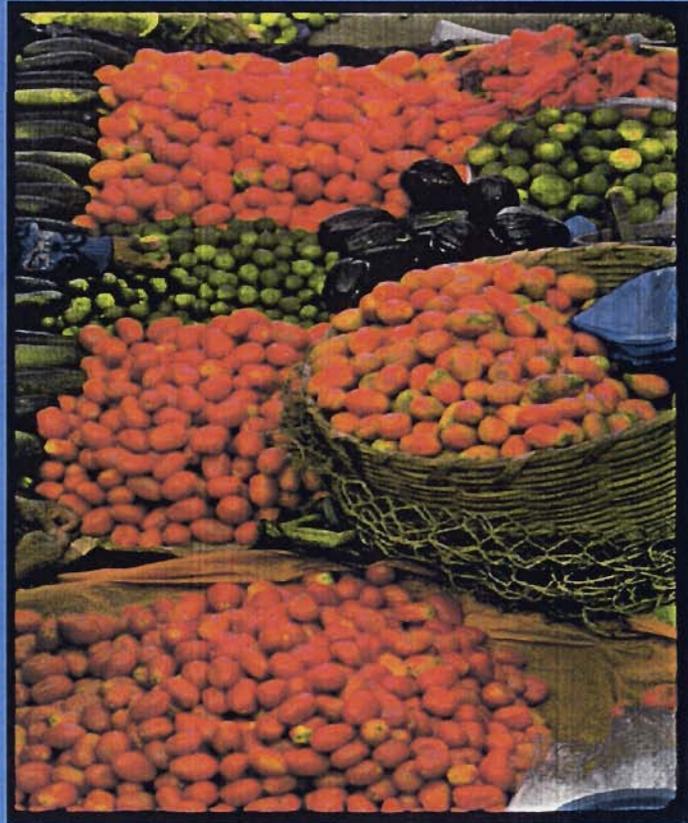




Directions in Development

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Liberalizing Trade in
Agriculture: Africa and the New
WTO Development Agenda





RURAL DEVELOPMENT

T H E W O R L D B A N K

Liberalizing Trade in Agriculture: Africa and the New WTO Development Agenda

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Overview -Sub-Saharan Africa and the New WTO Trade Negotiations in Agriculture

Merlinda D. Ingco, Dominique Njinkeu, Tonia Kandiero

1. Introduction

The challenges facing Sub-Saharan Africa today include economic stagnation, a widening disparity in international living standards, high international debt, HIV/AIDS and rural poverty. Out of the 1.2 billion world population that lived below \$1 in 1998, approximately 24% were in Sub-Saharan Africa (World Bank, 2001). And of these, majority live in rural areas. This situation poses a serious concern not only for Sub-Saharan Africa but also for the international community.

In this age of rapid globalization and liberalization, unfortunately, the share of Sub-Saharan Africa (SSA) countries in global agricultural export value declined significantly from 8.4 % in 1965 to 2.0% in 2000. Factors contributing to this marginalization remain open to discussion. Yeats, Amjadi, Reincke, and Ng (1997) argue that African countries' domestic policies led to the decline in the region's share of global exports. Hoekman, Ng, and Olarreaga (2001) point to restrictive market access policies in developed countries as a source of Africa's marginalization. Others maintain that global demand for primary products (Africa's major agricultural export) has been considerably weaker than demand for high value-added agricultural products, thereby causing a decline in the region's share of world agricultural trade. Greater integration of the countries' economies into the world market could play an important role in the promotion of sustainable development and poverty alleviation in the region. For that to occur it is imperative that the sources of marginalization are identified. Full participation in the Doha Development Agenda has the potential to help Sub-Sahara Africa to resolve some of these challenges.

The new trade negotiation in the World Trade Organization (WTO) offers a multilateral forum for Africa to take advantage of a rules-based system for trade and development. Most African countries have acceded to the WTO, and the new round will offer opportunities and enormous challenges. New structures of the global trading system and governance can increase Africa's market access and clarify its rights in the international trading framework. But they also bring obligations, including giving up a degree of sovereignty over trade and investment. As a consequence of continued global trade liberalization, there will be a continuing erosion of the preferences enjoyed by African countries. In the case of agriculture, trade preferences have the potential to be beneficial in the case where MFN tariffs are still exceedingly high.

As Sub-Saharan Africa engages in the multilateral negotiations, countries will incur large financial costs as they create the institutions and implement the myriad standards demanded by the trading system. For some least developed countries, implementing WTO obligations would cost as much as an entire year's development budget. Finger and Schuler (1999, p. 1) note that WTO obligations reflect little awareness of development problems and little appreciation of the capacities of the least developed countries. More fundamentally, it is not clear that all of these standards are ideal for the least developed countries, and there is the ever-present danger that they will be used to protect markets.

The objective of this overview paper is to provide some constructive perspectives and a framework to assist African countries as they prepare their agricultural agendas at the onset of this new round of WTO trade negotiations. African countries, indeed all developing countries, should seize this new opportunity to actively participate in the process of shaping a more integrated world economic environment. A more integrated world economy in which existing trade barriers are further reduced will provide increased opportunities for all countries to take advantage of gains that growth in trade can provide. However, as countries navigate down the stream of globalization, both opportunities and challenges will emerge. Initially, as with all trade liberalization, there will be gainers and losers both among and within countries, among both consumers and producers.

The challenges lie not merely in the identification of these groups ahead of time but also to design a multi-dimensional strategy for assisting potential gainers and losers alike. This involves shaping a policy agenda that covers the international trade negotiation tables and the domestic economic environment in both a preemptive and down the road manner. The multi-dimensional character of the emerging challenges is essentially borne out via this nexus of the transition period associated with the trade liberalization process and the heterogeneous set of constraints that will be faced by heterogeneous groups both within and among countries. As Valdés and McCalla (2000) pointed out here in Geneva, if policy makers understand this diversity, they better able to debate the consequences of specific types of liberalization and discuss possible complementary and mitigating measures.

Within the context of the above framework this paper is structured as follows. Following the introduction, the paper looks at the agricultural and food sector in Sub-Saharan Africa. This section identifies the heterogeneity of among African countries by disaggregating from a number of perspectives: income level; net trade position, both for food and all agricultural products; food trade dependence; size; and the degree of openness of the agricultural sector.

Third, the paper looks at agricultural trade performance in Sub-Saharan Africa. The subsections present an overview of agricultural exports, export performance and competitiveness, and a discussion on efforts to promote intra-regional trade. It is evident that Africa's share of global exports has declined in the last several decades. Therefore, it is imperative that in this era of globalization and liberalization Africa find ways to improve its export performance and competitiveness. WTO negotiations will be particularly helpful in this area. Further, it is evident intra regional trade is still very modest in Africa. Therefore, efforts toward regional trade in order to stimulate more trade and investment are needed.

The fourth section looks at Sub-Saharan Africa's own policies, focusing on market access and domestic pricing policies. On the issue of market access in Sub-Saharan Africa, it is clear that Sub-Saharan Africa emerged from the URAA facing lower tariffs compared with other developing countries. The major drawback is that the region committed higher bound tariff rates. Regarding domestic policies and price incentives, African countries were exempted from WTO agreements on domestic issues for the time being. This gave them an advantage over many countries, at least in the short-term. However, in the long term Sub-Saharan Africa needs to work on its domestic policies and price incentives in order to improve competitiveness.

In section five an overview of policies in the Quad countries, as the major markets for Sub-Saharan Africa, is discussed. The objective is to assess if the actions of Africa's trading partner have contributed to the marginalization. In addition, this section briefly discusses the issue of preferential trade arrangements. Most of the countries in Sub-Saharan Africa have preferential

trade arrangements with the OECD countries through the GSP, Lomé convention, or the recently established Africa Growth Opportunity Act (AGOA). Declining preference margins as a result of reductions in tariff rates appear to pose a significant problem for Africa. With low tariffs, preferences will be eroded by the future of multilateral liberalization.

Section six pays attention to the Africa's challenges, policy issues, and options in the new round. This section attempts to provide a perspective regarding a key questions: behind which proposals can certain African countries team up in the negotiations? While the interest of African countries on specific issues being considered by the WTO negotiations are not homogenous, there are enough similarities on some areas of interest which would define some common interest of many Sub-Saharan African countries in particular and in some cases possibly all developing countries. It is in the general interest of the latter to actively participate in a process that will contribute to:

- Better functioning international agricultural markets;
- Better access for their exports in foreign markets;
- Increased stability of world prices;
- Improved system for the resolution of trade disputes;
- Clearer guidelines for implementing Sanitary and Phytosanitary (SPS) measures; and
- Clearer rules regarding contingency measures (e.g., safeguards, countervailing duties, and antidumping provisions) to provide for transparency and to reduce the risk of these being used as thinly disguised protectionism.
- Domestic policies of industrial countries are also of vital interest to developing countries because they represent a large transfer of funds to agriculture which impacts significantly on the pattern of global production.
- Being active participants in the WTO, its negotiations and implementation will also impose often significant costs for developing countries—in particular, full implementation of the WTO agreement represents a substantial financial and technical burden for most least developed countries. Thus, means to provide financial and technical support should be included in the overall process and these negotiations should give special considerations of the situations of the most vulnerable countries—many of whom are located in Sub-Saharan Africa—in particular the least developed food importing countries and low income countries heavily dependant on agricultural export revenues for their development process. Finally section 7 is the conclusion.

2. Agricultural and Food Sector in Sub-Saharan Africa

2.1 Assessing the Importance of the Agricultural Sector

In the Sub-Saharan African region, 70% of the population is rural and the agricultural sector generates about 35% of GDP, employs 70% of the labor force, and accounts for 42 % of non-oil exports. Despite this obvious importance of the sector within Africa, the region accounts for less than 5% of global agricultural GDP and only between 1% and 2 % of world agricultural trade. However, as becomes clear from Table 1, African countries are not a homogeneous group. This diversity is borne out via a taxonomy originally introduced by Valdés and McCalla (2000).

Table 1. Some Agricultural Sector Indicators for Sub-Saharan African Countries,(1994-98)

	Rural Labor Force (% of total)	Agricultural GDP (% of total)		Rural Population (% of total)	
	1998	1994	1998	1994	1998
Angola	72	7	12	70	67
Benin	56	33	39	62	59
Botswana	45	4	4	54	51
Burkina Faso	92	34	33	85	83
Burundi	91	47	54	93	92
Cameroon	62	40	42	56	53
Cape Verde	25	13	12	48	41
Central African Republic	74	45	53	61	60
Chad	77	38	40	78	77
Comoros	75	38	39	70	68
Congo, Dem. Rep.	64	57	..	71	70
Congo, Rep.	42	10	12	43	39
Cote d'Ivoire	51	28	26	57	55
Equatorial Guinea	72	49	22	59	54
Eritrea	78	16	..	83	82
Ethiopia	83	52	50	85	83
Gabon	40	9	7	26	21
Gambia, The	80	28	27	72	69
Ghana	57	29	10	65	63
Guinea	85	21	22	72	69
Kenya	76	33	26	72	69
Lesotho	38	14	11	77	74
Liberia	69	..	..	58	56
Madagascar	75	39	31	74	72
Malawi	84	25	36	83	78
Mali	82	46	47	74	71
Mauritania	53	27	25	50	45
Mauritius	13	9	9	60	59
Mozambique	81	30	34	68	62
Namibia	43	13	10	72	70
Niger	88	41	41	82	80
Nigeria	35	29	32	61	58
Rwanda	91	51	47	94	94
Sao Tome and Principe	..	25	21	58	55
Senegal	74	19	17	57	54
Seychelles	..	4	4	42	38
Sierra Leone	37	41	44	67	65
Somalia	72	..	..	75	73
South Africa	10	5	4	51	47
Sudan	63	..	39	70	66
Swaziland	38	14	16	75	74
Tanzania	81	46	46	74	70
Togo	61	35	42	70	68
Uganda	81	50	45	88	86
Zambia	71	13	17	61	61
Zimbabwe	64	19	19	69	66

Source: World Development Indicators 2001.

2.2 Net Importers and Exports of Agricultural and Food Products

Of the 47 countries in Sub-Saharan Africa, those 27 countries that are Net Food Importers (NFIM) are also Net Agricultural Importers (NAIM). Of those remaining 20 countries that are Net Agricultural Exporters (NAEX), half are NAIM and half are Net Food Exporters (NFEX) (see Appendix Table 1). Thus contrary to the often prevailing regional typology, about 40% of the Sub-Saharan African countries are actually net exporters. Table 2 further highlights the regional heterogeneity via an overview of the differences in terms of overall agricultural exports.

The Food Import Capacity (FIC) Index

Foreign exchange availability is critical if a country is to be able to stabilize food consumption through imports. To what extent do food imports burden the balance of trade, and by how much can the food import bill increase in years of unfavorable production and/or world prices, given fixed supplies of foreign exchange in any particular year?

Table 2. Agricultural Exports of Selected Sub-Saharan African Countries*

Country	Agricultural	Last Available	Net Agricultural	Net Food Trade
Benin	1862	1998	NAEX	NFIM
Cameroon	5430	1996	NAEX	NFEX
Cape Verde	31	1997	NAIM	NFIM
Central African Republic	245	1996	NAIM	NFIM
Congo, Republic	110	1995	NAIM	NFIM
Cote d'Ivoire	22752	1996	NAEX	NFEX
Ethiopia	3637	1995	NAEX	NFIM
Gabon	58	1996	NAIM	NFIM
Ghana	6559	1999	NAEX	NFEX
Guinea	474	1997	NAIM	NFIM
Guinea-Bissau	196	1998	NAIM	NFIM
Madagascar	999	1999	NAEX	NFEX
Malawi	3869	1995	NAEX	NFIM
Mali	2702	1997	NAEX	NFEX
Mauritius	3878	1999	NAEX	NFEX
Mozambique	1872	1997	NAIM	NFIM
Niger	614	1998	NAIM	NFIM
Nigeria	722	1999	NAIM	NFIM
Senegal	758	1999	NAIM	NFIM
Seychelles	408	1996	NAIM	NFIM
South Africa	26166	1999	NAEX	NFEX
Sudan	4462	1998	NAEX	NFEX
Tanzania	5222	1999	NAEX	NFIM
Togo	1352	1999	NAEX	NFIM
Uganda	4499	1999	NAEX	NFIM
Zambia	326	1995	NAIM	NFIM
Zimbabwe	8983	1995	NAEX	NFEX

* We selected those for which COMTRADE data was available.

The Agricultural "Tradeability" (AT) Index

As a crude indicator of these relationships, we computed the Food Import Capacity Index (FIC) which is defined as the ratio of the actual value of food imports to total export revenues (merchandise only) averaged for the period 1995-97. The FIC is used primarily as an indicator of the demand on foreign exchange needed to finance food imports. The FIC is presented for a Sub-Saharan African countries in Table 3. The ratio of food import value to total export value is generally high for Sub-Saharan African countries—almost half of them are characterized by a ratio greater than 0.25. Though obvious caveats apply given the crude nature of this indicator, high ratios in these countries suggests several might be vulnerable and could look for: (i) food and financial aid; (ii) attempts to protecting preferential access provisions in industrial countries; and (iii) assistance during the post-round agricultural liberalization adjustment and transition period.

The ratio of trade to GDP is a standard indicator used to rank countries according to the openness—and 'vulnerability' to trade—of their economies. The same criteria can be used to look at a particular sector such as agriculture. In Table 3, we present the ratio of the sum of agricultural exports plus imports relative to agricultural GDP during 1995-97 for all Sub-Saharan African countries with available data, as an indicator to capture the extent to which the agricultural sector is directly affected by developments in world markets for agricultural products. For example, the very high AT value of 0.92 for Cote d'Ivoire, indicates that relative to agricultural income, trade in importables and exportables represents 92% of agricultural GDP.

Table 3. The FIC and AT Indexes for Sub-Saharan African Countries

Country	AT index	FIC index	Country	AT index	FIC index
Angola	0.78	0.08	Liberia	n/a	0.18
Benin	0.40	0.24	Madagascar	0.21	0.22
Botswana	2.68	0.12	Malawi	0.73	0.18
Burkina Faso	0.28	0.25	Mali	0.33	0.15
Burundi	0.24	0.46	Mauritania	0.75	0.28
Cameroon	0.19	0.05	Mauritius	2.25	0.15
Cape Verde	2.07	4.67	Mozambique	0.40	0.94
Central African Republic	0.18	0.14	Namibia	0.92	0.08
Chad	0.33	0.21	Niger	0.21	0.28
Comoros	0.37	2.80	Nigeria	0.17	0.07
Congo, Dem. Rep.	0.10	0.48	Rwanda	0.24	0.91
Congo, Rep.	0.54	0.07	Sao Tome and Principe	1.06	1.01
Cote d'Ivoire	0.92	0.09	Senegal	0.60	0.42
Djibouti	5.95	2.87	Seychelles	2.31	0.69
Equatorial Guinea	0.17	0.09	Sierra Leone	0.42	1.28
Eritrea	0.98	0.64	Somalia	n/a	0.39
Etiopia	0.21	0.45	Sudan	n/a	0.38
Gabon	0.42	0.04	Swaziland	2.31	0.09
Gambia	0.93	1.99	Tanzania	0.25	0.21
Ghana	0.32	0.17	Togo	0.35	0.22
Guinea	0.37	0.45	Uganda	0.20	0.08
Guinea-Bissau	0.40	0.89	Zambia	0.17	0.04
Kenya	0.64	0.16	Zimbabwe	0.97	0.06
Lesotho	1.95	0.85			

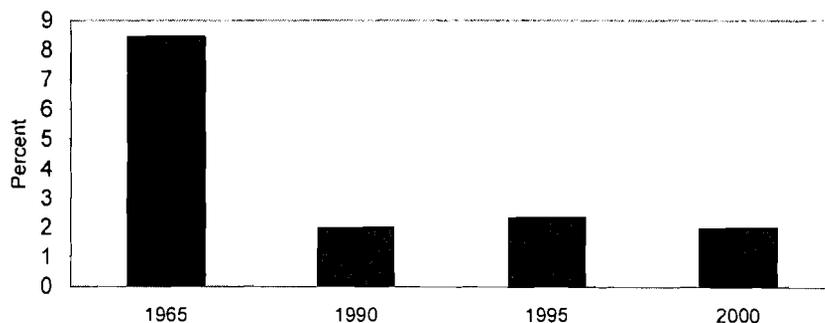
Source: Adapted from Valdes and McCalla (1999)

Hence, this indicator reveals the extent to which world market fluctuations can affect the agricultural GDP (e.g., agricultural income). In addition to the degree of openness, at least two related questions are fundamental. First, what is the extend of concentration in terms of trading partners? Second, what is the extend of concentration in terms of products traded? These issues will be addressed in the ‘within’ country perspective on possible heterogeneous groups.

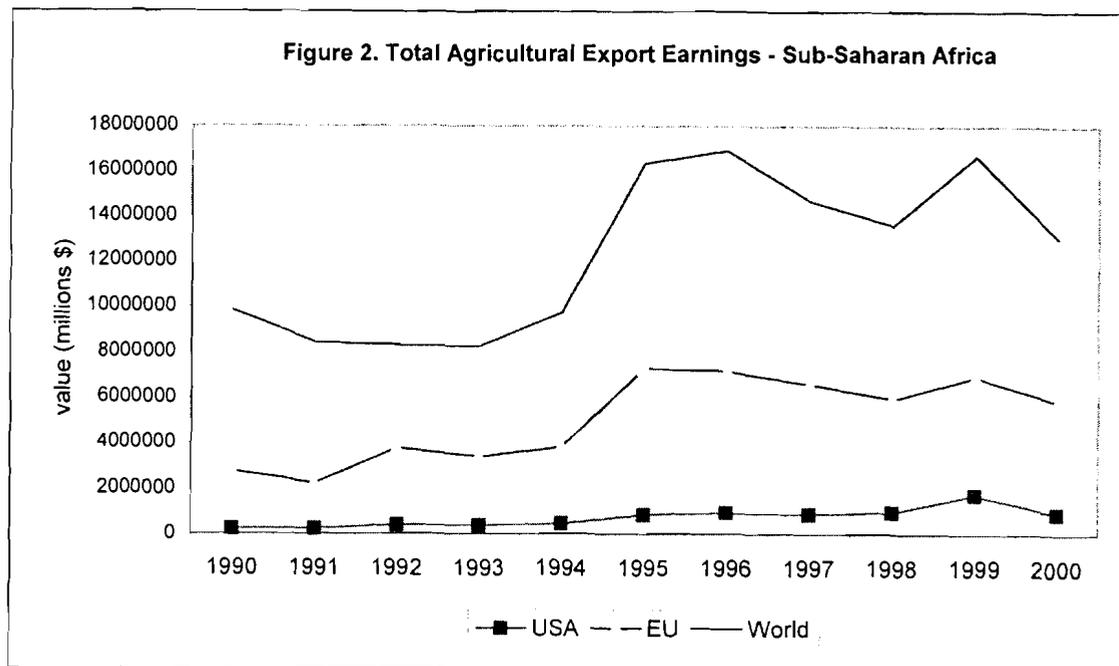
3. Agricultural Trade Performance in Sub-Saharan Africa

Sub-Saharan Africa’s share of global agricultural exports accounted for 8.4 % in 1965. This share declined to approximately 2.0% in 1990 and remained so until the year 2000 (Figure 1). The discussion on the factors that have led to Africa’s marginalization in international trade has become an important topic. One aspect of the cause of Africa’s marginalization is inappropriate domestic policies, which, in turn, reduced the region’s ability to compete on the global market. This argument is supported by Yeats et al. In addition, protectionist policies in the OECD markets are the contributing factor to Africa’s trade performance. According to Hoekman et. al, despite the low average most-favored nation (MFN) tariffs and preferential tariff rates that the EU applies to Africa and other developing countries, tariffs for some products are over 100%. These peaks are mainly in commodities that are major exports for developing countries. The items include products, such as sugar, cereal, tobacco, vegetables, fish, and fruit. In addition, the tariff structure of EU presents significant tariff escalation, restricting access for more processed products. Tariff peaks and tariff escalation have a disproportional impact of export Africa and other developing countries. Complete duty quota free access for Africa and other developing countries in the EU and other Quad markets for tariff peak items would result in 11% (\$2.5 billion) increase in their total trade exports. Worse still, the Uruguay Round of multilateral trade inherently increased tariff dispersion as tariffication resulted in high duties on agricultural products that were previously restricted by quotas. Essentially, tariffs are more than three times the higher that MFN rates exist in the EU and other Quad markets (Hoekman and Koestecki, 2001). Apart from these two factors, demand factors on the world market cannot be ruled out as a factor contributing to Africa’s poor export performance in the last few decades. The global demand for the primary products has been considerably slow. Therefore, Africa has experienced declining market shares for its major exports as well export earning (Figures 1 and 2).

Figure 1. Sub-Saharan Africa's Share in World Agricultural Exports



Source: Author’s calculation using data from UN Comtrade



Source: Author's calculation using data from UN Comtrade

The significant increase in export value was particularly evident since the early 1990s (Figure 2), with the set backs corresponding to periods of drought, prevalent particularly in the Southern African Region. As of 2000, 45% of Sub-Sahara Africa's exports were to the European Union (EU), 7% to the United States, 6% Japan, and 1% Canada. In total, these four markets, also known as the Quad, accounted for 59% of total agricultural exports from Sub-Sahara Africa (Figure 3). Among these countries in the Quad, most of the major agricultural exports including cocoa, coffee, sugar, cotton, and tea went to the European Union followed by the United States (Appendix Figures 1, 2, 3, 4 and 5). More than 50% of cocoa and coffee from Sub-Saharan Africa reached the European Union.

Major commodities from Sub-Saharan Africa also experienced a considerable decline in its market share of world agricultural exports. This is clearly shown in Table 4. Between 1970 and 1995, Sub-Saharan Africa's market share of cocoa and coffee declined by 26% and 11%, respectively. The large part of the decline has been attributed to both domestic and macroeconomic policies of Sub-Saharan Africa countries (World Bank, 1994). Between 1980-89 and 1990-95 the crops which gained the greatest percentage of world market share were tobacco (3.1%) and tea (3.2%) while cotton and sugar also realized gains of over 2%. At the other extreme Sub-Saharan Africa's cocoa, coffee and groundnuts continued to lose their share of the world market.

Figure 3. Distribution of Sub-Saharan Africa Agricultural Exports by Market

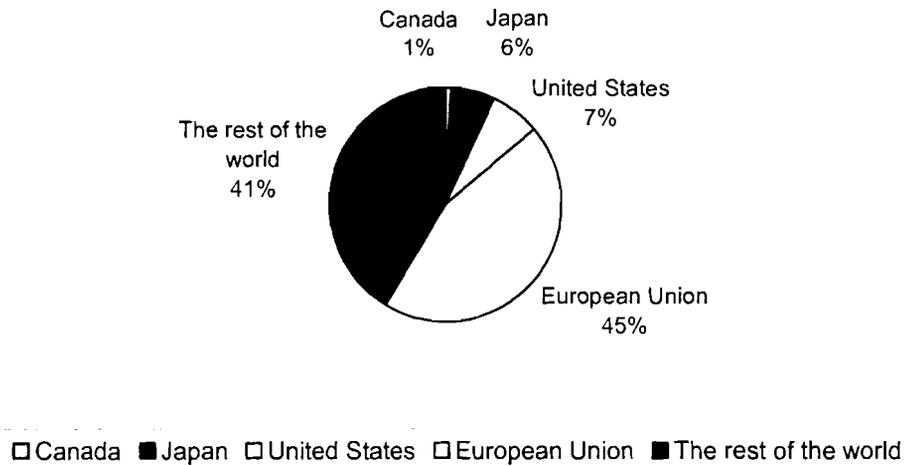


Table 4: Sub-Saharan Africa's Share of World Trade

Country	Levels		Averages			Annual Growth Rates
	1970	1995	1970-79	1980-89	1990-95	1970-1995 (%)
Bananas	7.0	3.6	5.8	2.8	3.1	-4.1
Cocoa	68.4	41.3	58.5	45.2	38.6	-2.3
Coffee	26.4	15.1	27.5	21.7	14.8	-3.1
Cotton	17.1	12.5	12.8	10.6	12.7	-0.3
Groundnuts	61.7	2.3	39.3	8.4	3.3	-13.8
Rubber	8.1	4.9	6.2	5.7	5.6	-0.5
Sugar	7.0	7.3	5.7	5.5	7.7	1.3
Tea	12.6	20.5	14.9	15.3	18.4	1.1
Tobacco	7.1	12.1	7.9	9.1	12.3	2.0

Source: FAO Trade statistics. These calculation exclude South Africa. Including South Africa reduces the last row percentages to 62, 66, 60 for the consecutive periods

The reversal of the downward trend for many crops is the result of world market conditions, improved macroeconomic policies and deregulation of many controlled domestic markets, all resulting in an improved competitiveness for particular countries and crops in world trade. While significant progress has been made to realize comparative advantage and improve allocative efficiency in production, some remaining interventions continue to inhibit export growth for many crops in Sub-Saharan Africa.

Table 5: Sub-Saharan Africa's Commodity Export Earnings as a Percentage of Total Agricultural Exports

Crop	1970-79	1980-89	1990-95	Growth Rate % (1970-95)
Bananas	0.7	0.5	1.2	1.7
Cocoa	20.6	22.1	17.7	-0.2
Coffee	24.7	25.9	14.4	-1.9
Cotton	9.2	8.6	11.8	0.8
Groundnuts	2.4	0.6	0.3	-11.8
Rubber	1.7	2.1	2.3	1.8
Sugar	5.6	6.8	9.1	2.4
Tea	2.5	3.6	4.9	3.6
Tobacco	3.1	4.8	8.9	5.0
% of Total Ag. Exports	70.4	74.9	70.7	-

Source: *FAO Trade statistics*. These calculation exclude South Africa. Including South Africa reduces the last row percentages to 62, 66, 60 for the consecutive periods

The dominant crops exported from the continent are cocoa, coffee and cotton which account for about 50 % of Sub-Saharan Africa's agricultural exports. Since 1970 both Sub-Saharan Africa cocoa and coffee have experienced a declining share in their contribution to export revenue with an annual decline of -0.2 and -1.9 % per annum. Alternatively, cotton had a growing share, increasing from 8.6 % between 1980-89 to 11.8 % between 1990-95. The export share of groundnuts declined at almost 12 % per annum.

Comparing agriculture with other sectors in the last decade, the mining and manufacturing sectors dominated. In 1999, the mining and manufacturing sector accounted for \$53 billion and \$34 billion, respectively, while the value of agricultural exports was only \$22 billion (Table 6). Much of the increase in mining and manufactured products is due to the rise in the mining and processing of precious stones, specifically, in South Africa.¹ The good news is that the share of agricultural exports is increasing and there is room for improvement. Although agriculture export trade has the potential to increase in the next decade, the issues of product concentration and market distribution are of valid concern in the performance of agricultural trade in Africa. Most of the countries concentrate on one or few selected products and over 50 % of the products enter markets in Western Europe. According to World Bank (2000), the issue of diversification has not received a great deal of attention for two particular reasons: first, considering the size of most of economies in Africa, it is rather difficult to have successful market diversification based on domestic markets; and second, low export receipts caused by lost trade shares for traditional products and low demand elasticity have created problems in the diversification process. Even though these challenges exist, Africa had the potential to achieve successful diversification.

¹ In 1999, South Africa was the leading exporter and importer in Africa, accounting for 23.8 % and 20 % of total merchandise trade respectively (WTO, 2001).

Table 6. Merchandise exports of Africa by major product group and main destination, 1999
(Billion dollars and percentage)

	Value	Share		Annual percentage change			
	1999	1990	1999	1990-99	1997	1998	1999
1. Mining products							
World	53.0	100.0	100.0	0	1	-27	17
Western Europe	24.0	61.5	45.3	-4	-3	-24	6
North America	12.3	24.7	23.1	-1	6	-27	4
Asia	8.1	5.9	15.3	11	22	-37	40
2. Manufactures							
World	34.0	100.0	100.0	6	2	-2	9
Western Europe	19.6	62.1	57.5	5	3	3	5
Africa	5.5	11.6	16.2	10	4	-13	15
North America	3.3	5.9	9.7	12	9	9	11
3. Agricultural products							
World	22.2	100.0	100.0	3	-1	-2	-6
Western Europe	12.0	61.1	54.2	2	-3	3	-13
Asia	3.6	15.1	16.3	4	-2	-13	1
Africa	2.6	11.8	11.9	4	2	-8	6
4. Total merchandise							
World	112.1	100.0	100.0	1	2	-16	9
Western Europe	57.2	58.4	51.0	-1	-1	-11	1
North America	16.7	15.4	14.9	1	6	-20	4
Asia	15.4	7.8	13.8	8	16	-33	20

A Includes significant exports of unspecified products.

Source: WTO 2001

3.1 Efforts to Diversify

From the previous discussion, there is some evidence that Sub-Saharan countries need to diversify their commodities. Most of products supplied by the region have been affected by demand factors on the world market. Demand factors are considered as one of the major contributing factors to Africa's poor export performance in the last four decades. The global demand for primary products has been quite slow. Therefore, Sub-Saharan Africa has experienced declining market shares for its major exports. One component to the answer to this problem is simply for Sub-Saharan countries to diversify. Countries should focus commodities that are in demand on the growing world market and products that have the potential to perform well under adverse market conditions. Recent evidence in the performance of non-traditional exports, such as cut flowers, citrus fruit, cashews, among others, has been impressive. Between 1994 and 1998, the non-tradition exports in Uganda showed a growth rate of 70 % annually, accounting for 22 % of exports by 1998 (World Bank, 2000). Other success stories in diversification are Ghana, Cote d'Ivoire, Madagascar, and Mozambique. The advantage of non-traditional products is that, they have high income elasticity of demand, lower tariff rates in markets such as EU, higher potential for domestic market development, and there is demand on the world market (Townsend, 1999).

3.2 Efforts to Promote Intra-Regional Trade in Africa

Intra regional trade is still very modest in Africa. However, there have been efforts toward regional trade in order to stimulate more trade and investment. It is worth to note that over 85 %

of Africa's exports enter markets outside the region. Intra-trade increased from 6 % in 1990 to 9.9 % in 1999 (Table 7).

Table 7. Merchandise Exports for Africa by destination, 1990-99
(Billion dollars and percentage)

	Value		Share		Annual percentage change		
	1999	1990	1999	1990-99	1997	1998	1999
Western Europe	57.2	58.4	51.0	-1	-1	-11	1
European Union (15)	54.5	53.0	48.6	0	-1	-10	1
North America	16.7	15.4	14.9	1	6	-20	4
Asia	15.4	7.8	13.8	8	16	-33	20
Japan	3.3	3.0	3.0	1	-5	-19	4
Other	12.1	4.8	10.8	10	22	-37	25
Intra-Africa	11.1	6.0	9.9	7	-2	-14	21
Latin America	3.4	1.5	3.0	9	11	-12	19
Middle East	1.7	1.5	1.5	1	-6	-11	5
C./E. Europe/Baltic States/CIS	1.4	2.3	1.2	-6	-19	-12	-3
Inter-regional trade	95.8	87.0	85.4	1	3	-16	5
World	112.1	100.0	100.0	1	2	-16	9

Source: WTO (2001)

Regional groups, for instance, Common Market for Eastern and Southern Africa (COMESA), Southern African Development Community (SADC), Economic Community of West African States (ECOWAS), West African Economic and Monetary Union (UEMOA), have made substantial efforts toward regionalism. Some of the reasons for the lag in regionalism are implementation lapses in the regionalism agenda, over-lapse in the regional groups (SADC and COMESA), lack of expertise, and fear of losing national sovereignty. In particular, the joint membership of both SADC and COMESA is a major concern. Membership of both entities is likely to create problems for members due to conflicting obligations. The existence of both entities, given different liberalization policies, (e.g. example tariff structures) and rules of origin, trade with joint members is bound to yield competing conditions. Nonetheless, successful regional coordination remains an important issue for export performance in Africa. Apart from trade creation, regionalism may be particularly effective in attracting investment in sectors such as manufacturing.

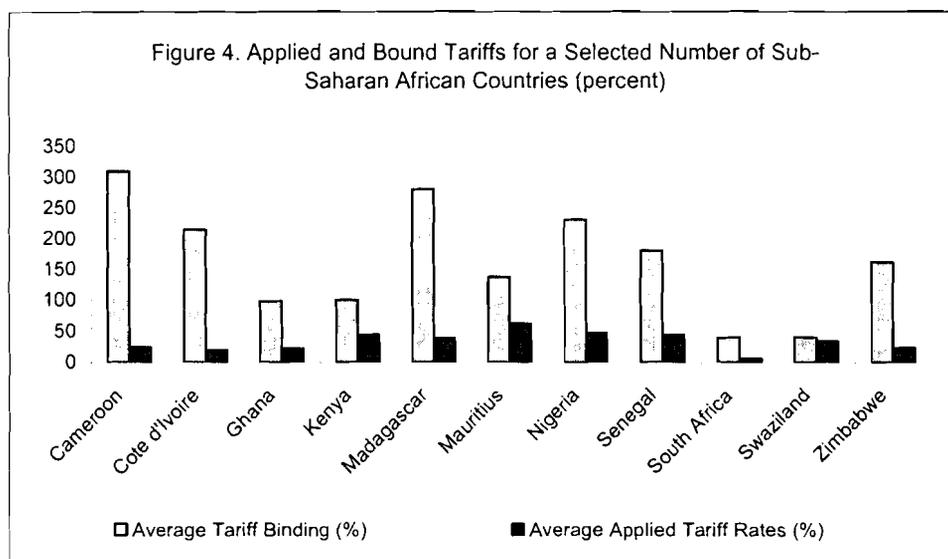
4. Sub-Saharan Africa's Own Policies

One of the contributing factors to Sub-Saharan Africa's marginalization are ineffective domestic policies in the area of market access and pricing and incentive mechanisms. Studies show that Sub-Saharan Africa has carried out extensive unilateral reforms since the 1980s, but the region committed to high bound tariffs in the URAA. Further, Sub-Saharan Africa, along with most developing countries, did not commit in the areas of domestic support and export competition. As a result, the continent did not capture the gains from the URAA.

4.1.2 Tariff Bindings Under URAA

Tariffs fall under the market access pillar of the URAA. Market access, one of the three pillars of the Uruguay Round Agreement on Agriculture (URAA), is comprised of three elements: 1) tariffication of non-tariff barriers (NTBs); 2) reduction of tariffs to reasonable levels; and 3) maintaining current access levels for individual products. Tariffication required member countries to convert NTBs into tariff equivalents during the base period 1986-88 for individual commodities covered by URAA. The average reduction of tariffs after tariffication of NTBs was set at 36% over a six year period for developed countries and 24% over 10 years for developing countries. In the case of maintaining access level, as determined by volume of imports in the base period (1986-88), it was agreed that the level was to be established at not less than 3% to 5% of domestic consumption during the base period. The implication is that a share of imports of a commodity which had been previously subject to NTBs would be allowed into the importing country at a low tariff rate.

Commitments in market access were also made by binding tariffs at negotiated levels.² For African member countries that submitted schedules, all of their tariff lines in agriculture were bound. However, as shown in figure 3 and table 1 in the Appendix, many countries set their tariff bindings at prohibitive levels (100 to 300 %). Only a few countries bound their agricultural tariffs at levels less than 100 %. The Congo bound its agricultural tariffs at 30%; the Central African Republic at 46%; and four of the five countries of the Southern African Customs Union (Botswana, Namibia, South Africa, and Swaziland) at 40%. Within the Southern African Customs Union, the bound agricultural tariffs for these four countries was reduced by an average of 43% over a six-year period.



² This means that countries can apply tariffs at or below the bound maximum, but not raise them above the binding level unless it is renegotiated in GATT and compensation given to affected trading partners.

However, these reductions exclude a reduction in other duties and charges, which are generally included in applied tariffs. Although required by the URAA, only a few countries that are not in the group of least-developed countries offered to make reductions from their ceiling bindings.³

The tariff bindings include the customs duty and other duties and charges (ODC). However, the levels of ODC rates were not listed in the country schedules in the GATT. And not all African participants reported their ODC rates in their Uruguay Round schedules, although its application is particularly common in these countries.⁴ In a number of countries with previous bound rates (e.g. Cote d'Ivoire), reduction commitments in the UR were made on the previous bound duties, to which the ODC rates were then added. For example, in Cote d'Ivoire, a 7 % bound duty on fresh milk was reduced to 6 %, but a 200 % ODC was added to this tariff item. The end result is a substantial increase in bound rates on these products.

The experience so far from implementation of Africa's Uruguay Round commitments indicates the following: First, high tariff bindings have affected the level of applied protection of agriculture in a number of African countries. The URAA has not resulted in "real" liberalization in African agriculture in the sense of reducing applied tariff rates. Although countries do not generally apply tariffs at their bound rates, the higher bindings do not impose any discipline nor require rationalization of protection in agriculture for African countries.

Second, high tariff bindings have not imposed an effective constraint on policy reversals, although the bindings can provide a basis for future tariff reductions. In some African countries, a very high tariff binding has undermined the market objectives of stability and transparency. In a number of countries, the applied rates within the bindings are dispersed. Hence, countries are able to change applied tariffs within the margin provided by the bindings. Indeed, most of the maximum tariff rates are too high to provide a meaningful cap on applied tariff rates to improve the security of market access.

Third, the ways in which applied rates and other charges have been established and changed undermine the objective of tariffication to abolish non-tariff barriers and convert them into fixed tariffs. The use of ODCs as noted above is one example. In addition, countries are still charging tariff duties at varying levels within the margin of the binding. In some countries, the applied rates are still linked to a domestic threshold or reference price. The applied duty is estimated as the difference between a given domestic price and a reference price as long as the duty charged does not exceed the binding.⁵ Thus, in practice, implementation of tariffication has resulted in a system with similar characteristics as those evidenced by non-tariff barriers such as the variable levy or minimum price systems. While these types of arrangements are in principle not permitted under the Uruguay Round Agreement⁶, implementation appears to provide some flexibility as the peace clause under the Agreement in Agriculture prevents any challenge to the use of these measures under the dispute settlement system for six years.

³ Only least-developed countries were exempt from cuts in bound rates. The lack of reduction commitments by African countries was accepted by their trading partners.

⁴ According to the Understanding on Article II:1 (b) the ODC rates that are listed as part of the binding should reflect actual applied rates on April 15, 1994. Failure to report ODC may under-state protection.

⁵ This is also occurring in a number of industrial countries (e.g. European Union) and other developing countries (e.g. Latin American countries' price bands).

⁶ The footnote in Article II states that variable levies, etc are forbidden. Also, the Agreement in Customs Valuation forbids the use of minimum price systems, except for developing countries that make a special reservation for it.

4.2 Pricing Policies and Incentives

Agricultural prices remain a critical component of the production incentive provided to farmers in Sub-Saharan Africa. The price relationships faced by these agricultural producers are dependent on a complex nexus among the structures of the broader agricultural economy (marketing systems, transportation costs, infrastructure) and the macroeconomic environment (trade, exchange rates) in which agriculture operates. Several studies have examined these price relationships to assess the extent to which agriculture has been taxed or subsidized (Schiff and Valdes, 1992; Herrman, 1997).

Many policies have tended to tax agriculture excessively with farmers receiving producer prices lower than the world price equivalent, thereby inhibiting improvements in farm profit and welfare. The extent of these severe price distortions was highlighted by Schiff and Valdés (1992). According to their study, among developing all developing country regions Sub-Saharan African countries imposed the highest level of taxation (both explicit and implicit) on agriculture, ranging from 46-59 %. The direct tax on agriculture in these countries was similar to the level of the indirect tax, that is, agricultural pricing policies taxed agriculture about as much as the implicit tax resulting from industrial protection and macroeconomic policies. This differs markedly from their findings in the other developing countries where the implicit tax was nearly three times that of the direct tax. Herrman (1997) conducted a similar study which focused on individual crops (coffee, wheat and rice) and found significant policy biases against agriculture, which were more excessive for export crops (coffee) than for food crops (rice and wheat). Nonetheless, favorable agricultural policies for food crops were often found to be offset by distorted macroeconomic policies with a resulting decline in the real producer price. Both of these studies used pre-1985 data which limits their use in identifying current distortions facing today's African farmers.

During the most recent decade, there have been significant reforms in both macroeconomic and agricultural policies in most African countries which has alleviated the effects of some of these biased policies. Since the early 1980's many of these countries have pursued structural adjustment programs with macroeconomic, trade and sector reforms. The intended impact in the agricultural sector was to increase payoffs to smallholder farmers primarily through an expansion in the production of export crops, thereby accelerating rural growth and poverty reduction. Some of these reforms are detailed in the 1994 World Bank study - *Adjustment in Africa* - which documents the changes in real producer prices for export crops during the 1980's. Of the twenty seven countries analyzed, ten countries experienced an increase in real producer prices of export crops, with an average increase of 25%, while seventeen experienced a decline in the real producer price of exports, with an average decline of 28 %. The explanation provided for these large declines was the fall in world prices, coupled with countries' inability to reduce both explicit and implicit taxation simultaneously, thus the benefits of the reduction in one was normally eroded by the losses from the increase in the other.

4.2.1 Indicators of Price Distortions

Research has shown that countries have pursued trade-distorting agricultural policies for many decades. Protection can be measured using Aggregate Measures of Protection, Nominal Protection (NP), Effective Protection (EP), or decomposing prices into changes in the international price, changes in the nominal protection rate and changes in real exchange rate

(Valdes, 1996 and Elbadawi, 1998).⁷ The main objective of this section is to assess protection in terms of the level of taxation or subsidization of commodities. Essentially, these indicators measuring the extent of protection can be viewed as incentive indicators.

This section presents an analysis of the extent of protection in Sub-Saharan after the implementation of the URAA. The discussion will focus on Cameroon, Ghana, and Tanzania. This section is divided into two. First, the discussion looks at different measures of protection. The discussion will center around Nominal Protection (NP) and Effective Protection (EP), and decomposing price into price changes. Second, the discussion will assess the extent of protection in a selected countries in Sub-Saharan Africa using some of the measures presented in the first section.

Nominal Protection (NP)

Nominal protection is regarded as the simplest measure of protection. Nominal protection of a product is a simple estimate of the extent to which the price of the particular product has been affected by government intervention. One of the notable flaws with this measure is that it does not control for variations in input prices. Nominal protection is generally measured as the Nominal Protection Coefficient (NPC) of a product. This measure is defined as the ratio of the product's domestic price to its international price (Pursell and Gupta, 1998). In simple notations, NPC can be expressed as

$$(2) \quad NPC = P_d/P_r$$

where P_d is the domestic price of the commodity at the farm gate and P_r is the world reference price of what the producer would fetch under the free trade at the same exchange rate.

If $NPC > 1$, then the product is protected.

If $NPC < 1$, then the product is disprotected or in effect taxed.

For large countries like India, the weighted averages of the state NPCs is calculated to represent average for all India's NPCs. The average NPC is expressed as

$$(3) \quad NPC_w = \sum_s NPC_s \psi_s$$

where

$$(4) \quad \psi_s = P_{rs}Q_s / \sum_s P_{rs}Q_s$$

$$(5) \quad \sum_s \psi_s = 1$$

⁷ Aggregate measures of support capture the impact of different types of government programs and intervention in one figure. Aggregate support measures are considered better than NPR or EPR since these only capture a small part of the transfers between the government and the producers of agriculture commodities.

Nominal Protection Rate (NPR) = NPC – 1

Effective Protection Rate (EPR) = EPC – 1

and P_{rs} is the world reference price for the state, Q_s is the crop production of the state, NPC_s is the nominal protection coefficient of the state for the crop, NPC_w is the weighted average nominal protection coefficient for the crop, and s represents the states included in the average.

Effective Protection

Effective protection of a product measures the extent to which the margin between the selling price and the cost tradable inputs on the international market has widened or narrowed. This is achieved by combining the effect of protection of the commodity and the protection of tradable inputs. In this discussion, effective protection is measured by effective protection coefficient (EPC), which is defined as the ratio of valued added at domestic prices to the estimated value added at world reference prices ((Pursell and Gupta, 1998). In simple terms, EPC is expressed as

$$(6) \quad EPC = VA_d/VA_r$$

Where VA_d is the value added at domestic prices and VA_r are world reference price.

EPC is more superior indicators of incentives to producers than NPC since they take into account the effects of the protection of the inputs traded internationally as well the protection of a product itself.

EPC > 1, then the protection is positive

EPC < 1, then protection is negative

EPC = 1, the effective protection is zero

Like in the case of NPC, the weighted average of the state level indicators can be measured using total value added at world reference prices in each state as weights.

Decomposing Agricultural Prices

A common approach taken to assess the level of taxation or subsidization is to decomposed prices into changes in the international price, changes in the nominal protection rate and changes in the real exchange rate (Valdes, 1996). Most of these studies focus on the evolution of

$$(7) \quad P_{it} = \frac{P_{it}}{CPI_t}$$

where P_{it} is the nominal price of agricultural good i at time t , measured in domestic currency and CPI_t is the consumer price index at time t . P_{it} can be further expressed as

$$(8) \quad P_{it} = P_{it}^* E_t (1 + \gamma_{it})(1 + t_{it})$$

where P_{it}^* is the corresponding border price the country faces (c.i.f. for importables and fob for exportables) measured in foreign currency (US dollars). E_t is the nominal exchange rate (measured in units of domestic currency per US\$) at time t . γ_{it} meant to be a 'mark-up' factor including transport costs and competitive profit margins to make the border price comparable with the domestic price. t_{it} is the residual after the mark-up and is meant to be the nominal protection rate.

Alternatively from equation (7) p_{it} can be expressed as

$$(9) \quad p_{it} = \left(\frac{P_{it}}{P^*_{it} E_t} \right) \left(\frac{P^*_{it}}{CPI^*_t} \right) \left(\frac{CPI^*_t E_t}{CPI_t} \right)$$

where CPI^*_t is the general level of the foreign prices at time t (US CPI). The first expression in brackets is the nominal protection coefficient (NPC). It is a measure of direct price incentives resulting from sector policies. The second expression in brackets is the international terms of trade of the product (TOT). The final expression in brackets is the real exchange rate and captures the effect of economy-wide policies on agricultural prices (RER).

The direct and indirect incentives (NPC) is given by $(NPC) \cdot (RER)$. It measures the effect of both the sector and economy-wide policies. The total effect on price incentives is the combination of the policy-induced incentives and the terms of trade movements.

Using equation (7) and (8) this can be expressed as

$$(10) \quad p_{it} = (1 + \gamma_{it})(1 + t_{it}) p^*_{it} RER_t$$

where RER denotes the real exchange rate, defined as the ratio of international domestic prices. Equation (10) can be rearranged as

$$(11) \quad \frac{p_{it}}{p^*_{it} RER_t} = (1 + \gamma_{it})(1 + t_{it})$$

The right hand side of this expression corresponds to a hypothetical transport cost and competitive margin profit, explicit export and import tariffs, implicit import and export tariffs resulting from inefficiencies arising from the operations of the different parastatals involved in marketing.

