

- Lower “reduction rate” and “Longer implementation period” these provisions in practice have proven not to be very useful, as the only thing most African countries have had to reduce is tariffs.

For SPS, TBT and TRIPS, SDT provisions were mainly longer period of implementation and technical assistance as well as transfer of technology (under TRIPS). Most developing country WTO Members consider that none of these provisions has been operationalised.
It should be recognised that some aspects of SDT have been useful such as:

- the exemption from reduction commitments for investment subsidies and agricultural input subsidies generally available to low-income or resource–poor producers has been used by 70% of the developing countries notifications to the WTO in 1995 and 1996.

the SDT on export competition regarding the exemption from reduction of subsidies given to marketing and internal transport and freight costs on the export of agricultural exports has been mentioned by 13% of export subsidy notifications of developing countries in 1995 and 1996

# CONCLUSION

Overall, the review of the AoA commitments by African countries show that these commitments have not been difficult to fulfil as most of African countries have already undertaken tariff reduction, elimination of domestic support (input subsidies) and removal of price control (administered price) under the SAPs. However, the adoption of the AoA resulted in some imbalances that may limit the future scope for African countries in fulfilling their food security and sustainable development policies.

Among others, the main imbalances include:

- In market access where apart from the simple tariff, no simple safeguard measure is available to African countries in cases of import surges. As one of the main effects of distortions of international markets and combined with the weak competition of their domestic producers, such measures are essential to protect African markets and producers.
- Second, although most of the African countries, at present, do not have the financial resources to support their agricultural sector, the use of certain policies (eg. input subsidies, price support) are now definitively eliminated from their policy mix. The most important is that the removal of implicit taxation may lead to increase of AMS above the authorised level.

In addition, the implementation of the AoA commitments by developed countries have resulted in neither increased market access for African countries nor in the reduction of the level of agricultural support provided by these countries.

The review of negotiation proposals shows that the reduction of market access, domestic support and export subsidies is effective only if the actual levels are reduced. Given the resistance of some developed countries in reducing the level of protection (particularly among the cautious group), it is unlikely that applied levels will be taken as base for reduction, however, the negotiation of a high level of reduction may result in policy changes in long term.