Nominal and Effective Protection in Cameroon

Cameroon adopted protectionist policies from 1960 to 1988, with the goal to protect the domestic infant industries from foreign competition. During this period, several policies were in place: import and export taxes were widespread; state-owned corporation indirectly managed producer prices, particularly coffee, cocoa, and cotton; the government directly intervened through laws, to keep prices stable by defining reference prices and maximum margins per product and per product dealer; and government assisted farmers by subsidizing agricultural inputs. However, since 1989, Cameroon started trade liberalization. Import taxes and export taxes were reduced, price controls were gradually removed, marketing boards were restructured and the private sector was left to set producer prices. In addition to these sector policies, the devaluation policies in the 1990s also assured better prices to producers. These new policies affected the agricultural structure and level of protection significantly. The impact of trade liberalization is thus measured by nominal rate of protection (NRP) and effective rate of protection (ERP). Tables 9 and 10 present protection rates in Cameroon. Table 9 shows relative low protection rates in the entire agricultural sector. The NPR for the entire agricultural sector was 10.5% in 1989/90 and 10.9 in 1996/97. Nominal protection was the largest in 1994, amounting to 20%. Nguidjol (1998) reports that the agricultural sector is less protected compared with most industrialized sub-sectors in Cameroon. Protection in industrialized sub-sectors was in the range between 50% to 70 % in 1989/90. Although the overall agricultural sector has low protection, agricultural and fishing sub-sectors protection was high

between 1992 and 1994. The intense trade liberalization policy after has been the main contribution factor of low protection in the agricultural sector.

Table 9. Nominal Rate of Protection (NRP) in Cameroon

Sub-Sector	1989/90	1992/93	1993/94	1994/95	1995/96	1996/97
Subsistence agricultural	13.3	17.5	15.6	18.9	10.1	10.2
perennial						
Agricultural	4.1	74.0	73.8	26.0	18.4	19.9
Hunting breeding	7.2	12.9	12.9	12.9	14.8	....
Forestry	7.5	9.7	13.8	23.4	22.2	23.8
Fishing	9.7	107.7	92.9	29.1	9.1	47.5
Entire agricultural sector	10.5	17.0	12.9	20.0	10.6	10.9

Source: Bamou, Njinkeu, and Douya (1999)

Table 10. Effective Rate of Protection (NRP) in Cameroon

Sub-Sector	1989/90	1992/93	1993/94	1994/95	1995/96	1996/97
Subsistence agricultural	13.4	17.5	15.2	19.1	10.0	10.2
perennial						
Agricultural	5.3	131.7	112.7	34.8	25.2	26.6
Hunting breeding	5.0	10.0	21.4	20.9	24.4	....
Forestry	14.7	5.9	13.7	30.2	35.0	38.1
Fishing	8.8	126.6	113.4	46.9	10.1	66.2
Entire agricultural sector	6.2	19.0	12.4	24.5	9.7	22.2

Source: Bamou, Njinkeu, and Douya (1999).

Nominal Rates of Protection in Ghana

Table 11 presents nominal protection estimates for cocoa, maize, and rice. The choice of crops were based of data availability. The data indicate negative NRP for cocoa during the period 1990-97. This implies that the producer price of cocoa was below the world price. This anti-export bias was directly through export taxes and indirectly through the impact that import tariffs have on relative prices (Clements and Sjaastad, 1984). It has been estimated that in Ghana approximately 73-85% of import taxes is shifted to the export sector through the relative price changes (Jebuni et al., 1992).

Thus with the decline in average taxes on imports since 1990 has come a decline in the taxation of the export sector. With the exception of 1991, the real exchange rate depreciated each year in 1990 and 1995. In 1996 and 1997, the higher nominal protection due to direct and indirect effects could perhaps indicate that the appreciation contributed to taxation of the cocoa. On the positive side, improvement in the terms of trade between 1995 and 1997 by 13 % had an offsetting impact on the appreciating real exchange rate on cocoa. The NRPs for maize were negative between 1995 and 1997. This implies that the maize sector was also negatively taxed. The negative estimated are attributed to the substantial increase in the wholesale price for maize in the same period (Aduro, 1999).

Table 11. Agriculture Price Incentives for Selected Crops in Ghana

Year	NRP Direct Price Effect	NRP Direct and Indirect Price Effects	NRP Direct, Indirect and Terms of Trade Effects
Cocoa			
1990	-0.54	-0.62	-0.54
1991	-0.51	-0.62	-0.55
1992	-0.54	-0.61	-0.57
1993	-0.70	-0.69	-0.75
1994	-0.58	-0.49	-0.60
1995	-0.61	-0.61	-0.61
1996	-0.57	-0.59	-0.56
1997	-0.53	-0.56	-0.50
Maize			
1995	-0.87	-0.87	-0.87
1996	-0.82	-0.83	-0.88
1997	-0.46	-0.49	-0.82
Rice			
1995	1.13	1.13	1.13
1996	0.08	0.03	1.10
1997	0.13	0.05	1.09

Source: (Aduro, 1999)

Unlike cocoa and maize, rice had positive NRP during 1995-97. The price of local rice stayed higher than the boarder price. High positive NPRs in 1995 could be explained by the import and sales tax policies in that year (ibid.). The combined effect of direct and indirect effects reduced the incentives for rice after 1995. On the other hand, the improvement in terms of trade compensated for the erosion in NPR.

Nominal Protection in Tanzania

This section looks at nominal protection in Tanzania since the URAA. Although Table12 presents positive protection rates, in most cases the numbers are very low. This implies that the key products in Tanzania are subsidies than taxed. More specifically, the domestic producer prices are above the word prices. This also entails that there has been progress in domestic policies in Tanzania after the URAA. Vegetable preparations and coffee have the highest protection rates of 1.95 and 0.69, respectively. Tanzania has adopted policies that offer incentives to farmers. Some of these incentives include offering tariff concessions and abolishing the marketing boards from the role of setting prices. From this general overview, the low protection rates indicate that Tanzania still needs some work in the area of domestic policy and price incentives.

Table 12. Nominal Protection in Tanzania in Key Products since URAA

Chapter	Description	Total Nominal Protection (Addition of all trade taxes)				
		1995	1996	1997	1998	1999
1	live animals	0.02	0.06	0.12	0.13	0.10
2	meat & edible meat offal	0.05	0.35	0.17	0.21	0.21
3	fish & crustacean,molluscs & other aquatic	0.10	0.38	0.41	0.33	0.08
4	dairy prod;birds' eggs;natural honey	0.35	0.39	0.37	0.31	0.30
5	products of animal origin, nes or included	0.43	0.26	0.04	0.18	0.25
6	live tree & other plant; bulb,root,cutflower	0.01	0.00	0.01	0.09	0.23
7	edible vegetables and certain roots and tubers	0.00	0.00	0.03	0.01	0.01
8	edible fruit and nuts; peel of citrus or melons	0.04	0.24	0.36	0.25	0.23
9	coffee,tea,mate and spices	0.69	0.58	0.61	0.54	0.26
10	cereals	0.06	0.08	0.18	0.14	0.10
11	prod mill indust;starches;insulin;wheat gluten	0.19	0.33	0.25	0.14	0.08
12	oil seed,oleagi fruits;miscell grain,seed,fruit	0.04	0.05	0.07	0.09	0.05
13	lac;gums,resins and other vegetable saps and extras	0.05	0.25	0.21	0.30	0.22
14	vegetable plaiting materials;veetable products nes	0.02	0.11	0.39	0.10	0.43
15	animal/veg fats& oil & their cleavage products	0.25	0.29	0.38	0.35	0.36
16	prep of meat,fish or crustaceans,molluscs	0.52	0.07	0.18	0.17	0.09
17	sugars and sugar confectionery	0.18	0.32	0.42	0.47	0.33
18	cocoa and cocoa preparations	0.43	0.75	0.71	0.36	0.43
19	prep of cereal,flour,starch/milk;pastrycooks'prod	0.20	0.67	0.15	0.11	0.37
20	prep of vegetable,fruit,nuts or other parts of lants	1.95	0.54	0.57	0.49	0.48
21	miscellaneous edible preparations	0.33	0.43	0.44	0.35	0.34
23	residuals & waste from the food indust; prep ani	0.08	0.37	0.87	0.17	0.11
24	tobacco and manufactured tobbaoco substitutes	0.04	1.47	0.16	0.28	0.48
31	fertilizers	0.04	0.01	0.24	0.00	0.00
33	essential oils & resinods; perf,cosmetic/toilet prep	0.01	0.66	0.02	0.54	0.54
41	raw hides and skins (other than furskins) and leather	0.42	0.29	0.59	0.35	0.06
43	furskins and artificial fur ;manufactured thereof	0.05	0.40	0.20	0.59	0.47
44	wood and articles of wood; wood charcoal	0.11	0.14	0.24	0.48	0.23
45	cork and articles of cork	0.03	0.18	0.15	0.30	0.23
46	manufactured os straw,esparto/other plaiting	0.12	0.28	0.06	0.35	0.28
47	pulp of wood/of other fibrous cellulosic mat;waste	0.41	0.60	0.54	0.57	0.54
48	paper & paperboard; art of paper	0.13	0.40	0.37	0.30	0.33
50	Average	0.23	0.34	0.30	0.28	0.26

Source: Musonda (2001)

Nominal Protection Rates in Kenya

Table 13 demonstrates how price changes have affected the incentives to producers in Kenya. This is explained by using nominal protection rates (NPR) for six major products, wheat, maize, rice, coffee, tea, and sugar. Wheat and maize are Kenya's main imports. After 1993, the domestic price of wheat was higher than the world price, with 1994 having the highest NPR of 108%. The price of maize remained below the world price until 1993, but showed some favorable signs in 1994 (11%) and 1997 (14%). The positive NPRs gave the farmers the incentive to increase

production. The NPRs for rice stayed negative from 1990 to 1998, although there were signs of improvement in the later years. In Kenya, the government generally, has a role in keeping the producer price higher than the world price, with the intention to boost production. This is achieved through the involvement of the National Cereal Produce Board (NCPB) in the marketing and to impose high tariffs in order to maintain high domestic prices. The tariffs on food imports such as maize and wheat, are used as a tool to restrict imports when domestic supply is high and encourage them when domestic production is low.

Table 13. Nominal Protection Rates in Kenya

Year	Wheat	Maize	Rice	Coffee	Tea	Sugar
1990	9	-25	-36	-6	-7	-47
1991	22	-24	-45	-13	-12	-66
1992	-14	-22	-8	-21	-49	-63
1993	-52	-31	-33	-21	-7	-42
1994	108	11	-6	-12	-9	-63
1995	27	-11	-49	-2	-18	-51
1996	7	-2	-50	-2	-9	-39
1997	55	14	-3	1	-12	-36
1998	43	-16	-7	1	6	-22

Source: Adapted from (Nyangito, 2001)

The main exports, tea and coffee, had negative NPRs for the majority of the years in the 1990s, but there were some improvements in 1998. The NPRs for tea increased from -12% in 1997 to 6% in 1998. The set-back on incentives to farmers in the earlier years was greatly caused by taxes on exports and deductions by marketing boards on these products. The producer price of sugar remained below the export price. The main cause was due to poor marketing arrangements, which translated into high service charges to the farmers, greatly reducing the producer price.

4.3 Estimates of Price Border Wedges

Due to the poor quality of data on transportation costs and marketing margins, the approach taken in this paper is to simply estimate the producer's share of the border price, which is determined for several crops and countries and summarized in Table 14 and figure 5. Policies that influence the changing producer share include policies effecting activities such as transportation, marketing, pricing, distribution and storage. The distribution of the producer's share of the f.o.b. price in Sub-Saharan Africa shows most farmers receive shares between 40 % and 69 % of the f.o.b. price. This contrast indicates large differences in the cost of moving the product from the farm gate to the port. The question remains as to whether these high costs are justified (crop or country specific) or whether they can be reduced by removing distortionary policies and improving market efficiency. A disaggregation to the crop level will be used for a closer examination of this question. As cocoa, cotton and coffee account for over 50 % of agricultural exports from Africa they will be examined further.

Table 14: Price Shares for Export Crops.

Country	Commodity	Producers Share of f.o.b. Price (percent)
Benin	Cotton	37
Burkina Faso	Cotton	35
Cameroon	Cocoa	76
	Coffee	73
Chad	Cotton	51
	Cotton	36
	Cocoa	46
	Coffee	62
Ghana	Cotton	47
	Cocoa	39
Guinea	Cocoa	68
Kenya	Coffee	73
	Tea	53
Madagascar	Coffee	70
	Vanilla	33
Malawi	Tobacco	60
Mali	Cotton	44
Mauritius	Sugar	94
Mozambique	Cotton	64
	Cashew	51
	Cocoa	98
Nigeria	Rubber	100
	Cotton	47
Senegal	Cotton	47
	Groundnuts	51
South Africa	Maize	93
	Oranges	50
	Apples	93
	Sugar	92
	Wool	89
	Coffee	77
Tanzania	Cotton	64
	Tea	58
	Cashew	71
	Groundnuts	60
The Gambia	Groundnuts	60
Togo	Cotton	39
Uganda	Coffee	72
Zimbabwe	Tobacco	79
	Cotton	88

Source: Townsend (1998), World Bank and IMF data

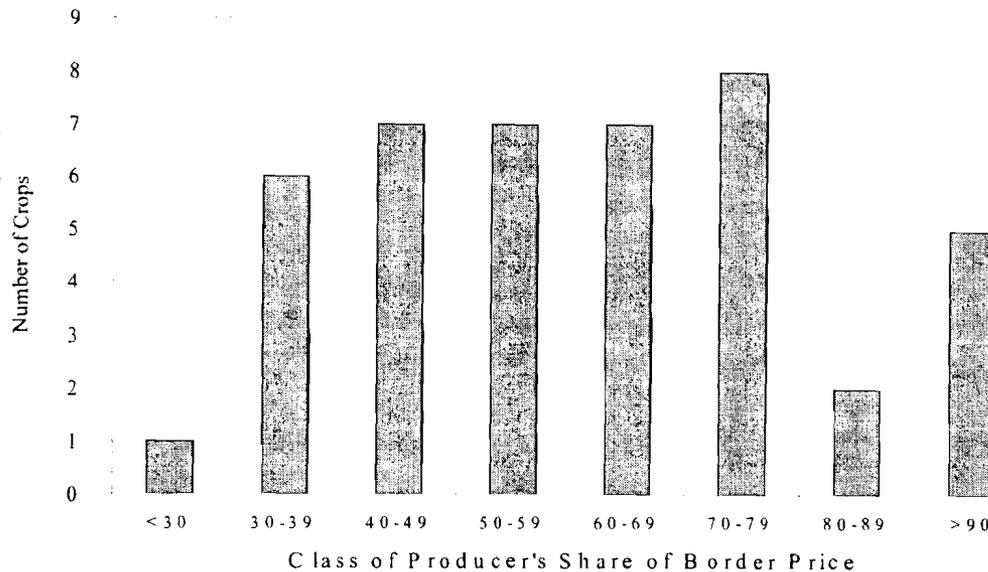


Figure 5. Distribution of Producer's Share of f.o.b. Price in Sub-Saharan African countries for Export Crops

Factors explaining these price wedges

Townsend (1998) uses an econometric approach to explain cross country differences in producers' share of border prices. His results suggest that if agricultural and macroeconomic policies are improved, road density increased, road quality improved, more credit made available and larger crop volumes are traded then producers will receive a higher share of the border price. According to his study, controlled marketing systems continue to distort market price signals in many countries. Three existing marketing systems can be identified in Sub-Saharan Africa, i) the free market system, ii) the *Caisse de Stabilisation* and iii) Marketing Boards. Under the latter two systems with interventions in physical handling, price setting, taxation and marketing costs, farmers receive a lower share of the producer. Exchange rate pass-through to producer prices has also been inhibited in these two systems. The free market system has resulted in substantially higher prices for farmers and lower fiscal costs.

The overall macroeconomic policy stance in African countries has improved significantly between 1990/91 and 1995/96⁸. Some countries, however, continued to experience a high level of instability in their policies. Fiscal policies have shown a significant improvement since 1990-91. Monetary Policy has focused primarily on maintaining low rates of inflation and adequate levels of real interest rates with more countries being successful at achieving these objectives than their fiscal targets. There has, however, been a slight deterioration in monetary policy between 1990 and 1995/1996. This may be due to the inflationary pressure from significant currency devaluation. Exchange rate policy has improved substantially between 1990-91 and 1995-96 with most of the countries analyzed having low parallel market exchange premiums.

⁸ The overall macroeconomic policy stance is calculated in the same way as the Adjustment in Africa Study, updated with 1996/97 data.

Rural infrastructure also plays a significant role in producer price determination. Evidence suggests that it is not only the lack of roads that increases the producer price border price ratio, but also the quality of these roads. Feeder roads in rural areas remain scarce and are in poor condition in most sub-Saharan African countries. Transportation is a particular problem for landlocked countries with large distances between the coastal prices and the border prices. The volume of credit extended to the private sector as well as the real interest rate have also had a significant effect on private sector activities and indirectly on the producer price margin.. Development of efficient markets requires volume and consistency in supply. Indeed, private sector entry into storage, transportation and marketing of agricultural products requires some assurance of supply to induce investment.

This aggregate analysis paints an interesting picture of some of the key factors determining the size of the producer price border price differential. A supplementary review of cocoa, coffee and cotton is provided below.

Coffee: There appears less cross country differences in the coffee producer's share of the border price. Producers Uganda and Tanzania operate in a free market system while producer in Cote d'Ivoire have a marketing board system. These contrasting system are reflected in the differing shares. The share coffee producer get in other developing countries is comparable to those derived in Uganda and Tanzania (figure 6).

Cotton: The Zimbabwe cotton market has recently been liberalized resulting in a large increase in the producers share of the f.o.b. price. A free market also exists in for cotton producers in Tanzania and producers in both of these countries derived comparable shares as those enjoyed in other developing countries. Marketing boards dominate in the West African cotton producing countries which provides a low share of the producer price to farmers (figure 7).

Cocoa: Three systems of marketing dominate cocoa in Sub-Saharan Africa. Producers in Ghana, under a marketing board system with high implicit taxation, receive a low share of the border price. At a similar level are producers in Cote d'Ivoire where cocoa is marketed under the *Caisse de Stabilisation*. Producers under free markets typically receive a lower tax and a high share, as in the case of Nigeria and Cameroon which are comparable to non-Sub-Saharan Africa cocoa producing countries (figure 8).

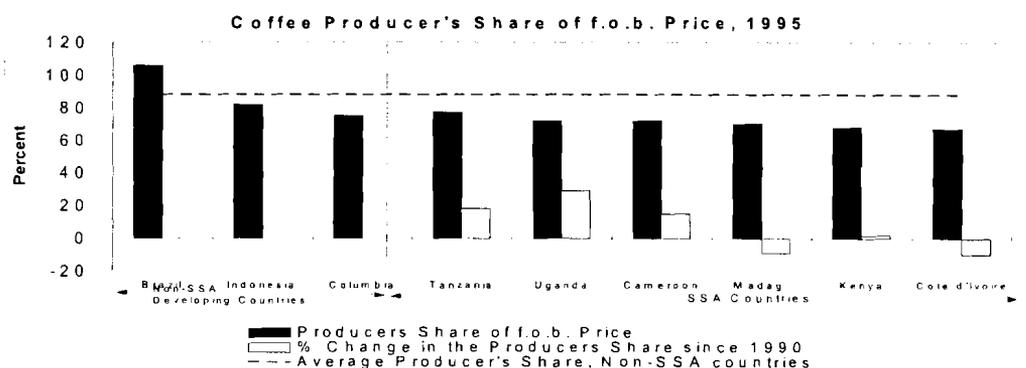


Figure 6: Coffee producer's share of the f.o.b. price

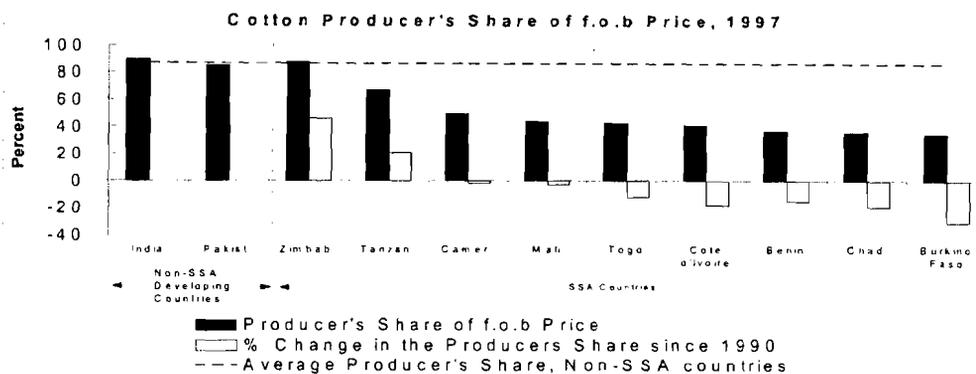


Figure 7: Cotton Producer's Share of the f.o.b. Price

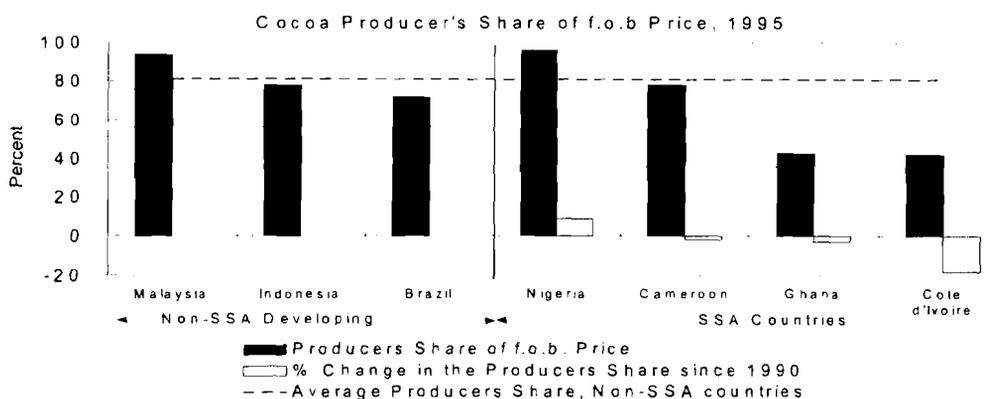


Figure 8: Cocoa Producer's Share of the f.o.b. Price

Table 15: Marketing Systems for Cocoa in Sub-Saharan Africa

Functions	Free Market System	Caisse de Stabilisation	Marketing Board
Taxation	Absent or Explicit	Explicit	Implicit
	% of export price, 1995		
Marketing Costs and Taxation	<i>Indonesia 22</i> <i>Malaysia 9</i> <i>Brazil 28</i> <i>Cameroon 25</i> <i>Nigeria 3</i>	<i>Cote d'Ivoire 53</i>	<i>Ghana 49</i>
Producer Prices	High	Medium to low	Low

Source: Adapted from Schreiber and Varaganis (1998)

The Marketing Board System is characterized by the existence of a parastatal with the monopoly for internal and external marketing. Pan-territorial and pan-seasonal prices are set by the boards, or a higher governmental authority. The *Caisse de Stabilisation* is similar, with prices being administratively determined. The purchasing and selling prices at each stage of internal commercialization and exports is fixed for the crop year.

Significant progress has been made to remove policy distortions in Sub-Saharan Africa agriculture which has induced agricultural growth through an improvement in allocative efficiency and a move towards realizing comparative advantage. Several distortions remain, the removal of which could provide further growth. While tariffs remain high on the WTO agenda, having inhibited export growth in Africa (Ng and Yeats, 1996), domestic taxes on agriculture also have to be addressed. Some argue that the reason that Sub-Saharan Africa did not benefited much from the Uruguay Round was not because the process was biased but because Sub-Saharan Africa stood aside from the general liberalization (Harrison, Rutherford and Tarr, 1997). Thus for Africa to realize the full benefits of the next round, domestic policy distortion much be addressed.

5. Sub-Saharan Africa and Policies in the Quad

The issue of market access is very important in the discussion of agricultural trade in the case of Sub-Saharan Africa. There is a strong view that supports the argument that protectionist policies in the OECD markets is one of the main contributing factor to Africa's marginalization trade performance. Despite the low average most-favored nation (MFN) tariffs and preferential tariff rates that the EU applies to Africa and other developing countries, tariffs for some products are still considered exceedingly high.

5.1 Market Access

Saharan Africa -- like most of the developing countries-- present the argument that developed countries' market access and sector policies have played a big role in the under performance of their agricultural trade exports. In terms of market access, there is evidence of tariff peaks and tariff escalation in developed countries. Major products such as tobacco, coffee, cocoa, and maize, ground nuts face exceedingly high tariffs in the Quad (EU, US, Japan, and Canada) (UNCTAD, 1997). Despite the low average most-favored nation (MFN) tariffs and preferential tariff rates to Africa and other developing countries, tariffs for some products are over 100 % (Hockman et. al, 2001). These peaks are mainly in commodities that are major exports for developing countries. The items include products, such as sugar, cereal, tobacco, vegetables, fish, fruit, among others.

Table 16 presents a selected number of products of interest to Sub-Saharan Africa which are subject to tariff peaks in developed countries. These tariffs are identified as peaks because they have MFN tariff rates higher than 15 % (IMF, 2001) with tobacco, coffee, cocoa, maize, and groundnuts facing exceedingly high tariffs in developed countries. The post-Uruguay tariff rate for tobacco reached about 350% in the United States; groundnuts and coffee as high as 550% and 30%, respectively, in Japan; and maize around 84% in the EU.

Table 16. Post-Uruguay MFN Tariff Peak Products of Interest to Africa into the Quad

Product description	EU	Japan	United States	Canada
Bovine meat (chilled)	86	50	26	26
Sardine, Frozen	23	~	~	~
Tuna, frozen	22	~	~	~
Coffee prepara. & extracts	~	130	27	~
Cocoa powder with sugar	22	30	52	~
Manioc dried	75	15	~	~
Tomatoes (fresh or chilled)	14	~	~	13
Green tea	~	17	~	~
Orange Juice	52	30	31	~
Tapica	34	~	~	~
Bovine skin leather, Tanned	~	30	~	~
Ground nuts	0	550	132	0
Maize	84	60	2	1
Cane molasses	5	95	0	13
Tobacco	5	0	350	0

Note: (~) means that tariff peaks do not exist

Source: UNCTAD 2001

While Africa faces tariff peaks in each of the four Quad countries, there are also obvious signs of tariff escalation in major markets and North America.⁹ Data in Table 17 presents bound and applied tariff rates in the EU for different agricultural products. Raw agricultural materials have the lowest average tariff rate of about 1.70%; the average rate increases to 21.3% at higher stages of processing. Tariff escalation is more evident in the case of specific items such as meats, sweeteners, and oils (Gibson, Wainio, Whitley, and Bohman, 2001). In the case of meat, the average spread between the tariff applied to the primary and processed product is over 50% in other Western European countries. For tobacco, the average tariff spread is more than 50% in the United States.

Table 17. Tariff Escalation in the European Union (15), 1996

DESCRIPTION	PRODUCT TYPE	APPLIED RATES	BOUND RATES
Sub-Saharan Africa	Agriculture	20.78	15.44
	Food and animal feeds	22.80	17.29
	Processed agricultural products	21.26	15.87
	Raw agricultural materials	1.70	0.99

Source: OECD Database

⁹ Tariff escalation is a characteristic of tariff regimes in which higher rates are derived on processed products than on products closer to raw materials in the processing chain. This protects the primary processing industries.

5. 1.1 Tariff Profiles in the US and EU: Cameroon

As mentioned earlier, majority of the countries in Sub-Saharan Africa engage in trade with the EU and US. In 1996, almost 85 % of the exports from Cameroon went to the EU (Bamou, Njinkeu, and Douya, 1999). Western Europe remains a major partner for majority of the African countries as a result of the preferential trade agreements (PTAs) between these regions. EU has special access conditions with Cameroon. 95 of 514 line of products under 9506 customs schedule lines faced zero MFN duty rate. With these conditions, 98 % of Cameroon's exports to the EU faced smaller tariffs than the non-preferential receiving countries (Anjadi et., 1996). On average, Cameroon's agricultural products entering the EU face tariffs around 10 % in 1988 and 11% in 1999 (Table 21). Not surprising, in 1999, the average tariffs for raw agricultural products, semi- processed products, and final products were 9 %, 12 %, and 16 %, respectively. The increasing trend in tariff figures is a clear indication of tariff escalation. As most agricultural product are transformed from raw to processed products, they face higher tariffs. Individual products such as crustaceans and bananas faced tariffs between 13% and 17 %, respectively, in 1999 (Table 19). Tariffs on cocoa and coffee are relatively low. Nevertheless, further reduction in tariffs by developed countries will ensure more market access for Cameroon's exports. In the US market, the story is the same. The simple average rates on agricultural products increased from 1 % to 17 % in 1999 (Table 20). In 1999, Cameroon's tobacco faced a maximum tariff rate of 350% and an average tariff of 70 % with (Table 19).

Like most developing countries, Cameroon is concerned about the issue of market access in developed countries. In addition, Cameroon's main concern in the next round of negotiations is the in the preference erosion. With WTO agreements, the preferential market access of Cameroon agricultural products in the EU are prohibited. These preferential treatments have to either applied to the rest of the members on the MFN basis or removed.

5. 1.2 Tariff Profiles in the US and EU: Tanzania

The market access conditions for Tanzania's exports to the EU and US have not been particularly favorable. In the US market, the average tariff on agricultural products have been showing an increasing trend since 1989s. In 1999, the tariff rate of raw tobacco from Tanzania was as high as 78 % (Table 18). The tariffs on total agricultural products increased from 4 % in 1989 to 17 % in 1999 (Table 20).

In case of the EU, fish, cut flowers, and crustaceans encountered relatively high weighted tariffs compared with other products. In 1999, the weighted tariffs for these products were between 11% and 13 % (Table 19). In 1988, the tariff rates on total agricultural products and final agricultural products entering the EU were 10 % and 11%, respectively. However in 1999, the tariff rates for total agricultural goods rose to 11 %, and the rate on final agricultural products was as high as 16 % (Table 21). On top of high tariff rates, there was also some level of tariff escalation in the EU. In 1999, the simple tariff rates on agricultural raw materials was 8 % and in the final agricultural products was 15 %. This rise in tariff rates by the EU is a major concern for Tanzania. Tanzania feels that access to the EU markets has remained limited. Tariffs and other forms of protection in the EU countries need further reduction before developing countries can capture the benefit from improved market access. Removal of tariff peaks for LDCs in Qaud markets is bound to increase LDCs exports to the world by 11 %, which translates into an increase of exports by \$2.5 billion (Hoekman, Ng, Orlarreaga,2001).

Table 18. Tariff Profile for Individual Products: U.S Market, 1999

Product	Simple Average	Weighted Average	Minimum Rate	Maximum Rate	Domestic Peaks	International Peaks	Trade Value
<i>Tanzania</i>							
Fish fillets & other fish meat	0	0	0	0	0	0	7957
Raw tobacco	78	78	0	350	2	2	3246
Locust beans, sea weed & other algac	0	0	0	0	0	0	2228
Coffee	0	0	0	0	0	0	2221
Tea	0	0	0	0	0	0	2018
Vegetable saps	0	0	0	0	0	0	999
Other live animals	2	2	0	5	2	0	375
Vegetable waxes	3	3	0	5	1	0	295
Articles of apparel	0	0	0	0	0	0	121
Coffee	0	0	0	0	0	0	118
<i>Cameroon</i>							
Raw tobacco	70	60	0	350	3	3	3666
Coffee	0	0	0	0	0	0	1607
Cocoa paste	0	0	0	0	0	0	1268
Vegetable saps	0	0	0	1	1	0	481
Cocoa powder					0	0	202
Vegetable waxes	3	3	0	5	1	0	122
Bulbs and tubers	2	2	0	5	2	0	79
Molluscs	0	0	0	0	0	0	72
Plants and parts of plants	2	2	0	5	1	0	41
Fish fillets & other fish meat	0	0	0	0	0	0	34

Source: UN COMTRADE Database

Many of the issues within the built-in agenda on agriculture will likely be complex. And major issues will require careful analytical work that identifies what the policy issues are and what developing countries interests are. The issues within the built-in agenda include:

- (i) experience from implementing the reduction commitments under the URAA;
- (ii) the effects of these commitments on world trade in agriculture;
- (iii) non-trade concerns; special and differential treatment to developing country members of the WTO and the objective to establish a fair and market-oriented trading system and other objectives mentioned in the agreement's Preamble; and
- (vi) further commitments necessary to achieve the objectives of the URAA.

A. Why continue the process of agricultural policy reform?

Why is it important to continue the process of agricultural policy reform began during the Uruguay Round, and why should developing countries participate? *First*, for many countries, agriculture is still an important sector for the economy. As shown in table 1, developing countries provide over 60 % of the world's value added in agriculture (World Bank, 1997). In most low- and middle-income developing countries in Sub-Saharan Africa, East Asia and Pacific and South Asia, a significant proportion (64% to 70%) of the labor force is dependent on agriculture. While trade patterns diversify with development, developing countries will make even more use of agricultural markets, as exporters and importers. Thus, the future of the world trade system for agriculture will be a lifeline to development for many of the poorer parts of the world. Developing countries will have a lot to gain from a fair and more market-oriented global trading system.

The developing countries have a lot to gain from a multilateral system based on strong rules, both to protect them against pressures from more powerful countries, and to help them improve their own trade and domestic policies. The importance of this system to developing countries has increased greatly as they have become increasingly integrated with the world economy. Recent trade negotiations, in particular, have given developing countries more secure access to the developed markets (by reducing the scope of import restrictions) in exchange for better developed country access to the expanding markets of developing countries (through lower tariffs on imports from the developed countries).

For many developing countries, food security objectives require access on an assured basis to world market supplies, as well as agricultural raw materials for encouraging light manufacturing in rural areas. Many developing countries have at stake in building and efficient food system and maintaining market stability. Therefore, developing countries will gain by participating fully in the next WTO agricultural discussions aimed at progressive trade liberalization.

Second, the multilateral trading system can provide a framework to improve developing countries' trade and domestic policy regimes affecting the rural sector. As shown above, agriculture still accounts for a significant share of GDP and a major source of employment in many developing countries. And in most cases, over two-thirds of the poor population in these countries live in rural agricultural areas. Thus, continuing the process of reform of the global trading system to facilitate the adoption of rural sector policies that will reduce/eliminate policy distortions and improve the efficiency of the allocation of scarce resources in these countries can provide significant gains both in terms of consumer welfare and incomes. In fact, previous World Bank research (Martin and Winters, 1996) has shown that the gains to developing countries of the last multilateral negotiations (Uruguay Round) were much larger relative to their GDP than the gains to developed countries.

Third, supply response to structural adjustment depends upon the credibility of reforms. In fact, establishing the credibility of policy measures is at least as important as choosing the efficient policy solution. As shown in many countries, the private sector does not invest if the persistence of the reforms is in doubt. Unfortunately, reform programs have frequently been reversed or halted. And government policy has frequently been unpredictable. Establishing the credibility of policy measures can be achieved through the framework of multilateral rules where member governments can lock-in domestic policy reforms. The multilateral system has built-in instruments to prevent policy reversals, thus providing a framework for more credible policy reforms.

6.2 Policy Issues for the Next WTO Negotiations

The analysis of implementation of market access commitments since 1995 indicate that the new rules and commitments under the Agreement have not yet demanded binding constraints on the ability of many members to effectively restrict market access in practice. While the situation differs from country to country, many countries are still applying very high rates of import protection. On TRQ administration and allocation, there are many cases where governments have opted for implementation schemes which maintains high domestic protection and more managed trade.

This section provides a brief discussion of the different policy options likely to be considered in the area of market access as countries prepare for the next Round in agriculture. Due to several factors, it is impossible at this point to predict a definitive agenda for the next round of multilateral negotiations. Several factors would influence the focus of future agricultural policy reform. These include future developments in world markets, various initiatives on domestic policy reforms and the proliferation of regional trade agreements which include agriculture. The prospect for future agricultural policy reform would also depend on continued political commitment to complete the long-term objective of substantial and progressive reduction in agricultural protection stated in the Agreement. Despite the uncertainties, the analysis of implementation of commitments made under the Uruguay Round carried out in this paper will determine the starting point of future multilateral trade negotiations.

The Uruguay Round initiated the next steps for the multilateral process of future trade liberalization. The Agreement in agriculture called for the next negotiation (in Article 20) to be initiated no later than 1999. The WTO Ministerial Meeting in Singapore in December 1996 confirmed the timetable and recognized the need for beginning the process of review of implementation and analysis of future options. The actual agenda will be decided by countries in the next year or so. Based on the analysis of actual implementation of commitments during 1995-97, this section reviews some of the areas where future reforms in the area of market access are needed in order to achieve the long-term objective of liberalization in agricultural trade promised at Punta del Este.

Overall, the next step toward greater liberalization in agricultural trade is likely to be difficult and most challenging during the next round. Protection in many markets remains very high, and allowable export subsidies and domestic support still threaten the stability of markets. The strategy for the continuation of the reform process in market access will therefore need to encompass the following agenda (i) improvements in the workings of the current rules under the Agreement; (ii) additional reductions in tariff bindings and applied rates; (iii) additional market

provisions such as expansion of guaranteed minimum access quantities; (iv) elimination of remaining non-tariff measures and other border measures with similar effects; (v) disciplines on distortionary effects of state trading; and (vi) improvements in the operation of the rules on Special Safeguards. In other areas, further reductions in or even elimination of export subsidies, and more discipline in the area of trade distorting domestic subsidies would be required. In addition, the issue of quantitative export restraints or taxation on exports is also likely to be discussed, in part as a reaction to the concern over food security in net food-importing countries.

(i) Improvements in the Current Rules

The agenda to improve the workings of the rules under the Agreement include the implementation of tariffication and the postponement of tariffication for certain products in a number of countries. The latter includes the completion of tariffication in rice in Japan, the Republic of Korea and the Philippines. Modalities to reduce or avoid future use of “dirty tariffication” would be an area of improvement in the current rules.

(ii) Further Reductions in Tariff Bindings and Applied Rates

Tariffication has, in principle, resulted in more transparent arrangements in market access. In most cases, the extent of import protection previously applied, but hidden by various non-tariff measures are now evident. This level of agricultural protection resulting from tariffication are very high relative to applied rates in other sectors. In most products, the applied over-quota tariffs are high enough to be prohibitive. Hence, trade in many countries have not occurred beyond the minimum access commitments. Even under the TRQs, the applied in-quota rates are high in several countries, thus resulting in incomplete quota fills. Hence, an important agenda for the Round is how to initiate further tariff cuts and reduce the discrepancy in agricultural protection relative with those applied in other sectors. Given the very high levels of tariff bindings and applied rates (above 200%-300 % in some products), this implies a continued period of tariff reductions, perhaps at significant amounts extending well beyond over several years.

An approach to initiate significant tariff reductions over a shorter time period would be to negotiate a major across the board tariff reduction, perhaps at rates exceeding those agreed during the Round (36 % for developed countries and 24 % for developing countries). However, a 40 % to 50 % tariff cut over five years would still leave many tariffs at very high levels. The UR agreement on tariffication required a linear tariff reduction formula during the implementation period. Given the high levels of tariff equivalents during the base period (1986-88), analysis based on linear tariff reduction indicate modest agricultural liberalization achieved by the end of the implementation period.

An alternative approach would be to follow a tariff-reduction formula, with high rates being reduced at a greater percentage. The tariff cutting formulas would result in a faster way to reduce the very high tariffs and remove the element of “dirty tariffication” used during the Round. This section describes options for tariff formula reductions that maybe considered for the negotiations in 1999. Any formula can be made to achieve a given tariff reduction in a given year, but the time paths that follow among the formulas will vary greatly. Three particular formulas will be examined. These formulas are the simple linear formula, the radial formula, and the Swiss formula, described as follows:

In formal terms, the *linear tariff cutting formula* is given by the following expression:

$$T = (1 - (r * t)) * (B) \text{ where}$$

T = the tariff rate in a given year
r = the annual rate of reduction
t = the step of the reduction, and
B = the base tariff equivalent.

The second formula to be considered is a successive linear reduction, sometimes referred to as a *radial formula* as follows:

$$T = (1 - r)^t * B \text{ where}$$

r = the annual rate of reduction
t = the step of the reduction, and
B = the base tariff equivalent

The radial formula reduces tariffs more slowly than does a linear formula (of the same annual rate of reduction), because the annual reduction is applied to the previous year's tariff instead of applying it to the tariff base. The third formula, the *Swiss formula*, was used in cutting tariffs on industrial goods in the Tokyo Round. The *Swiss formula* is given by the following equation:

$$T_{i+1} = (T_i * c) / (T_i + c)$$

where

T = the tariff rate in a given year
c = a coefficient arbitrarily set

The base tariff equivalent here can be treated as T_0 . The importance of the coefficient, c, would be shown in the rate of the annual decline--the higher the value of c, the smoother would be the decline in tariff rates. Another important difference between the Swiss formula and the radial formula is that the value of the tariff reduction in a given year also depends crucially on the existing tariff level. For a given value of c, the higher the beginning tariff rate, the greater is the drop in the tariff rates--even in percentage terms.

A potential benefit of the tariff reduction formulas would be the reduction in the extent of tariff dispersion across products. It was shown in Ingeco (1995) that the process of tariff reduction adopted by the EU, the United States and Japan have increased the dispersion and variation in tariff rates. This is because the Agreement provided the use of a simple unweighted average reduction of 36 % (24 % for developing countries), with a minimum reduction of 15 % for each tariff line. Many countries were still able to satisfy the rules by reducing the high tariffs in sensitive products by the minimum amount required (15 %) and making larger percentage reductions in less sensitive products or by reducing the already low tariffs in certain products to zero. To reduce the tariff dispersions, the across the board tariff reduction based on a formula could be combined with a agreed rule on a bound or maximum level of tariff to which all the current very high tariffs would have to be reduced over an agreed period. Thus, this combined approach would achieve a general

reduction in tariff levels and consolidation in applied tariff rates to more uniform levels across products.

An approach suggested in the literature is to negotiate for a “zero-for-zero” agreement which would abolish the tariffs and other trade restrictive measures completely on certain products (Miner, et.al. 1996). This approach has been adopted with some success in other sectors. The “zero-for-zero” approach involves isolating certain politically sensitive products subject to particularly high protection from other not so sensitive goods. Protection in the latter products would be reduced to zero. Proponents of this approach point out that isolation of markets subject to high protection will force them to gradually come in line with those markets where protection has been reduced. To ensure the latter, however, the approach has to explicitly include a program of tariff reduction for such highly protected and sensitive products, such that they do not escape in practice the long-term process of tariff reform.

(iii) Elimination of Remaining Non-Tariff and Para-tariff Measures

Some developing countries are still maintaining non-tariff measures under the Balance-of-Payments exceptions. GATT Article XVIII:B allows the use of quantitative restrictions to avert a balance of payments crisis. In addition, non-tariff barriers with similar characteristics and effects as those specified in the footnote of Article 2 of the Agreement which were supposed to be abolished have been adopted in some products in a number of countries. The most contentious examples are the EU trade regimes in grains and fruits and vegetables. Implementation of tariffication in these products did not result in the adoption of fixed tariffs. For grains, the EU border regime results in applied tariffs which still vary over time, very much like the previous variable levies. The entry price system for fruits and vegetables also has the same effects as the previous reference price system. In Latin American countries, the use of variable import tariff under price band schemes is another contentious case. Under the new rules, price bands are legal only when the sum of the basic tariff and additional surcharge does not exceed the bound tariff. Proponents argue that the price band mechanism operates as an ordinary custom duty. However, under the price band schemes, the floor or minimum and ceiling prices are set based on the moving average of predetermined world market price, after eliminating a certain percent (eg.15 %) of the top and bottom of the price distribution. Given that the applied duty is charged according to the c.i.f. import price of each shipment, it is likely that applied rates would vary by source of imports, possibly resulting in some discrimination in practice. These various schemes have not been applied with great transparency and it is difficult to estimate the effective applied rates.

The new Round of negotiation in agriculture would likely include the legality of the schemes describe above. If tariffication is to achieve its original objective, such measures would have to be abolished and replaced with fixed tariffs.

6.3 Interest and Options for Sub-Saharan Africa in the New WTO Round

The previous sections have given an overview of the challenges that Sub-Saharan Africa has to overcome in order to yield gains from trade. From the discussion, it is clear that the continent has the potential to benefit from trade by fully participating in the multilateral trade negotiations in the WTO. Also, the region can use the multilateral trading system as an opportunity to lock in its domestic reforms and thus increase investors confidence. In this new trade round, Sub-Saharan Africa would like to revisit the issues of market access, domestic support, and export subsidies.

In addition to these traditional issues, other major issue of interest include food security, Sanitary and Phytosanitary Standards, Technical Barriers to Trade, The Agreement on Trade-Related Aspects on Intellectual Property Rights, and Special and Differential (S&D) Treatment.

Traditional Issues

(1) Market Access

Policies in developed countries

- Reduce tariff peaks and escalation by developed countries
- Special Safeguard Provision (SSG)
- More simplified and transparent TRQs

Sub-Saharan Africa's Own policies

- Reduce bound rates
- Further reduction in tariff and applied rates

(2) Domestic Support

- Enforce discipline on subsidies
- Enhance transparency reduce the misuse of the Green Box.

(3) Export Subsidies

- Remove subsidies by developed countries

Second Generation Issues and Other Issues

(1) Sanitary and Phytosanitary Standards and Technical Barriers to Trade(TBT)

- Make sure that SPS/TBT are not used as a protectionist element
- Revision of the notification procedures
- Setting up a more harmonized system of SPS/TBT
- More assistance to enhance capacity and to build infrastructure

(2) The Agreement on Trade-Related Aspects on Intellectual Property Rights (TRIPS)

- Protection of the indigenous knowledge

(3) Special and Differential(S&D) Treatment

- More and binding technical assistance
- Flexibility and longer transitional periods for some implementation issues (i.e., SPS/TBT and TRIPS)

Other areas of concern in the new round will include issues related to environment, competition policy, state trading enterprises, and anti-dumping.

Market Access

Tariff peaks and escalation: Sub-Saharan Africa is interested in expanded market access to in developed countries, in particular the EU, United States, Japan, and Canada. However, in each of these markets tariff peaks and escalation are widespread. For both Japan and the EU, more than 26% of all agricultural tariffs are greater than 20%. Tariff peaks are more visible in food staples, fruit and vegetables, and processed food products, while tariff escalation is more evident in commodities, such as meats and oils.

Special Safeguard Provision (SSG): Another market access issue of concern is the use of safeguard measures. SSGs give importing countries the right to increase tariff rates higher than bound rates in response to a sharp reduction of import prices or increases in the quantity. While this mechanism has not been utilized often, it poses risks for the supplier. Currently, only Southern African Customs Union (SACU) members (Botswana, Lesotho, Swaziland, Namibia, and South Africa) have access to agricultural SSG, for a limited number of products. Keeping the SSGs

provision in its current state will continue to disadvantage countries who do not have access to this mechanism. In this context, there is sufficient need for Sub-Saharan Africa to have the option and appropriate safeguard mechanism. The ability to resort to SSG may give governments the comfort they need to agree to significant reduction in protection of what they would not otherwise find politically feasible and allows them to give domestic producers a “breathing space” for adjusting when import surges cause extreme distress.

Tariff Rate Quotas (TRQs): The main objective behind the use of TRQs is to allow minimum market access for commodities previously protected by nontariff barriers. The WTO feared that these products would result in out-of-quota or MFN tariff rates at prohibitive levels. So far very few developing countries have established TRQs and for those that have (e.g., Brazil, Morocco, and Thailand), there is little information available to report. In the case of Brazil, the MFN tariff rate was below the in-quota rate. Although Sub-Saharan Africa and most developing countries did not actively participate in the reporting of open TRQs, it is still critical to identify the conditions under which TRQs are effective. This involves putting in place simplified and transparent TRQs.

Sub-Saharan Africa's Domestic Policies

Bound and applied tariff rates. The URAA made significant efforts to improve market access conditions. However, it is crucial that countries in Sub-Saharan Africa further reduce and move towards greater uniformity across products in their bound and applied tariff rates in order to capture the gains from the liberalization process. So far, the region has an average tariff rates in agriculture higher than the global tariff rate (62%).¹²

A tariff regime characterized by non-uniformity among products, escalation, and overall high rates has adverse effects on the domestic opportunity. Among these are implicit taxation of exports, creation of productive inefficiencies, regressive taxation of domestic consumers, and promotion of rent-seeking and corruption. Lowering bound tariff rates in the context of multilateral trade negotiations sends a powerful signal of the government's intentions to permanently an open, pro-export trade regime. In this way, it guides and promotes investment in appropriate sectors and technologies. Sub-Saharan Africa did not take full advantage of the Uruguay Round to lower bound rates and “lock in” reforms, as the region has a higher average tariff rate than the global rate. The region should do much better in the Doha Round. Concerns about effects on local producer from lowering protection should be addressed by negotiating for transition periods, adjustment assistance, and safeguard mechanisms, not by asking to avoid reducing bound rates.

Domestic Support

Apart from South Africa, most countries in Sub-Saharan Africa declared an aggregate measure of support (AMS) level of zero, while developed countries had a positive AMS. Disciplines on the use of domestic support in OECD proved to be less binding than many had envisioned as over 60 % of their support programs in agriculture were exempted from URAA reductions. A major objective for Sub-Saharan countries in the Doha Development Agenda will be to put in place a more structured operational framework for the exemption from reduction provisions.

¹² The average protection for Sub-Saharan Africa is between 71% and 75%. Gibson, Wainio, Whitley, and Bohman (2001).

In the new trade round members have to consider the following issues:

- Formation of a development box and whether a transition box will be needed;
- Whether AMS measures should be applied on product or sector basis;
- Inclusion of multifunctionality into AMS provisions;
- Whether acceptable protection should be adjusted for inflation or exchange rate changes; and
- Whether the use of de minimis should continue

Export Subsidies

Sub-Saharan Africa continues to be concerned about the use of export subsidies by developed countries. These subsidies are often justified on the basis of concerns regarding food security, environmental protection, and protection of rural communities, among others. While some of these claims may be valid, policy makers can not ignore the distorting nature of these subsidies. Sub-Saharan countries fear that export subsidies amount to dumping, depressing world prices and eventually, lowering producer prices to farmers in developing countries. While in the short-run the removal of export subsidies by developed countries may raise import costs, the long-run impact on import prices has not been convincingly quantified. In the near term assistance can be provided to help meet domestic demand, and in the long-run the best solution is to stimulate domestic production. The impact of reforms in this area will depend on policies adopted by the individual countries, and the impact of the liberalization package on world prices. Nevertheless, a more efficient system to reduce subsidies and to minimize their price distorting effects needs to be adopted.

Sanitary and Phytosanitary Measures (SPS) and Technical Barriers to Trade (TBT)

Sub-Saharan countries face many constraints associated with the implementation of the SPS and TBT Agreements. The major constraints pertain to lack of resources, infrastructure, and expertise. In trying to help developing countries cope with the provisions of the SPS and TBT Agreements the multilateral trade system should allow sufficient time for Sub-Saharan Africa to adjust and implement new regulations. To help enforce and assess standards, it is critical that developing countries are provided with appropriate technical assistance to enhance their expertise. While developing countries are in the process of improving their capacity in the area of SPS measures and TBT, developed countries should not use standards as a means to crowd-out exports from developing countries. Otsuki et al. (2000) analyzed the impact of EU aflatoxin standards on food exports from nine African countries and found that they decreased relevant exports approximately 64% or \$700 million.

The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)

The TRIPS Agreement grants minimum standards for levels of protection to innovators of intellectual property in numerous fields. This Agreement is considered to be the most comprehensive multilateral agreement on intellectual property rights. However, its relation to agriculture is complex and controversial. Since the TRIPS agreement came to effect, Sub-Saharan Africa and other developing countries have had to deal with issues on technology transfer, the treatment of indigenous knowledge, and, in particular, geographical indications. Studies suggest that developing country intellectual property rights may yield welfare gains from improvement in property rights if the payoff ranking of an array of potential technologies

differ between the South and North. In this context, better property rights may offer an incentive to developed country innovators to develop a different wave of innovations that is appropriate for the developing countries. Pertaining to indigenous knowledge, companies in developed countries in the areas of pharmaceuticals and agricultural sectors are starting to recognize the importance of biodiversity and indigenous knowledge of local communities regarding plants and medicines. The serious issue is that researchers in developed countries have invented patented products using materials from developing countries. The TRIPS Agreement can play an important role in ensuring that the inventions benefit both developing and developed countries. Enforcing fair intellectual property rights has the potential to encourage local research and formation of joint ventures between developing countries and developed countries. On the issue of geographical indication, indicators, for instance, patents and trademarks are seen as new instruments of trade policy which are used by member countries to gain international competitiveness in agricultural products. The field of geographical indications is at present limited to only wines and spirits. However, opportunities exist to protect special products like rice, such as Basmati rice, rooibos tea, darjeeling tea, among others. Therefore, it is essential for Sub-Saharan Africa to actively participate in negotiations on geographical indication as a way of safeguarding their competitive advantage for specific agricultural products of interest.

In this respect, options for Sub-Saharan African countries in the Doha development agenda should pay more attention to geographic indication, which means including more specific variety of products; more technical assistance to improve the capacity in the areas of patent administration; and the need to include provisions to protect indigenous knowledge, so that local varieties of plants can receive royalties.

Special and Differential (S&D) Treatment

The rationale behind S&D provisions was based on two main considerations: first, to ascertain that there is equity and fair competition where structural conditions differ; and second, to avoid distortions caused by the stronger negotiating position of developed countries in the international trade system. It is clear that the S&D treatment agenda in the previous round did not meet its goal. Sub-Saharan Africa and other developing countries, in particular, believe that many promises were made and very little was delivered. Elements dealing with technical assistance and implementation time have to be readdressed since they appear to have been reached in an ad hoc manner and lacked structure. The uniform transitional period for policies to be implemented does not take into consideration the different speeds at which Sub-Saharan countries can adjust to the new provisions. Nonetheless, the region should also recognize that blocking the negotiations with S&D that will never be implemented is not the way forward.

7. Conclusion

To summarize, Sub-Saharan Africa's share of trade has declined over the past several decades. This marginalization has been caused by domestic policies employed in the region and by protectionist policies in developed countries. Assessing progress during the implementation of the URAA, Sub-Saharan Africa made some improvement in the area of market access, but the work is still incomplete. Africa maintains high tariff bindings and in addition, export taxes and activities by marketing boards continue to adversely affect producer prices. In order for Sub-Saharan Africa to more fully capture gains from trade it is essential to reduce further applied and bound tariff rates as well as reduce taxation in the agricultural sector. This can be done by eliminating policies that protect the industrial sector, impose taxes on export products, or

maintain government controlled domestic prices below world prices. Apart from traditional issues in the area of market access, domestic support, and export subsidies, this set of developing countries are interested in discussing the issues of SPS/TBT, TRIPS, S&D treatment, among others.

What does the new trade round mean for Africa? Sub-Saharan African countries will need to pay more attention to multilateral trade negotiations and try to influence the outcomes. Africa can use the multilateral trading system to achieve clearly defined goals. It can use the opportunity to lock in its reforms and so increase investor confidence. At the same time, it is important that African countries participate in setting the global agenda. They can partner with others to negotiate for the dismantling of restrictive trade practices that inhibit export diversification in poor countries.

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Appendix

Table 1. Summary of Uruguay Round Commitments in Agriculture

Country	GATT Status	Average Bound Duty %	Average Bound ODC %	Total Average Tariff Binding (Duty + ODC) %	Average Applied Rates %	Domestic Support	Export Subsidies
Angola	D	80	0.1	80.1		-	-
Benin	LD	60	18	78		-	-
Botswana	D	40		40 **		-	-
Burkina Faso	LD	100	50	150		-	-
Burundi	LD	100	30	130		-	-
Cameroon	D	80	230	310	24.5 *	-	-
Central African Republic	LD	30	16	46		-	-
Chad	LD	80		80		-	-
Congo	D	30	0	30		-	-
Cote d'Ivoire	D	15	200	215	20	-	-
Djibouti	LD	42	100	142		-	-
Gabon	D	60	200	260		-	-
Gambia	LD	102	10	112		-	-
Ghana	D	98	0.2	98.2	22 *	-	-
Guinea	LD	38	24	62		-	-
Guinea Bissau	LD	40	26	66		-	-
Kenya	D	100	0	100	44 *	-	-
Lesotho	LD	200		200		-	-
Madagascar	LD	30	250	280	39	-	-
Malawi	LD	124	20	144		-	-
Mali	LD	60	50	110		-	-
Mauritania	LD	37	15	52		-	-
Mauritius	D	120	17	137	52	-	-
Mozambique	LD	100	300	400		-	-
Namibia	D	40	0	40 **		-	-
Niger	LD	80	50	130		-	-
Nigeria	D	150	80	230	47 *	-	-
Rwanda	LD	80		80		-	-
Senegal	D	30	150	180	44 *	-	-
Sierra Leone	LD	40	20	60		-	-
South Africa	IND	40		40 **	7 *	by 2000	by 2000
Swaziland	D	40		40 **	34	-	-
Tanzania	LD	120	120	240		-	-
Togo	LD	80	7	87		-	-
Uganda	LD	80	0	80		-	-
Zaire	LD	98		98		-	-
Zambia	LD	124	1	125		-	-
Zimbabwe	D	146	15	161	24 *	-	-

Notes: ** Reduced from 70% to 40%

* Trade-weighted average



Agriculture and the New Trade Agenda in the WTO 2000 Negotiations: Economic Analyses of Interests and Options for Cameroon

Ernest Bamou, Dominique Njinkeu, and Emmanuel Douya

I. Introduction

The millennium negotiations are expected to increase the liberalization of agricultural trade and this presents exceptional opportunities for Cameroon. The country, as part of its unilateral SAP-driven economic reform has, since the late 1980s progressively shifted from previous protectionist policy regimes to one driven by market fundamentals. The negotiations could, therefore, allow the country to capitalize on efficiency gained in this process to revitalize its development. Unfortunately these benefits may not materialize unless the country's interests are taken into account; hence the centrality of identifying and defending these interests, which depends on the nature of coalitions formed with other partners. There are two main elements in this process: proper identification of opportunities and constraints, then identification of the relevant partners. The objective of this paper is to offer proposals in each of these areas.

With respect to opportunities and constraints, problems with the negotiations can be arranged into five groups. First set of problems is availability of export markets at preferable conditions, especially in developed and emerging countries; related to this is price stability. A priority for the negotiation would be to ensure adequate markets are available. Second, price variability on imported agricultural products, especially for food consumption is another problem as it has negative impact on incentive to increase productivity. Likewise, erratic price fluctuations make it difficult to an importing country such as Cameroon to monitor its food budget. The negotiations will need to focus on measures that enhance agricultural productivity and minimize the variability in food prices. The associated WTO policy instruments include export subsidies and restrictions, and the special set of measures in favor of food insecure States.

Given its small economic power Cameroon's market access issues are also associated with the progress on regional integration in CEMAC. The adoption of common policies increases the market size, reduces transactions cost and increases economic efficiency. A more integrated group can mobilize the human and financial resources necessary to formulate negotiating positions. Furthermore, such regions with well-organized private sector can easily be structured to support the process, including the move toward more open trade. A market thus created for the exporter becomes a learning ground for trade at the international level. Properly designed, regional integration can therefore be a building block toward integration in the world trading system, and this needs to be a specific focus at the negotiations.

The fourth group of problems is related to rules in the WTO that could have differentiated effects on developing countries, compared to the case of developed members. One important aspect is domestic support that needs to take into account the specific characteristics of a small country's agricultural sector. Overall the URA on this aspect led to increases in the imbalances in the legitimate use on these trade-distorting measures.

The fifth group of issues is that of capacity of the country to honor its WTO commitments. This capacity problem covers the domestic infrastructure as well the institutional capacity. The associated agricultural WTO issues include, state trading and the SPS agreement.

This study intends to provide both a qualitative and quantitative analysis of Cameroon's market access, domestic support, and export competition. It shall also address the country's current trade and agricultural policy regimes complemented by analyses of market access potentials, market structures, and barriers to entry.

The remaining text revolves around the following nine main points. The presentation of Cameroon's agriculture is the first point. Food security and non-trade concerns of the AoA and the main elements of the country's agricultural policy are the second and third points. The fourth point deals with the country's unilateral agricultural trade policy. The country's experience with and in the URAA is examined in the fifth point. The impact of the country's unilateral liberalization on the agriculture and food security is analyzed in the sixth point. The seventh point is focused on the regional analysis. The policy issues, options and strategies for the forthcoming WTO are examined in the eighth point and the conclusion, which summarized the country's position constituted the last point.

II Presentation of agricultural sector

Agriculture has always been the main economic activity of Cameroon. In 1976 it contributed to close to one third of GDP and more than 90% of exports, of which 55% were from cocoa and coffee. Close to 80% of the population was rural and essentially relying on agricultural activities. The dynamism of this sector was more attributable to foodstuff production whose average annual growth rate was 14% against 3% for the agricultural exports oriented to production (F.A.O., 1995). From 1976 the oil sector started influencing the overall economic structural transformation. The "*Dutch syndrome*" manifested itself from 1982. Henceforth, stagnation was recorded within the industrial and agricultural sectors to the benefit of both the oil and tertiary sectors which then contributed more than two third of the GDP till 1985. Oil then assumed a primordial position in exports to the detriment of agriculture. From 1985, there was a slight recovery in the agricultural and non-oil industrial sectors, thereby permitting to barely escape this syndrome (Benjamin and Devarajan, 1985).

The early external shocks, which occurred from 1985/86, marked the end of the boom period and the beginning of the economic crisis, which lasted till 1992/93. This was characterized by a high decline in the production of all sectors excluding agriculture. Contrary to the forestry and perennial agricultural sub-sectors for which international prices dropped drastically, the subsistence agriculture, hunting and breeding, and fishing sub-sectors better resisted to the crisis and allowed a net relative growth in the agricultural sector as a whole. From 1992/93 the sector suffered from the setbacks caused by political crisis associated with the call for multiparty politics. A slight decrease occurred within the perennial agricultural sector to the advantage of subsistence agriculture, fishing, hunting, and breeding (see table 1). Nevertheless, the total contribution of agriculture to production during the period of economic crisis has been stable. This could be explained by the decline in prices of the main agricultural exports and the relative shift of agricultural producer from perennial products to foodstuff.

Within this period, the agricultural sector as a whole consolidated its contribution to close to one third of the GDP and more than 50% of export earnings and employment (see table 2). The average drop of 20% of non-traditional agricultural exports during the crisis indicates that

the relative good performance of agricultural exports could be attributed to traditional products. From 1993/94, an upsurge in growth was recorded in the agricultural sector in particular and in the entire economy in general, owing to the reinforcement of trade liberalization measures (fiscal reform and local currency devaluation)¹. In spite of the Government's objective of making the industrial sector the driving force of the country's economic development, the agricultural sector was once more responsible for the economic revival. The contribution of this sector to the GDP increased by close to 10%, as compared to the period of the crisis, and stabilized to slightly more than one third till 1997. Its share in overall exports stood at over a third and even around 40% in 1995/96. That contribution reached 60% and even 79% after devaluation in 1994 if oil is excluded.

III. Food Security and non-trade concerns of the AoA

The food security of a country can be characterized by production-based, trade-based or transfer-based entitlements. Production-based entitlements can be changed through policies that determine demand and supply of domestically produced food items. Production-based entitlements are primarily related to access to productive assets. Trade entitlements are influenced through policies that affect the level and variability of the relative food price or the ability to generate sufficient foreign exchange to pay for the food import bill. Trade-based entitlements are obtained mainly through relative price of food which in turn depends on factors such as the total supply of food, the degree of market integration as determined by the level of development of infrastructure and marketing channels, government price controls, transport cost both domestically and internationally. The transfer-based entitlements portray the ability to obtain food through food aid. A country that encounters problems with the production and trade characteristics definitely has a food security problem. Food insecurity can ensue because the production is either insufficient or irregular or it can also arise from reliance on inadequate technologies, marketing or a poor overall agricultural policy. Table 3 summarizes these, with a focus on those that are relevant to WTO negotiations.

The global nutritional equilibrium in the country has remained relatively unchanged for several years (Varlet, 1993). In spite of a remarkable growth in food production in the last twenty years, Cameroon's food self-sufficiency coefficient has been low, due to a non-proportional population growth (FAO, 1995). The contribution of the traditional production to the food intake also dropped sharply. It decreased from 86% in 1970 to 63% in 1990. The ever-increasing gap was filled, thanks to imports and agro-industrial production and their respective shares to the daily energy contribution of the population went from 4 and 5% in 1971 to 18 and 13% in 1990.

Likewise, despite the improvement in the nutritional indicators since independence, food intake has remained strongly dominated by cereals and starchy foods. After stagnating in the early 80's, energy and protein consumption dropped slightly between the late 80's and early 90's concomitantly with a fall in the household disposable income; this is probably the main cause of the nutritional imbalance. Though the daily protein consumption is within security norms; the case of children and women is of particular concern, especially from the geographical standpoint. A majority of the urban population has an easier access to abundant and varied food from the various rural areas where malnutrition is mostly a consequence of

¹ In January 1994, the CFA Franc (CFAF), local currency having a fixed parity with the French Franc (FF), was devaluated by 100% as compared to the FF. Within the same month, of the same year, the more liberalized fiscal reform, proposed within the UDEAC framework with the assistance of the international organization (IMF and World Bank), became enforced.

shortages due to poor distribution of food resources. Furthermore, occasional food insecurity in the North and Far North provinces with less canded climate in the last four years has necessitated special food aid intervention from the Government and international organizations such as UNDP, FAO and WFP.

To ensure good supply in terms of both quality and quantity for the whole population, a food security program jointly sponsored by the IBRD and the Japanese government was set up in 1991. It deals with five main issues: (1) the organization of food markets in secondary towns, (2) nutritional education, (3) phytosanitary control, (4) financing through the Fund for Agricultural and Communal Micro Projects (FIMAC) and (5) setting up of a National Early Warning System (NEWS) whose role is to give information on food markets, harvest and forecast, especially in ecologically fragile areas (MINAGRI, 1998)².

The effects of the economic crisis on food security can be better analyzed on the basis of access to food resources. The stringent budgetary policy adopted by the Government, together with salary cuts both in the public and private sectors and the increasing the rate of unemployment have provoked a drastic fall in the household purchasing power. This resulted in a drop in food expenditure. This drop came together with shrinkage in the volume of food consumption as well as degradation in quality, following the substitution of products with high animal protein content with relatively cheap vegetable energy products. The deterioration of the household income then caused a thorough modification in their consumption habits.

We also characterize the food situation of Cameroon by identifying the main components of the average household food basket. According to the 1996 household survey the main food items of the average family comprise: fish (12.71%) meat (10.22%), millet (6.62%), rice (6.08%), coco yam (4.80%), cassava (5.81%), plantain (4.25%), maize (4.09%), groundnuts (3.79%), beverage and alcoholic drinks (7.05%), vegetables (4.47%). For some basic commodities such as cassava or maize the dependency coefficient is quite low; 0 and 2,4% respectively. The coefficient is 55.1% for fish. However for some other equally important ones such as rice, the ratio is almost 100%. For the sub-group (although it is not representative) for which this ratio could be calculated, the average ratio is just around the 1996 average of 13% for developing countries. The food policy needs to pay particular attention simultaneously to production and trade entitlements.

The extent of this deficit can be illustrated using the case of cereal output that, with a budgetary ratio of 19%, represents the first food item of households (CEAM /DSCN, 1997). Between 1960 and 1998, per capita cereal output dropped from 157 to 84.9 kg, thus causing a deficit between supply and demand, which has been constantly on the increase. In order to fill this gap, cereal imports during the same period have increased tenfold going from 32000 to 350000 tons per year (Herbel, 2000). Not only does this massive import expose food security to external shocks, but it also involves significant outflows of foreign exchange that weaken the country's balance of trade.

The domestic food deficit can be explained, at least in part, by the increase in the total population, which grows at an annual rate of 2.8%, and the urban population, a net consumer of staple foods whose rate of growth reaches 4.2% per year (Herbel, 2000). With these growth rates higher than those of the rural population, the urban population has put increasingly

² See more on these below.

stronger pressure on agricultural and food supplies. The rising food exports to neighboring countries (UDEAC/CEMAC countries and Nigeria) are also likely to worsen the deficit since they reinforce the pressure on food supply. In fact it is shown below, in the case of palm oil, that the objectives of food security and competitiveness on the international markets can, at times, be in conflict.

The overall decline in income between the mid-1980s and early 1990s has resulted in a reduction in food expenditures, one of the most important expenditure items. This reduction has been accompanied by a contraction in the volume of food consumption and by a deterioration of quality due to the substitution of high-protein food for relatively less expensive energy-giving (high-calorie) vegetable foodstuff. The average annual volume of food consumption per capita has dropped by 24% from 1984 to 1996. During the same period the nominal value of this consumption has declined from 86348 to 79474 CFAF (ECAM / DSCM, 1997), with even higher decreases in real terms.

The food insecurity in Cameroon can also be characterized in terms of nutritional balance measured by the energy consumed and its origin. In total, 45% of Cameroonian households do not manage to meet their energy needs, which amount to 2400 calories per person per day. As to the origin of this energy, it consists of 64%, 18.2 and 17.7% respectively of glucoses, proteins and lipids. Relative to the norms setting these percentages between 50 and 55% for glucoses, 12 and 15% for proteins and 30 to 38% for lipids, the composition of the energy-giving foods reveals the prevalence of nutritional imbalance in the average Cameroonian diet.

The global approach to the food situation adopted above conceals the case of high-risk groups and the regional specificities of the country's food insecurity. ECAM/DSCM (1997) reveals that 30.3% of children less than 5 years old suffer from physical development deficiency, 29.5% are underweight and 7.1% show signs of emaciation. The same applies to women, especially for those of childbearing age. Owing to the poor quality of their food, pregnant women register a weight gain scarcely equal to 5kg, whereas the norms set the latter at between 14 and 15kg. This deficiency has disastrous consequences on the health of children at birth. At the geographical level, the three northern provinces (Adamawa, North and Far North) suffer from transitory food insecurity due to climate changes and from the proximity of Chad and Nigeria. In the southern provinces, problems are primarily due to the high rate of urbanization that increases the pressure on food demand even though the productive capacity of those regions is almost at sustainable limits. The South and the Adamawa provinces dispose of abundant but hard to reach lands. The high transportation costs from these provinces to the main consumption centers make the local output less competitive as compared to imports. In Yaounde, the price of one kg of rice produced in the Adamawa is about 10% higher than better quality imported rice (Banque Mondiale (1989) and Douya (1995)).

In order to fight against food insecurity, the policy led by the government can be broken down into the pre and post-structural adjustment periods. Two regional and national approaches have been adopted during the period preceding the structural adjustment program. At the regional level, the Government has sought to control the inter-regional marketing of food products, as well as exports, by imposing collection permits. Not only has this regulation not been implemented systematically, but it has also contributed to an increase in food prices due to marketing cost overruns.

At the national level, prior to the SAP period the approach consisted of an interventionist

policy through the creation of public enterprises such as the Cereal Office (CO) and the Foodstuff Development Mission (FDM). The main objectives of these organizations were the stability of prices and the supply of food products to target groups. In spite of annual subsidies amounting to around 700 million CFAF, these objectives were not attained and the enterprises were liquidated (Banque Mondiale, 1989). Since the introduction of SAP, the food security strategy is essentially based on private initiatives. The Government has set up a new organization called the National Early Warning System (NEWS) whose mission is to follow through the production and marketing of the major food products in order to alert the authorities to the least deficit, which could arise between supply and demand. Although the objectives of this organization are likely to allow Cameroon to be more on guard against food insecurity, it seems quite obvious that they are far from being achieved, partly because the NEWS does not cover all the production and consumption centers. Moreover, this structure does not have at its disposal the means necessary to function efficiently. The development of a long-term food security strategy should take into consideration the problems related to the geographical cover and the funding of the NEWS.

To ensure Cameroon's long-term food security, it seems particularly sensible to increase the production and the supply of foodstuffs, and to improve the capacity of households to have access to a balanced and adequate diet. If the challenge of a rapid increase in the supply of food products were adequately built into the thrust of the new agricultural policy, an improvement in household purchasing power could be achieved. The domestic capacities for production will then have to be encouraged and assisted so as to become competitive. Important aspects of this process include input and research and extension services policies.

To trace the overall effect of liberalization on food security of Cameroon we have carried-out some simulations using a computable general equilibrium model in section VII.

In sum, agricultural development is at the center of the country's growth performance. Perennial agriculture, forestry and fishing have been the main driving forces of the performance of the agricultural sector. Although food production does not show prominently in the economic performance, because of high level of auto-consumption, it plays an important role in the overall development process, especially on poverty alleviation. The rest of the text focuses on agricultural trade liberalization and how the WTO framework could be used to further stimulate the development of both food and non-food sectors.

IV. Main elements of the agricultural policy in Cameroon

Table 3 presents the main elements of the agricultural and the food situation as well as the associated AoA and related policy issues. We only focus on a selected group to show what has been done and how the AoA framework could be used to enhance the food security situation of the country. Special attention is paid to input policy, research and trade policies.

IV.1 Inputs policy

Increase in productivity of agricultural as well as its competitiveness's improvement represent high stakes in Cameroon's agricultural policy. To attain these goals, an active policy towards promoting the use of inputs has always proved decisive given their indispensable role not only in preserving soil fertility but also and above all, in realizing the goals of production increase. Studies have shown that a judicious use of fertilizers, alone, prompts a production increase of 40 to 50% in Cameroon (MINAGRI, 1999). Considering this importance, the agricultural

inputs sub-sector has always commanded attention in government circles. Their strategies to promote its usage can be divided into two major periods. The first runs from 1960 to 1987 and the second from 1988 to date.

The first period is characterized by state intervention in the supply of inputs to agricultural producers. This is the case with the National Fertilizer Program (NFP) which was set up with the assistance of the FAO soon after the country's independence in 1960 and the objectives of which are broken down into two levels, namely to sensitize the population on the rational use of fertilizers; and to organize experiments and demonstrations on fertilizers so as to prove the efficiency and effectiveness of the use of this input.

Under this program, fertilizers were imported up to 1980, when the National Rural Development Fund (FONADER) substituted the NFP, whose activities went beyond supplying farmers with fertilizers to include all other types of agricultural inputs such as phytosanitary products. Inputs were all subsidized and distributed to farmers either by the Ministry of Agriculture or by Development Corporations in charge of cocoa (SODECAO) and cotton (SODECOTON). All the same, subsidy rates were distinct with an average of 75% for fertilizers against 100% for phytosanitary products and it remained so till 1990 (Varlet, 1997).

This active policy of promoting inputs raised much interest amongst peasants. As such demand for fertilizer witnessed a substantial increase after it reached a volume of 15,000 tons in 1974/75, it then regularly increased to settle around 80,000 tons till 1986. Demand for fertilizers was all the more sustained, as the period was marked by good ratings in international prices of agricultural products, which secure an incentive for farmers. Meanwhile, in addition to causing lateness in the distribution of inputs to users, State monopoly in the supply of inputs proved ineffective and increasingly costly for public finance (Ntsama, 2000). The 1986/87 agricultural season then spelt a turning point in State strategy which met with financial tensions while the agricultural sector was marked by a sharp fall in prices of its major export commodities.

The second stage in the State's strategy kicked off in 1987 with the backing of Financial Donors and as a result of a USAID study which recommended an urgent reform of the inputs sub-sector. Directed towards liberalizing and privatizing the sub-sector, the reform led to the launch of two fertilizer programs to cover both the Southern and Northern parts of the country. The first program, named Reform Program for the Fertilizer Sub-Sector (RPFSS) was instituted in 1987 with assistance from USAID. As for the Special Program for Importation of Fertilizers (SPIF), it took off in 1988 with the support of the European Development Fund (EDF). These programs have aimed to put in place a sustainable and efficient program for the import, distribution and use of fertilizers based on a private non-subsidized mechanism. To this end, their objectives include to liberalize and privatize imports and distribution of fertilizers; to conclusively terminate direct subsidy to fertilizers; and to encourage the effective use of these fertilizers.

Though the result of the third objective seems unclear, the first two have been achieved. The reform schedule was slightly different for fungicides and insecticides. The reduction of the rates of the subsidy for the two, starting from 100% in 1990, was due to be respectively 50 and 100% in 1991/92, 25 and 50 % in 1992/1993 and 0% in both cases in 1993/94 (Valet 1997). Several actors intervened in the various components of the distribution system (See table 4).

The overall inputs sector is dominated by HYDROCHEM, which is the sole local producer of fertilizers. It started its activities in 1998 when it received financing from RPFS, of about CFAF 400 million, to fund an industrial unit for the basic formulation of NPK and of micronutrients. This unit seems to offer a range of fertilizers adapted to Cameroonian production and soil (Ntsama, 2000). With regard to imports, the table 5 shows their trend as from the implementation of the SPFSS and SPIF programs.

Imports declined until the 1994/95 season due to the progressive phasing out of subsidies, which raised the price of fertilizers, as well as to the fall in prices of agricultural products, the main consequence of which was a decline in the purchasing power of producers who use these fertilizers. As a result of this subsidy phase-out, plantations of the cocoa zone are no longer sprayed though phytosanitary application remains vital to the production of good quality cocoa (Amin, 1999). The same goes for the Mungo catchments area which recorded a decrease in the quantity of fertilizers used in the cultivation of coffee as well as in the number of plantations that still resort to it (Douya, 1998).

The substantial increase in imports in 1994/95 was as a result of the CFAF devaluation, which, in further inflating the prices of fertilizers, assured a sufficient upsurge in prices of agricultural products to render them profitable. All the same, in the period as a whole, the consumption level is noted to be barely superior to that of 1986 prior to the implementation of reforms. Of more than 1.2 million agricultural exploitations in Cameroon, less than 4% use chemical manure even though the peasants have shown the will to adopt its use (FAD, 1998). Average consumption stands at about 2 to 3kg/ hectare as against an African average of 7 to 8kg/ha (MINAGRI, 1999). It is therefore noted that the needs of producers are far from being met. There are several factors explaining low consumption of inputs in Cameroon:

- Importers form an oligopoly that permits them to place the price of inputs at an unusually high level as compared to CIF prices;
- SPFSS and SPIF programs better target importers than users of inputs in their input-funding policy. As a matter of fact, there is no credit facility within the SPFSS to support the sustained use of fertilizers in agricultural exploitation;
- Farmers always find it difficult to have access to inputs, owing to their weak purchasing power and to the high cost of these inputs while demand is on the rise;
- The introduction of an average tax rate of 7.75% on the CIF value of inputs has contributed to their high cost.

It can be substantiated from these constraints that Cameroon stands to benefit from harmonizing and homogenizing national policy on inputs with all supervisory structures that shall relay the programs at the level of users, farmers and in the zones concerned. Meanwhile, the analysis tends to show that during the adjustment period, the use of inputs was relatively more substantial. As a result, the position of Cameroon in the matter would have shifted towards protecting this sub-sector from liberalization measures.

IV.2. Transfer of technology and Know-how: The case of agricultural research and extension services

a. Agricultural research

Agricultural research in Cameroon aims at promoting agricultural development in the domains of vegetable, animal, fishery, forest, food technology and agro-industrial production

as well as the environment. This research focuses on innovation, improvement, and creation of new varieties and vulgarization of its results. The Agricultural Research Institute for Development (IRAD) has been overseeing all research activities since 1996. Before then, the control of agronomic research was under two institutions, the Agronomic Research Institute (IRA) and the Zootechnical Research Institute (IRZ).

To ensure continuous updating of knowledge and know-how, institutional links have always been maintained. France has always played an important role through its international research centers: "Centre de Coopération Internationale en Recherche Agronomique pour le Développement (CIRAD)" and "Institut français de recherche scientifique pour le développement (ORTOM)". This relation then spread out from 1980 towards other bilateral (USA, Germany, Great Britain) and multilateral or international assistance/agencies (World Bank, ADB, FAO, UNDP, etc) and international agricultural research centers (ICRAF, IITA, ALCA, ISNAR, etc.).

IRA is comprised of four Agricultural Research Centers (CRA), a Forestry Research Center (CRF) and a National Soil center (CNS). The CRA includes 11 research stations and 26 field units. The CRF on its part had 4 stations and 8 field units and the CNS 2 stations and 2 field units. The IRZ was structured around 3 centers, 7 stations and 5 antennas. These structures remained the same in spite of the merger. The choice of the location of centers follows the agro-ecological zones of the country with the ultimate aim of taking into account the production conditions and applicability. Research activities conducted within these schemes produced many results that were disseminated. IRAD (1996) shows that the following vegetable plants were nursed and popularized: 13 varieties of maize including 8 low-altitude and 5 high-altitude, 3 of cassava, 2 varieties of sorghum, 2 of cow peas (beans), 4 of rice, 2 of cotton, 4 cocoa hybrids, 5 clones of coffee, one of arabica coffee and 1 of oil palm. Among other results of these varieties are:

- Yield improvement. For example, the selected maize possesses a yield potential that varies between 6 and 7 tons/ha as against 1 to 6 tons/ha for unimproved varieties. The yield potential of selected cassava varieties is equal and at times higher than 20 tons/ha as compared to only 12 tons/ha for traditional varieties;
- Definition of optimal planting conditions;
- Increase in nutritional value (Ngatchou, 1997).

As regards animal production, improved food formulas at low cost were introduced on the basis of local by-products for the breeding of ruminants and monogamies. Simple milk conservation and processing techniques were designed, including improved management techniques of pasturelands.

In the forestry field, methods of regenerating timber varieties (Ayos and Sapelli) were developed. Two species of eucalyptus were selected. A map showing the soil fertility and composition was drawn-up as well as a rainfall erosion map. Agro-forests were created based on economic species. Rare economic species were domesticated including wild bees of high honey production potentiality.

Despite the encouraging results recorded by agricultural research in Cameroon, these activities encountered many problems with the onset of the economic crisis in 1989 and the subsequent establishment of structural adjustment measures. Funding has always been problematic. The 0.5% threshold of the Gross National Product (GNP) set by the United

Nations for allocation to research was never attained. Moreover, from 1987/88, the fall in the budgetary package continued. This reduction of funds was felt both at the level of the human resources and the results. The entire personnel assigned to research dwindled by more than 65% in 8 years, from 3259 on 30 June 1988 to 1,132 in June 1996 [ISNAR (1987) and IRAD (1996)]. Between 1992 and 1994, IRAD received CFAF 5,720 million only, including State subsidy of 58.22% and 41.78% from external resources, as against CFAF 5,910 million pooled in 1984/85 from State subsidies to the tune of 95.26%.

It devolves on IRAD to test the quality and norms of agricultural inputs products. The obsolescence of its equipment, the insufficiency of personnel and the inadequacy of qualification in relation to recent scientific developments (Genetically Modified Organisms - GMO-) may create problems with the trade liberalization envisaged by the WTO. Deadlines for publication of results of tests and the lack of skill in certain domains may constitute new constraints to Cameroon's future exchanges with the other countries of the world. Hence the need for strengthening the technical and human capacities in this center which may at the regional level become a reference center considering its long standing experience in the field. Likewise, partnership agreements with private undertakings must be intensified to diversify and stabilize sources of financing. The institution must also think about the marketing of its results given the fact that its research was carried out only for the purpose of public utility. It does not hold any patent or license.

b. Agricultural extension services

Agricultural development corporations in Cameroon have been fulfilling several functions, including the production or marketing of agricultural products as well as the training of peasants. As shown in table 6, some of these corporations were active in more than one of these domains. State intervention; through them have been either be direct or indirect.

Direct intervention involves production just like independent farmers, and this, at times, proved useful for the transfer of knowledge and the adoption of modern techniques. In addition, this was a development tool. For example, CDC has been active in the production of banana, palm oil and palm nuts, tea and rubber. It has created social services such as schools and dispensaries for its employees' children; it ensures the marketing of its produce. Through a partnership agreement with Del Monte, this latter has made major investments in the banana sector, in exchange for exclusive rights in the marketing of this commodity. In return, the government has an export tax of CFAF 4,500 per ton on bananas and palm oil a 57% import tax rate. CAMSUCO and SOSUCAM intervene in the production of sugar with the purpose of achieving self-sufficiency. More than 3,000 direct jobs have been created. Unfortunately the production cost is too high for adequate competition with cheap imports. OCB was involved in the production of bananas and helped create of thousands of direct and associated jobs. While production recorded a continuous decline, a restructuring of the Board started in 1987 and led to its privatization in 1990. Since then, the new owners have made investments that have resulted in a boom with production shooting up from 74,600 tons in 1990 to 260,000 tons in 1998.

Other forms of intervention include the provision of agricultural inputs and the development of farmlands for private producers. In the cocoa sector SODECAO, served as an intermediary to FONADER for the supply of subsidized inputs to cocoa producers and it directly carried out certain production operations such as phytosanitary treatment. Its intervention helped to ensure the maintenance of plantations and the production of good quality cocoa. SEMRY,

SODERIM and UNVDA focused on developing farmlands, employment of independent peasants in the irrigated farming of rice, supply of inputs and credit and paddy processing. SODECOTON, among other things, trains and supervises the producer and employs more than 1000 extension workers whose mission is to provide producers with effective technical methods and improved seedlings. The producers also benefit from a pre-financing of the entire stock of inputs and repayment is only deducted during cotton sales. This continuous training and supervision has helped sustain the growth of cotton production while that of other export commodities has collapsed drastically. Besides training and supervision, SODECOTON processes cotton oil and exports cotton fibers.

Marketing has been less successful and has been carried out by MIDEVIV and the Cereals Board for food, and the NPMB in the case of export commodities. The first mission of MIDEVIV then consisted in securing a regular and stable supply of staple foodstuffs to the urban population. To that end, it received State subsidies, which it used to set up a 'green-belt' around major cities by marketing its products. The National Produce Marketing Board (NPMB) was in charge of marketing export crops, especially coffee, cocoa and cotton. On the whole, the Board did not play its role as a buffer between the world market and producers, once world prices started their downward spiral towards the end of the 80's. As part of the liberalization of agricultural sectors, the Board was liquidated and replaced by the National Coffee and Cocoa Board (NCCB) and by professional organizations including a group of exporters.

The last area of intervention for public authorities concerns the training and supervision of peasants. Main achievements include improved seedlings, notably maize varieties adapted to the various farming zones, cocoa hybrids, coffee clones and a variety of oil palm. Farm credit is provided by many agencies including the Financing of Investment in Community-based Micro Agricultural Projects (FIMAC) that has in less than a decade granted credits totaling CFAF 1.1 billion to 2885 groups. Despite the efforts of FIMAC, funds mobilized and distributed remain far below the needs of producers.

IV.3. Competitiveness and food security interests: The case of palm oil

In Cameroon, food insecurity was, in certain cases, worsened by the export of products that were already showing a deficit at local levels. This situation is due to the divergence of interests between opportunities of profit for producers and the need to satisfy the requirements of household food consumption. This was the case with palm oil in the 1990s when the currency devaluation rendered the product more profitable to export. To resolve this problem and satisfy local demand, the State had to organize consultations with producers so as to limit exports. This solution was easily accepted at the time, given that the major producers were para-public enterprises under State authority. Despite the decline in exports that ensued, consumer prices increased by 57% between 1990 and 1999.

This increase arises from a persistent deficit that, for the year 2000, levels around 45,000 tons, considering that the production of palm oil was estimated at 130,000 tons while demand for its various domestic uses neared 175,000 tons (Bata, 2000). The sector recorded this deficit even though the protection granted it would have rather favored the growth of production. Actually, to protect the latter, imports of crude and refined oil outside CEMAC were subjected to a 50 to 57% tax including 30% customs duties, 18.7% VAT, 1 to 5% tax deduction and a 1.5% data processing tax (MINAGRI, 2000). The situation may likely

become even more disturbing with liberalization, within the framework of future WTO negotiations.

To enhance competitiveness and satisfy domestic needs of 220,000 tons by the year 2010, it is important to overcome the following major constraints noted by a recent study of IRAD and quoted by MINAGRI (2000):

- Because of the ageing plantations, productivity is low and, estimates show that by the year 2010, only 23% of present plantations will still be productive;
- Due to a poor agronomic decision, about 30% of plantations were established under unfavorable pedo-climatic conditions;
- Producers find it difficult to have access to selected vegetable materials and to chemical fertilizers;
- Lack of regulations on the production of vegetables led to the sale of poor quality products to producers;
- Poor state of farm-to-market roads and insufficiencies at the level of processing led to both high production costs and consumer prices.

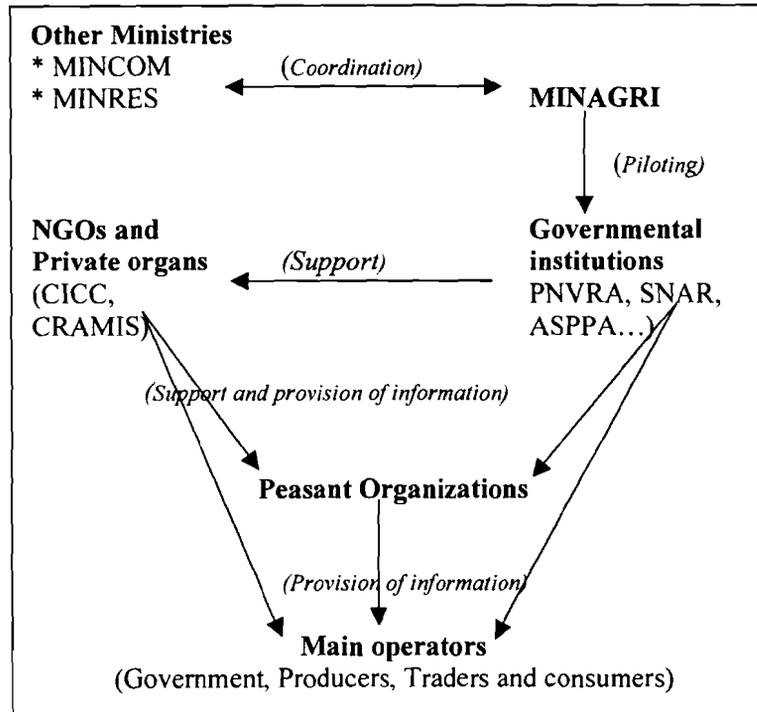
Increased production would require planting an average 5,000 ha per year in appropriate agro-ecological zones till 2005, and increasing use of improved material (MINAGRI, 2000). Since 1994, some tangible process has been noted in the sector, notably with the sustained participation of elites, whose investment in creating plantations is presently evaluated at 2,000 to 3,000 ha/year (Bokagne, 2000). The continuous decrease in prices of major traditional export commodities is likely to guide other investors towards oil palm cropping and the efforts of the elites are likely to intensify.

IV.4. Marketing, labor and transfer entitlements: Agricultural market information services

Agricultural information is dominated by government entities which overall provide a near complete coverage of peasant activities. The extension workers/peasant ratio in 1998 was estimated at 1/300. Training and advisory activities are also placed under Non-governmental Organizations (NGO's), co-operatives and private service providers so as to encourage them to support government action towards disseminating information. The general organization of the information system is represented on graph 1.

In general, information on research is gathered and disseminated by PNVRA and those on crops, production, marketing, prices and use of inputs by NEWS. The PNVRA covers almost all provinces of the country where it popularizes agricultural techniques to satisfy the requirements of peasants. In 1996, this body mobilized close to 2,350 extension workers or an average ratio of 1 to 800 farmers. The communication techniques applied are essentially meetings, seminars, experiments and fairs. On its part, NEWS collects and disseminates information through the radio, newspapers, diagrams and cartoons, bills and stickers, meetings and seminars. It is particularly specialized in foodstuffs. One of the important roles of NEWS is also to alert authorities to any disruptions that may occur in the agro-industrial sector.

Graph 1. Agricultural sector general information System organization



Source: By authors

NGO's, private partners, and bilateral co-operation projects organize seminars to disseminate a variety of information relating to the economic and social, institutional and legislative contexts, the evolution of agricultural techniques and technologies, etc. There is even a private publication specialized in agricultural information, "*La Voix du Paysan*".

Private operators often intervene in specific sectors. These include the coffee and cocoa International Council (CCIC) the Cocoa, Robusta and Arabica Coffee Market Information System (CRAMIS) which specialize in cocoa and coffee. CRAMIS monitors and publishes international prices and price proposals to farmers in the various production areas. With the end of STABEX financing in 1996 and the takeover by the government, the availability of information has become very irregular. Using an information bulletin, CCIC publishes information on the functioning of cocoa and coffee sectors and on reforms of their institutional frame. Private distributors of inputs advertise their products through traditional channels. A user-friendly information system specifically designed for farmers can be said to exist at present, which provides them with information needed to improve the production and marketing process and which is available all over the zones of production (Varlet and Berry, 1997).

This information system is plagued by numerous constraints:

- The lack of real co-ordination between the various operators engenders overlap and fragmentation of responsibilities;

- The incomplete training of extension workers which gives way to a lack of technical know-how; as a result they are often unable to answer all questions asked by peasants;
- The lack of institutional links between research and other agricultural extension agencies, which often creates conflicts of interests that do not permit a proper utilization of numerous research results;
- The rural communication system is less effective owing to the poor command of local languages by extension employees and;
- The lack of genuine motivation for extension workers and the unavailability of funds, logistic and of equipment is the root cause the irregular flow of information.

IV.5. Phytosanitary protection

Before the reforms introduced by the SAPs since 1989, the Cameroonian government used to organize the supply of inputs and agricultural equipment to farmers. The National Rural Development Fund (FONADER) ensured the financing of these supplies. The funds of this body came from government transfers and price stabilization of primary commodities. The latter were marketed in a bidding system, with cooperatives playing the role of intermediaries between these organizations and farmers in some cases. Phytosanitary treatment operations were however left to farmers. Conversely, the government was heavily involved in the treatment against insect pests. Treatment was entrusted to public organizations. This type of intervention was justified by the extent of the insect pest invasions and their mobility, which sometimes required the treatment of an entire zone.

The advent of the economic crisis and the implementation of reforms signaled the end of government intervention in the distribution of phytosanitary products and the treatment of vast infected areas. The FONADER ceased its activities by the end of the 1980's. Since 1994, farmers and their organizations (cooperatives) have been left to themselves for the acquisition of phytosanitary products. Non-public or quasi-public organizations do not intervene in this channel any longer. Phytosanitary supplies and treatment are then left to the interplay of market forces. Technical training programs for young farmers to acquire phytosanitary know-how have been organized to accompany this liberalization. Similarly, the material that belonged to the government was put on sale to facilitate access to equipment (Varlet and Berry, 1997).

Law No. 90/013 of August 10, 1990 outlines Phytosanitary regulations in Cameroon. This law specifies the conditions governing importation, exportation, conditioning, storage and distribution of pesticides for agriculture. Decree No. 92/223/PM of May 25, 1992 defines the terms and conditions relating to the enforcement of this law. It is aimed at preventing the introduction or the propagation of plant diseases, and to ensure the legality and the quality of phytosanitary products in use within the national territory, as well as the use of these products with minimum harm for humans and environment.

The implementation decree of this law stipulates that the importation of plants and plant products, soils or cultivated environment be accompanied by a country of origin document and by an import authorization. Similarly, the exportation of the above mentioned products require a phytosanitary certificate on the sanitary status, the origin and destination of those products. The authorization and the certificate are issued in Cameroon by the phytosanitary services at the request of the importer or the exporter according to the terms and conditions

fixed by the Ministry of Agriculture. The provisions of the decree also regulate the procedure for the preliminary authorization to market and to use pesticides for agricultural purposes. This procedure goes through the followings steps:

- A chemical analysis by a national or foreign laboratory;
- An efficiency test over the last two years on the uses indicated, to be conducted by IRAD or any other dully authorized national organization;
- The pre-popularization of the pesticide, in case of conclusive test over a minimum of one year, by the national extension services.

This procedure is quite long and costly. In addition to the fact that the promoter of the pesticide is responsible for the expenses resulting from these tests, one must wait for up to three years to start marketing a new pesticide in Cameroon. Besides, this procedure of authorization is subject to the promoter filing the following documents with the Ministry of Agriculture:

- An application bearing the name of the manufacturers or the importer as well as the nature and the characteristics of the pesticide;
- A certificate or a copy of the document justifying the authorization of the pesticide in other countries, or its recognition by the FAO and /or the WHO;
- A model of the labeling;
- The technical characteristics of the product, the description of the packaging and the conditioning, the analytical methods used to determine the active ingredient and the amounts of pesticide residue;
- A report on the pharmacotoxicology of the pesticide;
- A report on the effects of the pesticide on humans and the environment;
- Instructions, dosage (indications, contra-indications and antidote);
- Authorization for the exporter of the country of origin;
- The position of the pesticide under a sealed confidential envelope.

The authorization procedure is under the responsibility of a commission comprising representatives from seven ministries (Agriculture, Research, Animal Husbandry, Industry, Public Health, Environment and Water and Mines). All of the phytosanitary products used in Cameroon are imported. France is the main supplier with nearly 46% of total imports.

V. Unilateral agricultural trade policy

The identification of Cameroon negotiation position requires an adequate overtime profile of agricultural trade policy in recent times. We consider two main periods: prior to 1988/89 and since 1989/90. The first period predates the countries unilateral SAP-driven liberalization and the second combined the SAP and WTO liberalization efforts.

V.1. Agriculture and trade until 1988.

The main objective of trade policy adopted during the two decades following independence was the need to protect the national infant industry from foreign competition. Important tariff barriers and quantitative restrictions (QRs) based on the General Trade Program (GTP). The

GTP prescribed import and exports authorizations, export and import price adjustments, a twinning of local and import products and price controls³. Table 7 gives an inventory of agricultural, food and agricultural input products subject to those trade restrictions. Another characteristic of the protectionist trade policy of this period is reflected in the fiscal structure of the country. It comprised more than 20 different taxes, applicable selectively to import and export products at rates sometimes reaching 90 per cent of the cost, insurance and freight (CIF) value (see table 8). In spite of the above-listed tariffs and QRs, State-owned corporations also indirectly managed the agricultural market during that period⁴

On the internal market, State direct intervention was through laws, to keep price fluctuations under control by defining reference prices and maximum margin per commodity and per category of dealer. In some cases, the State went as far as substituting itself for private agents. On the international market, the National Produce Marketing Board (NPMB) was set-up to trade basic commodities, such as coffee, cocoa and cotton. The Board then enjoyed monopoly for the international transactions of these commodities. In addition, it played the role of broker between the international bodies involved in this sector and the farmers. Thus, the NPMB monitored the STABEX funds with European partners, as well as discussions within the International Cocoa Organization (ICO) among others. The NPMB was also expected to stabilize the main agricultural export prices. Part of the producer price was thus converted into procurement that was often paid to farmers during the planting season.