# ANNEX I: Importance of Agriculture in the African Economies

| *Country* | *Agric. population a/ as a % of total pop., 1995-1997* | *Country* | *Share of agriculture in total GDP, 1997 (percent)* | *Country* | *Share of agri. - in total merchandise exports, 1995-1997 (percent)* |
|---|---|---|---|---|---|
| Burkina Faso | 92.3 | Congo, Dem Rep. | 64.0 | Burundi | 95.3 |
| Rwanda | 90.9 | Burundi | 58.0 | Sudan | 94.2 |
| Burundi | 90.8 | Ethiopia | 56.0 | Ethiopia | 93.1 |
| Niger | 88.7 | Central African Rep. | 54.0 | Malawi | 74.6 |
| Guinea | 85.3 | Guinea-Bissau | 54.0 | Chad | 67.8 |
| Ethiopia | 84.0 | Mali | 49.0 | Guinea-Bissau | 64.9 |
| Guinea-Bissau | 83.8 | Tanzania, Uni. Rep. | 48.0 | Tanzania, Uni. Rep | 61.6 |
| Mali | 83.1 | Ghana | 47.0 | Mali | 59.2 |
| Uganda | 80.8 | Nigeria | 45.0 | Togo | 56.7 |
| Gambia | 80.2 | Sierra Leone | 44.0 | Côte d'Ivoire | 54.8 |
| Tanzania, Uni. Rep | 79.9 | Uganda | 44.0 | Kenya | 54.5 |
| Malawi | 79.4 | Cameroon | 41.0 | Comoros | 52.0 |
| Chad | 78.7 | Togo | 40.0 | Somalia | 50.9 |
| Eritrea | 78.7 | Chad | 39.0 | Benin | 47.4 |
| Kenya | 77.1 | Mozambique | 39.0 | Zimbabwe | 46.1 |
| Mozambique | 77.1 | Rwanda | 39.0 | Madagascar | 45.4 |
| Central African Rep | 75.9 | Benin | 38.0 | Burkina Faso | 40.6 |
| Madagascar | 75.9 | Niger | 38.0 | Gambia | 40.0 |
| Comoros | 75.2 | Malawi | 36.0 | Rwanda | 37.1 |
| Senegal | 75.0 | Burkina Faso | 35.0 | Ghana | 36.9 |
| Angola | 72.9 | Madagascar | 32.0 | Swaziland | 33.0 |
| Somalia | 72.9 | Kenya | 29.0 | Cameroon | 32.4 |
| Equatorial Guinea | 72.3 | Zimbabwe | 28.0 | Mozambique | 28.7 |
| Zambia | 71.6 | Côte d'Ivoire | 27.0 | Mauritius | 25.1 |
| Liberia | 69.5 | Guinea | 26.0 | Congo, Dem Rep | 24.4 |
| Congo, Dem Rep | 65.1 | Mauritania | 25.0 | Central African Rep | 24.2 |
| Zimbabwe | 64.9 | Morocco | 20.0 | Morocco | 17.9 |
| Sudan | 64.6 | Senegal | 18.0 | Niger | 16.5 |
| Sierra Leone | 64.3 | Egypt | 16.0 | Namibia | 14.6 |
| Togo | 62.1 | Zambia | 16.0 | Egypt | 13.8 |
| Benin | 57.9 | Lesotho | 14.0 | Sierra Leone | 13.1 |
| Ghana | 57.1 | Namibia | 14.0 | Senegal | 10.3 |
| Cameroon | 56.8 | Tunisia | 14.0 | Mauritania | 8.6 |
| Mauritania | 53.8 | Algeria | 12.0 | Guinea | 7.1 |
| Côte d'Ivoire | 53.6 | Congo, Rep. | 10.0 | Equatorial Guinea | 6.8 |
| Namibia | 52.0 | Mauritius | 10.0 | Lesotho | 5.9 |
| Botswana | 45.3 | Angola | 7.0 | Liberia | 5.8 |
| Congo, Republic of | 44.0 | Gabon | 2.0 | Zambia | 3.6 |
| Gabon | 43.1 | Eritrea | na | Nigeria | 3.2 |
| Morocco | 40.3 | Comoros | na | Eritrea | 2.7 |
| Egypt | 39.3 | Equatorial Guinea | na | Algeria | 0.8 |
| Lesotho | 38.8 | Gambia | na | Congo, Republic of | 0.7 |
| Nigeria | 37.1 | Liberia | na | Libya | 0.5 |
| Swaziland | 36.2 | Somalia | na | Gabon | 0.4 |
| Tunisia | 26.1 | Sudan | na | Angola | 0.1 |
| Algeria | 24.7 | Swaziland | na | | |
| Mauritius | 13.3 | Botswana | na | | |
| Libya | 7.6 | Libya | na | | |
| African countries b/ | 63.3 | African Countries b/ | 32.3 | African countries b/ | 32.7 |
| Other developing countries b/ | 38.6 | Other developing countries b/ | 21.4 | Other developing countries b/ | 23.3 |
| Developed Countries | 8.7 | Developed Countries | 3.0 c/ | Developed Countries | 8.3 |

*Source:* Column 1 is taken from World Bank (1999), World Development Report 1998/89; columns 2 and 3 are computed using data from FAOSTAT (1999).

a/ The Agricultural Population is defined as all persons depending for their livelihood on agriculture, hunting, fishing or forestry. This estimate comprises all persons actively engaged in agriculture and their non-working dependants.

b/ simple average of the respective countries in the list.

c/ average for higher income countries in 1980 (World Bank, 1999).

# ANNEX II: African Countries Membership in the WTO

| | |
|---|---|
| Angola | 1 December 1996 |
| Benin | 22 February 1996 |
| Botswana | 31 May 1995 |
| Burkina Faso | 3 June 1995 |
| Burundi | 23 July 1995 |
| Cameroon | 13 December 1995 |
| Central African Republic | 31 May 1995 |
| Chad | 19 October 1996 |
| Congo | 27 March 1997 |
| Côte d'Ivoire | 1 January 1995 |
| Democratic Republic of the Congo | 1 January 1997 |
| Djibouti | 31 May 1995 |
| Egypt | 30 June 1995 |
| Gabon | 1 January 1995 |
| Gambia | 23 October 1996 |
| Ghana | 1 January 1995 |
| Guinea Bissau | 31 May 1995 |
| Guinea | 25 October 1995 |
| Kenya | 1 January 1995 |
| Lesotho | 31 May 1995 |
| Madagascar | 17 November 1995 |
| Malawi | 31 May 1995 |
| Mali | 31 May 1995 |
| Mauritania | 31 May 1995 |
| Mauritius | 1 January 1995 |
| Morocco | 1 January 1995 |
| Mozambique | 26 August 1995 |
| Namibia | 1 January 1995 |
| Niger | 13 December 1996 |
| Nigeria | 1 January 1995 |
| Rwanda | 22 May 1996 |
| Senegal | 1 January 1995 |
| Sierra Leone | 23 July 1995 |
| South Africa | 1 January 1995 |
| Swaziland | 1 January 1995 |
| Tanzania | 1 January 1995 |
| Togo | 31 May 1995 |
| Tunisia | 29 March 1995 |
| Uganda | 1 January 1995 |
| Zambia | 1 January 1995 |
| Zimbabwe | 3 March 1995 |