The Government also assisted farmers by subsidizing agricultural inputs (fertilizers, phytosanitary products). This support was provided through some public enterprises, which were closer to farmers. Depending on their main activity, such enterprises provided assistance to farmers, served as autonomous economic agents or could be involved in the trading of agricultural products. Various forms of assistance were developed and specific enterprises were set-up for the purpose. Other enterprises were settled in specific production zones, with responsibility of promoting the adoption of new seeds varieties and more efficient production techniques⁵.

Table 8 gives the tariff structure of main agricultural products before and after 1994. Tables 9 and 10 gives the extent of tariff protection in 1989/90. The first table shows that about 14 taxes and duties were applied to the main agricultural import and some 10 taxes and duties were applied to the corresponding exports. The total rate of those taxes ranged from 41.4 to 87.9% on which other charges of CFAF 875 per tone are added. It can be shown in the other tables that, contrary to the industrial sector, the agricultural sector rates of protection are lower as compared to that of the industrial sector. The NRP and ERP for the agricultural sector are only around 20 per cent. Nguidjol (1998) has shown that most industrial sub-sectors were nominally and really given a protection of 50 and 70 per cent in 1989/90. However, it can be seen in table 11, that most important foodstuffs are facing non-tariff barriers such as QRs, import and export licenses, twinning import and local product process.

³ Price adjustment consists in using import tax revenue from a particular product to subsidise local producers of the same product. The twinning of import and local products consists of authorising the importation of a quantity of a specific product in proportion to the local purchase of the product.

⁴ See below for the analysis of the importance of STE in the country.

⁵ See section on input policy.

In addition to the very deep involvement of the government in trading channels and the very high number of taxes levied on agricultural trade, these non-tariff constraints engender acute inefficiency at the level of local production and food security. The price determination system, independently of world market trends has instilled heavy losses on producers and has consequently frozen new investments that could have been realized in the sector. Thus, the equivalent variation threshold borne by cocoa farmers have been estimated at 24 to 76% between 1970 and 1985. While that of coffee farmers has been evaluated between 35 and 76% within the same period (Banque Mondiale, 1989).

As concerns food security, holders of licenses ascertain that maximum use is made of the advantage situation conferred to them by the monopolistic rights derived from licenses. They artificially maintained a shortage of the product for which they hold licenses. This is the case with rice, vegetable oil, sugar, meat and fish of which, in addition to QRs, consumer prices are regulated.

V.2. Agriculture and trade Since 1989/90

As a result of the implementation of Structural Adjustment Programs (SAPs), the policy regimes changed significantly beginning in 1988. The QRs as well as price controls were gradually abandoned. An important aspect of the liberalization of the markets was the restructuring of marketing of major agricultural exports and the break-up of the NPMB with the private sector empowered to set prices to farmers and exports. This State withdrawal was accompanied by a number of measures among which were the compilation and liberalization of professions.

The compilation refers to a simple invoice, which enables the exporter to acquire a compilation certificate indicating the sale price of the product exported. During effective shipment, this price is compared to that of the season. The State levies or compensates the exporter if the price is higher or lower than that of the season. A consequence of this process vis-à-vis the exportations is the ensuing rebate ranging from 40 to 70% on cocoa and coffee as well as the lost of the Cameroon label on those products (Douya, 1995). The liberalization of the export processes has intensified the deterioration of the quality of product by favoring the entry of non-professionals without the necessary skills in the assessment of the quality of products.

Another significant impact of SAPs is the adjustment of the national agricultural policy through the Agricultural Sector Adjustment Program (ASAP) implemented in 1994. This program comprises four main objectives: (1) create a favorable agricultural sector environment to boost production, (2) ensure food security, (3) improve agricultural productivity by reducing production costs and (4) increase agricultural competitiveness (MINAGRI, 1994).

In 1994, a substantial reform of tariffs and indirect taxes, proposed within the framework of the UDEAC Regional Fiscal Reform Program (RFRP), was implemented. This reform implies the reduction, not only of the tariff and indirect tax instruments, but also of the scope of fiscal exemptions and customs duty and tax rates. It aims to (1) simplify the fiscal system to allow for easy and transparent administration, (2) increase fiscal yield through improved revenue collection and (3) improve the efficiency and competitiveness of enterprises within UDEAC

through a wider tax base and reduced and uniform tax rates⁶. The fiscal liberalization is reinforced by the devaluation of the national currency (CFAF) of which the impact on the agricultural sector was important. The impact of the reform on the tariff structure and rates can be seen in table 12. An important reduction is noticed in the number of taxes and rates.

a. Country's Experience with and in the URAA.

The focus is on the three pillars of the negotiations: market access, domestic support and export subsidies. The level of (direct) subsidies to agricultural production and exports was minimal even before the SAPs, such that our main focus is on market access.

VI.1. Agricultural tariff market access

The first aspect of market access is the identification of main agricultural exports as well as destinations. The European Union remains the main outlet for Cameroon' products, thanks to the preferential trade agreements of the Lomé Conventions. There are some openings in America, Africa and Asia as can be seen in the data on table 13. The opening towards Asia became remarkable in 1991, and trade within Africa was timid due to the drop in the share of the Maghreb, which somehow contra-balanced the upsurge of the SSA market. The North American market is still very small, mainly the USA that takes more than 95% thereof.

Fourteen products make up 99% of total agricultural exports (See table 14). 95 of 514 lines Cameroon' products of the 9506 customs schedule lines of the EU code, faced a zero Most Favored Nation (MFN) duty rate. Overall, 98% of the schedule lines on which Cameroon exports into the EU take place pay no tariff once restrictions such as on rules of origin are met.

In the EU the pre- and post-UR applicable tariff facing Cameroon exporters are quite low (see table 16). In addition the country had a comparative advantage as most competitors were trading at MFN rate. These MFN rates are due to fall and some preference schemes such as that of the ACP-EU accords are due to be either dismantled or opened to competitors that on average has a better cost structure. One of the main consequences of the UR negotiations on Cameroon' agriculture is, therefore, the erosion of preferences and lost of competitive positions. Analysis of preference erosion using 1992 data indicates that the country' non-oil product exports faced a 3.81 average tariff but a zero rate was applied because of special treatment. This yields a 3.81% preference margin. The post URAs MFN rates is 1.62% leading to preference margin erosion resulting from the implementation of the URAs. Only 28.5% of the country' exports outside UDEAC experience a reduction in MFN rates of an average of 3.7%. The post rate is a mere 1.2.

Other factors behind the preponderance of the EU include history, existing legislature and regulations, logistical considerations, information on markets and institutions in partners' countries, and language. To increase diversification, useful trade policy have to be formulated taking into account conditions in countries supplying similar products (see table 15). African

⁶ See Njinkeu (1997), Kamgnia (1997) and Bamou (1997 and 1999b) for more developments on that fiscal reform.

competitors have also to be considered as possible partners for negotiating a smooth integration in the world economy through regional integration. Table 13 shows potential for Cameroon' agricultural market diversification. The EU market will be an important destination for many more years; hence the importance of trade relationship with EU in future negotiations.

As concerned import regimes, the level of protection to domestic agriculture is given in tables 6 and 7. In spite of the lower protection of the entire agricultural sector, it can be noted that the perennial and fishing sub-sectors were highly protected before the 1994 fiscal liberalization and currency devaluation. The observed general decrease in the rates of protection is realized through the liberal trade policy option adopted by the government during the period under study. The relative increase in protection after the devaluation can be explained, not only by the taxes imposed on the main agricultural exports, but also by the improvement of the tax collection system due to the computerization of customs and duties.

The country also reduced all non-barrier tariffs on agricultural imports. The country undertook to bind agricultural products at a ceiling rate of 150% and a maximum 80% for other duties and charges. The bound rates for most products are considerably higher than applied custom duties⁷.

VI.2. Agricultural non-tariff market access

In general, progress on agricultural non-tariff trade restriction was important during the URAs with the progressive phasing out of the Multi Fiber Agreement (MFA). However, agricultural exports still facing heavy non-tariff barriers (NTBs): (1) safeguards, (2) sanitary and phytosanitary (SPS) measures, (3) technical barriers, (4) dumping and countervailing duties. The SPS measures are probably the biggest constraints both on import and export. They are used to protect food safety and animal and plant health but can be subject of abuse if used indiscriminately⁸. Through 1993, 43 agricultural and food products have been concerned by safeguard measures. Products covered by SPS include most country' agricultural non-traditional exports (fresh fruits and vegetables, food preparations, meat and meat products...). The lack of information on the SPS measures applicable to products in target markets is constraining the Cameroon' agricultural exports diversification process. Mostly as part of SAP non-tariff barriers such as quantitative restrictions have been eliminated. See progress on QRs liberalization summarized in table 11.

VI.3. Domestic policies and constraints for the forthcoming WTO round

Cameroon removed most of the policies that previously biased the incentive structure against exports as part of unilateral SAP-driven liberalization. Cameroon made no specific commitment on domestic support for agricultural production and those in operation after the SAP are in general WTO compatible. For example, these measures include government assistance for inputs, exports transport and marketing, research, pest or disease control, infrastructure, and food security.

⁷ See the section on regional integration.

⁸ See the section on Cameroon laws and regulations pertaining to SPS.

Constraints to export-led development are mainly in export support services and institutions that are either lacking or are inefficient. These include infrastructure for production and export (sea and air transport, storage, packaging and normalization), investment promotion for domestic and foreign investors, export promotion schemes, duty exemption schemes, bonded houses and entrepreneurship or private sector development programs. Slow progress on the reform of telecommunication, electricity, water, rail-sea-air transportation and the financial and insurance sectors has not allowed the enhancement of competitiveness.

The average border protection to agricultural products in developed countries increased after the entry into force of the URAs. This is particularly true for temperate-zone food products such as the major staples, fruit and vegetables, and processed foods. In the EU average tariffs is higher than 20% for 60% of tariff lines in cereals, 54% of tariff lines in dairy products, and 53% of tariff lines in Sugar, Cocoa etc). Meat, live animals, prepared fruit and vegetables, and other food products have more than one third of their tariff lines affected by tariff peaks (i.e. duties of 20% and above). Some tariff lines attracted more than 100% rate. Furthermore, tariff escalates on important product categories, thereby limiting possibilities of developing a strong agro-industrial sector and keeping the incentive to export primary, low valued-added products.

The SSG measures give the right to Members to increase tariffs above bound rates in response to a surge in imports or a decline in import prices. Cameroon did not incorporate this right in its WTO submission, purely due to lack of expertise. This was the case for most countries and as a whole the SSG has benefited only the developed countries.

In the pre-liberalization phase the government was involved almost at each phase of production and marketing of agricultural products. This policy is being implemented through commodity and marketing boards, and state trading firms. This policy was in the framework of a *Green Revolution* that viewed agricultural development as an integrated process to ensure economic take-off and addressing comprehensively rural problems such as rural exodus and labor mobility, rural poverty and integrated social development. Most of these features, at least for the transitional period, were missing in the country's development strategy. The current agricultural policy regime is more liberal with a more neutral incentive structure.

Other related agreements

As shown in table 3 several agreements have a direct bearing on the performance of the agricultural sector and should be considered in an overall process of ensuring that the negotiations lead to enhance performances. One of these is on Sanitary and Phytosanitary Standards (SPS) as well as on technical barriers to trade. Members of the WTO have the right to enact measures that adequately protect their population, food supply, animal and plant life and the overall environment. This protection needs to conform to international norms. Members can also mutually recognize their standards and should put in place a transparent system of testing.

Current Agricultural Policy Regime

Orientations of the New Agricultural Policy (NAP) revolves around three major axes that successively cover:

- The increase agricultural production competitiveness with a view to promote agricultural exports and to strengthen food security;
- The improvement of environmental factors and of a suitable frame for the agricultural sector;
- The modernization of the institutional frame of the sector (MINAGRI, 1998).

Specific guidelines are outlined in the implementation of each of these three axes. The following actions are envisaged in relation to improving production:

- Develop modernization of agricultural exports by improving access to technical, financial and land inputs;
- Promote a rational and sustainable use of natural resources, while assuring compatibility between the various social, economical, technical and ecological constraints;
- Consolidate the organization and develop the main production sectors directed towards exports and industrial processing given the importance of their social and economic importance;
- Strengthen food security, notably in high population density and fragile ecological zones within the frame of integrated development programs.

In order to improve the environmental factors, as well as the suitable frame for the agricultural sector, four main strategic guidelines are outlined:

- Define and institute a suitable frame specific for Small and Medium-size Agricultural Enterprises (PMEA) in production and processing so as to increase the mobilization of private national investment in a modern, competitive and job-generating sector;
- Develop access to regional and sub-regional markets that presents important market possibilities for several domestic products;
- Complete the withdrawal of government from the activities likely to ascribe to competitiveness; this reform has as corollary the need to consolidate professional organizations so as to develop a new partnership in the management of the sector;
- Increase agricultural revenue by relying mostly on improving productivity at the level of production and marketing so as to consolidate the competitiveness of agricultural products and to contain the inflation of consumer foodstuff prices.

With regard to modernization of the institutional frame, the main strategy consists in consolidating the State of Law in the trade and financial domain, by assuring a flexible management of procedures so as to create a more favorable and foreign investment in the agricultural sector.

The current policy regime is consistent with the overall move toward liberalization. Protection is limited and is almost exclusively provided through tariff. Input supply and distribution has by and large moved from heavy government involvement to greater private sector participation. One drawback of the liberalization is the possibility that on some products, because of several market failures such as lack of information among partners, competitive market operation is not operative. As a result the objective of protecting the

remuneration of farmers cannot be achieved. Also the quality has declined and thereby limiting government revenues from agricultural exports.

VII. Impact assessment of unilateral liberalization

Partial equilibrium and general equilibrium analysis are used to assess the impact of the country unilateral liberalization on the agricultural sector.

VII.1. Partial equilibrium analysis

We shall in turn consider the impact of the currency devaluation and the rest of unilateral trade policy. The costs/benefits approach is used to analyze the 1994 devaluation with focus on selected export and food products. Despite an upturn of production costs of about 35%, there was an overall increase in profit of cocoa, coffee and cotton after the devaluation. (See tables 17-21). These results reaffirm conclusions drawn by studies of the World Bank (1991) on the existence of a potential comparative advantage within the Cameroon agriculture. Recent studies, conducted by Douya (1998) and Bamou (1999) and using the Domestic Resource Cost (DRC) approach, strengthen these conclusions.

At the level of foodstuff commodities, though the devaluation led to a reduction in imports, the links between local production and imports in the supply of basic commodities to the population remained unchanged. However, some local products, like maize and palm oil, recorded a high supplementary demand. Unfortunately, the absence of a coherent policy did not help producers to take advantage of this opportunity. There has been an immediate upswing in imports (see table 22). The expected effects of the devaluation on exports were even inhibited by certain measures undertaken by the Government such as the introduction of excise duties on the main agricultural exports (15% tax rate on cocoa, cotton, sugar, rubber and medicinal plants, 25% on coffee, 30% on palm oil and FCFA 6500 per tone of banana). The 25% tax rate on coffee exports reduced not only the margin of brokers but also and above all the price paid to farmers by about 30%. This situation therefore helped in eroding the incentive of farmers to increase production and in addition it helped the smuggling of goods into Nigeria, where no taxes are paid.

A second assessment is that of the overall trade reform on the agricultural sector. The new trade policy option adopted by the Government in this last period has directly and significantly affected the agricultural structure and level of protection. Due to lack of data on individual agricultural product tax rates, nominal and effective rates of protection (NRP and ERP) are calculated for the main agricultural sub-sectors. Due to the unavailability of data on sub-sector's product international prices, the tariff nominal rate of protection is used as a proxy of the NRP. The output-based NRP is used for calculating the ERP⁹. The following formulas are thus used for the calculations:

$$NRP_i = \frac{(1+t) \cdot (1+m_i)}{(1+td_i)} - 1 \quad (1)$$

⁹ The Balassa calculation approach of the ERP is preferred to Corden's. Data used are from the recent input-output tables published by MINEFI/DSCN (1999).

$$ERP_i = \frac{NRP_i + \sum_j a_{ij} NRP_j}{1 - \sum_j a_{ij}} - 1 \quad (2)$$

Where t , tm_i , td_i , a_{ij} , NRP_i , NRP_j are ad-valorem total imports tariff rate, sub-sector imported products tariff rate, domestic sub-sector products tax rate, in-put/out-put coefficients and nominal rate of protection on out-put and in-put respectively. The results, summarized in tables 9 and 10, show that, contrary to the industrial sector, the agricultural sector rates of protection are lower. From 1989/90 to 1996/97, its NRP and ERP are only around 20 per cent.

One important feature of this is the process of liberalization followed as compared to what was done by developed as part of the URAA. In two cases, namely on perennial agriculture and fishing we did observe a sharp increase as a result of taxation of quantitative restrictions. In the case of perennial agriculture the rate went from 4.1 to 74 but within two years it had been brought down to 26% and at the entry into force of the URAA it was only 18.4%. An even faster rate of liberalization is obtained for the effective protection that goes from 131.7 in 1992 to 25.2 in 1995 (See tables 9 and 10).

Another outcome of the liberalization process is the profound change in the government behavior vis-à-vis domestic subsidies. There is no direct export subsidy in place in the country. The URAA permits export subsidies on agricultural products for those that existed. The structural adjustment programs eliminated all possible subsidies, including some of those for which developing countries obtained the possibility of an exemption. Meanwhile, the government has undertaken to create an enabling environment for the development of agricultural activities, both at the level of exports and in the domestic market.

At the level of exports, for instance, measures tailored to favor competitiveness of the agricultural exports were taken as from 1996. The new taxes introduced immediately after the 1994 devaluation were cancelled for two products (rubber and cotton). Likewise, a mean due period is setting for annulling those specific taxes levied on other products. Those taxes were expected to disappear from the year 2000. Since June 2000, they have been suppressed.

In the domestic market, though all forms of direct subventions have been suppressed, Government is endeavoring to indirectly assist farmers and other operators of the agricultural sector. This assistance takes the form of credit grants and provision of scientific, technical and business information relating to their activities. Financial is thus granted through the public institution such as Capital Investment in Community-based Micro-Agricultural Projects (FIMAC), created since 1996 to facilitate the financing of the micro-agricultural projects. By 31 March 1999, the accrued amount of loans granted by this institution to farmers reached the neighborhood of CFAF 2 billion. Despite the smallness of the sums granted, FIMAC has the advantage of covering the entire country as is shown by table 23.

In conjunction with international organizations, (World Bank, ABD, IBRD...) government structures (National Project for Extension Work and Agricultural Training -PNVRA-, Support for Peasant Strategies and professionalism of the Agriculture -ASPPA- in its information facet) were set up to provide farmers and other operators within the agricultural sector with economic, business, scientific and technical information necessary to the development of their activities. Non-Governmental Organizations (NGOs), co-operatives and private service providers are at the same time assisted to support government action towards information and

extension work. Further details on this point are given in the paragraph dealing with the AMIS.

VII.2. CGE analysis

The above partial equilibrium approaches cannot allow the analysis of the overall impact of agricultural trade liberalization options (Goldin and Odin Knudsen, 1990). As such, simulations using a computable general equilibrium approach complement their results¹⁰. Five main hypotheses are implicit in the model: (1) there exists a competitive market where price, quantity of goods and services, and factors are adjusted to determine supply and aggregate demand at equilibrium. (2) The sectoral supply of capital is fixed. Consequently, one can have different sectoral remuneration rates of capital in the economy. Technological parameters characterize the heterogeneity of the sectors. (3) The hypothesis of a "small country being a price-taker on the international scene" is admissible on the external markets. The share of Cameroon's market in international trade is too small to have any influence on international prices. (4) The hypothesis of underemployment of labor is admissible, taking into consideration the phenomenon of unemployment raging nowadays in the country. (5) The sectoral production is homogeneous.

The specificity of our model resides in a deeper decomposition of the agricultural sector and the specification of the country external market. The agricultural sector is divided into five main sub-sectors: (1) subsistence agricultural (SAG) whose products are supposed to be tax exempted on the CEMAC market, (2) perennial agricultural (PAG), whose products are at present subjected to rising tariff in spite of the liberalization option, (3) hunting and breeding (HUB) for their importance in the food security of the population, (4) forestry (FOR) for the increasing importance of timber in agricultural exports and (5) fishing (FIS) is distinguished because of the importance of fish in imported food products as well as the important role it can play in combating malnutrition of the population.

In line with our food security analysis objective, the food industries sector (FIN) is distinguished from other industries (OIN). The oil sector (OIL) is also distinguished because of its importance in the economy. This sector desegregation also constitutes one of the originalities of our model as well as the use of a recent data base (1995/96) which is supposed to incorporate the adjustment of the structure of the economy after the 1994 national currency devaluation¹¹.

To take into account the specific character of the CEMAC market, due to the fact that Cameroon is a member of that regional grouping, and that market is distinct from the rest of the world (ROW) market. This market distinction is also done with a view to analyze the opportunity offered by the WTO agreements to the developing countries to reinforce their trade and/or economic unions.

¹⁰ The structure of the model and the list of variables and parameters are given in tables 24 and 25.

¹¹ The database of the earlier models for Cameroon is dated 1984/85 and 1989/90. See Njinkeu (1997) for developments on the advantages of using a recent data base in the CGE model analysis.

The model is made up of five main blocks (production, income/savings, demand, price and equilibrium). In the production block, the sectors produce by combining primary factors (labor and capital) and intermediate inputs (CI) in a two-level procedure. Products sold on markets are then distinguished from sectoral production.

In the demand block, the distinguishing feature of the CEMAC market as a second external market for local economic operators gives rise to a special modeling of demand of domestically produced and composite products. A two-level constant elasticity transformation (CET) function, following the Njinkeu and Bamou (1996) approach, permits us to distinguish the products produced and sold locally (DC) from those exported to the CEMAC zone (EXUC) and the rest of the world (EXRC). In like manner, a two-level constant elasticity substitution (CES) function made it possible for us to obtain the Armington demand for composite products (Q).

In the income/savings block, households receive salaries while the capital revenue is distributed among local agents (households, companies and government) who are owners of the capital invested in production activities. These agents save after paying taxes, consuming and making transfers. The sum of savings is used to finance the global country investment. Price specifications are standard. Nevertheless, Krueger et al. (1991)'s suggestion of taking into account the relative agricultural sector distortions due to export and import-substitute tariffs is considered. On the international market, prices are determined according to the origin and destination of the products.

On the labor market, the practice of work contracts would suggest that salaries are rigid in the short term. In practice, this rigidity is conveyed by a personnel reduction during periods of economic recession and massive recruitment in case of revival (this is what happened in the public service, the country's main employer). This short-term rigidity of salaries is expressed in the model by unemployment equilibrium where a variation in the labor demand is conveyed by a modification of the unemployment rate (tch). The total labor supply (LS) and the salary rates are thus fixed and the endogenous rate of unemployment plays the role of labor market equilibrium factor¹².

One of the major implications of the foreign market segmentation is its impact on the trade balance, which becomes the sum of trade balances with other CEMAC member states (BCU) and with the rest of the world (BCR). The government cannot borrow indefinitely to finance the country's development. To avoid the financing of investment through increased foreign indebtedness, we have chosen to set the country's global trade balance at its initial level. To this end, regional trade balances (with CEMAC and the ROW) adjust themselves to equilibrate the foreign market. This approach is appropriate as welfare analysis is among our concerns. With such a closure, the welfare depicted in the model is specific to the generation under analysis and not the one borrowed from the future generation through indebtedness.

Public expenditure is exogenous and government savings are endogenous so as to allow for an adjustment in budget expenditure on government revenue as recommended by the restrictive policies prescribed in the SAPs in place. The general consumer price index is thus used as a "numeraire".

¹² See Bamou (1997), Njinkeu and Bamou (1996) and Dissou and Decaluwé (1994) for alternative closures of the labour market in CGE models.

With a view to analyze the effects of future WTO negotiations on resource allocations and the food security population, a welfare variation model is added to the CGE model constructed. This model is inspired by the compensating variation (CV) and equivalent variation (EV) defined by Hicks (1956), associated with the development of purchasing power suggested by Hicks (1946) and Harberger (1971). The indirect utility function associated with the Cobb-Douglas demand function type deriving from the household consumption function in the CGE model is used in the specification of that welfare variation model. On the other hand, the liberalization options considered are the following:

- Tax exemption on agricultural imports;
- Scenario 1 with exemption of industrial food products imported from CEMAC zone;
- Scenario 2 with 25 per cent tax reduction on industrial food products imported from the rest of the world (ROW);
- Scenario 3 with exemption of agricultural exports;
- Scenario 4 with increased transfer from the ROW to the government equal to the fiscal revenue deterioration due to scenario 4, as international organizations promised external support to agricultural trade liberalization options in developing countries;
- Scenario 4 with double transfer of scenario 5 and exemption of subsistence agricultural products sold locally.

Results analysis

Our analysis is centered on the impact of simulated measures on agricultural and agro-industrial sectors, household incomes and consumption of food commodities. The implications on the main macro-economic indicators are likewise considered. The results, summarized in table 26, show that the exemption of agricultural imports (scenario 1) generates relatively positive effects on the overall production of foodstuff commodities as well as on the food security of households. The immediate impact of this measure is the reduction of import prices as compared to those of local production. These price reductions are accompanied by deterioration in the relative prices, which is prejudicial to local products. A slight decrease in production is recorded within the hunting and agro-industrial sectors, which are much in competition with exonerated imports. Moreover, this drop is less than proportional to the recorded increase within the remaining three agricultural sectors.

Given that public expenditure is exogenous and fixed, tax exemption reduces budgetary surplus and, as result, the investment through a reduction of total investment accompanies global savings because of a decrease in Government savings. There follows a slight reduction of economic activities, accompanied by a slight aggravation of unemployment and a down-surge in household incomes. This reduction in income is, however, not strong enough to compensate for the positive price effects on the consumption of food products, which have slightly increased. Hence, the relatively positive variation in the household welfare due to foodstuff consumption increased, and thus a relative increase in the population food security.

The exemption of agricultural imports accounts for Government's twin objective of budget equilibrium and improved agricultural production, as well as food security of the population. The macro-economic, sectoral and food security impacts of scenario 2 are almost similar to those of scenario 1. All the same, a clear reduction of the trade balance surplus with CEMAC is recorded, as compared to the initial year and scenario 1, which reveals that a sound

discriminatory regional agricultural and agro-industrial policies vis-à-vis the rest of the world could revive sub-regional co-operation within CEMAC.

As regards scenario 3, the positive effects observed above in relation to food security are intensified just as much as positive agricultural production effects. However, the negative effects on industrial production, including agro-industry, reinforce the negative macro-economic effects of the two previous scenarios. The decrease in GDP now approaches 0.5% and unemployment increases by 1%.

The drop in the tax rates on agro-industrial products from other countries did more than deteriorate relative prices between domestic production and imports to the benefit of imports. This resulted in a drop in local agro-industrial product demand as opposed to imports, which affected supply in the agro-industrial sector. This disproportionate drop, as compared to the upswing in the agricultural sector (it is not worth pointing out that the agro-industrial sub-sector is predominant in the country's industrial sector), coupled with compression in the global economic activity, resulted in relatively high rates of unemployment.

With lower rates of local supply in agricultural and agro-industrial products as compared to imports upswing, there has been an increase in available food resources. Once more, the positive price effects due to tax rate decreases more than compensated for negative revenue effects, and resulted in a relative increase in household food consumption and the equivalent welfare and consequently an increase in their food security.

According to scenario 4, the strengthening of positive production effects on overall agricultural sub-sectors offsets the negative effects on the industrial production in scenario 3, and enables a revival in global production which results in a notable drop in unemployment rates. The repeal of taxes on exports has enabled a readjustment of farmers' prices, which in turn has stimulated supply. The perennial agricultural sector, which suffered from more taxes as compared to other agricultural sub-sectors, is consequently the main beneficiary.

The deterioration of the relative agricultural local sale and export prices to the detriment of local sales resulted in a significant upswing in exports towards CEMAC and the ROW. The respective increase in imports is an indication of the increase in the country's overall volume of international trade, which goes to confirm the theoretical expectations of that trade liberalization process. The results of both positive revenue and price effects on agro-industrial imports, due respectively to the salary increase and the prices decrease of scenario 4, have resulted in a significant positive impact on food security. However, tax exemptions on imports have caused the reduction of more than half of the budgetary surplus.

Scenario 5, which reasserts the commitment by international organizations (World Bank, IMF and WTO) to assist agricultural liberalization programs in DC's, is an attempt to solve the budgetary problem that could originate from agricultural trade liberalization. In general, the effects of scenario 5 are positive, both at sectoral (agricultural, agro-industry and food security) and macro-economic levels. There is a notable improvement in agricultural production as well as a clear increase in the volume of consumed food products and in the households' welfare resulting from the foodstuff consumption. At the macro-economic level, the GDP growth rate has been higher than in scenario 4. Consequently, the decrease in the unemployment rate is almost the double of the level in scenario 4, thanks to relatively positive production effects noticed in the industrial sectors. In addition to these positive production

effects, the budgetary surplus of the base year has been regained and even overtaken by more than 20%.

Sector demands being addressed through a basket of composite products, increase of these demands is accompanied by producer price increases, which react by boosting supply. This then has a positive bearing on households' income. The combined positive effects of producer price and household revenue which adjust to demand and supply trends, are balanced by a substantial spur of households' welfare due to food consumption and, consequently, by an improvement of their food security. These positive effects are more than strengthened in scenario 6.

VIII. Regional Analysis

The regional analysis is considered in the framework of CEMAC and centers on two points the regional trade protocol and food security and the constraints and opportunities of CEMAC countries of negotiating together in the WTO framework. We conclude the section with the implications for the WTO 2000 agriculture negotiations¹³.

VIII.1. Regional Trade Protocol and Food Security

Like most developing countries members of the CEMAC had put in place since the 1940s a framework for economic and social policies coordination and harmonization. On the trade side this process was driven for a long time by protectionism, including important tariff barriers and quantitative restrictions (QRs) on imports leading to general bias against exports. Since January 1994, trade policy is legislated by a more liberalized fiscal regime namely the UDEAC's regional fiscal reform program (RFRP)¹⁴. The Council of Head of States and a region-wide conference of Ministers of agriculture, forestry and livestock created since 1990 monitor policy harmonization in trade in agricultural and livestock products at the highest level. We first present the main elements of this harmonization before considering the trade regime.

a. Regional Harmonization of Agricultural Policy

The agricultural, pastoral and fish breeding policy described under article 35 of the convention governing the Economic Union of Central Africa (UDEAC) of CEMAC, is elaborated within the frame of sector policies of CEMAC. Its objectives are as follows:

- Increase productivity in the agricultural sector by stimulating technical progress, by assuring a harmonized development of production factors, particularly labor, and thus improve living standards of the population;
- Assure profitability in agricultural sectors;
- Stabilize markets;
- Guarantee security for supplies;

¹³ Communauté Economique et Monétaire d'Afrique Centrale (CEMAC) which was created in 1998 as a transformation of UDEAC. Member countries of CEMAC include Cameroon, CAR, Chad, Congo, Equatorial Guinea and Gabon.

¹⁴ See Decaluwe et al. (1999) for the analysis of the regional tax reform and its relationship with regional integration.

- Assure market prices in the distribution of products to consumers.
- The following points are considered, in the elaboration of the guidelines of this common agricultural policy:
- The importance of agricultural sectors in the economy of members States;
 - Structural and natural disparities between the various regions;
 - The need to gradually conduct timely adjustments.

b. Production and Trade of Agricultural and Livestock Products

The new fiscal code created a more neutral and flexible trade and fiscal incentive system. On the import and export side, the program distinguishes goods according to their origin and destination within or outside the region. Contrary to the former tax system with four main taxes, the new system comprises only two main groups of taxes. The first element is the comprising customs duty and temporary surcharge taxes (excise and progressive taxes). The second is the turn over Tax (TCA) whose base is the sum of the Cost, Insurance and Fret value, the customs duty and the temporary surcharge taxes.

In the customs duties code products are classified in either of four groups, representing successive levels of product transformation. Group I products includes necessary goods and has the smallest rate. Group II includes primary and equipment products. Group III products include semi-finished goods and group IV comprises consumption goods. The tax rates per category are 5%, 10%, 20% and 30% respectively. A temporary surcharge tax was put in place to substitute for the protection formerly provided to firms via No-Tariff Barriers (NTBs). It is thus temporary and its rate varies according to products but may not exceed 30%. All QRs were mandated by the reform to be abolished in all UDEAC's member States by June 30th 1996 and the rate for the temporary tax reached zero by 1999.

Sales on local markets are subjected to indirect taxes that are made of two components: (1) an excise tax and (2) a turnover tax. Each of these taxes has budgetary considerations. For locally produced goods and services the tax base is either the ex-factory price or the market price, net of other taxes. The turnover tax has two rates: (1) a normal and a (2) reduced one with the latter being applicable for necessary products.¹⁵ There are preferential treatments on agro-processing; with exemption on equipment and taxation of intermediary goods. The turnover rates are freely fixed by each member state within the range of 3% to 6% for the reduced rate, and of 7% to 18% for the normal rate. In July 1994, the rates fixed were 5% and 15% in Cameroon. Since July 1996, these rates went respectively to 7% and 18% and the excise as well as the temporary taxes on imports and exports still not applicable. There was no tax on No-processed goods, hence most agricultural and livestock products are duty-free. The turnover tax rate is zero. The reform had introduced an initial duty of 20% to be reducing to 10% during the second year and to zero on the third.

The entry into force of the regional reform program varied from countries to countries. It is effective since early 1994 in most countries. The tariff structure follows the regional

¹⁵ The turnover tax is comparable to a value added tax. Among others, manufacturing equipment are exempted from the TCA and the TCA paid on raw materials is deductible when the finished product is sold.

commitment¹⁶. Additional taxes are applicable especially on food products as follows: 1% ad-valorem data processing tax; 0.95% inspection tax for imports in excess of CFAF 2 millions; a veterinary tax of CFAF 5,000 per animal and between 2 and 3% for other animal products; a duty for phytosanitary control; a port tax with variable rates per ports; a toll tax for meat transport; and some specific taxes on some products such as rice, flour and wheat. Some of these taxes no longer have legal status and will be dropped.

Export subsidy and taxation

There is no export subsidy currently in the policymaker tool kit. The regional authorities left to the discretion of individual state the decision on the need for an export tax. Export tax is in force in Cameroon, CAR and Gabon. (See table 27). The main rationale for the tax was to capture in the public budget some windfalls profits due to the 1994 devaluation.

The implementation of these taxes has impacted on the level of trade. Agricultural products, although dominated by five products, represent about 25% of the value of regional trade. The main products include wood, fat and oil, tobacco, food preparations and sugar, trade in some products such as cocoa, rubber, fruits, milk, vegetables, cereal-based preparations. Cameroon is a net-importer of cereals, cereal-based preparations and milk. In CAR there is no ban on either import or export, except for ivory and some variety of logs. All derogatory regimes have been eliminated; there is a preferential taxation on intra-CEMAC trade. Exports are exonerated from the turnover taxation. Food production is also exempted from the turnover tax. To stimulate exports there is a preferential treatment of 15% turnover rate on equipment used as input in forestry exploitation.

Tables 28-30 give respectively the level of agricultural and food crop production in CEMAC, the listing of products traded within the region and the characteristics of taxation applicable. Production is provided for two periods 1988 and 1996 and as such corresponds to the period of country-specific unilateral, SAP-driven liberalization implemented between 1988-90 and 1994. Two general observations are in order. Whereby Cameroon predominates on the production of agricultural products, for livestock it is only a major player. Chad in several cases is the dominant player and overall CAR is a respectable third player in the region.

The flow of intra-agricultural trade shows a clear dominance of Cameroon on export. To the contrary, Chad exports its livestock production only in Cameroon, probably because of sanitary reason since Gabon and Congo would have constituted even more lucrative markets. Equatorial Guinea imports from Cameroon only and has no exports to any other member of the community. The matrix of intra-regional trade flows confirms the uneven pattern of benefits in the region. However, contrary to the case of industrial goods and services where the dominant players are Cameroon, Gabon, or Congo (until the 1980s), agricultural trade is fully dominated by Cameroon, livestock by Cameroon and Chad.

As indicated, country-specific liberalization did not have a discernible impact on trade of agriculture or livestock. One reason is that the major bottlenecks had not been removed. Namely the Tax Unique, which was meant to stimulate intra-regional trade, became very distortionary (see Decaluwe et al 1999); it was removed only with the 1994 reform. This was

¹⁶ Some countries considered these rates as a maximum. Since the entry into force of the regional reform coincided with a major currency devaluation Cameroon and Gabon end-up using lower rates than those prescribed by the reform.

compounded by an overvalued currency that was also devalued in January 1994. Overall there has been a return to positive growth rates in the region as a whole.

The extent of multilateral liberalization is given in table 31. There are two characteristics that are relevant for AoA. First, the level of participation is low. Only Cameroon and Gabon have submitted notification to the WTO. Equatorial Guinea is not yet a member of the Organization. Second characteristic is the low level of commitment made. The average applied tariff on agricultural goods in Cameroon and Gabon are quite low at 18.7 and 22.6% compared to the maximum notified rates that are between 9 and 12 times the applied average rates. Given that there is no quantitative restrictions on agricultural trade one would have expected the bindings to be close to the actual maximum TEC value of 30% plus the maximum surtax rate of 30%.

One possible implication to this is the relative liberalization that can be attained in unilateral versus multilateral framework. Regional liberalization offers several desirable features the most important probably being the policy lock-in. For this reason, properly designed, regional rather than multilateral liberalization framework offers a better alternative to African countries integration in the world trade system.

c. Food security in CEMAC

The joint FAO, Economic Community for Central African States (ECCAS) and Central African Economic and Customs Union (UDEAC) report of 1993 (FAO et al., 1993), show that if food availability is averagely sufficient to satisfy the energy requirements of the population of the Central African sub-region, it is however so unevenly distributed, that within the zone the following are generally noted:

- A frequently low calorific value;
- A very often lipid deficient diet, particularly in the Sudanese-Sahelian zone;
- A protein deficiency, particularly in animal proteins;
- More than a quarter of children at pre-school age are suffering from acute malnutrition in certain countries;
- Anemia is among the first ten causes of diseases in the whole sub-region and may be an important cause of death.

This food situation is consequent to several causes that can be grouped under five main categories:

- The technical causes that group low agricultural production, insufficient supply of agricultural products and the ineffectiveness of conservation and processing methods;
- Material problems including insufficient road infrastructure and means of transport are of major important;
- Institutional or political causes including, the poor sub-regional integration, the non application of marketing and common customs policies, difficult access to credit lack of bargaining power, the inadequacy of the information system and of the training system;
- Economic causes including the inadequacy of price and inputs policies and the poor diversities of economies;

- Social cause mainly due to rural exodus, which particularly affects the youth and which, by extension, contributes to the ageing agricultural population.

This agricultural problem common to the sub-region is taken into consideration by the executive organ of UDEAC/CEMAC in its common agricultural, pastoral and fish breeding policy and the food security program of the sub-region, which aims to eradicate the causes or to alleviate them.

The common program of the food security policy jointly drawn with FAO and ECCAS, aims on the other hand to:

- Improve physical and technical conditions favorable to the quantitative and qualitative increase of the supply of food products;
- Increase the marketing and processing potentials of food products;
- Strengthen the marketing potential of food products;
- Generate more jobs and revenue for the population.

Specific actions are earmarked towards achieving these main objectives and thereby guaranteeing food security for vulnerable groups. That is why the realization of the first objective depends on:

- In marginal zones, where vulnerable groups live, a wealth of available and adapted technologies is introduced;
- Quest for new technologies to improve productivity and diversify production;
- Transformation of the animal production system to make it more effective;
- Equipping rural areas with social infrastructure.

Action specific to the realization of the second objective are as follows:

- Reinforce the conservation and the processing capacities at the level of peasants through an inventory and spread highly-performant rustic technologies among others;
- Stimulate investment in the industrial processing of local products, notably by adopting and implementing tax-customs measures favorable to the development of the agricultural sector, including all activities related to agriculture.

The following four actions make way for the third objective to be achieved:

- Promotion of intra-community and regional exchanges which requires the effective application of community measures aimed among others at, (1) eliminating tax and non tax barriers to sub-regional trade, (2) strengthening the economic information system on the production capabilities of member countries, (3) rehabilitating and/or constructing roads plying borders markets, encouraging and using insurance in the agriculture field including the transportation of foodstuffs and the standardization the quality norms relating to foodstuffs;
- Stabilization of the supply of food products in markets of urban centers and zones highly vulnerable to food insecurity by promoting consumption- based cooperatives;

- Ensuring that zones highly vulnerable to food insecurity are adequately supplied by constituting food reserves within such zones;
- Creation of an enabling environment for trade expansion within the sub-region as regards food products by ensuring that national legal instruments conform with sub-regional legislature on free circulation of goods and services.

The fourth objective has as final goal the raising of the purchasing power of the population and facilitating their access to basic foodstuffs. The realization of this objective requires among others:

- The promotion of job opportunities which depends on encouraging agricultural activities within the peri-urban zones by developing lands and small-sized pasturelands, water supply and installation of veterinary and extension services;
- The setting up of proper mechanisms to consolidate relations between the formal and informal sectors;
- The training of youths to build-up the enterprising potentials;
- The creation within government organs of negotiation facilities for contracts and transfer of technology within the frame of partnerships between enterprises of the sub-region and outside the sub-region.

VIII.2. Using Regional Arrangement for Multilateral Liberalization by CEMAC

a. Some Desirable Features

The Enabling Clause of 1979 made possible the introduction of preferential and No-reciprocal market access schemes, with the extent of preferences and the level of reciprocity left to the discretion of each country that extended them. The concept of graduation accounts for the fact that the capacity of developing countries to comply and fulfill their rights and obligations of the multilateral trading system would increase with the improvement, over time, of their economic status and trade situation. Transitional time frames and technical assistance in the implementation of the various agreements was introduced as recognition of the fact that developing countries have weak capacity that cannot allow them to fully participate. As a result their implementation capacity needs to be taken into account in all Agreements, through positive actions by developed country members or international institutions and through exceptions to the overall rules applicable to developing and least developed countries. Overall, except for selected cases weaknesses in the human and physical infrastructure and institutions related to international trade have been identified as key impediments.

The objectives of CEMAC include lowering of trade and No-trade barriers among members with a long-term goal of establishing an economic union. The realization of such a goal is obtained through scale and competition effects, trade creation and trade diversion, fiscal revenues, trade and location effects, and transfer of technology (World Bank, 2000). Economies of the CEMAC region have heterogeneous characteristics. On one hand, that of Congo and Gabon depends largely on oil exports while economy of Cameroon is relatively more diversified although the base remains quite fragile.

The success of regional integration will depend on greatly enhanced policy cohesion among the members, pulled by strong and sustained trade performance of the biggest three economies. Although some progress is required CEMAC builds on the over 50 years of

monetary and exchange rate policy coordination that has in recent years been extended in the areas of insurance, accounting and business laws. All these have enhanced policy lock-in. Given an adequate understanding of their specific problems by the international community the current framework could speed the integration in the world economy.

One impediment to progress in CEMAC has been the heterogeneity and uneven distribution of benefits of trade. Transportation and other communication cost reducing policies could significantly reduce the scope for such uneven pattern of benefits. Evenly spread benefits are also more likely if countries engage in deep integration, through policy coordination in several areas. Policy coordination will facilitate the implementation of regional projects that reduce transactions costs, easing the integration in dynamic production and distribution networks that in turn foster investments. An important aspect to consider, at the WTO or in the Cotonou Partnership Agreement negotiation, is the need for an overall supportive policy framework. Furthermore, there is a need to build ad-hoc coalitions with partners with shared interest in particular issues, with the aim of presenting a common front in whatever forum may be relevant.

A regional integration arrangement could be more apt to internalize the market access benefits than a multilateral arrangement. Exporters from a country would anticipate benefiting from concessions from other partners if these concessions are not open to third party. In CEMAC unilateral liberalization has been deeper than WTO commitments; this reinforces the case for the superiority of regional over multilateral liberalization. The crucial element centers on the degree of reciprocity that should be allowed without losing the focus on development. In the CEMAC it means reconciling the interests of developing countries (Cameroon, Congo and Gabon) and least developed as per the UN classification (CAR, Chad, Equatorial Guinea). A related aspect is the flexibility regions have for forming WTO-compatible trade arrangements. The necessary framework is provided by article XXIV of GATT or article V of GATS. The main requirements for such a scheme are the following. The regional trade agreements should have an extensive coverage of trade, it should not lead to increase in protection vis-à-vis third parties, no sector can be excluded a priori, a maximum ten years transition period for interim agreements leading to the FTA or CU.

Least developed members of CEMAC will probably, at the end of the millennium negotiations, enjoy No-reciprocal preferences along the lines of the package proposed by the EU and covering "everything but arms (EBA)". The implementation of the EBA will considerably enhance the market access of this group of countries. This could unfortunately *de facto* require some reversals on regionally adopted policies in CEMAC. In particular, it could be necessary to define rules of origin to minimize the abuse of preference by No-LDC countries. This could distract attention away from the more pressing need for export and production diversification. One way out of this would be to revisit the classification of countries. Since the WTO does not have its own classification one could be determined characterized by economic and trade performance, the spillover effect that would facilitate the emergence of a strong economic base, with competitive firms better prepared to face the requirement of globalizing world. This option for a regional partnership with the EU in which probably the LDC's would keep the same No-reciprocal preferences and the No-LDCs would have reciprocal trade should be avoided.

A second option is the GSP for No-LDCs with its associated uncertainty. Stevens et al.(1999) identified four possibilities: (1) preferences at a reduced level for products where some competitors trade on MFN terms and there is a GSP option; (2) The competitors is allowed to

trade on same terms either under GSP or MFN terms; (3) The competitor is allowed to enjoy equal treatment in case GSP terms are less favorable than Lome preferences and these are extended to the competitor i.e. equality is replaced by discrimination; (4) Preference is replaced by discrimination, with the more favorable Lome preferences given to competitors because the GSP provides less favorable access.

Table 32 assesses the loss to CEMAC members associated with each of these options. Products are identified, together with other ACP countries facing the same problem and the likely beneficiary. In the case that preferences are retained but reduced, all three No-LDC members will experience losses. Given its diversified production base, Cameroon loses on all the five products considered. The direct beneficiaries are Brazil and some South East Asia countries, such as Thailand, Indonesia and Malaysia. In the second case of elimination of the preferences the list of products increases to ten. Two of these products, bananas and sugar, are covered by the ACP-EU protocols. In the third option where equality is replaced by discrimination only Cameroon is affected. The main beneficiaries include developing and developed countries. In the last case, only one CEMAC product is affected and all No-LDC in the region lose, to the benefit of Ecuador. Overall each No-LDC member of CEMAC will lose in case of termination of preferences, hence the pressure to negotiate an economic partnership that would not require reliance on GSP. The greatest loss will be incurred by Cameroon.

Alternative option would be continuation of commodity protocol products agreement covering sugar, beef, bananas and rum all of them excluded from the EU GSP. Simple inclusion of these into the GSP would lead to losses as competitors already enjoy these preferences. Protocols offer preferential treatment either in terms of access, prices or both. The arguments for the negotiations of the protocols are basically the same as other SDT. Discussions on protocols need to address three interrelated issues: (1) ensure that the legal status and the transition period protect the interest of producers; (2) include the protocols in what is not covered by the "substantially all trade clause" in Article XXIV; (3) technical assistance clauses that would minimize the impacts on the beneficiaries of commodity protocols of the reforms in the CAP. The two countries considered by the protocols are Cameroon (bananas) and Congo (sugar). These two products represent respectively 3% of exports to the EU for Congo and 5% for Cameroon. The EU's option for each of these two products is to bring them in the economic partnership discussion with a need to ensure WTO-compatibility. Special financing could be provided, including assistance for export diversification (Dunlop 1999).

Some special features of each of these two products would be important in setting a negotiation strategy. Both products enjoy tariff preferences, duty free and tariff quota access. There are country allocation and commitment to purchase and sale sugar. In the case of bananas there are trade development provision. Sugar is also produced in the EU. The sugar protocol guarantees to ACP producers a price equivalent to the EU price that is in turn affected by the level of export subsidies. Negotiations on export subsidies and of out-of quota tariff on imports of sugar will therefore have a direct impact on the economic benefit of the sugar protocol. The main elements of the protocols are better appraised by the case of bananas in Cameroon.

b. Cameroon Banana and WTO Negotiations

Initially produced mainly by small-scale farmers at the beginning of the 1930's, banana exports witnessed strong growth and peaked at 140 thousand tons per year during the 1960's. Because of phytosanitary problems, and new and more rigorous international trade standards, output dropped to 40 thousand tons during the decade of the 1970's. It was then that the Cameroonian Government decided to intervene directly by creating vast agro-industrial farms such as the Cameroonian Banana Board (OCB) and the Cameroon Development Corporation (CDC). These succeeded in boosting output to the neighborhood of 80 thousand tons and ensured almost 50% of banana exports by the end of the 1970's. Nevertheless, phytosanitary problems once more affected the harvests during the 1980's, and as a consequence, banana exports fell below 25 thousand tons in 1986. This crisis initiated a reorientation of the Government's strategy towards the liberalization of the banana channel.

This liberalization resulted in to the privatization of the OCB in 1990 and the takeover of CDC's banana operations by Del Monte. In addition, this period favored the entry of new and large-scale farms. These new companies merged around three main corporate interest groups focus of which the most important is controlled by the French Group "La Fruitiere de Marseille" which comprises three companies, namely SPNP, SBM and PHP, that control 56% of output in 1999. The CDC, under the American group Del Monte, represents the second main producer with 40% of output the same year while the third group, controlled by nationals, represents only 4% of output in 1999 (MINAGRI/DEPA, 2001). At the marketing level, the same shares are found with 49% of the banana exports controlled by the first group while the two others respectively control 48 and 3% of these exports. In general, large agro-industrial farms control exports while small size farmers supply the domestic market.

The liberalization of the banana industry has also manifested itself through numerous positive effects on production, quality and yields, as well as on its contribution to the fight against poverty. During the 1990's, not only areas under cultivation have increased by almost 46%, but productivity also rose to nearly 36%. Better still, the latter went from 16 tons/ha in 1989 to 46 tons in 1999. Output almost doubled during the decade while the number of jobs created rose by almost 114% as can be seen in the table 33.

Also, the European market where most of the Cameroonian banana is exported due to new investment efforts and to the preferential conditions provides for these performances. Starting in 1990, the CDC invested nearly CFAF 15 billion in developing banana in the Moungo and Fako regions. In 1991, the SPHP set itself up in business with CFAF 610 million in capital investment.

Adapting the European market's supply system to the WTO norms will certainly impose new condition constraints on the Cameroon banana industry. On the basis of the 1995 exports trade volume, Stevens et al. (1998) have estimated that the losses in Cameroon banana exports were likely to reach ECUS 10 million as a result of the preferential erosion. These losses could actually be higher if we were to take into account the present positive trend recorded in world aggregate exports.

Besides these losses, tremendous effort must be made in terms of competitiveness for the Cameroon banana industry in order to survive the competition of its Latin-American competitors. The globalization of the import quotas of the ACP's banana starting in 2004 or the implementation of a single tariff (at customs), which implies the cancellation of

quantitative restriction with preferential access however for ACP's countries, involve a cost-competitiveness challenge for Cameroon banana. The MINAGRI/DEPA (2001) study shows that the banana channel has to reduce production cost by FF 0.95 per kg before 2004 in order to attain the competitiveness of Latin-American production. The reduction may amount to FF 1.1 per kg if the effort being made by competitors to improve their productivity is taken into consideration.

The reduction in costs thus wished-for can only be achieved through increases in output and productivity, the streamlining and the optimization of subsidiary operations, and the reduction of the tax burden. As concerns output, it must practically be doubled to achieve the optimal size that will enable the banana channel to realize economies of scale. However, the pressure on the land makes it very costly to extend the areas under cultivation, especially in the Moungo zone where land is presently leased for CFAF 75000 ha against CFAF 25000 ha previously. Increase in yields should therefore be given priority.

Given the results that have been obtained on modernized land, yields must increase to up to 60 tons/ha. At that level, savings of FF 0.38 kg would be achieved on the cost price. This yield can be attained by improving: (1) the system for supporting the banana plants against wind damage which would enable operate to cut down on losses to tornadoes estimated at 15 thousand tons/year, (2) soil fertility, (3) irrigation, (4) phytosanitary treatment and (5) harvesting and transportation systems. The reduction of the tax burden, which is the same as that for most agricultural products, could be initiated through the reduction of taxes on the main inputs (phytosanitary products and gas-oil).

Given the magnitude of capital investments required, and estimated at Euro 124 million for the next five years by the different enterprises of the banana channel for improving the Cameroon banana channel, and given the urgency of the situation, Cameroon has taken a cautious stand relating to the banana battle.

Legally the bananas protocol is part of the Lomé convention whereby the sugar protocol has its own legal status. In the WTO framework the legal status of the convention, hence of the banana protocol is through a waiver to the MFN clause as well as the Enabling clause. Securing the waiver is therefore a relevant and important aspect of a negotiation strategy for Cameroon and CEMAC. There are difficulties in obtaining the waiver in the current configuration at the WTO and the EU's own internal dynamics. These range from the fact that preferences, as have been provided so far, have failed to stimulate production and trade in ACP; EU members have different interests and opinions vis-à-vis the protocols products, with duty-free imports of bananas in France, UK, Germany and Italy; and 20 percent duty-paid in Benelux countries, Ireland and Denmark; need for WTO-compatible arrangement; possible lack of relevant number of votes, should this option be required¹⁷.

Another alternative, given that the proposed super GSP is likely not to erode the preference margins for No- LDCs one way of limiting the impact on African countries to obtain a reclassification of countries allowing giving regions such as the CEMAC the LDC status. One criterion for classification is to base it on income level. Table 34 illustrate the implication for one classification using as cut-off points the 1995 per capita GNP of \$500, \$3,300, and \$5000

¹⁷ A three-quarter majority is required for a waiver. The ACP and all the 16 EU members in case all support a waiver will still need the endorsement of 29 members of the WTO. Some tuff lobbying is therefore needed.

(Stevens et al., 1999). If we use as reference the category that includes Cameroon or the “normal-income” category, for all products in table 34 preferences have to be extended substantially to No-ACP and several of them developed. Defending a Lome-type preference for South Africa for example in the case of fresh or dried pineapples will meet strong resistance to European lobbies. The income level needs to be complemented by other criteria that lead to more restrictive number of countries with which the international community will leave.

A final alternative is to accept existing regions in Africa, which are still too small in size based on total GDP and compute an index the components of which need to be agreed to. Elements of such an index could include income level, trade performance and vulnerability. It should also have a graduation criterion. Such an index would most likely qualify the CEMAC region to a LDC status. Finally these options will require human and financial resources to negotiate both with EU and in the WTO. An achievable negotiating position can be summarized as follows (Njinkeu, 2000):

- An umbrella ACP agreement focusing on systemic participation issues such as capacity building, supply constraint alleviation and ad-hoc coalition building;
- An observer status to the AEC with mandate to coordinate intra-REC relations and public goods that enhance firm competitiveness;
- LDC status to African RECs, with broad definition of the “substantially all trade” clause to encompass commodity protocols and other products with potential comparative advantage;
- A long-term objective of reciprocal trade with benefits giving to all partners.

IX. Policy issues, options and strategies for the forthcoming WTO Round

IX.1. Main focus points

The economy of Cameroon is essentially based on agriculture. The country can expect to reach high growth rates and expansion in international trade only under specific conditions. First productivity and competitiveness should increase in the sector. Lack of competitiveness can be associated with several factors, such as the high ocean freight cost, inland freight rates. The improvement in transport and communication and other relevant issues explaining the high transactions cost is crucial.

Second, particular attention should be paid to external factors to the agricultural sector, including non-farm domestic economic policy. The most important characteristics of the agricultural sector in Cameroon are the over exposure to external shocks due to reliance on rain for cultivation, dependence on foreign capital goods and on export revenues of a narrow production base. Exports of agricultural commodities provide the foreign exchange needed to acquire capital goods that can increase the country’s productive capacity. The performance of the agricultural sector is, therefore, dependent upon the availability of foreign exchange. The structure of production and the terms of trade (TOT) are, therefore, relevant. The slow down in the TOT (from 102.1 in 1998 to 76.7 in 1992 (World Tables, 1995)) has confirmed the Singer-Prebisch-Singer hypothesis according to which the terms of trade of commodity exporting countries have a long-term negative trend.

Any policy aiming at a sustainable development of agriculture should take this fact into account. To address the TOT deterioration there is a need for export diversification that can be realized if the necessary structural policies are undertaken. Productivity matters can be increased if there are improved efficiency in the delivery of public goods and an adequate human capital stock. Cameroon market shares in its major agriculture products have declines, to the benefit of competitors in mainly in South East Asia. The declining market shares can be attributed to: (1) the macroeconomic pricing policies that are biased against agriculture, (2) the high marketing and production costs that reduce competitiveness and (3) the reliance on acreage expansion for output growth. There is a need to expand production through cost reduction and enhanced competitiveness rather than the focus on acreage expansion.

Third, increased resources for research and development, adequate pricing of agricultural inputs, enhanced market access for agricultural products should be part of the overall approach to integrating Cameroon' agriculture in the international economy. To stimulate agricultural production and competitiveness there is a need to increase investment in the agricultural sector, which can be financed by domestic and foreign savings. For the agricultural sector basic education needs to be coupled with well-designed research and extension service. As the profile of crop yield has shown, Cameroon compared to its competitors cannot be competitive.

Fourth, in addition, the structure of incentives needs to be changed in favor of production and export diversification. The most important aspect is the elimination of anti-agricultural bias through macroeconomic policy. There is, therefore, a need to enhance the incentives for agriculture by deeper reforms at the sector level, especially in the interface between reforms in commodity-specific and sector policies as compared with economy-wide issues.

Fifth, because of the small size, the external shocks can easily disrupt the growth process. There is therefore a need to enhance the capacity for resisting to external shocks without significant changes in long-term development priorities. Crucial to this is the diversification of the production and export bases. This can be adequately done if farmers have access to credit to allow them acquire the needed machinery and plant varieties. Overall, production and distribution costs will be reduced to facilitate competitiveness if there is a coherent program pertaining to rural infrastructure, basic education, and technology and extension services.

Sixth, an effective partnership between the State, farmers, and the private sector is necessary to improve agricultural productivity and competitiveness. The State should be responsible for creating conducive environment for agriculture and in addressing the structural constraints to increased productivity. It should not undermine the ability of farmers to make decisions or the private sectors to provide inputs and services at affordable prices. Farmers may suffer if services provided by the state are abruptly withdrawn before the private sector is ready to fill the gap, or other alternative institutional arrangements have been organized and developed sufficiently to undertake prompt and efficient delivery of such services. There is a need to use existing capacity more effectively and in that connection, the empowerment of farmers' association ensures effective participation of all, in particular of small holders.

Seventh, agriculture needs to be considered in the overall context of rural development, hence the importance of access to education, health and other infrastructures by rural populations. Marketing channels, intellectual property rights, patent rights are all important. There is also a

need to understand the context and the instruments of international trade negotiations, appropriate strategies and regional alliances to strengthen negotiating position.

Eight, the extent of agricultural liberalization will depend on the tariff bindings and tariff commitments incorporated in the GATT schedules, as well as other commitments on domestic support and export subsidies. The framework for the negotiations, already agreed to during the URAs, will aim at lowering bound rates and on the use of export subsidies. The agricultural negotiations should take into account: (1) the experience of the implementation of reduction commitments under the GATT, (2) the effects of these commitments on world trade in agricultural products as well as the non-trade concerns, (3) the special and differential treatment to be accorded to developing countries, (4) the overall objective of establishing a fair and market-oriented trading system and other objectives mentioned in the agreement's preamble, and (5) any further commitments that will facilitate the achievement of overall objectives of liberalized trade.

Once the topics will be decided there will be a need to decide on the negotiation strategy. On this, Cameroon will need to coordinate its position with that of other relevant trading partners, and taking into account what can be obtained from the negotiations. It is important to note that the most outspoken liberalizes, such as the Cairn group are prepared to include the principle of special and differential treatment for developing countries, as well as other issues of interest such as tariff peaks and tariff escalation. However, these will not be given. There is a need to negotiate for improved market access for products where there is actual and potential competitive advantage. Improvements in market access will largely be a matter of tariff bargaining, but the general formulas for tariff reduction is yet to be decided. Cameroon, in coordination with other African countries should lobby for more balance between trade in agricultural and industrial products, with particular focus on tropical products. In doing this, the main focus shall be on the factors that have constrained expansion on agricultural production to make better use of preferences available in previous agreements.

The European Union is the main market for Cameroon' agricultural exported products. Negotiations on agricultural products are therefore also related to those connected with the Lome convention or the position regarding reciprocity and S&D. Discussion on this should account for the EU's proposal in creating Economic Partnership Arrangements (EPAs). A related issue is that of the compatibility between EPAs as suggested by the EU and GATT article XXIV or GATS article V. A special attention should also be given to the preferential treatment of commodity protocols. Also it is useful to consider that an agreement with the EU in the current framework of the Common Agricultural Policy (CAP) could facilitate the importation of European subsidized products that could in turn affect domestic production of food crop.

Nineth and last condition, trade liberalization and market access may be necessary but not sufficient for improvement in trade and economic performance. A new trade agreement should include the "missing link" which consists of production and supply capacities, human resource development, physical infrastructure, trade related technical standards, support for regional integration as an instrument for enhancing competitiveness and ease the integration into the global economy. Any trade arrangement will translate into growth and development only if the above are addressed and enough flexibility is introduced. Against the above background the next section articulates Cameroon's negotiation proposals. These proposals are summarized in table 35.

IX.2. Towards a Negotiation Position

The overall thrust of the agriculture negotiation is likely to be similar to that initiated during the UR. Namely, a long-term objective of establishing a fair and market-oriented agricultural trading system using a reform process that would provide for substantial progressive reductions in agricultural support and protection, hence resulting in correcting and preventing restrictions and distortions in world agricultural markets. This should not pose a major problem to Cameroon and other countries at same level of agricultural development, as long as their specific conditions are properly factored into the agreements.

The main elements of a negotiating position will center around those associated with the agricultural negotiations proper and some other systemic aspects that have direct bearing on the performance of agriculture: preference erosion, tariff escalation and tariff peaks, tariff rate quotas, export subsidies, domestic subsidies, capacity building, state trading, special and differential treatment and consideration of multi-functional character of agriculture, especially as it relates to food security. The forthcoming WTO negotiations will provide an opportunity to examine key issues with potential important implications for developing countries. Opportunities associated with these negotiations are mainly related to systemic changes that will create a more credible environment for international trade.

a. Market access

Market access concessions relate to bindings and reductions commitments of tariffs, as well as other border restrictions. Review of implementation unearthed several problems that need to be properly ascertained and corrected. Contrary to expectations, the implementation of the Agreement on Agriculture with respect to greater market access did not benefit developing countries. Exports from the developed countries into the markets of developing countries increased. The share of developing countries in world agricultural exports in 1997 was almost at the same level as in the early 1970s against a continued increase of exports by OECD countries of primary agricultural commodities and processed agricultural products. This pattern of growth in the two groups of countries is problematic. The future negotiations need to correct this imbalance. Before that, it is necessary to properly identify the problems.

The implementation of the 36 percent tariff reduction by developed countries as per the URA has been less than satisfactory. First the base tariff used was higher than applied levels. Also sensitive and non-sensitive products were treated differently. For several reasons developing countries did not follow the same approach, leading to imbalances in the distribution of benefits of trade liberalization. Likewise the objective of simplified and transparent tariff protection has not been achieved in the case of developed countries. In particular several non-ad valorem tariffs have been introduced and increasingly used. Up to 42% of EU tariff lines are expressed in non-ad valorem form (WTO/37, 2000).

The URA introduced tariff quotas to ensure that the tariffication process would not reduce prevailing market access opportunities. There has been abuse by developed countries through the declaration of more than the level of effective trade. This has resulted in quota under-fill, i.e., imports falling short of the volume specified under tariff quota commitments. The administration of tariff rate quotas by developed countries needs to be simplified and made

more transparent and equitable for all trading partners. In all, tariff rate quotas (TRQs) should not act as quantitative restrictions.

Dirty ratification was also obtained in the process of converting non-tariff barriers to tariffs. Developed countries in general converted to levels above the relevant non-tariff equivalents. In particular the tariff profile has high rates on temperate-zone food products. Several tariff peaks are also found, especially on major agricultural staple and other export of interest to Cameroon and other developing countries such as sugar, tobacco, cotton and fruits and vegetables.

Tariff in several key items rise as the processing chain advances and this limits prospects for production and trade diversification that would allow a country to shift to trade of products with high value added and more stable terms of trade.

Variable tariffs used by developed countries such as price band schemes, as well as seasonal tariffs, should be eliminated. Variable tariffs should only be allowed as a Special and Differential Treatment for developing countries. Tariff structures in developed countries should be made more transparent and less complex and all tariffs should be converted to ad-valorem tariffs.

Market access commitments were based on the average price level in 1986-88. Members, according to Article 5 of the AoA can introduce import control measures when price is higher than the above average. There is a complicated guideline for calculating the reference price and this is subject to abuses. Special Safeguards need to be simplified and made available in non-discriminatory manner. They should be either broadened in scope to make them available to all markets, or abolished altogether. Overall it would be desirable to introduce a framework for their phasing out.

Agreements that constraint exports of agricultural commodities such as the SPS agreement need to be properly revised to ensure that they are not used to indirectly protect. Developed countries are not ready to enter into mutual recognition of inspections and standards with developing countries. These countries lack the human, technological and financial resources to properly comply with the associated stringent requirements. A negotiation objective, therefore, shall be to ensure that the relevant articles be revised to ensure binding technical assistance to developing countries.

Developments at the WTO, especially illustrated by the bananas' case, suggest that Cameroon's competitive position could be significantly eroded. Such erosion could be associated with the outcome of ACP-EU negotiations and the generalized system of preferences (GSP). The competitive position is also eroded by the continued reduction in tariff in the multilateral framework. Overall these developments will force Cameroonian agricultural products to face competition from its competitors that on average have better cost structures. Regional integration has been identified as the building block to integrating the world economy. Collaboration with other countries at the comparable level of development or shared interest should be the modus operandi for Cameroon. The country lacks the economic power and negotiating capacity to make a difference in individual undertakings. The various forums could include the following: CEMAC, AEC, ACP.

Market access negotiations need to properly account for the preferential access enjoyed by Cameroon and other African countries in their traditional OECD export market where

agriculture is highly protected. There are two main benefits to this preferential access: availability of markets at preferable condition and price stability. The forthcoming negotiations could significantly change these benefits. First other WTO members are challenging these special trade arrangements. Second, important preference erosion will take place leading to important losses. A case in point is that of bananas.

The market issues for agricultural products are also associated with the progress on regional integration in CEMAC. Cameroon can enhance its market access through continued reform in CEMAC. The adoption of common policies increases the market size, reduces transactions cost and increases economic efficiency. A more integrated group can mobilize the human and financial resources necessary to formulate negotiating positions. Furthermore, such regions, with well-organized private sector, can easily be structured to support the process, including the move toward more open trade. A market thus created for the exporter becomes a learning ground for trade at the international level. We showed that unilateral liberalization within CEMAC accomplished much more than the multilateral WTO undertakings.

Properly designed, regional trade agreements (RTAs) can therefore be a building block toward integration in the world trading system. A suggested approach is to amend Article XXIV of GATT or V of GATS in such a manner that allows Cameroon and other countries at the same level of development to form the type of regional agreements that are consistent with their long-term development. Such long-term objective is best obtained with a focus on reciprocal trade but obtained through a program that progressively remove the supply constraints. In the case of CEMAC, this would mean extension of programs for least developed countries to all members of the regional integration scheme and a partnership with the European Union in a framework that ensures that all parties benefit from the agreement.

One prominent aspect is the case of commodity protocols. Protocols offer preferential treatment either in terms of access, prices or both. The arguments for the negotiations of the protocols are basically the same covered under SDT. Discussions on protocols need to address three interrelated issues: (1) need to ensure that the legal status and the transition period protect the interest of producers; (2) need to include the protocols in what is not covered by the "substantially all trade clause" in Article XXIV; (3) technical assistance clauses that would minimize the impacts on the beneficiaries of commodity protocols of the reforms in the CAP. Given that the proposed super GSP is likely not to erode the preference margins for non-LDCs, one way of limiting the impact on African countries is a reclassification giving all African regions LDC status. This is directly related to the overall reform in the ACP group (Njinkeu 2000).

In sum, for enhanced market access for Cameroon agricultural products, an objective shall be to remove remaining non-tariff barriers, tariff peaks and escalation prevailing in developed countries' markets. Cameroon needs to support significant reduction in these tariff and non-tariffs. The tariff reduction formula that the country should support should be one that can lower and harmonize applied tariffs and quotas such as to reduce tariff escalation and peaks. The reduction formula should not have differentiated treatment between sensitive and non-sensitive products and should ensure reduction of tariff escalation by linking tariff levels in primary commodities to those affecting their processed form. It is important that appropriate measures be taken to clarify the administration of quotas and to ensure quota-fill.

A desirable approach would be to rely on an auction system, with adequate monitoring of quota fill and sanctioning in case of non-observance of commitments. The country should

offer to reduce the level of its agricultural tariff binding and set it closer to the current applied tariff level i.e. lock-in at the current level of commitments achieved within CEMAC's regional reform. This contributes to enhanced policy predictability, favors investment and the associated spillover effects on efficiency and market access.

A market access issue-related aspect is state trading. One important achievement of SAP-driven liberalization has been in the marketing of export crops. The liberalization program has eliminated all forms of export subsidies and most direct domestic support. Most forms of state trading and granting of monopoly status to some parastates has been abolished. The restructuring of the ONCPB and the creation of the ONCC have affected especially marketing of cocoa and coffee. However, several problems remain unresolved in these activities: quality of products has deteriorated and lower standards has eroded competitiveness, inefficient input use has led to reduced inefficiency of production, reduced competitiveness due to inappropriate regulatory framework.

Developed countries, in particular, have suggested that the negotiations should also focus on the role of state trading enterprises (STEs), with ultimate objective of introducing more competition. The rationale for this move is the possibility that state involvement could bias the process vis-à-vis domestic firms that would then enjoy a monopolistic condition with associated possibilities of abuse of market power. This is fine for a country like Cameroon as long as it is recognized that parastates need reform for a completely different set of reasons, namely to increase efficiency. Accordingly, the negotiation should account for the specific conditions of developing countries and allow a privatization schedule that is consistent with overall development of the rural setting concerned.

STE activities in Cameroon are not a threat to free and competitive international agricultural markets. The negotiation should keep the option of using STE to meet specific developmental objectives. Proposals for greater transparency are appropriate and worthy of support, provided adequate exemption for developing countries are properly articulated in the agreements. Cameroon should support measures aiming at a more stable and predictable international export marketing as long as this is accompanied by adequate implementation of the Ministerial Decisions on net food importing countries. Cameroon can also support the application of stricter disciplines for food commodities combined with appropriately crafted SDT provisions for developing countries.

As reviewed earlier, the country has engaged in an ambitious reform of its STE and there is no doubt efficiency has increased and could continue. The rationale for creating these parastatals was to account for multifunctional of agricultural activities and the weak production and marketing base. Support to the privatization programs to alleviate the heavy short-term cost should be part of the package the country like Cameroon should obtain in the negotiation as credits for autonomous liberalization. Overall, State-trading entities should progressively discontinue their direct involvement in import and export activities as well as the control of domestic supply and distribution of agricultural commodities.

b. Domestic support

During the UR negotiations, WTO members agreed to a discipline on the annual level of support that can be provided to farmers. One of the objectives of the agriculture negotiations in the UR, viewed from the developing countries perspective was the establishment of rules that restraint the use of domestic policy measures such as support to agriculture and export

subsidies that have trade distorting effects. Overall the implementation of the agreement led to increases in the imbalances in the legitimate use on these trade-distorting measures. These imbalances fall into three main areas: failures to substantially reduce trade barriers in the agricultural sector, the legalization of the use of trade-distorting support measures by developed countries while their uses in the developing world was curtailed; failure to properly define the non-trade concerns to be taken into account while implementing the URA commitments. (Shirotori, 2000)

Most African countries declared a zero value of aggregate measures of support (AMS) in the base period and therefore limiting their rights to use Amber Box measures only within the *de minimis* limit. Developed countries declared positive value hence kept the option for greater support to their agricultural sector. Given that the AMS is not sector-specific, developed countries indirectly could use this possibility to increase support to sensitive products. The calculation of the AMS is based on the difference between the administered price of the product and import price in 1986-88. The real value of the AMS would fall for those countries that experience higher inflation. For some products the value could be negative, making the AMS an implicit tax on farmers. It is necessary that the negotiation adjust the calculation method to account for possibility of excessive inflation, otherwise the country could be considered in violation of its domestic support commitments without actually providing meaningful support to its farmers (Josling and Tangermann 2000). The framework shall leave the option to Cameroon and countries at the same level of development to keep government support to domestic production especially in the areas of recurrent and capital support to agricultural activities.

In addition, domestic support measures that are less than 10% of the value of the annual production (the so called *de minimis* limit) can be exempted and this is the only value countries that declare zero AMS value are entitled to under the *Amber Box* support. Given that the values of *de minimis* limit cannot be aggregated across products countries are constrained.

Supports allowed were of various categories and there have been some difficulties with implementation. Contentious issues are associated with the coverage of 'blue ' versus 'green' box measures. Main problems and shortcomings of the Green Box are the following¹⁸:

- Green Box has provided the legitimacy for higher overall domestic support levels;
- Due Restraint Clause has provided protection from countervailing duties
- Green Box meets non-trade and interest of developed countries only
- Green Box structure creates loopholes and is a heavy administrative burden

Cameroon has interest in each of the dimensions, especially the possibility of revision of initial AMS submissions, and subsequent revisions should be a focus. The new submissions should allow the country to ensure that all relevant measures are taken into account or included among the 'de minimis' exemptions. Blue/green provisions need to be the focus of the negotiations, with overall aim of ensuring an equitable level playing field in international markets. These measures could come in terms of financial and technical assistance. Developed countries have used provisions of the blue-box to further enhance their competitive position. Since these measures were not meant to be permanent it is important to speed their termination. If the box is not abolished, at the minimum, exemptions need to be

¹⁸ This opinion is supported in various submissions, particularly from developing countries, of which several jointly submitted with African countries. See www.wto.org.

significantly curtailed and AMS calculations better monitored. In addition, the current S&D measures regarding input and transport subsidies will need to be included as green box exemptions for developing countries.

A more straightforward situation is collapsing all domestic support categories into one 'General Subsidies' box. Flexibility should be provided to developing countries in the form of a 'Development'¹⁹ box that would allow these countries to maintain or increase their present domestic production capability, as well as to protect small farmers. Protection under the Due Restraint Clause for the Blue Box should be terminated and be formulated as a special and differential treatment provision that will protect only developing countries.

c. Export subsidies

The URAA included among the agricultural export subsidies those that are contingent upon export performance, such as provisions of direct subsidies, payments on the export of an agricultural product that are financed by virtue of government actions, the provision of subsidies to reduce marketing export costs, favorable internal transport and freight charges on export shipments, subsidies on agricultural products contingent on their incorporation in exported products. These are of interest to Cameroon. The main issues for discussion could include further restriction or clarification of definitions. Cameroon does not have the necessary resource and capacity to subsidize its agricultural sector. Subsidies to crucial agricultural inputs were phased out as part of Structural Adjustment Programs. The current situation leaves the country's agricultural productivity at lower level than prior to SAPs. Negotiations on agricultural subsidies need to provide for market-based mechanisms for raising productivity. This could come in terms of adequate support to agricultural research and extension activities that would allow farmers to adopt modern production techniques and technologies.

It is also important to consider that although some export support mechanisms are not currently in the policymaker's tool kit they should have been included among the S&D measures. The negotiations should allow Cameroon to keep the option to use those measures that can enhance the competitiveness of its products. The SDT flexibility on export subsidy/taxation should explicitly leave the option to continue to tax export for budgetary purposes. In sum, a negotiation position could include a support for the reform of export subsidies and credits in order to ensure that developed countries, as instruments of indirect subsidies, do not use them. Adequate S&D provisions need to be introduced for developing countries. In the long run these instruments should be totally banned.

Finally, it is important to note that Cameroon and other African countries eliminated subsidies as part of their unilateral SAP-driven liberalization. This has left problems some of which were reviewed in our analysis of the fertilizer sector reform. It makes sense for these countries to obtain credits for these autonomous liberalization undertakings. These credits could be in the form of assistance in completing the reform in the least painful manner.

¹⁹ See presentation below on the "Development Box"

d. Food Security, S&D and development box

Although Cameroon is not on the list of net food importers, the analysis of the country's food situation points to deteriorating situation. The country, therefore, has interest in the discussion on this issue during the agriculture negotiation. Cameroon should joint-in with its partners in CEMAC for which food security is a greater concern. Solidarity with other CEMAC members on this issue would ensure enhanced productivity of the country's agriculture. Furthermore, it could buy-in their support for some agricultural export crops that are of interest only to Cameroon among the CEMAC countries.

Cameroon could support introduction of additional protection for a range of basic food commodities that are sensitive from a food security perspective. CEMAC countries, they should ensure that key elements of the Marrakech agreement, especially with respect to food aid; compensatory financing; and technical and financial assistance are properly revised and put in legally binding terms. It can be argued that a more liberal international trading environment is, in the long run, to the advantage of Cameroon and other CEMAC countries. Such a long-term objective is however attainable only if proper actions are taken in the short-run. The short-term actions include redressing the imbalances in the current trading system.

A key aspect for the agricultural negotiations is a proper inclusion of special and differential treatment in various aspects of the agreements. The main issues include combination of usual market access focus of the negotiations with development concerns. Oyejide and Njinkeu (2000) argue that a development round, as requested by many, would be inconsistent with sole focus on market access. Taking into account the lingering supply and capacity constraints needs to be a pre-condition for new negotiations. These could be in binding terms and with focus on the needed structural transformation of production and distribution that is required by the liberalized international markets. Selected elements of SDT include introduction of sufficient flexibility with respect to implementation of commitments and the introduction of a development box, together with the restructuring of green/blue boxes to limit possibilities of indirect protection by developed countries.

A related issue is the need to ensure that the classification of members will avail sufficient markets for developing countries. Regional integration has been identified as a building block for African countries' integration in the world economy. The supply and capacity constraints will be properly addressed if Cameroon and its partners in CEMAC enjoyed the same set of conditions in the WTO. Considering this group of countries together will fit the profile of economies considered as least developed. A proposal that could be put forth by Cameroon is to explicitly recognize African regions as least developed (Njinkeu (2000)).

A complementary aspect would be to strengthen existing funds for adequate provision of food aid. Agriculture in Cameroon serves several purposes and transfer entitlements will be required to support some good paying and labor-intensive activities. Adequate transition period and activities need to be included in the capacity building programs to include in the agreement; such activities shall be sufficient to enable the country to graduate to conditions compatible with competitive international market. Cameroon needs to take an active role in the formulation of SDT. Most agricultural exports are currently under zero or relatively low tariff. It is important to have these tariff preferences "bound" in the current round.

Cameroon could support measures aiming at export diversification. These measures could include the cost of searching for new markets in view of the likely under-investment by

private sector operators. Specific assistance for building local capacity, providing a discussion forum for them on trade and related issues, maintaining trade-related databases and providing information, undertaking high-quality analyses, providing technical assistance in norms and standards and in dispute settlement, advocating better market access in industrial countries, and helping to build coalitions and achieve common developing country positions in multilateral trade negotiations.

All reviews of the implementation to the URAs show that developing countries, on the whole, are not benefiting economically from agricultural liberalization. This has been accompanied by a call for the millennium round of trade negotiations to have an explicit development focus. Hence, the need for a development box that should be formulated in legally binding terms.

Selected elements of such a box include the following²⁰:

- Protect and enhance domestic food production capacity particularly in key staple items.
- Increase food security and food accessibility through productivity enhancing measures.
- Support for employment generating activities in rural poor areas
- Adequate protection of farming activities from cheap imports
- Use of a positive list approach to declare which agricultural products or sectors should be disciplined under AoA provisions.
- Flexibility in levels of domestic supports.
- Prohibit developed countries from the use of the Special Safeguard Clause against developing countries. Developing countries should be allowed to invoke this based on low prices or excess volume.
- Capacity building and technical assistance to support research for increased productivity support for market information collection and distribution, standards.

e. Other related areas

Other issues with direct bearing on agricultural performance are those of capacity of the country to honor its WTO commitments. This capacity problem covers the domestic infrastructure as well the institutional capacity. The associated agricultural WTO issues include domestic support to agriculture, state trading and the SPS agreement. Some other WTO issues such as TRIPS, TRIMS and competition policies have a direct bearing on the performance of agriculture. Negotiation issues are common to those that could form an African consensus position and reviewed by Oyejide and Njinkeu (2000). Main elements include adequate transition period, flexibility in implementation, mandatory capacity and technical assistance for compliance.

²⁰ Elements of the "Development Box" are included in the submission by several developing countries to the Committee on Agriculture of June 2000.

X. Conclusion

The forthcoming WTO negotiations will provide an opportunity to examine key issues with potential important implications for developing countries. These countries are likely to be called upon to participate more actively and commit themselves to further during the next multilateral negotiations, which will provide for them to go beyond their recent and impressive unilateral efforts at trade liberalization. Opportunities associated with these negotiations are mainly related to systemic changes that will create a more credible environment for international trade.

Due to the potential complex economic implications of the next negotiations, developing countries have requested assistance in evaluating their interests and policy options, tradeoffs, and strategies as part of their preparations to fully participate in these negotiations. The present country study provided an analytical framework for evaluating issues and policy options of interest to Cameroon and covered topics in both the building agenda and the new trade agenda.

It has appeared that Cameroon' agriculture is limited by lack of capacity to respond to emerging opportunities offered by URAs rather than lack of market access. Supply-side constraints as well as institutional and human capacity especially limited the firms' competitiveness. Consequently, the ability of the country to fulfill its WTO commitments is limited because of an inefficient administration, and low levels of human and financial resources. Nevertheless, appropriate strategies can help the country' agriculture and food sectors to take maximum advantage of the opportunities offered by the next round. The structural reform of production structure, the reinforcement of regional integration, the promotion of agricultural export diversification can be cited among others.

The forthcoming WTO agricultural negotiations present several challenges that require an active participation of Cameroon. The country's negotiations focus and positions are summarized in the table below. In various places the position have consolidated submissions to the WTO, particularly by developing countries through the WTO website www.wto.org, regular updates by the International Center for Trade and Development (ICTSD) in « Bridges: Between Trade and Sustainable Development » and its « Bridges Weekly Trade News Digest » electronically distributed at bridges@iatp.org.

Table C.1. Cameroon and the WTO multilateral agricultural negotiations

Negotiations focus	Prior to 1988/89	1990-1994	Since 1995	Implications for 2000 negotiations
Border protection-tariff (e.g. import incentives, number of rates, average tariff)	<ul style="list-style-type: none"> • 13.3% average tariff of agriculture NRP • 14 taxes and duties • 41.4 to 87.9% average tariff rate 	<ul style="list-style-type: none"> • Reduction in numbers and level of import tariff; • 16.45% average tariff of agriculture NRP 	<ul style="list-style-type: none"> • CEMAC reform (reduction, abolition TU, four part TEC); • WTO binding at 80 to 150% ; • 13.83% average NRP 	<ul style="list-style-type: none"> • Harmonization formula to eliminate tariff peaks and escalation; • Reduction tariff in developed countries.
Border protection NTB (e.g. QRs, banned products...)	<ul style="list-style-type: none"> • Extensive use of import QRs and prior authorization on about 19 products; • Import licences (IL); • Twinning distribution of local and imported rice and sugar. 	<ul style="list-style-type: none"> • Abolition of QRs; • Reduced use of IL; 	<ul style="list-style-type: none"> • No banned products; • No QR; 	
Export regimes and market access for exports (e.g. export incentives, SPS and other norms, safeguards); Export subsidy (e.g. direct subsidy and rebates...)	<ul style="list-style-type: none"> • Indirect taxation through ONCP • Producer price determination • Exclusive right of export to government; • Procurement price; • Monopoly of STEs; • Lome Preferences on agro-industrial products; • Lome commodity protocols; • GSP; • No direct subsidy to exports; 	<ul style="list-style-type: none"> • Liquidation of NPMB; • Abolition of price control; • Export by accredited exporters; • New taxes on some selected exports from (15 to 30%); • No direct subsidy to exports 	<ul style="list-style-type: none"> • Rebates in taxation of selected exports and total cancellation since year 2000. 	<ul style="list-style-type: none"> • Role of STE; • Regional agreements; • Preference erosion; • Protection of Lome protocols.
Domestic support (e.g. input policy, transport, marketing, research, extension, farm credit, procurement price,)	<ul style="list-style-type: none"> • 100% subsidy for fertilizer; • 100% others; • Marketing board; • Input credit (100% subsidy on selected inputs); • Extension services; • Access to research results; • Price controls; 	<ul style="list-style-type: none"> • Progressive rebates of input subsidizes; • Rebates on input credit; • Withdrawal of marketing board; • Fertilizer reform; • Pesticide and others reform. 	<ul style="list-style-type: none"> • Enhancement of micro-finance (Credit Agricole, FIMAC...); • All forms of input subsidies Removed; • Enhancement of AMIS. 	<ul style="list-style-type: none"> • Recalculation and resubmission of AMS. • Blue/Green box conditions; • S&D measures; • Need to build capacity of cooperatives; • Enhance market development, regulation and operation
Non-trade concerns and food policy (non-farm rural investment, TRIPs, developments in sectors of direct interest, labor-intensive programs, price stabilization, market information)	<ul style="list-style-type: none"> • Developed research and extension; • Mideviv ; • Price stabilization schemes; • Green revolution; • Integrated development projects (IDP). 	<ul style="list-style-type: none"> • Functional AMIS; • Functional EWS; • Reduced # and level of operation of IDP. 		

Table C.2. Summary of Cameroon Negotiation Position

Market access	<ul style="list-style-type: none"> • Simplified tariff structure and elimination of escalation and peaks. • TRQs simplified and transparent • Variable tariff only for S&D • WTO-ACP/EU interface: support a waiver • Regional integration: Support a reform of Article XXIV of GATT and V of GATS to allow formation of regional grouping consistent with long-term development. • Protect commodity protocols
Domestic support	<ul style="list-style-type: none"> • Address shortcomings of boxes. • New AMS submissions and subsequent revisions • Collapse green and blue box into a general box • Create a development box otherwise amend green box to include development-linked measures • Flexibility in the use of de minimis
Export subsidies	<ul style="list-style-type: none"> • Further restriction and clarification on definitions. • Abolish export subsidies by developed countries. • SDT flexibility on export subsidy/taxation.
Food Security	<ul style="list-style-type: none"> • Specific protection of products crucial for food security • Proper review and binding implementation of Marrakech agreement. • Measures to enhance productivity for long-term liberalization.
S&D, development box	<ul style="list-style-type: none"> • Proper focus on supply constraints. • Flexibility in implementation of commitments. • Classification of members according to development imperatives. • Introduce a Development box.
State trading	<ul style="list-style-type: none"> • Stricter discipline to ensure STE does not abuse market power. • S&D provision for STE use to meet developmental objectives
Measures for domestic capacity and institutional weakness.	<ul style="list-style-type: none"> • Legally binding TA for SPS and TBT capacity building. • SPS/TBT not used as indirect protection instrument. • Exempt developing countries from higher than international standards. • Financial compensation when SPS/TBT disrupt or cause serious losses. • Transitional periods for TRIPS accounting for implementation capacity. • Mandatory technical and financial assistance, and transfer of technology. • Exemption of discipline on TRIMS domestic-content requirement.

Source: By authors



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Table 1. Trend of some agricultural sector indicators and international prices of main export products

No.	Wordings	1987 ¹	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
1.	Total population (in millions)	10.5	10.9	11.2	11.5	11.9	12.2	12.5	12.9	13.1	13.5	14.3
2.	Share of rural population	62.2	61.3	60.4	59.4	58.5	57.8	56.6	55.7	54.7	53.7	53.8
3.	Growth rate of Real GDP	7.5	-2.8	-7.8	-1.8	-6.6	-7.9	-8.1	3.3	3.1	5.0	5.1
4.	GDP ^a agricultural share	27.5	27.4	29.0	27.5	28.5	27.8	27.8	30.4	30.4	30.9	30.8
5.	Subsistence agricultural share of agriculture	49.3	48.3	47.5	49.3	49.0	51.3	53.9	51.1	52.0	51.3	50.9
6.	Perennial agricultural share of agriculture	23.0	21.5	23.4	16.3	17.0	16.2	13.9	14.9	14.5	15.3	15.6
7.	Hunting and breeding share of agriculture	16.5	18.1	15.0	18.8	18.7	15.8	16.0	13.2	14.8	14.3	14.2
8.	Forestry share of agriculture	0.7	0.5	0.5	0.6	0.6	0.6	0.6	0.8	0.6	0.7	0.8
9.	Fishing share of agriculture	10.5	11.6	13.6	15.0	14.7	16.1	15.6	20.0	18.1	18.4	18.5
10.	Growth rate of agricultural production	5.9	-7.2	2.7	-7.6	3.6	6.0	0.2	5.5	3.3	6.5	5.1
11.	Growth rate of subsistence agricultural production	3.6	-9.2	1.0	-4.0	3.0	2.7	5.3	4.2	2.6	5.0	4.5
12.	Growth rate of perennial agricultural production	10.0	-13.4	11.7	-35.4	7.9	22.5	-13.9	9.8	5.7	12.2	7.4
13.	Growth rate of hunting and breeding production	4.7	1.6	-15.1	16.2	3.0	0.2	2.0	-0.8	3.3	2.7	5.1
14.	Growth rate of forestry production	-4.1	-25.6	10.7	-10.7	5.0	24.0	-17.7	19.5	3.3	15.5	5.1
15.	Growth rate of fishing production	11.3	2.8	20.6	1.4	1.3	7.9	-2.6	11.2	3.3	8.8	5.0
16.	Share of agricultural exports in total exports	38.6	31.9	32.8	29.7	23.6	28.0	30.9	37.4	36.7	39.3	37.7
17.	Share of agricultural exports in non-oil exports	50.3	54.0	52.6	55.7	52.4	56.6	58.0	79.0	59.0	60.4	64.4
18.	Growth rate of agricultural non-traditional exports	11.5	-8.7	-17.5	-36.2	-12.4	101.0	-21.4	15.5	19.4	2.8	26.9
19.	Share of food products in total imports	na	na	na	15.4	18.8	13.3	22.0	22.5	15.6	13.7	14.9
20.	Growth rate of imported food products	na	na	na	na	16.8	-5.7	33.6	38.9	4.5	-7.9	37.3
21.	International price of main agricultural exports											
	- Banana (in cents \$/pound)	17.3	17.1	21.7	24.8	24.6	25.5	21.7	20.1	19.9	20.0	21.4
	- Cocoa (in cents \$/pound)	93.8	90.6	71.8	56.3	57.5	54.1	49.9	50.4	63.3	65.0	66.0
	- Coffee (in cents \$/pound)	192.7	112.3	135.1	107.0	89.2	85.0	63.7	69.9	148.5	149.4	120.3
	- Rubber (in cents \$/pound)	41.2	44.1	48.8	48.7	50.17	47.6	46.7	47.3	48.9	56.7	54.8
	- Cotton (in cents \$/pound)	52.7	63.5	57.4	64.2	71.8	70.7	54.7	55.9	73.7	94.9	79.0
	- Timber (in cents \$/m3)	97.3	167.5	167.2	167.3	160.3	179.6	296.7	389.0	316.3	257.7	253.7

Notes: ¹: Period beginning 1st June and ending 31 July of the years indicated.

Sources: Authors' calculations using data from MINEFI/DSCN (1996, 1997 and 1999), Bamou (1999) and FMI (1999).

**Table 2. Repartition of the resident active population of Cameroon
(In thousands of individuals)**

Description	1989/90	1992/93	1993/94	1994/95	1995/96	1996/97
Total employment	3606.4	3877.3	3910.1	4028.3	4108.7	4188.7
Of which:						
Agriculture	2112.1	2275.0	2323.6	2397.4	2462.5	2483.5
Share (in %)	58.6	58.7	59.4	59.5	59.9	59.3
Industry	403.5	435.4	429.1	456.2	469.2	507.7
Services	1038.4	1112.1	1102.7	1119.1	1120.6	1113.4

Source: MINEFI/DSCN (1999), page 77.

Table 3. Cameroon and the WTO multilateral agricultural negotiations

Policy by category	Policy	Relevant WTO negotiation focus
Food production (production entitlements)	1. Input credit 2. Subsidized or free inputs 3. Research and extension 4. Capital expenditure and investment promotion	1. Domestic subsidies 2. Domestic subsidies 3. TRIPS 4. Domestic subsidies
Marketing (trade entitlements)	1. Market development and regulation. 2. Parastatal reform 3. Food price stabilization (buffer stock or funding)	1. No direct focus 2. State trading enterprises 3. Domestic subsidies and tariff: Green Box conditions, export regulation
Labor entitlements	1. High-value export crops 2. Micro-finance 3. Minimum wages	1. Market access, domestic subsidies 2. No direct focus 3. Process criteria
Transfer and safety nets	1. Labor-intensive public works programs. 2. Targeted feeding programs. 3. Food price subsidies	1. Export subsidies 2. Export subsidies 3. Domestic subsidies
Enabling macro and sectoral policies	1. Infrastructure (transport, communication) 2. Exchange rate policy 3. Health 4. Education	1. No direct focus 2. No direct focus 3. No direct focus 4. No direct focus

Source: By the authors

Table 4. Actors in the inputs sector as per their level of activities

Activities	Enterprises
Importers	CAMATREX, IBEX and IBE GROUP
Importers/ distributors	GROUP ONE and FERTIMEX
Distributors	DIANA-SICAC, BAKAH Enterprise, SABEX AND FBI
Local producers of fertilizers	HYDROCHEM

Source: By authors

Table 5. Trend in imports of agricultural inputs in Cameroon after the Reform

Seasons	Total imports (Tones)	Imports Under SPFFS and SPIF contract	
		Quantities (Tones)	In % of total
1989/90	81503	64172	79
1990/91	43557	22003	51
1991/92	32641	31800	97
1992/91	55610	22670	41
1993/94	32690	18200	5.6
1994/95	107047	0	0
1995/96	93104	7500	7
1996/97	150993	3580	2
1997/98	112657	3000	2
1998/99	85020	-	-

Source: Ntsama (2000)

Table 6. Pre and Post UR agricultural State extension service enterprises

Enterprises	Activities/products	Characteristics in 1994	Present situation
FONADER	Supply of inputs	Monopoly of credit to production	Liquidated
SOCAPALM	Palm oil Palm nuts	55% production of palm oil	Privatized
CDC	Banana, palm oil, tea, palm nuts, rubber	Monopoly of tea and rubber	Partnership with Del Monte for the production banana. Privatized
SODECOTON	Training and supervision, credits to production, productions: cotton fiber, oil and cake marketing	Monopoly of the sector	Undergoing privatization
SODECAO	Training and supervision of peasants, phytosanitary treatment of plantations	Monopoly of the cocoa zone	Liquidated
NPMB	Marketing of export products, financing of subventions	Monopoly of export commodities	Liquidated
SODEBLE	Wheat	Monopoly	Liquidated
SODERIM (Rice cultivation in the West)	Development of farmlands, Hiring of equipment and Rice hauling	Cartel	
SEMRV (Rice cultivation in the North)	Development of farmlands, Hiring of equipment Rice hauling	Cartel	Restructured
UNVDA (Rice cultivation in the North West)	Development of farmlands, Hiring of equipment, Rice hauling	Cartel	Restructured
CAMSUCO	Sugar	Cartel	Bought by SOSUCAM (private)
PNVRA	Vulgarization of interface research results-production	Monopoly	
IRAD	Development of research (selected seedlings of maize, cassava, palm oil...)	Monopoly	
MIDEVIV	Foodstuff trading	Liquidated	
Cereals Board	Cereals trading in the North	Liquidated	
SNAR	Prevent food insecurity	End of Japanese grants, integration into MINAGRI	Activities have slowed down
CENEEMA	Supply of agricultural equipment		
UCCAO	Supply of inputs, decortications of arabica and robusta coffee, exportations	Monopoly of arabica	
OCB	Banana	Privatized in 1990	

Source: By authors

Table 7. Cameroon's foodstuffs and agricultural input products subject trade restrictions before 1989

Products	Trade distortions
• Wheat flour	IEA ¹ and PC ²
• Pasta	IEA and PC
• Fungicides, herbicides and Insecticides	IEA and PC
• Plastic bags and sacks	IEA and PC
• Concentrated sweetened milk	IEA and PC
• Salt	IEA and PC
• Cotton wool	IEA, PC and IEPA ³
• Tea	IEA , PC and IEPA
• Maize	IEA , PC and IEPA
• Rice	IEA , PC and IEPA
• Corn meal	IEA , PC and IEPA
• Soya-bean and groundnut oil	IEA , PC and IEPA
• Palm, cotton and coconut oils	IEA , PC and IEPA
• Raw and refined sugar	IEA , PC and IEPA
• Edible meat	IEA , PC, IEPA and SMV ⁴
• Fishery and livestock products	IEA , PC, IEPA and SMV
• Food for animals	IEA , PC, IEPA and SMV
• Medicaments for cattle	IEA , PC, IEPA and SMV
• Other pharmaceutical products	IEA , PC, IEPA and SMV
• Alcoholic beverages	IEA , PC, IEPA and SMV

Notes: ¹: Import and Export Authorisations

²: Price Controls

³: Import and Export Price Adjustments

⁴: Supervisor Ministry's Visa

Source: Compiled by the authors from MINDIC (1989).