**Observer governments:** Algeria, Cape Verde, Ethiopia, Seychelles, Sudan

Note: All observer countries have applied to join the WTO except for the time being, Ethiopia and Cape Verde

## ANNEX III: List of Least Developed Countries

Afghanistan
Angola
Bangladesh
Benin
Bhutan
Burkina-Faso
Burundi
Cambodia
Capeverde
Central African Republic
Chad
Comoros
Congo(ex. Zaire)
Djibouti
Equatorial Guinea
Eritrea
Ethiopia
Gambia
Guinea
Guinea Bissau
Haiti
Kiribati
Laos
Lesotho
Liberia
Madagascar
Malawi
Maldives
Mali
Mauritania
Mozambique
Myanmar
Nepal
Niger
Rwanda
Samoa
Sao Tome and Principe
Senegal
Sierra Leone
Solomon Islands
Somalia
Sudan
Tanzania
Togo
Tuvalu
Uganda
Vanuatu
Yemen
Zambia

# ANNEX IV: Tariff Bindings of the African Countries for Agricultural Products

| Country | WTO Status | Average rate of tariff bindings (percent)[1] | Average applied tariff rate (percent)[2] |
|---|---|---|---|
| **Countries with very high tariff bindings:** | | | |
| Benin | LDC | 119 | 13 |
| Burkina Faso | LDC | 150 | |
| Burundi | LDC | 130 | |
| Cameroon | Developing (NFIDC) | 310 | |
| Côte d'Ivoire | Developing | 215 | 17 |
| Djibouti | LDC | 135 | |
| Gabon | Developing | 260 | |
| Gambia | LDC | 120 | |
| Kenya | Developing (NFIDC) | 100 | 44 |
| Lesotho | LDC | 200 | |
| Madagascar | LDC | 280 | |
| Malawi | LDC | 120 | |
| Mali | LDC | 110 | |
| Mauritius | Developing (NFIDC) | 122 | 17.7 |
| Mozambique | LDC | 400 | |
| Niger | LDC | 100 | |
| Nigeria | Developing | 230 | 47 |
| Senegal | Developing (NFIDC) | 180 | 44 |
| Tanzania | LDC | 240 | |
| Zambia | LDC | 123 | 24 |
| Zimbabwe | Developing | 160 | 23 |
| **Countries with moderately high tariff bindings:** | | | |
| Angola | LDC | 52 | |
| Chad | LDC | 80 | |
| Democratic Republic of the Congo | - | 50 | |
| Ghana | Developing | 85 | 22 |
| Guinea Bissau | LDC | 65 | |
| Mauritania | LDC | 90 | |
| Rwanda | LDC | 80 | |
| Sierra Leone | LDC | 60 | |
| Togo | LDC | 83 | |
| Uganda | LDC | 80 | 21 |
| **Countries with low tariff bindings:** | | | |
| Botswana | Developing (NFIDC) | 40 | 7 |
| Central Africa Republic | LDC | 46 | |
| Congo | LDC | 30 | |
| Egypt | NFIDC | 48 | 19 |
| Guinea | LDC | 40 | |
| Namibia | Developing | 40 | 7 |
| South Africa | Industrial | 40 | 7 |
| Swaziland | Developing | 40 | 7 |

[1] Calculated as simple average of the tariff bindings and other duties and charges for the major agricultural products.
[2] Taken from the latest Trade Policy Reviews of the respective countries and from Kent, Wilcock and Gwynn (1997), *Likely Impact of the GATT Agricultural Agreement on African Agricultural Trade and Development*, ARAP II Research Report No. 1024, USAID.