Table 8. Elements of the country' tariff structure before the January 1994 reform

Tax/tariff	Field	Base	Rate range ¹
• Customs duty	Import	Ad valorem	5 to 30%
• Entry tax	Import	Ad valorem	15 to 70%
• Turnover tax	Import	Ad valorem	10%
• Complementary tax	Import	Ad valorem	0 to 90%
• Unique tax	UDEAC imports	Ad valorem	10%
• Exit tax	Export	Ad valorem	0 to 40%
• Unloading tax	Import	Specific	595 to 6 200 FAF/ton
• Warehouse tax	Import	Specific	na ²
• Petrol tax	Import	Specific	na
• Animal circulation tax	Import/Export	Ad valorem	100 CFAF/100 kgs
• Sanitary and veterinary tax	Import/Export	Specific	1 to 3%
• Council tax	Export	Specific	na
• Packaging tax	Export	Ad valorem	5%
• Additional tax	Import	Ad valorem	na
• Computer dues	Import	Ad valorem	1,5%
• Fees for establishment of loading slip (customs)	Export	Specific	na
• Fees for registration in the permanent survey on merchandise transactions	Export	Specific	na
• Sanitary control fees	Export	Specific	50 CFAF/tonne
• Conditioning tax	Export	Ad valorem	0,5%
• Loading tax	Export	Specific	247.2 – 588.5 CFAF
• Cameroon National Loaders Board (CNCC) tax	Export	Ad valorem	0.30 – 0.39%
• Toll and weighting charges	Export	Specific	na
• Credit distribution tax	Export	Ad valorem	1%
• ASECNA royalties	Export	Specific	2 CFAF/kg

Notes: ¹: According to products ²: Not available

Sources: Compiled by authors from "Tarif Douanier UDEAC" (1988) and Bamou (1999a).

Table 9. Trend of nominal rate of protection of Cameroonian key agricultural sub-sectors (in percentage)

Sub-sectors	1989/90	1992/93	1993/94	1994/95	1995/96	1996/97
Subsistence agricultural Perennial agricultural	13.3	17.5	15.6	18.9	10.1	10.2
Hunting and breeding	4.1	74.0	73.8	26.0	18.4	19.9
Forestry	7.2	12.9	12.9	12.9	14.8	nil
Fishing	7.5	9.7	13.8	23.4	22.2	23.8
Entire agricultural sector	9.7	107.7	92.9	29.1	9.1	47.5
	10.5	17.0	12.9	20.0	10.6	10.9

Source: Authors' calculations using data from MINEFI/DSCN (1999).

Table 10. Evolution of effective rate of protection of Cameroonian key agricultural sub-sectors (in percentage)

Sub-sectors	1989/90	1992/93	1993/94	1994/95	1995/96	1996/97
Subsistence agricultural Perennial	13.4	17.5	15.2	19.1	10.0	10.2
agricultural	5.3	131.7	112.7	34.8	25.2	26.6
Hunting and breeding	5.0	10.0	21.4	20.9	24.4	ni
Forestry	14.7	5.9	13.7	30.2	35.0	38.1
Fishing	8.8	126.6	113.4	46.9	10.1	66.2
Entire agricultural sector	6.2	19.0	12.4	24.5	9.7	22.2

Note: ¹: Not imported.

Source: Authors' calculations using data from MINEFI/DSCN (1999).

Table 11. Evolution foodstuffs and agricultural inputs under different trade regimes

Before 1989	1990-1994	Since 1995
Products under QRs		
Wheat flour	None	None
Pasta		
Concentrated sweetened milk		
Animal food		
Table salt		
Tea		
Maize		
Rice		
Refined oil		
Palm oil		
Sugar		
Cotton wool		
Fungicides		
Herbicides		
Insecticides		
Products requiring a technical visa before importation		
Meat	Fishery products	None
Livestock products		
Fishery products		
Food for other animal		
Medicaments for cattle		
Banned products		
None	None	None

Source: MINDIC (1989)

Table 12. Elements of agricultural products tariff structure before and after the January 1994 fiscal reform

Taxes and duties	Before 1994		Since June 2000	
	Import (% CIF val.)	Export (% FOB val.)	Import (% CIF val.)	Export (% FOB val.)
Exit tax		2.0		
Custom duties	5.0 - 7.5		10.0 - 30.0	
Entry tax	10.0 - 30.0			
Turnover tax	11.5 - 20.5			
Value added tax			18.5	
Complementary tax	5.0 - 20.0			
Sanitary and veterinary tax	50 FCFA/T	50 FCFA/T	50 FCFA/T	50 FCFA/T
Packaging tax		0.5		0.5
Loading tax		247 - 588 FCFA		247 - 588 FCFA
Preferential tax	0.1	0.1	0.1	0.1
Unloading tax	595.1 FCFA			
Computer dues	1.5	1.5	1.5	1.5
CNCC tax	0.3	0.3	0.3	0.3
Minimum tax	5.0			
Pre-account	2.0			
Council tax	180 FCFA/T	180 FCFA/T	180 FCFA/T	180 FCFA/T
Phytosanitary tax	50 FCFA/T	50 FCFA/T	50 FCFA/T	50 FCFA/T
Credit distribution tax	1.0	1.0	1.0	1.0
Total	41.4 - 87.9	5.4	31.4 - 51.4	3.4
	+	+	+	+
	875 FCFA/T	527 - 869 FCFA/T	280 FCFA/T	527 - 869 FCFA/T

Notes: Val = value; T = Tone;

Source: By authors using data from the National Department of Customs

Table 13. Main market destinations of the country's agricultural products (Value in millions of US dollar and share in percentage)

	1994		1995		1996	
	Value	Share	Value	Share	Value	Share
World	1561.7	100.00	2012.00	100.00	2030.5	100.00
European Union (EU)	1360.8	87.14	1708.2	84.90	1729.8	85.19
Netherland	303.5	19.43	460.2	22.87	545.3	26.86
France	437.6	28.02	495.7	24.64	476.6	23.47
Italy	197.8	12.67	281.8	14.01	229.9	11.32
Germany	104.3	6.68	114.3	5.68	93.5	4.60
United Kingdom	64.7	4.14	70.0	3.48	93.5	4.60
Belgium	42.3	2.71	42.2	2.10	73.8	3.63
Thailand	9.7	0.62	29.8	1.48	40.2	1.98
U.S.	16.0	1.02	37.9	1.88	36.1	1.78
Japan	38.3	2.45	32.1	1.60	30.4	1.50
China	9.0	0.58	27.3	1.36	34.9	1.22
Malaysia	2.3	0.15	4.9	0.24	10.6	0.52
Brazil	8.2	0.53	15.0	0.75	7.9	0.39
Subsaharan Africa	5.4	0.35	17.5	0.87	5.4	0.27

Notes: ¹ : The analysis is done with 11 products ((1) *Food And Live Animals*, (2) *Fish And Preparations*, (3) *Bananas And Plantains Fresh*, (4) *Coffee*, (5) *Cocoa*, (6) *Tea And Mate*, (7) *Palm Nuts, Kernels*, (8) *Palm Oil*, (9) *Rubber*, (10) *Wood (timber)* and (11) *cotton*) representing almost 95% of the quantity and 85% of total revenue of agricultural exports in 1997/98

Source: COMTRADE Data base.

Table 14. Agricultural main export products from 1991/92 to 1997/98 (Quantities (Q) in tones and Volumes (V) in millions CFAR)

	1991/92		1992/93		1993/94		1994/95		1995/96		1996/97		1997/98	
	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
Live animals		85	345	289	166	59	263	100	380	93	308	1587		
Fish and preparations	693	1070	508	719	285	563	377	900	371	741	277	485	571	738
Tomato			2177	35	462	39	149	17	1572	86	1385	66	6	1
Fresh green beans			110	182	757	483	1219	1259	1060	976	1060	976	58	60
Beans			25	2	51	6	76	10	462	117	1333	240	2889	448
Bananas	111691	13224	119814	14641	152514	27518	162526	33443	168055	32957	147121	27938	186343	30186
Pine apples			402	37	1778	65	1009	147	2315	282	3134	334	5158	533
Coffee	117553	31487	85743	20598	76625	43256	56778	59632	75510	69351	82502	68457	72968	66655
Arabica coffee	10151	4261	15635	4803	14358	7388	8230	8637	12881	13782	15802	20516	4754	8616
Robusta coffee	107402	27226	70012	15768	62267	35868	48133	50432	62629	55569	66659	47889	68214	58039
Raw palm oil	29010	3570	17224	1959	40869	7841	5030	1248	28364	6926	5319	1353	15705	8814
Cocoa	88411	31743	83256	25907	77745	30549	93793	54634	113703	72676	100607	63222	100848	89784
Crude rubber	45578	10708	49625	11218	59644	16302	36261	27623	51298	33726	62808	38931	48337	23528
Raw hides	107	218	107	218	131	384	218	969	79	280	136	549	171	832
Cotton	44379	17439	49495	18290	48982	29433	46579	30843	42968	35808	78053	65421	69966	58982
Wood (Timber)	632	37514	671	36656	1059	83986	1027	89308	1063	76303	1557	103295	1771	158996
Total	1186872	178460	1164724	151084	1595548	283970	1487962	359161	1398357	395785	1755340	435908	1949622	504852
Non listed products	663	2939	7904	2159	1282	2538	1605	2157	1535	2526	4752	3884	5919	3656
Total agricultural exports	1187535	181399	1172628	153243	1596830	286508	1489567	361318	1399892	398311	1760092	439792	1955541	508508
Share of listed products in %	99.94	98.38	99.33	98.59	99.92	99.11	99.89	99.40	99.89	99.37	99.73	99.12	99.70	99.28

Source: MINEFI/Custom Department

Table 15. Country' agricultural export product main competitors

Food and live animals	Fish and preparations	Bananas	Coffee	Cocoa	Tea	Palm nuts	Palm oil	Rubber	Wood (Timber)	Cotton
Cameroon 0.15	Cameroon 0.01	Cameroon 2.29	Cameroon 1.24	Cameroon 3.72	Cameroon 0.04	Cameroon 4.62	Cameroon 0.19	Cameroon 0.53	Cameroon 1.22	Cameroon 0.95
Netherlands 7.20	Thailand 7.48	Ecuador 23.08	Brazil 7.44	Cote d'Ivoire 30.02	Kenya 16.38	Papua N. G. 28.92	Malaysia 63.17	Thailand 17.34	Canada 24.92	USA 27.41
France 7.25	US 6.59	Costa Rica 16.58	Cote d'Ivoire 6.90	<i>Netherlands</i> 15.67	China 15.55	Malaysia 6.46	Indonesia 16.99	Indonesia 14.08	USA 14.31	Australia 6.20
Belgium 3.39	Norway 6.05	Colombia 11.11	Colombia 6.54	Ghana 9.48	Sri Lanka 14.62	Nigeria 5.85	<i>Netherlands</i> 5.09	Malaysia 11.27	Malaysia 8.34	Argentina 5.10
Australia 3.19	China 6.05	Philippines 7.32	<i>Netherlands</i> 6.04	Indonesia 6.66	India 13.72	USA 5.23	Papua N. G. 2.68	USA 9.59	Indonesia 2.77	Pakistan 4.66
Belgium 3.39	Canada 4.86	Mexico 4.10	Indonesia 4.73	Nigeria 4.23	Indonesia 6.15	Netherlands 4.62	<i>Belgium</i> 0.99	Japan 5.90	Australia 2.33	India 2.47
Australia 3.19	Denmark 3.92	Guatemala 3.56	India 3.03	Malaysia 3.91	Argentina 3.06	Cote d'Ivoire 4.00	China 0.81	France 4.85	France 2.01	Turkey 1.71
Argentine 2.48	Indonesia 3.38	Cote d'Ivoire 1.96	Mexico 2.54	Brazil 3.36	Brazil 2.06	Costa Rica 3.69	Cote d'Ivoire 0.79	Belgium 3.52	Cote d'Ivoire 1.75	Cote d'Ivoire 1.49
Ireland 1.78	Netherlands 2.96	<i>Belgium</i> 0.93	Guatemala 2.21	<i>France</i> 3.13	<i>Belgium</i> 1.67	Pakistan 2.77	Costa Rica 0.69	Netherlands 2.30	Brazil 1.47	Mexico 1.30
Hungary 0.51	India 2.32	Dominion Rp 0.69	Ghana 1.83	Ecuador 2.94	<i>Netherlands</i> 1.47	Indonesia 2.77	Viet Nam 0.64	Canada 2.12	Papua N. G. 1.33	Egypt 0.92
Poland 0.51	France 1.99	<i>Netherlands</i> 0.69	Viet Nam 1.61	Dominican Rp 1.18	<i>France</i> 1.12	Colombia 2.46	<i>Denmark</i> 0.33	Nigeria 1.31	China 1.21	Nigeria 0.34

Notes: ¹: The first figures are in percentage and representing the share of the country's export in the world market.

²: Non-producer countries are in italic.

Source: COMTRADE Data base.

Table 16. Pre and post-UR MFN rates (in percentage) of some main country's agricultural products to EU and USA markets in 1995

Commodities	European Union			USA		
	Pre-UR	Post-UR	Percentage Changes	Pre-UR	Post-UR	Percentage Changes
Agriculture excluding fish	4.83	0.75	-84.5	0.04	0.02	-50.0
Fish and preparations	17.61	11.72	-33.4	0.00	0.0	0.0
Bananas	20.0	16.0	-20.0	Na	Na	Na
Coffee	5.0	0.0	-100.0	0.0	0.0	0.0
Palm oil	5.0	1.9	-62.0	Na	Na	Na
Cocoa	3.0	0.0	-100.0	1.2	0.3	-75.0
Wood products 3	5.2	2.6	-50.0	5.7	3.2	-43.9
Leather, rubber, footwear	0.28	0.21	-25.0	0.21	0.07	-66.7

Note: Na: Note available.

Sources: Njinkeu and Monkam (1999) and Amjadi et al. (1996)

Table 17. Comparative costs/benefits analysis for arabica coffee (in CFAF/kg)

Farming system	Output	Pre-devaluation			Post-devaluation		
		total cost	Input cost	Margin	total cost	Input cost	Margin
TP ¹	200	407	201	-207	628	422	-128
TA ²	900	253	107	-53	371	225	123

Notes: ¹: Pure Traditional, ²: Traditional with associate crops.

Sources: CIRAD (1993) and authors calculations

Table 18. Comparative costs/benefits analysis for robusta coffee (in CFAF/kg)

Zone	Farming system			return	Pre-devaluation			Post-devaluation		
	Proces Sing	Associate crops	ferti lizers		Produc tion cost	Input cost	Margin	Produc tion cost	Input cost	Margin
Mungo	Yes	No	Yes	1000	113	44	-13	152	83	448
Mungo	Potential	Yes	No	400	7	13	3	109	25	481
East	Yes	No	Yes	1000	122	58	-22	174	110	426
East	No	No	No	250	114	6	-14	119	11	487

Sources: CIRAD (1993) and authors calculations

Table 19. Comparative costs/benefits analysis for cocoa (in CFAF/kg)

Zone	Farming system			Return	Pre-devaluation			Post-devaluation		
	Miride proces sing	Brown decay	drying		Produc tion cost	Input cost	Margin	Produc tion cost	Input cost	Margin
SW ¹	Yes	No	Kiln	900	130	80	70	210	160	140
Mbam	Yes	Yes	Solar	900	113	54	87	167	108	183
South	No	Partial	Solar	250	142	44	58	186	88	164

Note: ¹: SouthWest.

Sources: CIRAD (1993) and authors calculations

Table 20. Comparative costs/benefits analysis for cotton (in CFAF/kg)

Farming system	Pre-devaluation			Post-devaluation		
	Manual	harness1	Harness2	Manual	harness1	Harness2
Return (Kg/ha)	1164	1248	1333	1164	1248	1333
Sales Price (CFA.F/Kg)	90	90	90	135	135	135
Gross income (CFAF/ha)	104 760	112 320	119 970	157140	168480	179955
Fertilizers (CFAF/ha)	14 036	15 851	15 004	27840	31440	29760
Insecticides (CFAF/ha)	5 310	6 048	5 004	10530	11993	9923
Wages (CFA.F/ha)	5 400	3 200	6 600	5400	3200	6600
Total costs	24 476	25 099	26 608	43770	46633	46283
unit cost (CFA. F/kg)	21,25	20,11	19,96	37,60	37,36	34,72
Unit margin (CFA F/kg)	68.74	69.89	69.04	97.40	97.64	100.28

Source: Madi (1994) and authors calculations

Table 21. Comparative costs/benefits analysis for paddy rice (in CFAF/kg)

Description	Pre-devaluation	Post-devaluation
Total cost	76 500.0	89 500.0
Production	2 560.0	2 560.0
Unit cost	29.9	34.9
Sale prices	50.0	87.5
Unit margin	20.1	52.5

Sources: D. Harre and E. Oyep (1992) and authors calculations

Table 22. Main agricultural and food imported products (Quantities (Q) in tones and Volumes (V) in millions CFAF)

	1991/92		1992/93		1993/94		1994/95		1995/96		1996/97		1997/98	
	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V	Q	V
Fish	61 994	13 751	54 183	11 500	35 870	7 911	42 977	11 240	35 867	9 388	53 447	13 751	64 026	17 457
Freeze sea fish	59 810	13 046	53 826	11 335	35 623	7 671	42 915	11 134	34 798	9 074	53 374	13 636	63 924	17 382
Milk, eggs and honey	9 622	4 161	8 549	3 694	5 582	3 436	6 086	5 476	6 815	5 981	7 121	6 815	10 730	10 337
Powder milk	7 221	3 288	7 355	2 909	4 402	2 747	5 581	4 690	6 239	5 067	6 546	5 826	10 074	9 238
Cereals	218 347	11 106	173 172	10 951	306 621	27 561	203 854	18 878	115 717	14 516	137 599	19 528	348 134	44 911
Wheat	60 330	2 800	36 206	1 793	95 009	5 223	29 450	3 794	37 250	2 535	46 114	6 468	165 224	22 547
Corn			16 251	758	4 553	391	7 687	560	1 994	231	7 670	797	8 154	1 487
Rice			112 281	8 062	190 378	20 324	118 833	11 072	72 787	11 325	75 805	11 086	174 750	20 876
Malt	223 057	19 446	161 291	15 112	149 333	17 137	100 706	21 803	78 916	20 881	63 748	17 885	90 759	23 581
Wheat powder	156 078	10 007	94 600	5 374	105 157	9 506	41 127	6 141	13 749	1 793	11 870	1 558	25 367	3 995
Other wheat powders	8 590	893	5 964	643	3 638	556	2 457	626	3 393	772	4 723	1 085	13 570	3 365
Non roasted malt			58 865	8 848	39 333	6 868	48 418	13 211	51 721	15 855	39 717	13 467	50 646	15 724
Vegetable oil and fat	14 511	3 463	13 880	2 578	15 595	3 814	13 297	4 885	2 561	1 790	3 746	2 352	8 117	4 089
Margarine			2 294	725	1 811	737	1 988	1 361	1 387	873	2 080	1 376	2 660	1 778
Fish and meat preparations	7 207	3 209	5 734	2 427	2 400	1 205	2 308	2 041	1 452	1 585	1 130	1 153	1 244	1 254
Sugar and sweet foods	18 197	2 374	7 865	1 114	11 457	1 920	23 673	6 679	19 884	5 298	25 884	6 977	37 401	9 535
Refined sugar	16 736	1 981	6 407	754	10 365	1 563	21 779	5 948	17 536	4 440	23 277	5 891	34 013	8 221
Cereal preparations	2 848	3 261	2 738	2 662	1 206	1 579	1 633	2 203	1 782	2 328	2 970	3 704	3 372	3 851
Food for babies and children	2 327	2 991	1 842	2 360	912	1 387	852	1 661	818	1 708	1 266	2 626	1 250	2 607
Fruit and vegetable soups	5 037	1 358	5 124	1 190	4 447	1 256	4 376	2 016	4 565	2 445	3 872	2 228	4 152	2 655
Conserves tomato	3 696	870	4 081	906	3 832	1 007	2 774	1 320	2 778	1 289	1 934	963	1 776	953
Other food preparations	6 484	5 511	7 055	5 103	6 526	5 215	5 642	6 911	6 677	7 477	5 720	6 025	7 802	8 076
Beer, soft drinks and liquors	5 940	2 074	5 549	1 512	4 330	1 465	5 709	3 098	4 227	2 233	6 296	3 160	8 838	4 024
Wine	4 772	1 271	4 754	1 148	3 724	1 090	4 571	2 107	3 443	1 480	4 703	1 883	6 170	2 417
Food industries waste	7 855	1 304	15 138	2 286	7 511	1 625	7 218	1 940	7 246	2 006	9 236	3 045	8 095	2 717
Tobacco	5 724	24 707	1 590	5 481	1 625	4 949	797	3 459	1 743	3 200	1 963	5 704	517	1 675
Rubber	6 406	5 591	6 049	5 539	5 151	6 080	6 494	10 850	7 586	12 236	8 345	15 309	11 155	20 929
Cotton	690	1 256	793	1 128	719	1 142	607	1 565	739	1 410	950	1 795	865	1 657

Source: MINEFI/Custom Department

Table 23. Summary of FIMAC credit on 30 June 1999

Provinces	Number of beneficiary groups	Amount of credit granted (in CFAF millions)	Reimbursement rate (in %)
Far North	267	114.8	85.7
Center	153	123.2	72.0
Littoral	245	148.0	68.1
Adamawa	243	368.2	66.5
North	382	234.0	63.3
North-west	562	366.9	92.3
South	215	90.7	58.3
East	254	108.8	73.4
West	385	162.3	82.5
South-west	179	98.6	75.5
Cameroon	2885	1815.6	74.7

Source: MINAGRI (1999)

Table 24. Complete specification of the CGE model

Sets definition

- $i \in I = \{SAG, PAG, HUB, FOR, FIS, FIN, OIL, AIN, NTS\}$ Production sectors ;
- $j \in J = \text{Alias } I \text{ in terms of products;}$
- $mc \in ECH = \{SAG, PAG, HUB, FOR, FIS, FIN, OIL, AIN\}$ Tradable products;
- $mr \in MR = \{SAG, PAG, FIN, OIL, AIN\}$ Imported products from the ROW;
- $mcr \in MCR = \{SAG, PAG, FIN, AIN\}$ Imported products from CEMAC and ROW;
- $msc \in MSC = \{HUB, FOR, FIS\}$ Imported products only from CEMAC;
- $xc \in XC = \{SAG, HUB, FIS, FIN, AIN\}$ CEMAC' exported products;
- $xr \in XR = \{SAG, PAG, HUB, FOR, FIS, FIN, OIL, AIN\}$ ROW' exported products;
- $xsr \in XSR = \{PAG, HUB, OIL\}$ Products exported only to the ROW;
- $al \in AL = \{PAG, HUB, FIS, FIN\}$ Pure food products;
- $snm \in SNM = \{SNM\}$ Non tradable services;
- $oil \in OIL = \{OIL\}$ Oil products .

Production block

No.		No. of equations
(1)	$VA_i = A_i \cdot L_i^{p_i} \cdot K_i^{(1-\alpha_i)}$	9
(2)	$CI_i = i_{oi} \cdot VA_i / v_i$	9
(3)	$XS_i = CI_i / i_{oi}$	9
(4)	$CI_{ij} = a_{ij} \cdot CI_i$	81
(5)	$L_i^D = \alpha_i \cdot PVA_i \cdot VA_i / w$	9

Revenue/savings block

- (6) $YM = w \cdot \lambda_L^M \cdot \sum_i L_i^D + \lambda_K^M \cdot \sum_i RK_i + TGM \cdot Pindex$ 1
- (7) $DIM = tdi \cdot (YS - TAXRKS - TSR)$ 1
- (8) $TAXRKS = trks \cdot \lambda_k^S \cdot \sum_i RK_i$ 1
- (9) $YDM = (1 - tym) \cdot YM - (TMS \cdot PINDEX + THR)$ 1
- (10) $SM = pms \cdot YDM$ 1
- (11) $YG = tym \cdot YM + [1 - (\lambda_K^M + \lambda_k^S)] \cdot \sum_i RK_i + e \cdot TRG + \sum_i TAXD_i$
 $+ \sum_{mr} TAXMR_{mr} + \sum_{mc} TAXMU_{mc} + \sum_{xr} TAXER_{xr} + \sum_{xc} TAXEU_{xc}$ 1
- (12) $TAXD_j = td_j \cdot PD_j \cdot D_j$ 9
- (13) $TAXMR_{mr} = tmr_{mr} \cdot e \cdot PWM_{mr} \cdot RM_{mr}$ 5
- (14) $TAXMU_{mc} = tmu_{mc} \cdot PWM_{mc} \cdot UM_{mc}$ 7
- (15) $TAXER_{xr} = \frac{e \cdot PWE_{xr} \cdot EXR_{xr}}{(1 + ter_{xr})}$ 8
- (16) $TAXEU_{xc} = \frac{PWE_{xc} \cdot EXU_{xc}}{(1 + teu_{xc})}$ 5
- (17) $SG = YG - (CG + (TGM + TGS) \cdot Pindex + TGR)$ 1
- (18) $YS = \lambda_k^S \cdot \sum_i KR_i + (TMS + TGS) \cdot Pindex + e \cdot TRS$ 1
- (19) $SS = YS - (DIM + TAXRKS + TSR)$ 1
- (20) $RK_i = PVA_i \cdot VA_i - w \cdot L_i^D$ 9

Demand block

- (21) $Q_{ech} = B_{ech}^M \cdot [\delta_{ech} \cdot M_{ech}^{\rho_{ech}^h} + (1 - \delta_{ech}) \cdot D_{ech}^{\rho_{ech}^h}]^{(1/\rho_{ech}^h)}$ 8
- (22) $Q_{snm} = D_{snm} \cdot (1 + td_{snm})$ 1
- (23) $\frac{M_{ech}}{D_{ech}} = \left[\frac{PD_{ech}}{PM_{ech}} \cdot \frac{\delta_{ech}}{1 - \delta_{ech}} \right]^{\sigma_{ech}^M}; \sigma_{ech}^M = \frac{1}{1 - \rho_{ech}^h}$ 8
- (24) $M_{msc} = UM_{msc}$ 3
- (25) $M_{oil} = RM_{oil}$ 1
- (26) $M_{mcr} = B_{mcr}^{IM} \cdot [\delta_{mcr}^l \cdot RM_{mcr}^{\rho_{mcr}^l} + (1 - \delta_{mcr}^l) \cdot UM_{mcr}^{\rho_{mcr}^l}]^{1/\rho_{mcr}^l}$ 4
- (27) $\frac{RM_{mcr}}{UM_{mcr}} = \left[\frac{PMU_{mcr}}{PMR_{mcr}} \cdot \frac{\delta_{mcr}^l}{1 - \delta_{mcr}^l} \right]^{\sigma_{mcr}^{IM}}; \sigma_{mcr}^{IM} = \frac{1}{1 - \rho_{mcr}^l}$ 4
- (28) $XS_{ech} = B_{ech}^X \cdot [\gamma_{ech} \cdot EX_{ech}^{\psi_{ech}^k} + (1 - \gamma_{ech}) \cdot D_{ech}^{\psi_{ech}^k}]^{(1/\psi_{ech}^k)}$ 8
- (29) $XS_{snm} = D_{snm}$ 1
- (30) $\frac{EX_{ech}}{D_{ech}} = \left[\frac{PE_{ech}}{PD_{ech}} \cdot \frac{1 - \gamma_{ech}}{\gamma_{ech}} \right]^{\sigma_{ech}^E}; \sigma_{ech}^E = \frac{1}{(\gamma_{ech} - 1)}$ 8
- (31) $EX_{xc} = B_{xc}^{IX} \cdot [\gamma_{xc}^l \cdot EXR_{xc}^{\psi_{xc}^l} + (1 - \gamma_{xc}^l) \cdot EXU_{xc}^{\psi_{xc}^l}]^{(1/\psi_{xc}^l)}$ 5

$$(32) \quad \frac{EXR_{xc}}{EXU_{xc}} = \left[\frac{PEU_{xc}}{PER_{xc}} \cdot \frac{1 - \gamma'_{xc}}{\gamma'_{xc}} \right]^{\sigma_{xc}^{IE}}; \quad \sigma_{xc}^{IE} = \frac{1}{(\gamma'_{xc} - 1)} \quad 5$$

$$(33) \quad EX_{xsr} = EXR_{xsr} \quad 3$$

$$(34) \quad CM = YDM - SM \quad 1$$

$$(35) \quad PC_i \cdot C_i = \beta_i^C \cdot CM + \beta_i^G \cdot CG \quad 9$$

$$(36) \quad PC_i \cdot INV_i = \beta_i^I \cdot IT \quad 9$$

$$(37) \quad DINT_i = \sum_j a_{ij} \cdot CI_i \quad 9$$

Prices block

$$(38) \quad PVA_i = \frac{(P_i \cdot XS_i - \sum_j PC_j \cdot CI_{ij})}{VA_i} \quad 9$$

$$(39) \quad P_{ech} = \frac{(PD_{ech} \cdot D_{ech} + PE_{ech} \cdot EX_{ech})}{XS_{ech}} \quad 8$$

$$(40) \quad P_{snm} = PD_{snm} \quad 1$$

$$(41) \quad PMU_{mc} = PWM_{mc} \cdot (1 + tm_{mc}) \quad 7$$

$$(42) \quad PMR_{mr} = e \cdot PWM_{mr} \cdot (1 + tmr_{mr}) \quad 5$$

$$(43) \quad PDM_j = PD_j \cdot (1 + td_j) \quad 9$$

$$(44) \quad PC_{ech} = \frac{PD_{ech} \cdot D_{ech} + PM_{ech} \cdot M_{ech}}{Q_{ech}} \quad 8$$

$$(45) \quad PC_{snm} = \frac{PDM_{snm} \cdot D_{snm}}{Q_{snm}} \quad 1$$

$$(46) \quad PM_{mcr} \cdot M_{mcr} = PMU_{mcr} \cdot UM_{mcr} + PMR_{mcr} \cdot RM_{mcr} \quad 4$$

$$(47) \quad PM_{msc} \cdot M_{msc} = PMU_{msc} \cdot UM_{msc} \quad 3$$

$$(48) \quad PM_{oil} \cdot M_{oil} = PMR_{oil} \cdot RM_{oil} \quad 1$$

$$(49) \quad PE_{xc} \cdot EX_{xc} = PEU_{xc} \cdot EXU_{xc} + PER_{xc} \cdot EXR_{xc} \quad 5$$

$$(50) \quad PEU_{xc} = \frac{PWE_{xc}}{1 + te_{u_{xc}}} \quad 5$$

$$(51) \quad PER_{xr} = \frac{e \cdot PWE_{xr}}{1 + te_{r_{xr}}} \quad 8$$

$$(52) \quad PE_{xsr} = PER_{xsr} \quad 3$$

$$(53) \quad Pindex = \sum_i \beta_i^C \cdot PC_i \quad 1$$

Equilibrium bloc

$$(54) \quad IT = SS + SM + SG + e \cdot BC \quad 1$$

$$(55) \quad BCU = \sum_{mc} PWM_{mc} \cdot UM_{mc} - \sum_{xc} PWE_{xc} \cdot EXU_{xc} \quad 1$$

$$(56) \quad BCR = (1 - \lambda_L^M) \cdot w \cdot \sum_{LD_i} + \sum_{mr} PWM_{mr} \cdot RM_{mr} + \frac{1}{e} \cdot (TGR + TSR + TMR) \\ - (\sum_{xr} PWE_{xr} \cdot EXR_{xr} + TRG + TRM + TRS) \quad 1$$

(57)	$L\dot{C}on = Q_{snm} - C_{snm} - DINT_{snm} - INV_{snm}$	1
(58)	$Q_{ech} = C_{ech} + DINT_{ech} + INV_{ech}$	8
(59)	$(1 - tch) \cdot L^S = \sum_i L_i^D$	1
(60)	$BC = e \cdot BCU + BCR$	1

Household welfare variation model

(b1)	$CV = [(U - UO) / U] \cdot YM$	1
(b2)	$EV = [(U - UO) / UO] \cdot YMO$	1
(b3)	$U = \sum_{at} \left(\frac{\beta_{at} \cdot CM}{PC_{at}} \right)^{\beta_{at}}$	1
(b4)	$H^* = \frac{1}{2} \cdot (CV + EV)$	1
Total		352

Table 25. List of variables and parameters of the CGE model

a. Endogenous variables

BCR	Current account with the ROW	1
BCU	Current account with other CEMAC countries	1
C_i	Final consumption of goods	9
CI_i	Total sector's intermediate consumption	9
CI_{ij}	Sector's intermediate consumption	81
CM	Households' total consumption	1
CV	Compensating variation	1
D_j	Domestic sales	9
DIM	Dividends received by household	1
$DINT_i$	Intermediate demand of goods	9
EV:	Equivalent variation	1
EX_{ech}	Total composite exports	8
EXU_{xc}	Exports to CEMAC	5
EXR_{xr}	Exports to the ROW	8
H^*	Household average welfare variation	1
INV_i	Investment in goods	9
IT	Total investment	1
L_i^D	Sector's employment	9
Leon	Equilibrium checking variable	1
M_{ech}	Total imports	8
P_i	Sector's production cost	9
PC_i	Composite good prices	9
PD_j	Domestic producer prices	9
PDM_j	Domestic market prices all taxes comprised	9
PE_{ech}	Domestic price of total composite exports	8
PEU_{xc}	Domestic price of total composite exports to the CEMAC zone	5
PER_{xr}	Domestic price of total composite exports to the ROW zone	8
Pindex	General consumer price index	1

PM_{cch}	Domestic price of total imports	8
PMU_{mc}	Domestic price of imports from CEMAC	7
PMR_{mr}	Domestic price of imports from the ROW	5
PVA_i	Sector's value added prices	9
Q_i	Composite good supply	9
RK_i	Sector' capital remuneration	9
SG	Government saving	1
SM	Household saving	1
SS	Firms saving	1
TAXRKS	Firm' capital remuneration tax revenue	1
TAXD _j	Indirect tax on local product revenue	9
TAXER _{xr}	ROW' export tax revenue	8
TAXEU _{xc}	CEMAC' export tax revenue	5
TAXMR _{mr}	ROW' import custom duties revenue	5
TAXMU _{mr}	CEMAC' import custom duties revenue	7
tch	Unemployment rate	1
U	Household food products consumption utility	1
UM_{mc}	CEMAC imports	7
RM_{mr}	ROW' imports	5
VA_i	Sector's value added	9
XS_i	Sector's domestic output	9
YDM	Household disposable revenue	1
YG	Government revenue	1
YM	Households' total revenue	1
YS	Firms revenue	1
Total		352

b. Exogenous variables

BC	Global current account	1
e	Nominal exchange rate with the ROW	1
K_i	Sector's stock of capital	9
L^S	Total labor supply	1
PWE_{cch}	Exports world prices	8
PWM_{mr}	Imports world prices	8
CG	Government consumption	1
TMS	Household transfers to firms	1
TGM	Government transfers to households	1
TGR	Government transfers to the ROW	1
TRG	ROW' transfers to the government	1
TSR	Firms transfers to the ROW	1
TMR	Household transfers to the ROW	1
TGS	Government transfers to firms	1
TRM	ROW' transfers to households	1
TRS	ROW' transfers to firms	1
UO	Initial household food products consumption utility	1
YMO	Households' initial revenue	1
w	Average wages rate	1
Total		41

c. Parameters	
a_{ij}	Input-output coefficients
A_i	Cobb-Douglas shift parameter
α_i	Labor share parameter in value added function
λ_L^M	Share of salary received by household
λ_K^M	Capital remuneration share own by household
λ_K^S	Capital remuneration share own by firms
pms	Household average rate of saving
tdi	Dividends share received by household
tym	Household direct tax rates
$trks$	Firms profits tax rate
td_j	Indirect tax rates on local products
tpd_i	Production tax rate on local products
tmr_{mr}	Average ROW imports custom duty rates
tmu_{mc}	Average CEMAC imports custom duty rates
teu_{xc}	CEMAC exports tax rates
ter_{xr}	ROW exports tax rates
β_i^C	Share of good in household consumption
β_i^G	Share of good in public expenditure
β_i^I	Share of good total investment
io_i	Technology coefficients
v_j	Idem
B_{ech}^M	Armington shift parameters
B_{mcr}^{1M}	Idem
δ_{ech}	Armington exponents
δl_{mcr}	idem
ρ_{ech}	Substitution parameters in the CES functions
ρl_{mcr}	idem
σ_{ech}^M	Substitution elasticity of imports
σ_{mcr}^{1M}	idem
σ_{ech}^E	Transformation elasticity of exports
σ_{xc}^{1E}	idem
B_{ech}^X	CET shift parameters
B_{xc}^{1x}	Idem
γ_{ech}	CET functions exponents
γl_{xen}	idem
φ_{ech}	idem
φl_{xcn}	idem

Table 26. Scenario impact on agricultural, food security and macro-economic indicators (in percentage change from base run model)

Indicators	Scen. 1	Scen. 2	Scen. 3	Scen. 4	Scen. 5	Scen. 6
A. Value added of Agriculture and food sectors						
- Subsistence agriculture	0.000	0.000	0.0001	0.006	0.004	0.006
- Perennial agriculture	0.157	0.161	2.193	34.857	29.674	25.565
- Forestry	0.001	0.001	0.009	0.193	0.140	0.216
- Hunting and breeding	-0.066	-0.065	0.243	17.537	15.777	14.486
- Fishing	0.015	0.015	0.249	2.287	-0.414	-1.249
- Food industries	-0.006	-0.007	-0.494	-2.767	-1.720	2.169
Total agriculture and food Industries value added	0.004	0.004	0.032	2.804	2.525	3.173
B. Agricultural and food products demand						
- Subsistence agriculture	0.000	0.000	0.0003	0.018	0.012	0.020
- Perennial agriculture	0.294	0.301	4.119	59.783	46.817	37.330
- Forestry	0.001	0.001	0.009	0.200	0.146	0.226
- Hunting and breeding	-0.178	-0.178	0.146	16.517	14.511	13.371
- Fishing	0.016	0.016	0.264	2.427	-0.434	-1.316
- Food industries	-0.002	-0.003	-0.541	-3.988	-3.368	1.208
Total demand of local agriculture and food products	0.001	0.001	-0.027	1.964	1.450	2.744
- Imports of subsistence agricultural	1.229	1.229	1.302	6.691	5.079	7.490
- Imports of perennial agricultural	7.446	7.455	12.635	107.692	85.112	69.051
- Imports of forestry	6.540	6.541	6.570	11.932	10.783	13.561
- Imports of hunting and breeding	10.507	10.507	10.878	42.622	39.953	35.090
- Imports of fishing	0.798	0.800	2.510	19.917	-1.591	-7.247
- Imports of industrial food products	0.034	0.043	5.683	36.478	32.895	32.470
Total agricultural and food Imported products	0.350	0.357	4.996	31.521	28.174	28.142
Total local and imported Agricultural and food products	0.023	0.024	0.303	3.903	3.204	4.410
C. Macro-economic indicators						
- GDP at factor prices	-0.0008	-0.0009	-0.049	0.373	0.993	1.769
- Budget deficit or surplus	-0.653	-0.664	-7.608	-64.955	21.193	51.020
- Balance account with CEMAC	-0.213	-0.227	-0.067	1.064	-0.039	-1.433
- Balance account with the ROW	0.214	0.228	0.067	-1.065	0.039	1.435
- CEMAC agricultural and food exports	-0.029	-0.030	-0.235	20.664	24.513	24.802
- ROW agricultural and food exports	0.026	0.027	0.260	11.591	12.673	12.338
- CEMAC agricultural and food imports	6.334	6.733	7.436	30.875	23.027	19.130
- ROW agricultural and food imports	0.532	0.554	0.649	7.583	8.115	7.515
- Rate of unemployment	0.016	0.017	0.862	-12.575	-22.186	-35.703
- Household' revenue	-0.004	-0.004	-0.202	2.288	4.072	7.259
- Household' agricultural and food products consumption	0.0003	0.0003	0.052	0.866	2.336	5.610
- Household' welfare variation due to the consumption of foodstuffs (in billion of CFAF)	0.002	0.003	0.712	3.769	17.686	40.873

Note: ¹: Scenario.

Source: Authors' calculations using data from GAMS' results sheets of the model

Table 27. Taxation of agricultural exports in CEMAC

Products	Tax rates	Inspection, control and other fees
Cameroon		
Rough timber n	25%	0,95%
Cocoa	10%	0,95%
Coffee	10%	0,95%
Cotton		0,95%
Bananas	4000 FCFA/tonne	
Palm oil	30%	
Medicinal plants		0,95%
CAR		
Cotton	4 % CIF	
Logs	40% FOB	
Wood	20% FOB	
Equatorial Guinea		
Logs	1-50% FOB	
Cocoa	1-50% FOB	
Coffee	1-50% FOB	

Source: Compiled from Planistat (1999)

Table 28. Production of some agricultural products of UDEAC/CEMAC countries (in million tones and heads for animals)

	1988							1995						
	Cam	RCA	Congo	Gabon	G. E.	Tchad	Total	Cam	RCA	Congo	Gabon	Guinée E.	Tchad	Total
Cocoa	132.8		2.3	1.6	7.6		144.3	109.1		0.4	1.8	3.2		114.5
Coffee	87.7	14.0	1.9	1.7	0.4		105.7	80.0	14.6	1.2	0.2	0.2		96.2
Cotton	158.7	26.8				175.7	361.2	217.0	39.0				217.9	473.9
Banana	50.6		95.2	230.0			375.8	203.0		118.9	259.0			580.9
Sugar cane	917.0		362.0	210.0			1489.0	828.4		400.1	226.5		325.3	1780.3
Crude rubber	30.7						30.7	58.6			5.1			63.7
Timber (10 ⁹ m ³)	722.0	0.2	0.8	1.2	0.2		724.4	736.9			1.8			738.7
Palm nuts				51.4			51.4	19.0			75.9			94.9
Palm oils	95.2	3.4	1.0	10.3			109.9	100.0	5.2	2.7	18.0			125.9
Other vegetable oils	22.0	6.7	1.0	12.0		108.4	150.1	26.1	1.6				116.5	144.2
Cassava	5.2	284.4	645.3	198.0			1132.9	5.3	270.2	961.3	241.3			1478.1
Yam	0.1	220.0	10.8				230.9	0.1	0.2	11.1				11.4
Coco yam and Taro	1.8		3.5	58.0			63.3	1.8		4.8	52.7			59.3
Pineapple	0.0		95.3				95.3			90.1				90.1
Maize	0.4	76.7	19.7	24.9			121.7	0.5	74.2	6.4	24.4			105.5
Millet and sorghum	0.0	59.2				0.7	59.9		57.3					57.3
Ground-nuts	0.1	102.3	37.5	14.0		0.2	154.1	0.3	107.9	30.1	1.4			139.7
Fish	71.8	13.1	42.0	22.1	4.0		153.0	71.9	14.0	40.7	26.5	3.9	82.0	239.0
Other fruits	0.0	78.5	110.1				188.6		62.2	110.0				172.2
Green vegetables	0.1	76.5	48.0				124.6	0.3	64.0	50.5	0.7			115.5
Cattle	3291	2398	68	24		4098	9879.0	2300	2900	182	36		4842	10260.0
Sheep	3878	93	101	153		4490	8715.0	3820	125	220	200		5524	9889.0
Goat	2110	1127	398	126		13	3774.0	1200	1200	570	155		17	3142.0
Pigs	392	364	52	147			955.0	540	458	69	310			1377.0
Poultry	10065	2400	1005	6952			20422.0	5100	2534	1420	3800			12854.0

Source: 'Bulletin des Statistiques Générales de la CEMAC' (1999)

Table 29. UDEAC/CEMAC Trade Matrix in 1996

	Cameroon	Central African Republic	Congo Republic	Gabon	Equatorial Guinea	Chad
Cameroon		Live animal Palm oil Fish Milk Eggs G. vegetables Ground-nuts Sugar Chocolate	Live animals Palm oils Fish Milk Eggs G. vegetables Coffee Ground-nuts Sugar Chocolate Food prep. Beans	Live animals Palm oils Milk Eggs G. vegetables Cassava Yam Fruits Coffee Sugar Chocolate Food prep. Cotton cake	Palm oil Milk Eggs G. vegetables Sugar Chocolate Food prep.	Fish G. vegetables Chocolate Food prep. Maize Beans Sugar
Central African Republic	Ground-nuts Cotton cake		Live animals G. vegetables Ground-nuts	Coffee		
Congo Republic		Sugar Cocoa		Fish Tobacco		
Gabon	Fish Vegetable oils Cocoa		Fish Tea			Sugar
Equatorial Guinea						
Chad	Live animals Ground-nuts Fish Fruits Meat Cotton cake	Ground-nuts Vegetable oils				

Note: Exports are in the vertical lines and imports are in the columns;
G.= Green; Prep. = Preparations.

Source: UDEAC (1998) *'Annuaire du Commerce Inter-Etats: Année 1997'*

Table 30. Some agricultural products tariff structure due to 1994 UDEAC/CEMAC RFRP

Products	TEC Category	TCA rate	Excise tax
Meat and consumable offal	III	Reduced	No
Milk	III (I for powder)	Reduced	No
Rise	II	Reduced	No
Food preparations	II	Reduced	No
Tobacco	III	Normal	Yes
Fresh and frozen fish	III	Reduced	No
Sugar	III	Reduced	No
Cattle, Sheep and Goats	I	Normal	No
Vegetable oils	II	Normal	No
Green vegetables	III	Normal	No
Banana and other fruits	III	Normal	No
Cocoa	I	Normal	No
Coffee	III	Normal	No
Cotton cake and Ground-nuts	II	Normal	No
Bran rise, maize and Wheat	II	Normal	No
Leather and skins	II	Normal	No
Tea	II	Normal	No
Sorghum and millet	I	Normal	No
Ground-nuts	I	Normal	No
Cotton seeds	I	Normal	No
Cotton pod	I	Normal	No
Eggs	III	Normal	No
Prawn, Crabs and Lobsters	III	Normal	No
Fresh flowers	III	Normal	No
Cassava, Sweet potato and Yam	III	Normal	No

Source: By authors using data from the Common External Tariff of 'UDEAC and Act No. 1/92-UDEAC-556-CD-SE1 of 30/04/1992 on the adoption of a turn over tax and excise tax in UDEAC countries

Table 31. CEMAC Tariffs and Taxes

	Average bound tariffs (1)			Average applied tariffs (2)			Other duties and charges (%)	Total duties and charges (%)
	Agriculture	No-agriculture	Total	Agriculture (%)	No-agriculture (%)	Total (%)		
Cameroon	230.0%	(4)	(4)	18.7	15.0	15.5	26.7	42.2
CAR (1)	(4)	16.0%	(4)	6.4	14.0	12.6	22.6	35.2
Congo	(4)	(4)	(4)	24.4	12.2	12.9	25.1	38.0
Gabon	200.0%	150.0%	(4)	22.6	6.8	7.6	10.5	18.1
Eq. Guinea	(4)	(4)	(4)	25.2	17.3	18.2	18.5	36.7
Chad	(4)	(4)	(4)	28.9	12.6	15.5	24.3	39.8
CEMAC	(4)	(4)	(4)	21.5	11.0	11.8	20.1	31.9

Notes: (1): Uruguay Round depositions partial; Equatorial Guinea not WTO member; (2): Common External Tariff as applied to imports from EU; (3): Temporary surtax, VAT/TCA, Excise and (4): No Uruguay Round deposition.