# ANNEX V. Basic Indicators of Agricultural Trade and Food Security for Developed Countries and Developing Countries Region, 1997

| Country/Region | Total agricultural imports | Total agricultural exports | Agriculture as share of total exports | Ratio of food imports to total export earnings | Food as share of total imports | Cereals as share of food imports | Imports as share of cereals consumption | Self sufficiency ratio for cereals | Share of population in agriculture | Daily energy supply per capita | Share of population undernourished range estimate[4] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | (US$ millions) | | | (percent) | | | | | (percent) | (kcal) | (percent) |
| **World** | **464,267** | **452,126** | **13** | **9** | **9** | **20** | **14** | **101** | **44** | **2,782** | **.** |
| **Developed** | **327,764** | **318,488** | **14** | **9** | **11** | **14** | **14** | **118** | **8** | **3,240** | **..** |
| **Developing** | **136,502** | **133,638** | **10** | **7** | **7** | **33** | **13** | **90** | **54** | **2,650** | **19** |
| | | | | | | | | | | | |
| **LDCs** | **6,728** | **4,806** | **20** | **23** | **16** | **44** | **11** | **87** | **72** | **2,081** | **..** |
| **NFIDCs** | **15,161** | **10,406** | **9** | **11** | **10** | **43** | **36** | **67** | **45** | **2,634** | **..** |
| **LIFDCs** | **50,806** | **49,411** | **18** | **13** | **13** | **38** | **8** | **92** | **60** | **2,597** | **..** |
| | | | | | | | | | | | |
| **Sub-Saharan Africa** | **7,673** | **10,411** | **18** | **11** | **11** | **46** | **15** | **91** | **66** | **2,180** | **39** |
| **Angola** | 393 | 6 | 0 | 6 | 7 | 31 | 42 | 46 | 73 | 1,903 | 46-50 |
| **Benin** | 121 | 198 | 49 | 25 | 21 | 42 | 15 | 98 | 57 | 2,487 | 36-40 |
| **Botswana** | 347 | 114 | 4 | 9 | 12 | 29 | 68 | 14 | 45 | 2,183 | 31-35 |
| **Burkina Faso** | 89 | 119 | 43 | 27 | 16 | 62 | 6 | 79 | 92 | 2,121 | 31-35 |
| **Burundi** | 28 | 86 | 89 | 25 | 18 | 49 | 7 | 93 | 91 | 1,685 | 66-70 |
| **Cameroon** | 120 | 517 | 25 | 5 | 6 | 63 | 18 | 78 | 56 | 2,111 | 36-40 |
| **Cape Verde** | 63 | 0 | 0 | 38 | 18 | 22 | 89 | 11 | 25 | 3,015 | .. |
| **Central African Republic** | 56 | 34 | 19 | 14 | 10 | 44 | 23 | 77 | 75 | 2,016 | 46-50 |
| **Chad** | 49 | 135 | 73 | 20 | 9 | 67 | 6 | 92 | 78 | 2,032 | 51-55 |
| **Comoros** | 23 | 3 | 8 | 54 | 22 | 48 | 72 | 26 | 75 | 1,858 | .. |
| **Congo, Dem R** | 185 | 90 | .. | .. | .. | 49 | 16 | 72 | 65 | 1,755 | 51-55 |
| **Congo, Rep** | 114 | 16 | 1 | 6 | 8 | 44 | 109 | 2 | 43 | 2,144 | 36-40 |
| **Cote d'Ivoire** | 464 | 2,088 | 42 | 8 | 11 | 53 | 40 | 74 | 53 | 2,610 | 26-30 |
| **Eritrea** | 79 | 2 | .. | .. | .. | 78 | 64 | 20 | 78 | 1,622 | 61-65 |
| **Ethiopia** | 146 | 526 | 55 | 14 | 9 | 57 | 4 | 106 | 84 | 1,858 | 51-55 |
| **Gabon** | 147 | 13 | 0 | 4 | 7 | 36 | 79 | 21 | 42 | 2,556 | 21-25 |
| **Gambia** | 85 | 11 | 5 | 34 | 27 | 46 | 54 | 47 | 80 | 2,350 | 31-35 |
| **Ghana** | 231 | 616 | 37 | 13 | 8 | 53 | 21 | 77 | 57 | 2,611 | 16-20 |
| **Guinea** | 195 | 48 | 6 | 23 | 20 | 49 | 33 | 69 | 85 | 2,232 | 36-40 |
| **Guinea Bissau** | 37 | 22 | .. | .. | .. | 69 | 35 | 65 | 84 | 2,430 | .. |

| Country/Region | *Total agricultural imports* | *Total agricultural exports* | *Agriculture as share of total exports* | *Ratio of food imports to total export earnings* | *Food as share of total imports* | *Cereals as share of food imports* | *Imports as share of cereals consumption* | *Self sufficiency ratio for cereals* | *Share of population in agriculture* | *Daily energy supply per capita* | *Share of population undernourished range estimate*[4] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Kenya** | 550 | 1,157 | 39 | 17 | 13 | 63 | 41 | 71 | 77 | 1,977 | 46-50 |
| **Lesotho** | 170 | 9 | 5 | 79 | 17 | 48 | 70 | 43 | 39 | 2,244 | 36-40 |
| **Liberia** | 75 | 45 | .. | .. | .. | 59 | 71 | 41 | 69 | 2,044 | 41-45 |
| **Madagascar** | 88 | 92 | 11 | 10 | 8 | 45 | 6 | 94 | 76 | 2,022 | 36-40 |
| **Malawi** | 53 | 365 | 95 | 11 | 5 | 52 | 6 | 67 | 79 | 2,043 | 41-45 |
| **Mali** | 77 | 271 | 42 | 9 | 6 | 38 | 4 | 94 | 83 | 2,030 | 41-45 |
| **Mauritius** | 332 | 405 | 16 | 10 | 9 | 28 | 107 | 0 | 13 | 2,917 | 11-15 |
| **Mozambique** | 151 | 47 | 10 | 26 | 12 | 44 | 19 | 84 | 77 | 1,832 | 66-70 |
| **Namibia** | 100 | 201 | 12 | 6 | 5 | 21 | 30 | 75 | 51 | 2,183 | 36-40 |
| **Niger** | 97 | 48 | 15 | 21 | 15 | 39 | 3 | 87 | 89 | 2,097 | 41-45 |
| **Nigeria** | 1,536 | 529 | 3 | 9 | 10 | 43 | 8 | 93 | 36 | 2,735 | 16-20 |
| **Rwanda** | 81 | 39 | 25 | 50 | 16 | 51 | 43 | 57 | 91 | 2,057 | 36-40 |
| **Sao Tome and Principe** | 7 | 4 | .. | .. | .. | 46 | 50 | 31 | 0 | 2,138 | .. |
| **Senegal** | 436 | 89 | 6 | 29 | 24 | 41 | 38 | 45 | 75 | 2,418 | 26-30 |
| **Seychelles** | 58 | 2 | 1 | 14 | 12 | 27 | 101 | 0 | 0 | 2,487 | .. |
| **Sierra Leone** | 138 | 14 | 10 | 99 | 50 | 71 | 49 | 53 | 64 | 2,035 | 41-45 |
| **Swaziland** | 97 | 300 | 28 | 7 | 5 | 25 | 39 | 50 | 36 | 2,483 | 16-20 |
| **Tanzania** | 227 | 403 | 34 | 16 | 10 | 30 | 6 | 72 | 79 | 1,995 | 41-45 |
| **Togo** | 68 | 128 | 31 | 12 | 11 | 51 | 15 | 91 | 62 | 2,469 | 36-40 |
| **Uganda** | 75 | 413 | 56 | 10 | 4 | 62 | 9 | 98 | 80 | 2,085 | 31-35 |
| **Zambia** | 59 | 47 | .. | .. | .. | 72 | 7 | 68 | 71 | 1,970 | 46-50 |
| **Zimbabwe** | 225 | 1,157 | 49 | 6 | 6 | 45 | 9 | 112 | 64 | 2,145 | 41-45 |

Source: FAOSTAT 1999. Total exports and total imports include trade in merchandise and services from IMF.

Least Developed Countries as defined by the UN

Net Food Importing Developing Countries as defined by the WTO

Low Income Food Deficit Countries as defined by FAO

Data for 1994-96

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This policy brief aims to address the issue whether the implementation of commitments under the WTO Agreement on Agriculture enhance or limit the scope the policy space that African countries have in addressing food security and sustainable development objectives. The analysis also extends to cover potential implication under the agreements related to the Agreement on Agriculture such as the Agreement on the Application of Sanitary and Phytosanitary Measures, and the Agreement on Technical Barriers to Trade. To address this issue, the paper seeks to answer the following questions: what have been the results of the Uruguay Round from an African perspective; how has the Agreement on Agriculture and other related agreements been implemented and what impact has this had on the scope of the policy mix in terms of food security and sustainable development in the African countries; how may the proposals for current negotiations, if implemented, impact on the food security/sustainable development objectives of African countries?