Source: Planistat (1999)

Table 32. Products on which lost of preferences is possible for UDEAC/CEMAC members

CN_1995	Description (abbreviated)	No-LLDC ACP exporters (CEMAC countries bold and underlined)	Competitor(s) ^a
Preference reduced			
03061390	Frozen shrimps and prawns (excl. "pandalidae" and "crangon")	Nigeria, Senegal, Surinam, <u>Gabon</u> , C.d'Ivoire, <u>Congo</u> , <u>Cameroon</u> , Kenya, Trinidad & Tobago, Ghana, Guyana	Thailand
08043000	Fresh or dried pineapples	C.d'Ivoire, Ghana, Dominican Rep., <u>Cameroon</u> , Mauritius, Swaziland, Kenya, Zimbabwe, Nigeria Senegal	Thailand
15111090	Crude palm oil (excl. for industrial use)	PNG, C.d'Ivoire, Ghana, <u>Gabon</u> , <u>Cameroon</u> , Nigeria, Senegal	Indonesia, Malaysia
18031000	Cocoa paste (excl. defatted)	C.d'Ivoire, <u>Cameroon</u> , Ghana, Nigeria, Dominican Rep.	Brazil
18040000	Cocoa butter, fat and oil	C.d'Ivoire, <u>Cameroon</u> , Ghana, Nigeria, Dominical Rep.	Brazil
Preference extinguished			
03061390	Frozen shrimps and prawns (excl. 'pandalidae' and 'crangon')	Nigeria, Senegal, Surinam, <u>Gabon</u> , C.d'Ivoire, <u>Congo</u> , <u>Cameroon</u> , Kenya, Trinidad & Tobago, Ghana, Guyana	India
06031069	Fresh cut flowers and buds from 1 November to 31 May	Kenya, Zimbabwe, C.d'Ivoire, Mauritius, Surinam, Jamaica, Namibia, <u>Cameroon</u> , Swaziland, Barbados, St Vincent, Trinidad & Tobago, Grenada, Nigeria, Guyana, Dominican Rep.	S. Africa
08030019	Bananas, fresh (excl. plantains)	C. d'Ivoire, <u>Cameroon</u> , St. Lucia, Jamaica, St Vincent, Belize, Surinam, Dominica, Grenada	Ecuador, Costa Rica, Colombia
08043000	Fresh or dried pineapples	C.d'Ivoire, Ghana, Dominican Rep., <u>Cameroon</u> , Mauritius, Swaziland, Kenya, Zimbabwe, Nigeria, Senegal	S. Africa, Brazil
15111090	Crude palm oil (excl for industrial uses)	PNG, C. d'Ivoire, Ghana, <u>Gabon</u> , <u>Cameroon</u> , Nigeria, Senegal	Brazil
17011110	Raw cane sugar, for refining	Mauritius, Fiji, Guyana, Swaziland, Jamaica, Zimbabwe, Trinidad & Tobago, St Kitts & Nevis, <u>Congo</u>	Brazil, Cuba
18031000	Cocoa paste (excl. defatted)	C. d'Ivoire, <u>Cameroon</u> , Ghana, Nigeria, Dominican Rep	Indonesia
18040000	Cocoa butter, fat and oil	Ghana, C. d'Ivoire, Nigeria, <u>Cameroon</u> , Dominican Rep.	Malaysia, Indonesia
41051210	Unsplit sheep or lamb skin leather, pre-tanned	Nigeria, Kenya, <u>Cameroon</u>	Saudi Arabia, Brazil
41061200	Goat or kid skin leather, dehaired, minerals/synthetic, pre-tanned	Nigeria, Kenya, <u>Cameroon</u> , C. d'Ivoire, Dominican Rep.	Nepal, Pakistan, China
76011000	Aluminium, not alloyed, unwrought	Ghana, <u>Cameroon</u> , Surinam, C.d'Ivoire, Namibia, Guyana	Russia, Canada

Equality replaced by discrimination			
03026996	Saltwater fish, edible, fresh or chilled n.e.s.	Senegal, C d'Ivoire, Trinidad & Tobago, Belize, Seychelles, Ghana, Jamaica, Nigeria, Kenya, Namibia, PNG, Mauritius, Grenada, Zimbabwe	Morocco, Turkey
06031069	Fresh cut flowers and buds from 1 November to 31 May	Kenya, Zimbabwe, C. d'Ivoire, Mauritius, Surinam, Jamaica, Namibia, Cameroon , Swaziland, Barbados, St Vincent, Trinidad and Tobago, Grenada, Nigeria, Guyana, Dominican Rep.	Israel, Ecuador
07082010	Fresh or chilled beans 'vigna spp., phaseolus spp. from 1 October to 30 June	Kenya, Senegal, Zimbabwe, Cameroon , Dominican Rep., Surinam, Nigeria, Swaziland, C. d'Ivoire, St. Lucia, Ghana	Egypt, Morocco, Turkey
18031000	Cocoa paste (excl. defatted)	C.d'Ivoire, Cameroon , Ghana, Nigeria, Dominican Rep.	Norway
41051210	Unsplit sheep or lamb skin leather, pre-tanned	Nigeria, Kenya, Cameroon	Algeria
760110000	Aluminium, not alloyed, unwrought	Ghana, Cameroon , Surinam, C. d'Ivoire, Namibia, Guyana	Norway
Preference replaced by discrimination			
03061390	Frozen shrimps and prawns (excl. 'pandalidae' and 'crangon')	Nigeria, Senegal, Surinam, Gabon , C.d'Ivoire, Congo , Cameroon , Kenya, Trinidad & Tobago, Ghana, Guyana	Ecuador
No change			
08030019	Bananas, fresh (excl. plantains)	Dominican Rep., Ghana, Kenya, Gabon , Bahamas	Ecuador, Costa Rica, Colombia

Note: The three largest No-LLDC ACP competitors only.
Sources: Adapted from information in Stevens et al. (1999).

Table 33. Recent Data on Cameroon Banana Industry

	1991	1994	1997	1998	1999
Areas (ha)	3585	4829	4770	5077	5317
Productivity (tons/ha)	34	39	38	43	46
Output (000 tons)	120.8	190.1	179.4	220.1	238.4
Quality (%)	30	76	75	80	90
Wage Bill (10 ⁶ CFAF)	3000	5600	6100	6914	7989
Number of jobs created	5200	7146	9399	10320	11106

Source: ASSOBCAM

Table 34. Implications for No-LCCD ACP of systematic income differentiation within the GSP

CN 1995	Short description	Exporters ^a			
		<i>MFN</i>	<i>Upper Income</i>	<i>Normal-income</i>	<i>Low-income</i>
07082010	Beans 'vigna spp./phaseolus spp.',, 1 Oct.-30 June			Senegal, Zimbabwe, Cameroon, Dom. Rep., C. d'Ivoire, No-ACP <i>Egypt, Morocco, Turkey</i>	Kenya, Nigeria, Ghana
08030019	Bananas fresh		<i>Gabon</i>	Cameroon, C.d'Ivoire, Jamaica, No-ACP Dom. Rep. Ecuador, <i>Costa Rica, Colombia</i>	Ghana, Kenya
08043000	Fresh/dried pineapples		Mauritius, Brazil	C. d'Ivoire, Dom. Rep., Cameroon, Zimbabwe, Senegal, No-ACP <i>S. Africa, Thailand</i>	Ghana, Kenya, Nigeria
15111090	Crude palm oil		<i>Gabon</i> Malaysia Brazil	PNG, C.d'Ivoire, Cameroon, Senegal, No-ACP <i>Indonesia</i>	Ghana, Nigeria
18031000	Cocoa paste	Norway	Brazil	C.d'Ivoire, Cameroon, No-ACP Dom. Rep. <i>Indonesia</i>	Ghana, Nigeria
1804000	Cocoa butter, fat and oil		Malaysia, Brazil	C.d'Ivoire, Cameroon, No-ACP Dom. Rep. <i>Indonesia</i>	Ghana, Nigeria
41051210	Sheep/lambskin leather	Saudi Arabia	Brazil	Cameroon, C.d'Ivoire, No-ACP Dom. Rep. China	Nigeria, Kenya
41061200	Goat/kidskin leather			Cameroon, C.d'Ivoire, No-ACP Dom. Rep., China	Nigeria, Kenya No-ACP <i>Nepal, Pakistan</i>
61051000	Men's cotton shirts, knitted/crocheted	Hong Kong	Mauritius	Dom. Rep., Zimbabwe, Jamaica No-ACP Turkey, China	Nigeria

Source: Adapted from information in Stevens et al. (1999)

Agriculture and the New Trade Agenda in the WTO 2000 Negotiations: Economic Analyses of Interests and Policy Options for Tanzania

Flora Mndeme Musonda

Introduction

This report is concerned with discussing the WTO Agreement in the context of Tanzania. Although the country is ranked as one of the Least developed Countries (LDC), still the Uruguay Round has effects in its performance and has sectoral effects. Tanzania has liberalized its economy to a large extent following World Bank and IMF reform programmes since 1986. The liberalization is both in the tariffs and non-tariff barriers to trade. In addition other types of reforms have been introduced and the completeness of these reforms and the extent of performance differs from sector to sector and also depending on the type of the reforms themselves whether it is the easy or difficult ones. For example, it has been easier to liberalize trade rather than instituting the more difficult systemic reforms including the privatization programmes.

Agriculture Sector in Tanzania

- Agriculture, a livelihood to most people in the country, and the economy in general is still underdeveloped and backward.
- Major challenges facing Tanzania include: poverty alleviation, food security, eradicating malnutrition, and environmental protection.
- There is need to move from current traditional subsistence farming methods to the modern commercial ones through transformation.
- Tanzania exports six major export crops (Traditional exports). Countries of destination for exports include: U.K. Germany, Netherlands, Italy, India and Japan.
- Tanzania's Agriculture was over taxed in 1970s and 1980s at the height of trade confinement.
- Explicitly by taxing exports commodities through government controlled domestic prices below world-prices.
- Tanzania mainland does not subsidize agriculture or its exports – but rather tax agriculture implicitly by protecting industries.
- Tanzania started to implement reforms and liberalised tariffs. Exports restrictions have been eliminated, foreign exchange controls have been eliminated
- Concerted efforts to create a conducive environment for domestic and foreign investment were made.

- The government has realized that although transformation is difficult but it has to be done for agriculture. Several initiatives have been taken including introducing marketing boards for major export crops, assisting some agricultural exports such as cashewnuts, providing inputs at the right time, among others.

CHANGES MADE TO MEET URUGUAY COMMITMENTS

Market access: border protection – tariffs and non-tariff barriers. Changes made in tariff liberalisation.

- **Changes in Taxation since 1998**

- (1) **Value Added Tax Act 1997**

- 1998 July 1st Value Added Tax was first introduced to replace sales tax, receipt based stamp duty, entertainment tax.

- Exports are zero rated for VAT purposes VAT Act enumerates goods and services that are exempt, which include: -

- (i) Agricultural products mainly food crops.
 - (ii) Supply of pesticides and fertilisers and other products, used for agricultural sector purposes.

- (2) **The Export Tax Act, 1974**

- 1999 July 1st Government abolished export tax on coffee, cotton, tobacco, cashewnuts, sisal, tea and pyrethrum.

- (3) **The Excise Tariff Ordinance Cap 332**

- Government recently repealed the schedule to the ordinance and replaced it by the new schedule and harmonized excise duty on locally produced and imported goods. Number of excisable goods were reduced from 16 categories to 6 groups: cigarettes, beer, spirits, wines and soft drinks and vermouth.

- (4) **The Local Government (finance) Act 1982**

- Government through amendment reduced maximum rate of produce less from 10% to 5% of the farm gate price.

- (5) **The Stamp Duty Act 1972**

- Under the Finance Act 1999, Article 51 was amended by Government exempting from stamp duty on agricultural produce and livestock less at markets under municipal authorities.

THE AGRICULTURAL POLICY REGIME AT THE END OF 1999

Situation at the end of 1999

Import Policy

- Government desire to opening up the economy through incentives for domestic and external investments in priority sectors: Agriculture, tourism, mining.
- The tariff rates have been reduced considerably with the highest being 25% and the non-zero bands reduced to three.
- Tanzania Investment Centre (TIC) is the main window for investments.

Regional Agreements

Regional Trade Protocol

- Tanzania was signatory to COMESA (although it withdrew in 2000)
- Tanzania is active member to SADC
- Tanzania is active member to the EAC (Kenya, Uganda and Tanzania)

Regional Agricultural Policies

Being member to EAC and SADC Tanzania anticipated benefits from liberalized trade in agricultural commodities e.g. increased official trade, rural employment, income generation, improved food security reduced informal trade and reduced government spending on trade restrictions.

RECOMMENDATIONS

- The importance of Tanzania to effectively participate in sessions held by the standardization bodies: Codex, OIE, IPPC and WTO/SPS committee sessions.
- The Agreement on Agriculture is of importance to Tanzania's food security issues, rising import bills and potential loss to market share in the face of loss in preferential margins.
- Tanzania views that the WTO agreement would make global trading system more transparent, provide substantial improvement on market access opportunities for the LDC (including Tanzania).
- Tanzania faces many challenges including the review of its legal and regulatory framework to be consistent with WTO commitments, the notification process which is a heavy burden, requiring enhancement of institutional and Human Resources capabilities in trade related information management.

Identified technical cooperation needs include:

- Solving the supply capacity constraints
- Building capacities for enhanced productivity
- Product development/diversification through improved research activities

- Development of infrastructure linking production centres to export outlets
- Provision of reliable energy for industrial production
- Upgrading of telecommunication systems and infrastructural systems.

Domestic measures Tanzania could take to support own agriculture include the following:

- Improve the Agricultural infrastructure to reduce production and transport costs there by improving farm productivity.
- Make farm inputs affordable by majority of farmers through where necessary agricultural credit schemes.
- Deliberate support to processing of agricultural products for “Value Added” especially on Agricultural exports thus improving farmers net incomes.
- Seriously exploit through diversification where Tanzania has comparative advantages e.g. forest and marine products.
- WTO Agreement on Agriculture seeks to promote fair and free trade, Tanzania must ensure that she does not become victim of unfair competition including dumping.
- Tanzania to vigilantly watch on imports brought into the country, and must plug up all loopholes being exploited to foster unfair competition or dumping.
- To impose whatever restrictions or exceptions the WTO Agreement does not exclude in protecting Tanzanians interests.
- Pending obligations facing most LDCs (Tanzania included) is the urgent need to enact new laws and align the domestic legislations to the WTO agreements. There is also need for setting up new institutions whilst restructuring old ones to fully discharge new tasks.

1.0 INTRODUCTION

1.1 Overview of the Agriculture and Food Sector

The economy of Tanzania depends on agriculture and hence the sector's good performance signifies how well the economy has performed. Generally, agricultural performance for the past four years has been improving and the main contributing factors to this improved performance are attributed to macro-economic policy reforms and good weather conditions.

The sector employs about 80% of the active labour force of the population and accounts for more than 50% of the GDP and 75% of the foreign exchange in the 1990s. Not only that, but the sector is also the main source of domestic supply of food and foreign exchange, raw materials for domestic industries and livelihood investible capital and stimulates demand in the non-agricultural sector. According to the available national accounts, food crops production dominates the agricultural economy totaling 55% of the agricultural GDP at current prices, of which livestock accounts for 30%, traditional export crops for eight percent, fishing and hunting six percent and forestry for one percent.

Export crops include coffee, cotton, tea, cashewnuts, tobacco, sisal, pyrethrum, cocoa, oil seeds, and cardamom. According to Bank of Tanzania 1998, provisional data shows that the first six crops listed above contributed US \$ 184.14 million to the total value of US\$ 310 million foreign exchange earnings that were obtained from export crops in 1997.

Major reforms that were carried out and the introduction of Economic Recovery Programme (ERP) in mid eighties have facilitated the achievement of good export crop performance. These reforms contributed to a large extent into rising of the agricultural growth rate from 3% in the 1981-85 period to 5.7% in 1986. The rate fell slightly to 4.4% in 1987 and rose again to 4.8% in 1988. This recovery contributed to the GDP growth rate rising from 4.1% in 1988 to 4.5% in 1997. Some of the important agricultural sector reform measures undertaken by the government include: the move from a controlled to a freer marketing system in 1986/87; the de-confinement of export crops which started from non-traditional crops in 1987 and extended to traditional export crops (coffee, cotton and cashew) in 1990 by making marketing boards the agents of Co-operative Unions and the 1991 Co-operative Act which allowed Co-operatives to become private institutions with minimum government intervention. Crop boards were empowered with the regulatory function on behalf of the Ministry of Agriculture and Cooperatives.

1.2 Total Population, Agricultural Population and their Developments

Tanzania being the largest country in East Africa has an estimated population of about 31 Million people. This population tends to grow at an average rate of growth between 2.7-2.9 annually. This rate of growth of population however does not match with the rate of which food production is growing and hence exerting serious consequences to the national economy. Out of the total active labor force, agricultural population accounts for almost 80% of which most are confined in the rural areas.

1.3 Area and Land Use

It is estimated that Tanzania is endowed with 88.6 million hectares of cultivable land of which 60 million hectares are suitable for livestock production. Of this entire total, only 6-7 million hectares are used for rain-fed agriculture while 24 million hectares are used for keeping livestock.

Briefly, the National Sample Census Survey of Agriculture of 1994/1995 estimates that there were 3.87 million small-scale holdings in the rural areas of mainland Tanzania where the size of area cultivated averaged 0.86 hectares. About 90% of all farmers cultivated less than 2.0 hectares. The most common holdings are the family or homestead holdings, and these are operated individually. With the exception of few agricultural commodities such as sisal, sugar, tea, coffee, wheat and flowers, most of the agricultural output comes from small-holders.

As far as the food crop sector is concerned, out of the total area cultivated in 1995/96, about 3.35 million hectares were planted with cereals, which included maize, sorghum millet, wheat and paddy. On average, 1.630 million hectares of non-cereals were cultivated making the proportion of cereals and non-cereals to be 66% and 34% respectively. This can be compared with the total area under food production during 1996/97 where 3 million ha (64.2%) were under cereals, which was about 9.4% less than 1995/96 area which stood at 3.35 million ha. At the same time, a total of 1.7 million ha (or 35.8%) of non-cereals were 2.7% higher than 1.65 million ha. in the 1995/96 season. Estimates for 1997/98 season indicate much higher figures of cultivated areas in all cases, suggesting a better situation than the one observed in 1996/97 season.

Small-holders living in the rural communities keeping mostly indigenous types of livestock own over 90 percent of livestock in Tanzania. The livestock sub-sector contributes to about 18% of GDP and contributes to national food. According to the 1994/95-sample census, about 1,440,000 households or 37% of all agricultural households in Tanzania mainland own cattle. This estimate is 11% higher than the estimate obtained in 1993/94. Of the household raising livestock: 1,139,000 (79%) raised cattle; 1,262,000 (88%) raised goats; 522,000 (36%) raised sheep; 202,000 (14%) raised pigs, 134,000 (9%) raised donkeys; 48,000 (3%) raised rabbits and a significant small number of 5,000 raised buffaloes. About 2% of the national cattle populations or 212,000 were improved dairy cattle and only 92,000 (0.6%) were improved beef cattle. The total number of goats was estimated to be 10 million, which was 24% higher than the estimate for 1993/94, while the number of estimated sheep was 3 million.

Generally the economic reforms contributed to a rise in the growth rate of agricultural production which in the 1996-1997 period marked 3.2 % compared to growth rate of 2.07 % recorded between 1981-1983.

The sector is nevertheless faced by many constraints, which in one way or another have become big barriers to its development. There are factors related to problem of technology development and transfer and these includes, poor crop and animal husbandry practices, use of hand tools in farming by the majority of producers, dependence on rain-fed agriculture as well as high cost of modern technological packages and an unreliable supply of inputs.

Other problems include poor extension services, which in itself is attributed to such factors like inadequate funding, (particularly funds from the Treasury have been inadequately disbursed over the past five years mainly because of economic constraints); weak research-extension-farmer-input supplier linkages; lack or inadequate logistical support such as transport facilities and working gear and low staff motivation due to poor personnel remuneration, weak supervision, and poor staff utilization. In terms of infrastructure, agricultural sector has been very much devastated as there is poor transport infrastructure, i.e. weather roads, inadequate railway system which makes transportation of agricultural produce/inputs to the needy areas quite difficult. There are financial and rural credit constraints while in terms of agricultural marketing and pricing, there are constraints related to flow of information on products and inputs, institutional arrangements, marketing services, and output transformation issues.

There are also major macro economic policy issues that need to be resolved before agriculture can show growth on a sustainable basis and benefit from WTO agreements. For instance, issues of tax regimes associated with some export crops, the debt crisis and deteriorating terms of trade for agricultural products and unrealistic government budgets must be addressed in order to harness development of agriculture sector. In addition, diverse and uncoordinated units in the government make many of the development policies in the country and the basis upon which agricultural policies are formulated is rather weak. The environment also does not support agriculture since there is a high level of environmental degradation, which results in water shortage, land degradation, soil erosion, water pollution, deforestation, overstocking, and drought and flood hazards. Gender imbalance in this sector has also been manifested in agricultural production whereby women do most of the work even though they lack access to the productive resources and supportive services, while at the same time, aspect of agricultural research has not been given enough weight as there are inadequate funding, poor management and coordination, ineffective implementation of the research agenda and weak research-extension services-farmer linkage.

Tanzania depends to a large extent on cash crops exports. Smallholder farmers produce most of these crops mostly using outdated or dilapidated farm machines equipment and implements. The drastic drop in the purchase of new tractors is an indication of this poor state of agricultural machines. Improper and inadequate use of agricultural inputs; for these inputs are unaffordable to most farmers after the removal of subsidies and unavailability of credit facilities to farmers.

Erratic market for crops resulting from trade liberalization and nearby collapse of primary cooperative societies and unions has been another problem also. World price fluctuation has made it very difficult if not impossible, for farmers to plan their production or make a fair prediction of their incomes from their farming operations.

2.0 THE TRADE REGIME IN AGRICULTURE BEFORE AND AFTER THE URUGUAY ROUND

Tanzania undertook economic reforms and more so trade liberalization policies since the mid-1980s. WTO agreements came into force in 1995. This implies that the country started implementing and re-orienting its economy consistent to WTO agreements even before WTO was conceived. Such a situation makes it difficult in identifying the measures that were taken in Tanzanian economy as a response to WTO. In fact, much weight of the reform thrust is significantly attached to the World Bank/IMF sponsored economic liberalization policies to open up the economy.

2.1 Border Protection-tariffs and Non-tariff Barriers

Prior trade liberalization Tanzania pursues policies which advocated government interventions in market prices of both food and cash crops, domestic food self sufficiency and exchange rate controls which resulted into discouraging formal intra and inter-regional trade. Liberalization of the agricultural trade was expected to increase intra and inter regional trade by removing trade barrier. In fact, Tanzania's membership to SADC, WTO, etc. aimed at attaining that objective.

Liberalization of food crops started as early as 1981/82, but it was until 1988/89 that the marketing of all food crops was decontrolled at the level of cooperative unions and a year later at the level of primary societies (MoA, 2000). The government stopped fixing producer prices of food crops and instead announced indicative prices, which was stopped in 1993/94. The role of cooperative unions continues to diminish due to lack of competitive power and financial resources. On the other hand the share of the National Milling Corporation (NMC) which once enjoyed the monopoly of food crops marketing in the local market including importation of food has declined rapidly because of the competition with the private sector. For the case of cash crops, marketing boards of respective crops did the marketing. Most cash crop exports were marketed through a single channel three-tier system, which involved producers, primary societies, cooperative unions and crop marketing boards.

2.2 Agricultural and Food Tariff and Non-tariff Barriers

General tariff barriers in Tanzania vary from 0% to a maximum of 25%. Safeguard measures to protect local industries exist in the form of suspended duties. Suspended duties for selected agricultural commodities are levied at 20% level, which is applied, on such items as sugar, cooking oil, dairy products, etc. Some items are also charged VAT on import at the level of 20% of their import value. Excise duty is chargeable to some imported items but most agricultural commodities are not subject to excise duty. These tariffs are prohibitive to trade and need to be harmonized with important Tanzania's trading partners. Import duty rates for agricultural inputs are fairly low with the exception of packaging materials, which are levied 20% import duty. Other agricultural inputs are charged an import duty of between 0% and 5%.

Non-tariff barriers identified in Tanzania are many and have been changing with the need to ensure food sufficiency. The non-tariff barriers include bureaucracy, poor infrastructures, erratic production and lack of economies of scale, inadequate trading skills and trade information. Other non-tariff barriers entail sanitary and phytosanitary measures, food security concern, insufficient credit facilities, standards, quantitative restrictions, discretionary licensing and variable levies.

2.3 State of Trading in Agricultural Commodities-internal and External

Table 2.1: Country's Trading Partners in Exports of Agricultural Commodities before Uruguay Round

Country	EXPORTS-1986					Tshs Millions	
	0	1	2	3	4	Total	GrandTotal
FRANCE	2579	19	21		1	2620	2678
U.K	564	258	32		1	855	1367
FINLAND	933		1			934	934
NETHERLANDS	577	96	46			719	774
ITALY	389	0	127			516	540
INDIA	465		9			474	503
EXPORTS-1987							
FRANCE	2579	19	21		1	2620	2678
UK	564	258	32		1	855	1367
FINLAND	933		1			934	934
NETHERLANDS	577	96	46			719	774
ITALY	389	0	127			516	540
INDIA	465		9			474	503
EXPORTS-1990							
INDIA	11589		1610			13199	13527
FRANCE	6548	123	309		1	6981	7422
UK	2925	820	701		33	4479	6267
TAIWAN			3322			3322	3329
NETHERLANDS	2340	312	120		6	2778	2993
SINGAPORE	1610		946	1		2557	2565

Tanzania's major export market for its agricultural commodities before the Uruguay Round was mainly the industrialized countries in Europe including France, United Kingdom, Netherlands, Finland and Italy. There are however some outliers including India, Taiwan and Singapore.

Table 2.2: Country's Trade Partners in Imports of Agricultural Commodities before Uruguay Round (T.Shs Million)

Country	IMPORTS-1986					Total	Grand Total
	0	1	2	3	4		
United Kingdom	200	20	75	24	34	353	3613
JAPAN	76	0	44	7	1	128	3471
France	154	6	44	86	86	376	3203
ITALY	18	4	105	340	3	470	2011
United Arab Emirates	3	0	3	1451	17	1474	1653
KENYA	17	3	3	416	2	441	1256
IMPORTS-1987							
United Kingdom	118	24	143	32	20	337	8987
France	285	5	244	50	29	613	7689
JAPAN	34	0	128	11	5	178	6955
ITALY	20	25	141	295	10	491	5749
NETHERLANDS	173	6	257	108	143	687	3136
DENMARK	5	2	293	3	258	561	2884
IMPORTS-1990							
UK	194	128	1120	466	34	1942	34104
France	591	23	225	93	261	1193	20059
JAPAN	7	0	23	11	33	74	15426
United Arab Emirates	97	7	286	2955	79	3424	8861
NETHERLANDS	700	21	285	79	62	1147	8719
IRAN	6			8561		8567	8608

Tanzania's source of imports before the Uruguay Round is basically European markets, reflecting the historical ties. Japan is also a major trading partner likewise United Arab Emirates, Iran and Kenya.

2.4 Country's trading agricultural commodities and producer prices before and after Uruguay Round

2.4.1 Exports

Export of cash crops during the past decade has exhibited undefined pattern, as there were some periods of rise and fall in the volume of exports. This may be explained by, first, unreliable rainfall that causes boom or recession in the production of export crops (cash crops) and second, due to surges in the international commodity prices, which in most cases, the prices have remained at a lower level. To that extent, the performance of export crops to the growth and prosperity of national economy has not been encouraging.

Table 2.3: Tanzania Exports by Type of Commodity

COMMODITY	January-December								
	1990	1991	1992	1993	1994	1995	1996	1997	1998*
Coffee									
Value	85	77.3	59.5	96	115.4	142.6	137.8	117.4	114.9
Volume	62.7	52.5	51	58.6	37	47.97	64	46.6	53.6
Unit Price	1355.6	1472.3	1166.7	1639.8	3117.8	2972.7	2152.7	2518.9	2143.6
Cotton									
Value	74.6	63.3	97.6	78.4	105.1	120.2	137.8	116.5	114.9
Volume	46.3	38.7	72.8	61.2	60	70.9	64	77.3	53.6
Unit Price	1611.2	1635.7	1340.7	1281.6	1752	1695.6	1535.1	1518.9	2143.6
Sisal									
Value	4	2.2	1.3	3.3	5.1	6.3	4.8	8.5	6.77
Volume	7.7	4.5	4.9	4.9	7.2	11.3	7.6	13.7	10.9
Unit Price	519.5	488.9	317	672.7	711.1	556.4	631.6	623.8	619.3
Tea									
Value	21.5	21.7	22.4	38	39.5	23.4	26.3	30.06	32.2
Volume	14.8	17.5	20.4	19.7	21.7	21.6	24.7	20.41	22.7
Unit Price	1452.7	1240	1098	1925.6	1823.7	1081.5	1065.6	1473.2	1421
Tobacco									
Value	10.6	16.7	27.2	17	20.6	27.1	47	12.9	25.5
Volume	5.8	8	12.7	10.6	15.4	17	24	6.3	12.7
Unit Price	1827.6	2087.5	2141.7	1607.3	1335	1588.4	1957	2065.3	2012.3
Cashewnuts									
Value	5.6	16.7	23.5	23.3	51.2	64	93.8	75.1	112
Volume	7.4	19	29.3	32.2	65	75.6	121.2	103.3	140
Unit Price	756.8	878.9	802	724.8	787	847	774	727	798.3
SubTotal	209.1	201.5	235	256.2	336.8	383.6	447.3	360.5	345.6

* Provisional data subject to revision

Volume in '000' Tons

Value in Millions of US \$; and Unit Price in US \$/Ton.

Source: Bank of Tanzania, International Economics Department.

With respect to evolution of output prices for traditional exports crops, it was evident that the rise of Real Exchange Rate (RER) from 1986 to 1993, accompanied by increasing liberalization measures, should have increased real producer prices several folds, restoring profitability and economic viability to the sector (World Bank, 2000). In reality, six of the main export producer prices rose substantially (24-68 percent) over the period (robusta producer prices remained unchanged and cotton prices fell). The increase was less than anticipated for the reasons associated with falling in the real *f.o.b* prices of all crops excluding tobacco and pyrethrum, and the crop authorities increased their marketing margins, absorbing part of the benefits of devaluation. Since 1993, real producer prices for the mainland's major export crops have fallen between 25 and 70 percent (World Bank, *ibid.*). Since this corresponds to the period that private traders began to purchase and export many of these crops, one might attribute the lower producer prices to liberalization and lack of competition among private traders. However, producer prices have risen as a percent of *f.o.b* price for five of the six commodities that have been liberalized (tea and pyrethrum are not yet full liberalized). Appreciation of the real exchange rate explains the falling producer prices for export crops over 1993-98.

2.4.2 Imports

Despite Tanzania possessing the vast arable agricultural land, the country has, in some periods, continued to import food from outside. This is due to the fact that agriculture sector (crop production) in Tanzania is totally dependent on rainfall whereby during drought periods, production of food crops drops drastically, necessitating food importation in order to curb the deficit so created. For example, according to joint in-depth assessment of the situation by the World Food Programme (WFP) and the Food and Agricultural Organisation (FAO), Tanzania's deficit of grains remains high at 560,000 tons for the period through mid-2000. An earlier evaluation established by the government indicated a deficit of about 600,000 tons. This deficit can only be covered through importation if the government seeks an immediate rescue of the situation instead of relying on the next season's crop production of which most crops do exhibit a longer gestation period. Apart from that, importation also is done in terms of fertilizers, pesticides/insecticides/herbicides and other farm inputs/implements that the sector can not do away with.

Table 2.4: Tanzania Imports by Major Category (Agriculture) Millions of US \$

Category/Year	January-December								
	1990	1991	1992	1993	1994	1995	1996	1997	1998
Fertilizers	8.5	37.2	16	11	11.7	11.7	23.3	19.4	15
Food/f.stuffs	63.1	0.9	48.9	93.7	127.5	44.2	52.7	57.8	97.2
Total	71.6	38.1	64.9	104.7	129.2	55.9	76	77.2	112.2

Source: Bank of Tanzania, International Economics Department.

Table 5 shows the evolution of real producer prices for the five important staples including the official procurement prices for the 1980s and annual market prices since 1991. World Bank (2000) indicates that market prices after 1991 are 50 to 165 percent greater than the official procurement prices in the 1980s. Between 1995 and 1997, the real prices of all five staples began to fall significantly. Wheat and price fell by 67 and 69 percents, respectively, whereas the other staples fell by substantially less. Food producers as a whole would have had to double or triple output to purchase the same basket of consumer items in at the end of the first quarter of 1999 that they bought with food crop sales income in 1993. On the other hand, livestock products, real beef prices fell modestly from 1987/90 to 1991/94 in most markets and stayed roughly constant thereafter. Real milk retail prices barely changed from

1987/90 compared to the average for the next four years, but then fell by about a third through the 1995/99 period. These changes are explained by the fact that World prices for cereals, milk, meat, and traditional commodity exports have all trended downwards in real terms over time.

Table 2.5: Real Producer Prices for Food Crops 1981-99

Year	Price index ^a	Maize	Paddy	Wheat	Millet	Beans	Cassava
Official procurement prices (constant 1998-99 Tshs/kg)							
1981-85	1.4	140	232	195	117	334	na
1986-90	5.6	149	250	170	109	369	na
Market prices (constant 1998-99 Tshs/kg)							
1990-91	12.3	106	212	473	279	471	na
1991-92	14.7	279	370	495	289	508	73
1992-93	18.6	298	491	525	365	533	91
1993-94	25.2	256	424	497	376	712	84
1994-95	32.7	181	254	452	484	797	76
1995-96	43.3	165	216	423	538	571	75
1996-97	58.3	138	245	362	245	475	67
1997-98	77.3	117	195	272	175	431	61
1998-99b	100	118	151	228	175	317	53

a National Consumer Price Index where 1998-99=100

b To April 1999.

Source: Quoted from World Bank, Agriculture in Tanzania since 1986, *Follower or Leader of Growth?*, June 2000, p26.

The prices of Zanzibar's major exports have also not benefited the region. Cloves, traditionally Zanzibar's most important agricultural export, have fallen dramatically in value since the mid 1980s. Export unit value in the 1990s are approximately 10 percent in normal terms of what they were in an average year in the 1970s and 1980s. Nominal producer prices of cloves fell from near 20 Tsh/kg in 1980 to below 5 Tsh/kg in 1994, even greater than the decline in world market prices in real terms. On the other hand, the producer prices of both copra and chillies, while erratic, have not declined in real terms between the early 1980s and mid 1990 (Mabele, cf. World Bank 2000 p.23).

2.4.3 Import Incentives

The "own firms" import scheme that was initiated in 1984, allowing exporters to use part of their foreign exchange earnings on pre-determined imports was a good incentive to imports. In 1988 this was further strengthened by an Open General License (OGL) scheme allowing a more market-oriented allocation of foreign exchange. Import liberalization was contained in the 1992 Foreign Exchange Act that permitted the establishment of the bureau de changes and made it free for citizens to possess and sell foreign exchange. The bureaus acted as another window for financing imports until January 1996 when the Bank of Tanzania restricted the bureaus operations to over-the-counter money changing operations. Further simplifications of import procedures have also been made.

In 1995 tariffs were rationalized to 5 rates, the maximum rate being 40%, down from 50% in the previous year. To diversify the tax revenue sources, more emphasis was to be shifted from trade taxes (especially tariffs) to income and indirect taxes. The Tanzania Revenue Authority (TRA) was introduced in 1996, and in July 1998, valued-added tax (VAT) was introduced.

2.5 Export Regime

2.5.1 Agreement on Sanitary and Phyto-sanitary Standards for Exports of Agricultural Commodities

The Uruguay Round of Multilateral Negotiations include a number of Agreements, among them are the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS) and the Agreement on Technical Barriers to Trade (TBT).

The provision of phyto-sanitary services in Tanzania is still the responsibility of the Ministry of Agriculture and Cooperatives under the Department of Plant Protection. The department is mainly concerned with diagnosis, forecasting and preventing pest outbreaks; inspection and Phyto-sanitary Inspectorate Services involving Quarantine services, pesticide testing, licensing and registration, enforced by plant protection legislation; it is responsible for day to day enforcement of the plant quarantine regulation. It is tasked with ensuring that the importation and exportation of plant or plant material is certified in accordance with the laid down quarantine regulations.

Currently there are more than 20 phyto-sanitary Inspectorate service posts in Tanzania but only a few are operating below standard due to lack of/poor infrastructure and lack of necessary resources. These service posts include: The Dar es Salaam International Airport, Dar es Salaam Sea Port, Kilimanjaro International Airport, Mtwara Sea Port, Lindi Sea Port, Lake Posts at Kigoma, Mwanza, Bukoba and Musoma, Overland Border Posts at Namanga, Tunduma, Holili, Tarakea, Mutukula, TAZARA, Mbamba Bay, Itungi, Karagwe, Kalema (Rukwa), Isongola (Mbeya), Horohoro, Sirari, Kasumulo and Ngara.

The SPS Agreements has as its primary purpose the protection of human, animal and plant life and health through the implementation of sanitary and phytosanitary measures, which are justifiable necessary and are not disguised technical barriers to trade. Considering only those provisions related to sanitary protection measures the SPS Agreement has specific provisions related to risks arising from additions contaminants, toxins or disease - causing organism in food, beverages or foodstuffs. Measures to control these problems based on internationally adopted food standards of the Codex Alimentarius Commission are presumed to meet the requirements of the SPS Agreement. The SPS Agreement also requires that member countries harmonize sanitary and phytosanitary measures on as wider a basis as possible with international standards, guidelines and recommendations, apply equivalence principles in food control programme evaluation; and establish and implement sanitary and phytosanitary measures in a transparent manner. The Agreement requires that measures taken which impose a higher level of protection than that established internationally by Codex must be based on sound scientific evidence, and internationally acceptable risk analysis methods, and must be the least trade restrictive.

TBT Agreement applies to all aspects of food standards, which are not covered by the SPS Agreement. It seeks to ensure that technical regulations and standards for food including packaging, marking and labeling requirements and procedures for assessing conformity with technical regulations and standards, do not create unnecessary obstacles to international trade. TBT measures must be shown to have legitimate purpose, should be based on international standards and be proportional to the desired purpose. According to Codex framework, provisions such as quality and composition requirement labeling, nutrition and methods of analysis are relevant to the TBT Agreement.

2.6 Compliance with the Uruguay Agreement on Sanitary and Phytosanitary Standards

2.6.1 Imports

The Sanitary and Phytosanitary Measures in Tanzania are not very strict. The Laws or ordinance that are used are out-dated and ineffective. For example Chapter 133 of the Government Ordinances, Section 8, the Plant Protection (Import) Amendment) order, of 1964 is still being used, which states that Coffee plants, coffee seeds, coffee fruits (cherries) and vegetative material (coffee robusta and arabica) for planting and similar purposes may only be imported into Tanganyika by the officer in charge or Coffee Research Station, Lyamungu and only where the said officer - in charge has been authorized by an import permit for plant material issued by an authorized officer.

Such a provision is very vague and excludes a lot of agricultural crops as well as agri-chemicals. Hence, there is a big loophole of importing crops and agri-chemicals without passing through inspection. There have been cases of dumping rotten rice and expired agri-chemicals in Tanzania. However, several organizations like Tanzania Bureau of Standards, Ministry of Agriculture, Ministry of Health, Customs Ministry of Trade, and Government Chemist are being involved in the guaranteeing and inspecting the imported products. The actual exercise is still not very accurate and in many cases clear abuses are ignored especially when involving well to do people. The problem is exacerbated by lack of consumer watchdog body. Tanzania is not a member of IPPC, a body that deals with the protection of plant health standards under SPS agreements.

2.6.2 Exports

Tanzania as a member of WTO is a member of two standardization bodies i.e. Codex, OIE, excluding IPPC.

These bodies have several principles including:

- (a) Good Agriculture Practice which deals with efficacy and minimum effective levels of pesticides as they are used in agriculture to control crops pests and diseases. Evaluation is supposed to be done on the use and presence of chemicals used in primary agriculture produce. In Tanzania, Ministry of Agriculture and Government Chemists and TBS do this.
- (b) Good Practice in the use of Veterinary (GPVD), which assess the food of animal origin. The institutions involved include Ministry of Agriculture and Livestock, TBS and Government chemists.
- (c) Good Manufacturing Practice (GMP) which assesses the processed food. The institutions involved are ministry of Industries, TBS and Government Chemists. However, the extent of compliance to the above standards in Tanzania may be limited due to the following reasons:
 - Poor/absolute technology used in processing of food;
 - Inadequate skills in processing and manufacturing;
 - Poor/absolute instruments used to inspect the products;
 - Ignorance of farmers, manufacturers to the existing laws and standards to be adhered.

Evidence of GMP is the case of fish industry in the country. Fish for export from Lake Victoria was banned into the European Union Market in 1998 and 1999 on the basis that they were not adhering to the European Union (EU) standards. Many reasons for this event are offered but one cannot exclude the issue of differences in levels of standards between Tanzania and EU.

The 1994 WTO Agreement on Technical Barriers to Trade (WTO - TBT), which took effect after superceding the 1979 TBT Agreement negotiated in the Tokyo Round of Multilateral Trade Negotiations between 1974 – 1979, instituted among others, the Agreement on the Application of Sanitary and Phytosanitary (SPS) measures which took effect on 1 January 1995 for all WTO member countries with the exception of Least Developed countries like Tanzania. The countries are required to implement the SPS measures, the application of food safety and animal and plant health regulations.

For the purpose of the Agreement on SPS, "animal" includes fish and wild fauna, "plants" include forests and wild flora, "pests" include weeds while "contaminants" include pesticide and veterinary drug residues and extraneous matter. For food safety the SPS Agreement recognizes standards, guidelines and recommendations established by the CODEX whereas for animal health, the SPS Agreement recognizes standards and guidelines established by OIE and Plant Health protection standards prepared by IPPC are recognized under the SPS Agreement.

While Tanzania is a member of WTO and of the two standard setting bodies, CODEX and OIE, and is yet to be party to IPPC besides being a member of the Food and Agriculture Organization (FAO) of the United Nations it still finds it quite difficult to adhere to even the minimum international standards for food safety and does not even have the necessary capacity, institutions, equipment and manpower-wise.

2.6.3 National Obligations Towards Implementation of the SPS - Agreement

- ◆ Publication of Regulations - that each member country shall adopt publish and avail copies to interested members - all sanitary and phytosanitary laws, regulation and standards.
- ◆ Establishment of an Inquiry Point - which shall respond to inquiries from interested members all sanitary and phytosanitary laws, regulation adapted or proposed with its territory. The enquiry point shall also provide information to any interested member, on any control and inspection procedures, production and guarantee treatment pesticide tolerance and food additive approval procedures which are operated within its territory, Again, the inquiry point shall also provide to, interested member country, with risk assessment procedures, factors taken into consideration, as well as the determination of the appropriate level of sanitary or phytosanitary protection. An inquiry point shall also make it known to a requesting member, the membership and participation of the member or of relevant bodies within its territory, in international and regional sanitary organizations and systems, as well as in bilateral and multilateral agreements and arrangements within the scope of the agreement, and the texts of such agreements and arrangements.

- ◆ Every member country has to follow notification procedures as detailed in the agreement wherever a sanitary and phytosanitary regulation is prepared in case on international standard guidelines or recommendations do not exist or the content or a proposed sanitary or phytosanitary regulations is not substantially the same as the content of an international standard, guideline or recommendation and if the regulation effect on trade of other member countries.

2.6.4 Export Incentives

During the first six years of independence (since 1961), economic policy aimed at higher growth of income, and import substitution industrialization, with a wide room for private and foreign investment. Priority to import substitution industrialization can be traced in the industrial development strategy articulated by the Three - Year Plan (1961 - 64) and the First Five - Year Plan (1964 - 69). It was expected that largely private and foreign capital would play a leading role in its implementation. Government offered tariff protection and guarantees against nationalization and the private enterprise response was forthcoming. However, the shift of policy toward socialism in 1967 touched off significant new changes emphasizing inward-orientation to be dominated by the public sector. The accompanying policies discriminated against agricultural exports and blighted prospects for manufactured exports.

While impressive economic growth was recorded in the 1960s up to around 1978, with an average annual growth rate of about 5.4 per cent, the period 1979-85 saw economic performance faltering. The rate of inflation shot up from just about 10% in most of the 1970s to 36.14 per cent in 1984. Monetary accommodation of public sector deficits added to inflationary pressures. Shortages of manufactured goods were invariably due to excess capacity caused by the decline in the imports of intermediate and other vital inputs. This reflected on the inability of the country to generate enough output to export so as to earn foreign exchange with which to import vital inputs to sustain the domestic productive capacity.

Efforts were made to encourage diversification of export markets to East Africa and the socialist countries, and an export promotion department was established at the Bank of Tanzania in 1972. However, policy emphasis on exports evolved towards the end of the 1970s in response to the emerging foreign exchange crisis. Export drive was made a cornerstone of the early 1980s adjustment efforts. A number of instruments of export promotion were also launched, including the export rebate/duty drawback, export revolving fund and foreign exchange retention schemes. The export promotion schemes in the early 1980s did not yield intended results due to operational problems and an unfavorable macroeconomic environment characterized by real exchange rate overvaluation.

Starting with the first Economic Recovery Programme in 1986 onwards, active trade policy has increasingly relied on market incentives and less on controls. The export incentives were aimed at export development, to encourage export output and diversification into non-traditional export. Trade and exchange rate liberalization and macroeconomic reforms are among the significant hallmarks of policy toward outward-orientation. Trade policies within this period covered import trade and export trade, with policies within this period covered import trade and export trade, with policies reinforcing both aspects with respect to particularly promoting export development. Import liberalization was done through reducing and compressing tariff rates and reducing quantitative restrictions. This was necessary to

relax shortages of imported inputs domestic manufacturing, shortages of consumer goods and rent-seeking activities. Exporting firms benefited from this action. The rationalization of tariffs was made gradually being revised each fiscal year. In 1992, the Tax Commission proposed further measures of simplification of customs duties, reducing exemptions and increasing efficiency in revenue collection, a reduction of import duties on raw material inputs for exporting firms (CREDIT 1998).

2.7 Domestic Agricultural Policies

In general, and currently most of the non-tariff barriers have been removed, although in agriculture sector importation of some cereals requires a permit. This is for the purpose of encouraging domestic agriculture. Most of the tariff barriers are relatively lower in agricultural commodities as compared to other manufactured imports.

The government also liberalized trade in 1984, allowing Tanzanians with foreign exchange to import goods to close the gap that existed between the supply and demand of common goods, which were acutely short in supply. Tanzania introduced key policy reforms commonly associated with economic liberalization packages and of particular importance in this regard were:- devaluation of its currency; increase in import facilities; an adjustment of the prices paid to agricultural producers to more accurately reflect the prices obtained in the world market, and an increase in the prices of consumer goods.

However, the success of SAP depended on the mobilization of funds from external sources, which did not materialize, for three year period of \$900 million, of which \$690 million were required from the IMF and the World Bank in the form of balance of payments assistance. The rest was to be provided by bilateral donors, mainly by shifting resources from project aid to support for imports (Wagao, 1989).

2.7.1 The Economic Recovery Programme I (1986-89)

In June 1986 the government launched ERP to continue to intensify the earlier adjustment initiatives. ERP relied on macroeconomic and sectoral measures. Its specific objectives were to increase the output of food and export crops, channel investment resources towards the rehabilitation of physical infrastructure and directly productive activities elevate capacity utilization in industry, restore internal and external balances and augment the foreign exchange earnings from exports. The measures adopted included a substantial devaluation of the shilling; to be followed by gradual adjustment; the adoption of tight fiscal and monetary targets, additional measures aimed at getting the prices right for rural producers, and a schedule for the dismantling of the controls over prices and distribution.

2.7.2 The Economic Recovery Program II (1989-92)

The ERP II was introduced as a follow-up on program from the first major reform package, its initiation indicated that the IMF had been satisfied with the direction Tanzania was taking so far as economic reforms was concerned. This program, gave priority to the following: the strengthening of social services delivery by creating an enabling environment for improved efficiency, accountability and community support; the improvement of existing water facilities; and the acceleration of employment creation and income generating activities in small scale manufacturing and services.

2.8 Impact of Policy and Macroeconomic Reforms to Agriculture

The adopted gradual reforms in summary meant economic policy characterized by moving away from an economy largely planned and controlled by the government towards a market-based economy. Most of the importation of inputs, production, processing and marketing functions are now left to the private sector: farmers, farmers associations, entrepreneurs and free-enterprise institutions. The implementation of these macro-economic reforms and structural adjustment programmes has changed drastically the agricultural sector.

Farmers are now free to sell their crops to cooperatives or private traders. A higher efficiency of marketing systems for some crops has meant that farmers have been able to dispose of their crops faster than in the past, often with a cash payment. Farmers are also not confined to a single source for their fertilizers, agro-chemicals, improved seeds, farm implements and/or veterinary drugs. However, for some crops the liberalized system has meant hardship for farmers as the marketing system has been disrupted and yet a new one has not been in place. In some remote places, there is nobody buying produce from farmers and this has contributed to even more hardships.

2.9 Removal of Government Subsidies

Economic reforms have included removal of government subsidies on some of the basic commodities. This has created economic suffering to the majority of the population who had access to subsidized goods. This is particularly significant given the fact that the majority of the population in Tanzania earn income, which is below a living wage.

Subsidies to agriculture have been a major component of agricultural policy in Zanzibar since the revolution. In the 1980s it became clear that subsidies were largely unsustainable. Despite period statements about reducing them, they have not been eliminated entirely Table 6, shows the recent trends in the provision of subsidies to agriculture. Although Zanzibar Development Budget resources have been declining quite rapidly in nominal and real terms, the share going to subsidies to agriculture has increased to more than 6 percent, compared to less than 4 percent in 1994. This is because agricultural subsidies tend to be somewhat sticky in nominal terms, with the effect that they have fallen less than overall expenditure (World Bank, 2000).

Table 2.6: Trends in the provision of subsidies to Agriculture in Zanzibar Tshs Thousands

Fiscal year	Total available Development Budget	Agricultural subsidies	%
1994-95	1		3.9
1995-96	1		4.6
1996-97			5.2
1997-98			9.7
1998-99	503,000	31,867	6.3

Source: Quoted from World Bank, Agriculture in Tanzania since 1986, *Follower or Leader of Growth?*, June 2000, p16.

With respect to agricultural subsidies elimination in the mainland, it appears that the fiscal savings from eliminating fertiliser subsidies and the loss-making activities of the National Milling Corporation (NMC) and other parastatals has not been reallocated to investments in agricultural research, extension, and market development activities.

Box 1: The Trade Regime in Agriculture before and after the Uruguay Round

WTO Agreements came into force in Tanzania in 1995

2.10.1 Border Protection – Tariffs and Non-tariff Barriers

- 1961/64 The three year plan spelt out the Industrial development strategy
- 1964/69 The first five-year plan expected private and foreign capital would play a lead - role in industrialization.
- The shift of policy towards socialism touched off significant new changes emphasizing inward-orientation to be dominated by public sector.
- Bank of Tanzania established an Export Promotion Department
- 1982/82 Liberalization of food crops started in Tanzania.
- 1988/89 Decontrolled marketing of food crops at cooperative union level
- 1989/90 Further decontrolization of food marketing at primary societies level
- 1993/94 Government stopped announcing food crops indicative prices
- 1993/94 Marketing Boards entrusted to market most of the cash crops
- Agricultural food tariff barriers in Tanzania vary from 0% to 25%.
 - Safeguard measures to protect local industries exist in form of suspended duties.
 - Suspended duties for selected agricultural commodities are levied at 20%.
 - Other agricultural inputs are charged import duty between 0% to 5%.
- 1984 “Own firms” import scheme initiated allowing exporters to use part of their foreign exchange earnings for selected imports.
- 1984 Government Trade Liberalization allowed Tanzanians with foreign exchange to import goods thus close the gap between supply and demand of goods which were in acute short supply.
- 1986-89 The ERP I – Economic Recovery Programme I, launched by Government to continue the intensity of earlier initiatives on macroeconomic sectoral measures.
- 1989-92 ERP II – The Economic Recovery Programme II introduced as a follow up to the first with major reform packages:-
- Policy reform and macroeconomic shocks
 - Removal of Government subsidies
- 1988 The (OGL) Open General license scheme introduced allowing a more market-oriented allocation of foreign exchange.
- 1992 Tax Commission proposed further simplification of customs duties, reduced exemption, increasing efficiency in revenue collection, reduce import duties on raw material inputs for exporting firms.
- 1995 Tariffs were rationalised to 5 rate bands, the maximum pegged at 40% (previously 50%).
- 1996 July, the Tanzania Revenue Authority was introduced.
- 1998 July, value-added Tax was introduced with a Tshs. 20 million threshold.
- Accompanying policies discriminated against agriculture exports and thus blighted prospects for manufactured exports.

3.0 URAA COMMITMENTS MADE BY THE COUNTRY

Evolution of applied tariffs in agriculture, in-quota tariffs tariff quotas, and applied tariff over the quota since URAA (1995-2004 levels)

3.1 Market Access: Border Protection-tariffs and Non-tariff Barriers

3.1.1 Tariff Liberalization

Tanzania is in the course of implementing major tariff reforms through concentration and reduction of tariff bands and rates within the Harmonized Coding System. Maximum tariff rates have been reduced from the high level of 120 percent prevailing due to fiscal constraints in the 1980s to 40 percent in 1995. Tanzania has now resumed a steady liberalization of its tariff regime. The trade-weighted tariff fell from 25 percent in 1993/94 to 20 percent in 1997/98 (URT, 1999). In 1999, the maximum rate was down to 25 percent. Non-tariff barriers (NTBs) have largely disappeared. In 1980-86, NTBs covered over 50 percent of imports. By 1993/94, following import liberalization and the removal of export restrictions, NTBs covered 15 percent of goods. Currently the remaining NTBs are restrictions on petroleum imports, which reflect physical capacity at the port (URT, *ibid.*) and the private sector operating in the petroleum sector storage capabilities others include minimum dutiable values as a sort of NTB.

3.2 Export Regimes and Import Protection

3.2.1 Export Subsidies in Place

Most African countries including Tanzania (except the little subsidy extended by the Zanzibar Government to support agriculture) do not subsidize agriculture or its exports but rather tax agriculture either implicitly, by giving protection to industry, or more explicitly by taxing export commodities, or by maintaining government-controlled domestic prices below world prices. This implies that despite the window given by the WTO Agriculture Agreement to African countries to subsidize agriculture the countries do not stand to benefit. In fact many countries have responded to World/IMF advice of eliminating subsidy in agriculture.

3.2.2 Schedules of Applied Tariffs

The reforms that Tanzania has undertaken since 1985 – and at a more accelerated pace in the past few years – have resulted in a trade policy framework that has been significantly liberalized and that is essentially based on tariffs. Export restrictions have been eliminated, as have foreign exchange controls. Tanzania has been making a concerted effort to create an environment that is conducive both to domestic and foreign investment. In keeping with the Government's desire to promote Tanzanian exports, particularly agricultural products, it has placed emphasis on open markets abroad. Nevertheless, its severely limited export capacity has hindered any significant export-led growth.

Under the customs duty rate structure, there is four tariff bands. This entails 5%, 10%, 20% and 25% depending on the degree of processing. The zero rates which is maintained for strategic and lead investment sectors is applied on several items including agricultural inputs like fertilizer, pesticide, agricultural tractors and on capital equipment to be used for investment in the area of infrastructure in the area of infrastructure sectors.

Consistent with the COMESA Tariff reduction program, imports from COMESA member countries were charged import duty at one fifth of the rate charged on imports from non-COMESA countries except sugar, which was charged COMESA rate of 25%. The highest COMESA duty rate was 5% based on the 25% rate of imports from other countries (MoA, 2000). Furthermore a suspended duty at the rate of 20% was levied on a number of specified items from the COMESA member states for the protection of local industries. It is worth noting that Tanzania has withdrawn from COMESA effective from September 2000.

3.2.3 *Safeguard of Domestic Producers and Import Prohibition*

Special safeguard measures responds to the concern of the importing countries that the removal of quantitative restrictions may lead, despite the tariff equivalent, to sudden increase in imports, by allowing them to impose special safeguards on tariffs products. Special safeguard measures are provided under the WTO agreement on Agriculture, Article 5 where the provisions allow the imposition of an additional tariff when certain criteria are met.

In Tanzania, apart from general tariff rates, suspended duties are imposed on selected commodities originating from COMESA member states to protect local industries. These products, which suffer suspended duties of 20 %, include dairy products, crude and refined edible oil, sugar, and eggs not for hatching and tomato ketchup & other tomato sources (MoA, 2000).

3.3 **Agricultural Production and Trade**

3.3.1 *Production*

Production of the sector has relatively not been so well during the past decade. To some extent, the cause of this poor performance has been identified as drought, late onset of rainfall and an outbreak of destructive insects like armyworms, poor farming methods and tools.

On average, food crop production has been a bit satisfactory during the past decade despite some intermittent food deficits caused by the prevalence of bad weather conditions. For example, the 1993/94 season has initially been characterized by failure of the short rains and the late onset of the long rains in most part of country leading to uneven fluctuation in the overall crop production in the country.

Table 3.1: Agricultural Production (selected food crops in '000' tonnes)*

Crop/Year	91/92	92/93	93/94	94/95	95/96	96/97	97/98**
Maize	2219.7	2267	2188.1	2874.4	2648.2	1831.2	2750
Sorghum	587.1	719.1	473	838.8	872.4	498.5	673.2
Millet	451.8	424.1	435.3	342	585	347	195
Paddy	393.1	640.9	654.5	622.6	806.8	549.7	811.5
Wheat	65.8	83.5	59.7	75.3	83.6	78.5	110.5
S/potatoes	256.9	258.8	283.5	448.8	418.1	477.7	394.4
Pulses	311.6	397.5	279.3	374.2	467.3	368.7	447.6
Banana	793.7	798.2	733.4	650.9	640.9	604.1	949.4
Cassava	1777.7	1708.2	1802.3	1492.2	1498.4	1426	1528.5
Sub-total	6857.4	7297.3	6909.1	7719.2	8020.7	6181.4	7860.1

* = in some selected regions in Tanzania.

** = estimates.

Source: MAC, 1998 (basic data-agriculture and livestock sector)

Cash crops production performance was not very much encouraging either. Levels for most cash crops as it is indicated in the table have been showing a rising trend during this period. A number of factors can be accounted for this favorable trend in the cash crop production of which the main ones are such as expansion of areas under production, better domestic producer prices, as well as improved marketing arrangements.

Most cash crops produced in Tanzania are for export. These include traditional and non-traditional export crops. Traditional export crops are coffee, cotton, cashew nut, tobacco, sugar, pyrethrum, tea and sisal. Non-traditional cash crops include export crops such as several fruits, vegetables and flowers.

Table 3.2: Agricultural Production (selected cash crops in '000' Tonnes)

Crop/year	91/92	92/93	93/94	94/95	95/96	96/97
Tobacco	1007	1232.3	867.2	1384.4	1521	840
Seed cotton	260.7	302.4	144.6	125.1	247.8	252.4
Coffee*	36.9	43.9	25.8	21.1	41.3	31.2
Cashewnuts	41.2	39.3	46.6	63.4	81.7	65.4
Pyrethrum	1.9	2.1	0.5	1.5	0.9	0.5
Tea	19.4	21	22.3	25.5	20.5	19.8
Sugarcane	1081	1371	1467	1284	1369	1298
Sub-total	2448.1	3012	2574	2905	3282.2	2507.3

*=coffee purchases in '000' tonnes.

Source: MAC, 1998 (basic data-agriculture and livestock sector)

On the side of livestock sub-sector, the performance has been a bit satisfactory. The general performance of the meat sub-sector during the 1997/98 was satisfactory. Meat production was agreeable in the sense that it continued to meet the demand of local consumers. In terms of dairy production, there has been a considerable improvement both from traditional sector (e.g. milk from the rural sector) and the commercial sector (i.e., milk from the peri-urban, large -scale farms such as DAFCO, NAFCO, the army or Jeshi la Kujenga Taifa/JKT farms, Magereza (the prisons) and private dairy farms.

Table 3.3: Production of Livestock Products (in Tons) for the Period 1996/97-1998/99

Product	1996/97	1997/98	1998/99(target)
Meat Production	257,000	260,000	297,700
Milk Production	600,000	670,000	700,000
Eggs Production	396,000	400,000	450,000
Skin Collection	2,560,000	2,600,000	3,400,000
Total	3,813,000	3,930,000	4,847,700

Source: Budget Speech, 1997/98.

3.3.2 Export and Import Incentives

There are many domestic policy instruments, which have either direct or indirect impact on stimulating trade. Major policy instruments include tariff and non-tariff barriers. Some other instruments, such as the investment code and tax exemptions, work through creation of incentives to attract investments while others, such as taxation, create disincentives. The prioritization of specific instruments depends on the state of the economy and magnitude of market imperfections, which necessitate re-course to interim intervention measures while conditions are created for establishing conducive environment synonymous with an efficient market economy.

The move of Tanzania from an economy largely planned and controlled by the government towards a market-based economy is one of the major incentives to external trade. Most of the importation of inputs, production, processing and marketing functions are now left to the private sector: farmers, farmers associations, entrepreneurs and free-enterprise institutions. On the other hand, the export trade has been liberalized taking on board private business, which has led into efficient and more rewarding trading activities.

Tanzania's emphasis on export promotion has led to the offering of a variety of incentives to local producers, including tariff concessions--rebates although in practice these promotional measures have been difficult to implement. Some of the incentives are subject to local-content requirements. Of recent higher tariff protection have also been afforded to local producers on a selective basis. Tanzania has maintained export controls on certain products for different reasons such as conservation purposes of such products as hard timber.

For the case of exportable cash crops, for example, marketing boards are now bestowed to regulate the buying and selling of respective exportable products. In the 1970's and 1980's, the marketing boards played the role of price setter for many export crops. The role of setting price has however been abolished as the function of the marketing boards. The boards were also heavily criticized as introducing severe distortions to the economy especially in the sphere of producer prices as compared to international or border prices. Marketing boards of the past had heavy operating costs and to cover for the costs they ate into the prices offered to producers as they fixed this. Even when there were booms in international prices this was not passed on to farmers resulting into plummeting production of many export crops. The main marketing Boards include Tanzania Coffee Marketing Boards; Tanzania Cotton and Lint Marketing Board; Tanzania Pyrethrum Marketing Board; Tanzania Tea Marketing Board; Tanzania Tobacco Marketing Board; Tanzania Cashew Marketing Board; and Tanzania Sisal Marketing Board.

These products constitute the main agricultural exports in Tanzania. Although the purchasing and marketing strategies of these products may differ, the roles of their boards in terms of marketing mechanism and regulations are very similar. The Marketing boards are currently given the functions of regulating and control the marketing and export of the product, and to secure the most favourable arrangements for the marketing and export of the product; advise the government on all matters affecting the product production and its marketing; control quality of products and inspect before the product is marketed (exported); and to issue license and permits for purchasing and marketing of products both local and export. Other functions entail provision of extension officers; to provide data and information for producers as well as buyers; to undertake, finance and provide facilities for research in the production, marketing and uses of the products; and to solicit funds for crop development.

The government has also given incentives with respect to tariff charged on different input and farm implements. In the 1999 and 2000 nation budgets, for example, the government has removed import duty, fertilizer; tractors; and other farm implements to attract invest and develop the agricultural sector.

The increased use and proper application of farm inputs and effectiveness of extension and credit services have always been stressed as fundamental for the increase of agricultural productivity and production in Tanzania. Hence the Government of Tanzania since the start of the Maize Programme in 1973 heavily supported the supply and use of fertilizers, at the first instance free of charge. During the 1970s and 1980s the supply was characterized by a

large component of subsidies, and it was the overall view that the adequate and timely availability of agricultural inputs (fertilizers being most important one) were the most important contributing factors for an increased agricultural output.

3.4 Zanzibar Trade Policies

Although in general Tanzania's trade policy is similar for mainland and Zanzibar, in practice there are some significant differences. It is therefore important to review the Zanzibar trade policy.

Since 1964 there have been many involving trade policies in Zanzibar. It started with economic boards, which were given economic development responsibilities in Zanzibar as a whole and has regions and districts. In 1971 public shops were started to sale goods in retailing. However, the government withdraws evolvment of the public shops and remained with very few, including retailing of petrol and bread.

In 1981, new policy was set and regional trading corporations were formed which were given the responsibilities of buying selling and distribution of goods in he regions and districts. All the time, the government continued giving subsidies to these corporations as capital. The experience was not so satisfactory as a lot of goods were stolen.. Regarding importation of goods from abroad Crown Agents was given this responsibility. However the importation of food, medicines, agriculture parts and fertilizers and raw material were imported directly buy the users. The government continued controlling the exportation of goods.

When the economic development program was initiated in 1978, the importation and exportation of products responsibilities were given to the committee of economic development called BML. The committee was evaluating all the tenders and choose one among many. In 1981 another change occurred whereby a commission of Trade was formed and this commission was given the responsibilities of importation and exportation of goods.

However, with trade liberalization and Zanzibar becoming a free port, then the exercise of importation and exportation are left to individuals.

3.4.1 External and Inter - State Trade

Total overall trade of imports and exports for Zanzibar in 1997 was 52.0 billion Tshs. This compares with the previous year total trade of Tshs. 52.5 billion, showing a decrease in trade of 0.8% compared to 1996. Trade balance is the different in the value of exports and imports. Zanzibar has never experienced a positive trade of balance, this means Zanzibar imports more then what it exports.

The establishment of the Zanzibar Freeport Authority in 1992 was an important incentive to boosting external trade with the island. The important functions performed by the Zanzibar Freeport Authority include controlling and managing the free port zones set; promote and facilitate transit trade in which goods imported in transit or for transshipment shall be encouraged; and provide facilities relating to Freeport activities, including infrastructure, storage and ancillary facilities to the licenses in the Freeport zones.

Tanzania is a member of the WTO as a LDC country and has bound certain of its tariffs. WTO tariff bindings apply to a list of items not locally produced. As a LDC country, Tanzania does not have to open its domestic markets as much as developed countries, benefiting from the principle of non-reciprocity that had been agreed as part of GATT 1970. It has nevertheless to notify on the Agreement issues according to a specific agenda.

3.4.2 Impact of Uruguay Commitments on Export Policies

For countries that do subsidize exports, the Agreement requires that budgetary expenditure on export subsidies for the base period 1986-90 or 1991-92 whichever is higher to be reduced by 24 per cent over the ten-year implementation period. Reductions are also required in the volume of subsidized commodities: a 14 per cent reduction over 10 years.

For Tanzania, export policies have generally taken the form of export restraints rather than export subsidies. The restraints have been in the form of taxes, quotas and prohibitions. The Agreement introduces restrictions on the use of export restraints where such restraints relate to foodstuffs. These restrictions do not apply to developing countries unless they are net exporters of the particular foodstuff in question. However, there is no definition of what a net exporter means. For countries which are net exporters, the country instituting the export prohibition must give due consideration to the effects of such restriction on importing countries food security and before a restriction is imposed, notice in writing as far as in advance as possible, should be given to the Committee on Agriculture giving information regarding the nature and duration of the restriction. The Agreement allows for sanctions if the two conditions are not met.

The developing country share in world trade is relatively small. However, their share of world imports of agricultural commodities is increasing. Since developed countries have taken a commitment on export subsidy and domestic support measures. Tanzania and other developing countries are likely to be affected in a number of ways including there shall be a reduction in domestic support thus creating a reduction in supply available for exports or an increase in import demand in developed countries; the reduction in export subsidies should increase the opportunities on world markets in terms of volume for non-subsidizing exporters; and market access commitments in terms of specific tariff quota commitments provide an assured access to markets; the reduction of existing tariffs can provide improve access opportunities.

3.5 Domestic Support

Although the spirit of WTO Agreement on Agriculture is to promote fair and free trade, Tanzania must take measures to ensure that we do not become victims of unfair competition including dumping. Vigilant watches on imports brought into these countries to make sure that no loopholes are being exploited to carry out unfair competition or dumping. There have been cases of dumping rotten rice and expired agrochemical in Tanzania. Tarrification of agricultural trade barriers under the Agreement could act as a foundation for much deeper cuts in agricultural protect at the global scale and open market to Tanzania and African states as a whole.

A main benefit of the Agreement is the greater transparency that it provides when compared to NTB. This should provide both traders and policy makers in Tanzania with easier access to knowledge of the level of protection being imposed in various sub sectors of the agricultural economy. The worry is that access provisions may not have an immediate impact on the overall volume of imports to developed countries from Tanzania mainly due to limited export capacity. In fact the problem is more complicated by the total removal of subsidies, which was then extended in various works of agricultural production, distribution and marketing. Although WTO supports extension of subsidies to agriculture by the Least Developed countries, this is not possible, as the countries would go against the World Bank/IMF prescriptions.

On the other hand, the Agreement on Agriculture seeks to protect exports of existing exporters i.e. to safeguard **current access**. Current access by Tanzania to developed countries markets has frequently been provided under bilateral and preferential terms under the Lome Convention or the GSP. These arrangements are protected by the Agreement.

Table 3.4: Nominal and Effective Rates of Protection in Key Products since URAA

CHAPTER	DESCRIPTION	TOTAL NOMINAL PROTECTION (ADDITION OF ALL TRADE TAXES)				
		1995	1996	1997	1998	1999
00		0	0	0.63	0	0
01	Live animals	0.024	0.056	0.121	0.128	0.099
02	Meat & edible meat offal	0.0541	0.346	0.166	0.213	0.213
03	Fish & crustacean,molluscs & other aquatic invertebrate	0.105	0.382	0.407	0.329	0.080
04	Dairy prod;birds' eggs;natural honey	0.353	0.389	0.373	0.309	0.300
05	Products of animal origin, nes or included	0.4271	0.264	0.043	0.180	0.255
06	Live tree & other plant; bulb,root,cutflower	0.006	0.002	0.015	0.087	0.234
07	Edible vegetables and certain roots and tubers	0	0.004	0.027	0.008	0.008
08	Edible fruit and nuts; peel of citrus or melons	0.044	0.236	0.359	0.254	0.234
09	Coffee,tea,mate and spices	0.694	0.584	0.606	0.541	0.263
10	Cereals	0.062	0.081	0.181	0.140	0.102
11	Prod mill indust;starches;insulin;wheat gluten	0.191	0.332	0.254	0.143	0.081
12	Oil seed,oleagi fruits;miscell grain,seed,fruit Lac;gums,resins and other vegetable saps and extras	0.041	0.051	0.066	0.093	0.047
13	Vegetable plaiting materials;veetable products nes	0.048	0.255	0.213	0.298	0.225
14	Animal/veg fats& oil & their cleavage products	0.019	0.113	0.390	0.101	0.434
15	Prep of meat,fish or crustaceans,molluscs	0.249	0.291	0.379	0.350	0.361
16	Sugars and sugar confectionery	0.524	0.068	0.177	0.172	0.092
17	Cocoa and cocoa preparations	0.181	0.324	0.423	0.471	0.330
18	Prep of Cereal,flour,starch/milk;pastrycooks'prod	0.431	0.747	0.709	0.359	0.430
19	Prep of vegetable,fruit,nuts or other parts of lants	0.199	0.668	0.148	0.113	0.367
20	Miscellaneous edible preparations	1.949	0.535	0.573	0.485	0.476
21	Residuals & waste from the food indust; prep ani fodder	0.335	0.434	0.444	0.353	0.340
22	Tobacco and manufactured tobacco substitutes	0.081	0.366	0.866	0.148	0.109
23	Fertilizers	0.043	1.473	0.158	0.282	0.482
24	Essential oils & resinods; perf.cosmetic/toilet prep	0.043	0.008	0.243	0.001	0.0003
25	Raw hides and skins (other than furskins) and leather	0.010	0.660	0.019	0.542	0.545
26	Furskins and artificial fur ;manufactured thereof	0.416	0.287	0.595	0.346	0.065
27	Wood and articles of wood; wood charcoal	0.046	0.398	0.201	0.592	0.467
28	Cork and articles of cork	0.113	0.143	0.240	0.476	0.228
29	Manufactured os strav,esparto/other plaiting materials	0.030	0.178	0.148	0.302	0.230
30	Pulp of wood/of other fibrous cellulosic mat;waste	0.124	0.276	0.060	0.353	0.277
31	Paper & paperboard; art of paper pulp,paper/paperboard	0.407	0.603	0.536	0.571	0.541
32		0.124	0.395	0.368	0.300	0.328

Calculated using addition of import duty, sales tax(VAT) for imports and excise duty as a ratio of imports for home use.

Table 3.5: Effective Rates of Protection

	1991/2	1994	1995	1996	1997	1998	1999	2000
Growing of maize	-39.0827	-6.62056	-2.95128	-6.9089	-6.40216	-3.30544	-4.17508	-6.79414
Growing of paddy	-40.9552	1.104364	-1.37231	0.051961	9.509134	9.555479	12.64837	12.4722
Growing of sorghum/millets	-38.9214	25.11837	17.01198	23.55883	23.12094	18.0229	14.44269	-4.9961
Growing of wheat	-54.8752	15.85421	-0.44627	14337190	3.103186	-0.26425	0.35731	0.254639
Growing of beans	-20.8471	-2.33795	-2.29279	-2.12038	-1.64032	2.976497	-2.42696	19.16102
Growing of cassava	-5.31854	-0.00036	38.96273	38.72783	28.63987	29.049	20.56572	24.20978
Growing of other cereals	-37.5053	-11.6476	-11.7105	-11.7918	-11.8004	15.82328	-11.7932	-11.7702
Growing of oil seeds	-21.2696	4.362968	-0.06994	18.17997	5.622226	25.03837	21.16852	22.72819
Growing of other roots and tubers	-10.5314	-0.00228	14.17373	-0.03975	-0.00603	28.24556	-0.00477	-0.00559
Growing of cotton	-100.107	-27.5391	-10.9743	-24.3335	5.882492	-8.43885	-26.6835	-22.9905
Growing of coffee	-64.4768	36.0378	-8.38571	-3.06317	6.230485	20.62096	-0.7932	-4.64085
Growing of tobacco	-79.0075	-7.05359	29.21745	-8.20324	-7.63223	10.73018	-7.22741	-7.22953
Growing of tea	-91.3677	10.11359	-3.69197	27.61014	23.71362	15.95283	9.00384	16.03413
Growing of cashewnuts	-30.1179	-0.06402	-1.03854	9.089111	28.9654	11.43048	25.92121	23.67743
Growing of sisal fibre	-72.3735	-2.48064	-2.95597	-2.93614	-3.28935	5.565117	-2.69795	-3.64677
Growing of coconuts	-4.44426	0.204847	11.70114	0.181006	1.843067	0.579302	0.38945	0.481553
Growing of sugar cane	-30.9993	-0.66336	36.40375	12.46345	21.64799	20.78789	10.23578	8.399107
Growing of bananas	-9.60964	4.312781	37.73684	21.90071	21.87379	13.74588	12.6069	16.53498
Growing of other fruits	-30.8676	4.824464	27.90954	20.56348	20.30008	13.28627	12.28624	15.8292
Growing of other vegetables	-15.0676	37.1305	-2.73197	23.16114	35.05503	27.51105	22.36229	22.78271
Growing of other oil seeds	0	4.75	3.0914	19.81	6.282	27.3	2.306	24.725
Growing of other crops	-13.447	-4.02861	-4.26855	0.517304	0.09092	2.744314	-0.96067	-1.62643
Operation of poultry	-7.40054	-0.07129	-0.15418	39.91413	32.582	29.7739	-0.11242	10.2344
Fishing and fish farms	-25.5025	-4.58646	10.83366	1.607082	-5.11609	-6.68347	24.91912	19.87783
Other farming of animals	-35.3446	2.963041	13.04053	17.48712	70.67054	14.52073	0.920404	2.389654
Hunting and game propagation	-14.9979	17.4136	9.81639	24.54634	36.87073	24.58492	8.080666	10.16206
Forestry and logging	-16.2482	-0.30967	17.65782	10.92169	15.85611	24.01836	3.972733	5.905244
Quarrying of stone, clay and sand	-22.9274	2.764292	17.79166	12.89579	11.63089	10.96909	4.070559	1.736985
Extraction of salt	-22.7613	3.578884	19.08544	13.866	12.28069	11.92497	4.824269	2.447689
Mining of gemstones	-7.38714	2.8662	-2.05014	13.45618	12.49935	11.56508	14.30133	1.907389
Other mining and quarrying	-25.9718	-1.72453	-1.86433	-1.87671	9.869167	10.46566	-1.80124	1.984051
Processing of meat and dairy products	-78.496	-3.49525	29.35002	31.85659	7.915712	22.47236	-2.95758	6.999526
Canning and pressing of fruits and vegetables	-115.161	-13.01	-22.0564	10.32839	7.183884	10.19781	7.899417	5.516765
Manufacture of oils and fats	-59.9795	-4.60249	-4.80394	13.54143	8.433465	-1.62904	-3.3002	2.781448
Grain milling	-82.659	-3.04916	1.699911	2.086514	6.564836	-5.32144	-8.50302	-4.34689
Manufacture of bakery products	-78.6945	4.342262	25.63798	21.10876	-7.44337	16.21256	14.32897	14.07567
Manufacture of sugar and confectionery	-76.9914	22.1941	-10.2759	20.15481	9.407054	-12.0824	6.240392	11.84925
Manufacture of other food products	-56.2722	-8.80882	-8.75912	-9.34438	-9.49038	-4.30584	-7.43344	-0.16725
Local brewing activities	-86.6037	39.0721	33.84685	0.552909	-53.6176	6.701662	12.38679	12.31333
Manufacture of beverages	-72.6821	-6.45531	13.76676	-0.63591	16.58761	12.47929	7.79588	-4.53634
Manufacture of tobacco products	-79.4084	-3.59201	35.76563	-3.91365	19.10518	12.5846	12.09035	14.41444
Spinning and finishing of textiles	-62.6064	-6.24102	-9.86009	2.85757	-3.95855	7.280447	7.446156	4.103221
Manufacture of made-up textiles	-48.6531	-3.50408	-2.25028	4.405356	8.580086	11.9559	6.938298	5.813176
Manufacture of cordage, rope and twine	-68.335	-2.59334	5.589611	3.067624	-3.12031	4.801092	-3.12618	-2.92722

	1991/2	1994	1995	1996	1997	1998	1999	2000
Manufacture of wearing apparel	-64.0881	-29.7022	-13.4542	-19.0705	-18.9896	-19.5798	-21.9612	-22.7789
Manufacture of other textiles	-47.0648	-18.1677	11.24805	-19.1623	-21.279	-21.7091	-19.9086	-14.3731
Manufacture of leather products	-23.8515	-10.9718	-0.83268	-0.43474	-3.56168	-1.63673	-3.42459	-2.74325
Manufacture of footwear	-17.04	19.3559	26.8364	24.43616	18.42437	24.59671	23.11787	20.56016
Manufacture of wood and wood products	-64.264	-4.38041	-6.53318	-7.6033	-9.04383	-11.299	-5.60492	-6.16417
Manufacture of pulp and paper	-67.8993	-1.67313	-16.3406	44.54357	16.14412	-4.76614	-13.6708	-10.3217
Printing and publishing	-54.051	-12.3404	-24.7975	-23.1996	-16.4791	-18.1322	-20.864	-30.4855
Manufacture of basic and industrial chemicals	-35.3719	-49.6915	-47.4209	-42.9606	-9.44517	-47.7397	-50.7053	-53.3986
Manufacture of fertilizers and pesticide.	-34.8688	-57.4469	-52.9422	-53.091	-59.6786	-57.4191	-57.3703	-57.407
Petroleum refineries	-17.3265	-34.0206	-32.1292	-31.553	-34.1997	-34.2423	-33.274	-31.685
Manufacture of rubber products	-60.1131	-27.7179	-29.8133	-28.6799	-23.3926	-22.0086	-26.8309	-28.821
Manufacture of plastic products	-68.6194	-22.9394	-18.7778	-18.0184	-17.6459	-13.3775	-13.8075	-11.3243
Manufacture of glass and glass products	-84.4791	-14.5529	-14.4417	-23.4667	-17.7481	-19.8598	-18.1059	-4.08583
Manufacture of cement and clay	-75.563	-17.1858	-15.0089	-5.16739	9.074014	-13.0759	-9.68927	-7.63335
Processing of iron, steel and non-ferrous metals	-64.7713	-29.5353	-29.4094	-30.2358	-30.7879	-32.6619	-28.7434	-29.8944
Manufacture of metal products	-79.7057	-18.5362	-18.7308	-19.8236	-20.7585	-23.0134	-18.3684	-19.8861
Manufacture of machinery and equipment	-49.9928	-24.0491	-21.5378	-20.9143	-22.0558	-21.2363	-22.4268	-22.8255
Manufacture of electrical equipment	-32.5659	-38.4459	-36.4016	-34.8699	-33.9577	-35.4908	-35.4356	-35.837
Manufacture of transport equipment	-31.8713	-36.4312	-35.7502	-33.8179	-21.5407	-37.3079	-35.501	-32.9189
Manufacture of other goods	-36.1665	-24.3239	-31.3099	-30.179	-30.1533	-26.156	-28.3192	-22.6742

Calculated using data from Input output table 1992, and import data and using the formula $ERP = t_j - a_{ij}t_i / 1 - a_{ij}$ where t_j is duty for final good, t_i duty for inputs and a_{ij} is the technical coefficient.

From the table we find that the agriculture sector is negatively protected (de-protected) and this trend has continued over the years although the actual extent is diminishing.

4.0 URAA COMMITMENTS MADE BY THE COUNTRY

4.1 Market access: border protection – tariffs and non-tariff barriers

4.1.1 Tariff Liberalisation

Fertilizer supply was characterized by large component of subsidies for timely availability of agricultural inputs for increasing agricultural output.

1973 **Maize programme:** Government supported the supply and use of fertilizers

Tanzania is implementing major tariff reforms through concentration and reduction of tariff bands and rates within the Harmonised Coding System.

- Tariff rates of 120% (1980) were reduced to 40% in (1995)
- Trade weighted tariff fell from 25% (93/94) to 20% (97/98)

- 1980–86 Non tariff Barriers covered 50% of Imports
- Tanzania started to implement reforms and liberalised tariffs.
 - Exports restrictions have been eliminated
 - Foreign exchange controls have been eliminated
 - Concerted efforts to create a conducive environment for domestic and foreign investment were made.
- 1993/94 NTB covered 15% following import liberalisation and removal of export restrictions. NTB remain on petroleum imports due to physical capacity at the ports
- 1999/2000 Government removed import duty on fertilisers, tractors and other farm implement to attract investment and development in the agriculture sector.

4.1.2 Zanzibar Trade Policies

Since 1964 there have been many players involved in trade policies in Zanzibar. In 1971 public shops were established to sell goods on retail basis.

- 1980 New policy established regional trading corporations charged with responsibilities to buy, sell and distribute goods in the regions and district levels.
- “Crown Agents” London was given responsibility to import goods from abroad into Zanzibar.
- 1978 Committee for Economic development (BML) was given responsibility to Import and Export products including evaluation of tenders before selecting one among many.
- 1981 Trade Commission was formed to replace the Committee whose responsibilities were to supervise Importation and Exportation of goods.
- 1992 Zanzibar government established the Zanzibar Free Port Authority to provide incentives and boost external trade with the Island.

4.1.3 Effects of URAA’s Implementation on Domestic Support (Agricultural Products)

The current implications of the Agreement with regard to domestic policy may be limited. However, the future significance lies in the fact that the agreement enshrines international law limitations on domestic policy formulations. Policies that distort agricultural trade will have to be avoided. The Agreement is largely designed to affect domestic policies in developed countries where policies subsidize agricultural production. In contrast, developing country policies tax agriculture. There is no provision in the Agreement, which requires countries to reduce the volume of taxation.

It is worth noting however that, the domestic support commitments are less demanding on developing countries than on developed states. This is so because Least-developed countries are exempt from all domestic support reduction commitments and the Green Box Policies as exemptions to AMS are open to Tanzania and other developing countries. Annex 2 of the

Agreement tabulates the Green Box policies. Policies of great significance to Tanzania include domestic food aid policies aimed at providing food aid to vulnerable sections of the community. These can be excluded from AMS calculation; public stockholding for food security purposes. This refers to expenditure in relation to accumulation and holding of stocks of products, which form an integral part of a food security program identified in a national legislation. Such expenditures may be excluded in the AMS calculations. Other policies of great interest to Tanzania are General services: policies under this heading involve programmes that provide services or benefits to agriculture or the rural community but which do not involve direct payment to producers; direct payments to producers: certain payments may be included in green box category so long as they have no or minimal effect on production (examples of the types of payments permitted are payments for relief from natural disasters, structural adjustment provided through producer retirement programmes or resource retirement programs and payments under environmental programmes); De Minimis provisions; and Blue Box policies. Developing countries that are at present taxing their agricultural sector will be bound never to raise their support levels above those excluded from AMS calculation under the de minimis provision.

5.0 CHANGES MADE TO MEET URUGUAY ROUND COMMITMENTS

Evaluation of domestic adjustments resulting from the URAA: Changes in applied protection and other trade barriers: Post-Uruguay Round

5.1 Market access: border protection-tariffs and non-tariff barriers

5.1.1 Changes Made in Applied Import Protection Resulting from Implementation of URAA

The recent reform of Tanzania's customs duties has resulted in a simplified five-tier structure with a simple average of applied import duties of 16.2%. The tariff structure is somewhat escalatory with many processed products facing a higher effective rate of protection along the processing chain. Such a tariff structure provides substantial import protection to higher-level processing activities, causing resource misallocation and inflicting higher costs to Tanzanian consumers. On the other hand the Government of Tanzania still relies heavily on revenues from tariffs and VAT and that consequently there is pressure to maintain revenues through high tariff levels. Non-tariff barriers have also been dealt with bringing them to lower levels.

5.1.2 Changes Made in Tariff Liberalization

Tariffs feature the most prominent trade impediments to trade. A tariff, which is a tax imposed on imports as they come into a country, raises the price of imported good as compared for instance, the domestically produced equivalent. Tariffs are imposed, among other things, to protect the local industry or producers of similar product and as a source of government revenue. In Tanzania, tariffs structure has been exhibiting different shapes over time partly explaining the need to open up and building the country's economy.

In 1996/97 financial year, the customs tariff had widely dispersed rates from zero to 40 percent (5, 10, 20, 25, 30, 40). In 1997/98 reforms on customs tariff were introduced to reduce the dispersed rates to four, (5,10,20,30) thus reducing maximum rates from 40 percent

to 30 percent. Starting from July 1, 1999, further liberalization were made and the highest rate was reduced from 30 percent to 25 percent with rate categories remaining 0%, 5%, 10%, 20% and 25%.

Table 5.1: Changes in Customs Tariff (1996/97 – 1998/99)

Financial Year	Number of Tariff Bands and Percentage
1996/97	5, 10, 20, 25, 30, 40
1997/98	5, 10, 20, 30
1998/99	0, 5, 10, 20, 25

5.1.3 Changes in Taxation since 1998

There has been considerable rationalization and streamlining of taxes since the MAC issued its report in 1998. These include taxes that are levied on the agricultural sector by local authorities, with a view to impose new, or alter/abolish certain taxes and duties. The changes include the following:

(a) The Value Added Tax Act, 1997

The Value Added Tax was introduced in Tanzania in July^{1st} 1998 to replace sales tax and absorb receipt-based stamp duty and entertainment tax for traders who are registered as taxable persons. Under the VAT system, exports are zero-rated and exporters are allowed full credit of the input tax on the exported products (First Schedule). The second schedule to the VAT Act enumerates goods and services that are exempt from Value Added Tax. Upon the commencement of the Act, such goods and services included *inter alia*:

- (i) Agricultural products mainly food crops.
- (ii) The supply of pesticides and fertilizers and other similar products, which are used for agricultural purposes.

Within a period of one year the Act has undergone another amendment that affect the Second Schedule as follows:

- (i) The exempt agricultural products include cash crops such as “cashew nuts, tobacco, coffee, tea, cotton, sisal, sugarcane, seeds and plants thereof”; and
- (ii) Agricultural implements, which include tractors for agricultural use, harrows, ploughs, hoes, spades, shovels, mattocks, picks, forks, rakes, axes, seeders, planters, manure spreaders and machinery and equipment solely to be used for spreading or spraying any of the items exempted under item 2 of this schedule”.

(b) The Export Tax Act, 1974

With effect from July 1, 1998 the Government through the Finance Act 1998 abolished export tax on seven traditional agricultural exports namely: coffee, cotton, tobacco, cashew nuts, sisal, tea and pyrethrum which were subject to this tax at 2% of the fob value.

(c) The Customs Tariff Act 1976

The first Schedule to this Act that contains the rates of import duty of various items was repealed and replaced by a new schedule. The change involves the reduction of the highest rate from 30% to 25%. Nonetheless, the rate categories remain the same (five categories) that is 0%, 5%, 10%, 20% and 25%.

(d) The Excise Tariff Ordinance CAP 332

The Schedule to the Ordinance that contains the excisable goods and the respective rates has been repealed and replaced by a new schedule. The Government has effected the change by harmonizing excise duty payable on locally produced and imported goods. In addition, the number of excisable goods has been reduced from about sixteen (16) categories containing more than fifty (50) products (including sugar and textiles) to only six (6) groups, which comprise cigarettes (all types), beer, spirits, wines and vermouth and soft drinks.

(e) The Local Government (Finance) Act, 1982

Sections 6 and 7 that deal with sources of revenue of Urban Authorities and District Councils respectively have been amended. The changes include new sources of revenue to the Local Government Authorities. The new sources are the registration of commuter buses plying in towns; hunting fees for districts which have hunting blocks, registration of health centers, dispensaries, clinics, pharmacies and drug shops; inspection of abattoirs, collection of land rent and service levy (formally known as industrial cess) payable by corporate entities at the rate of 0.3 percent of the turnover net of the VAT. The corporate entities are therefore, not liable to pay produce cess due to this change. Furthermore, the government has reduced the maximum rate of produce cess in respect of major export crops from 10% to 5% of the farm gate price. The main objective of these changes was to provide more autonomy on part of Local Government Authorities, because prior to such amendments such authorities, on behalf of the central government, collected revenues from some sources. The Government also, has introduced a new section 9A, which appoints the local Government Authorities to become licensing authorities in respect of categories of businesses specified under that section. The license fees collected should be treated as revenue accruing to the Local Government Authorities.

(f) The Stamp Duty Act 1972

In accordance with section 41 subsection (1) and article 51 of the Stamp Duty Act, any person who effects a cash transaction by receiving a sum of money of shillings five hundred or more, or has received a bill of exchange, cheque or promissory note for an amount of shillings five hundred or more, is obliged to issue a duly stamped receipt for the sum whether or not the buyer demands to be issued with such a receipt.

However, article 51 provides exemptions in respect of certain cash transactions and instruments. With respect to this the Finance Act 1999 has amended article 51 by exempting from stamp duty agricultural produce and livestock cess sold at markets under municipal authorities. This amendment implies that stamp duty of 1.2% is still chargeable and payable on export receipts. It is interesting to note that the Finance Act 1998 amended section 41 of the Stamp Duty Act 1972 by deleting subsection (2) and substituting for it a new provision as

follows: “(2) The provisions of the subsection (1) shall not apply to a trader who has been registered for Value Added Tax or to any payment to or by a banker in the ordinary course of his business”. This is evidenced by section 74 of the VAT Act, 1997 which stipulates that “The Stamp duty Act, 1972 is amended in the Schedule by adding in article 51 the following item: (g) by any person or body of persons; registered under part IV of the VAT Act, 1997 from the imposition date of VAT”.

Under the Value Added Tax Act 1997 exporters are registered taxable persons, though their supplies are zero-rated (refer to section 9 and 1st schedule of VAT Act). Taking a strict interpretation of section 41 (2) of the Stamp Duty Act and section 74 of the VAT Act, exporters are not liable to pay stamp duty on their exports.

(g) The Income Tax Act, 1973

The Finance Act 1999 has effected changes to certain provisions of the Income Tax Act which include *inter alia*, an amendment of the third schedule in item I Head B which relate to individual tax rates. In accordance with the changes the tax brackets have been reduced from eleven (11) to four (4) and the highest marginal rate from 35% to 30% hence the current rates are 17.5%, 20%, 25% and 30%. Furthermore, the threshold has been raised from Tshs. 20,000/= to Tshs. 45,000/=.

(h) The Land Act, 1999

According to Sub-section (1) of Section 33 of the Land Act No.4 of 1999, the holder of a right of occupancy, is required to pay an annual rent. Prior to July 1999, both the Central Government and Local Authorities collected land rent through district councils giving rise to multiplicity. In the move of harmonization of taxes, the Government through the Finance Bill 1999 made an amendment to Section 6 (1) of the Local Government (Finances) Act, 1982 by adding a new paragraph that “(u) twenty percent of all moneys collected by the Central Government as land rent under the Land Act 1999” should be retained by local government authorities. It is obvious that, this is for the betterment of local projects. Clearly, the Central Government has the mandatory power to collect land rent and not local government authorities and so the multiplicity has been removed.

5.1.4 Other Specific Agricultural Taxes and Fees

(i) Taxation of Export Crops

Wide arrays of levies, fees, cess, license fees, Board fees, crop development fees, etc., are imposed on all export commodities. This varies between crops as well as between districts. The taxes are designated as central or local taxes and collected by central or local government. Depending on the kind of crop and the district, the tax burden on farmers is quite significant. This is the amount of income farmers have to surrender to local and central government from income earned by producing a unit of the crop. In all the four commodities selected for the analysis, the share of local and central tax from producer prices is higher than 10% and in the case of coffee and tobacco, is as high as 22%. Except for coffee and tobacco, local taxes are higher than central taxes and this is also the case for other export crops that are not included in this analysis. For coffee and tobacco, central tax is twice as much as that of local taxes, or two third of total tax.

A breakdown of the taxation on major export crops for 1997/98 is shown in Table 10 below. According to this study by ASMP, 1998 on Impact of Taxes and levies on Agricultural Sector, has been shown that total taxes and levies on coffee in the surveyed districts were on average 8.7% of the producer price¹. District taxes were increased from less than 1.5% of the producer price during the period 1990-1996, to 4.2% in 1997/98. The figures of the table do not include the taxes, which were abolished or zero-rated in July 1998 (i.e. stamp duty, withholding tax and export tax). Those taxes were equivalent to about 7.2% of the producer price in 1997.

Total taxes on cotton were on average 8.3% of the producer price in the surveyed districts. On the other hand if research cess and crop board levy is not considered as a tax, but as a cost (of a service to the sector), the total tax rate was 6%. District taxes varied from 5 Tshs/kg, equivalent to respectively about 2.5% and 5% of the producer price. The district cotton taxes have been increased from about 1% on average before 1996 to 3.1% on average in 1998. The central taxes after taking into account abolished (withholding tax and stamp duty) or zero-rated (export tax) in July 1998 were equivalent to about 8% of the producer price in 1998.

A breakdown of the taxation on cashew for the same period shows that total taxes were on average 9% of the producer price. District taxes varied from 2-4% of the producer price. The district tax on cashew has increased from 1.3% during the period 1990-95 to 3.3% of the producer price in 1997/98. More recent information revealed that district taxes were raised further in 1998/99, and is now in the range of 5-15% (ASMP, 1999). The taxes abolished or zero rated in July 1998 is not included in the Table. They were equivalent to 8.6% of the producer price.

The total of the taxes on tobacco was on average 7.7% of the farm gate price. This figures does not include the withholding tax, stamp duty and export duty, which were abolished or zero rated in July 1998. Those taxes were equivalent to 7.2% of the producer price in 1997/98. The district taxes varied from less than 1%-10% of the producer price. The average of the district tax has increased from about 1.4% of the producer price throughout 1990-96 to 4.3% in 1997.

Table 5.2: Taxes on Selected Export Crops 1997/98 (excluding withholding tax, stamp duty and export Tax)

Tax	Coffee	Cotton	Cashew	Tobacco
	Percentage of Produce Price			
District Tax	4.2	3.1	3.3	4.3
Education Levy	0.7	1.9	0.8	0.4
Village Levy	1	-	1.7	-
Research Levy	0.25	0.9	-	-
Crop Board Levy	1.5	1.4	1.7	2.0
Auction Fee	0.07	-	-	-
Other Taxes	1	1.0	1.5	1.0
Total	8.7	8.3	9.0	7.7

Source: ASMP, 1998. Impact of Taxes and Levies on the Agricultural Sector

¹ If research cess, crop board levy and auction fee is not considered as a tax, but as a cost of service to the sector, the tax amounted to 6.9% of the producer price excluding the taxes abolished in July 1998.

(ii) Taxes on Food Crops

District produce cess is the only tax levied on marketed food crops. Prior to 1999 district produce cess was also collected from transporters or traders. The use of roadblocks in collecting the cess, however, proved to be less effective and encouraged evasion of the cess. Most districts charge district cess using specific rates for all food crops. These rates may be the same or may vary from one region to another or within one region. When specific rates are used for all food crops, as is the case in many districts, it means that the higher the value of the crop the lower the tax. On the other hand, some district councils charge the cess using ad-valorem rate, which is levied as a percentage of the value of the crop marketed. The third way used for charging the district cess is by using differential rates for different food crops. The rates used vary from one region to another or within a region, depending on the type of crop and priority given to a particular crop. For example, in most districts rice and maize are the most taxed food crops compared to others, but in Moshi finger millet is heavily taxed crop (Tshs 1,000 per bag of 100kgs) than rice and maize Tshs500 per bag of 100kgs).

It is noted that food crops are not heavily taxed compared to cash crops. This is partly because the district produce cess is the only tax levied in most districts. For those districts, which levy the cess using percentage of selling price, the value ranges from 5 per cent to 10 per cent of farmers' price per kg. Most of the food crops such as maize, sorghum and rice produced and marketed by small farmers have very small gross margin and a cess of 10 per cent on producer prices is high.

When discussing food crops, it is appropriate to examine taxes on milled food grains, as well as imported food grains. Wheat milling is in most cases done by large industrial mills while most of the maize is milled in small mills in the country. The large industrial mills tend to be taxed relatively higher than the small mills. It is imposed on all imports into the country currently at single rate of 20 per cent. However, there are exemptions, wheat, which used to be levied a sales tax of 10% is now exempted from VAT while wheat flour domestically produced and imported, which used to be levied a sales tax of 5% and 10%, respectively, are now levied a VAT of 20%. Malt used to be levied a sales tax of 25% but currently is levied a VAT of 20%. Other cereals such as rice, maize and sorghum (seeds and flour) are exempted from VAT. According to the 1999 Finance Bill, the import duty is currently levied on imported goods with a maximum rate of 25 per cent. In this case, the import duty for wheat, malt, sorghum and rice is 25%, reduced by 5 per cent from the previous rates.

(iii) Taxes on Livestock

A large number of taxes, levies and fees are charged on livestock, most of them at district and town/municipal/city level². The type and level of taxes, levies and fees and the stringency of application varies largely from one district to another. In most districts, there is a livestock cess and an educational levy per head of cattle. Furthermore there are market fees, movement fees, grazing fees, stock route fees, holding ground fees and consolidation fees. In case of slaughter, slaughterhouse fees, meat inspection fees and hide and skin fees have to be paid.

As of July 1,1999, the following changes were introduced in the tax system that affect the livestock sub-sector:

² See ASMP study, Impact of taxes and levies on the agricultural sector, 1998, pp.74-79.

- (a) Not to charge stamp duty on livestock sold at markets under municipal authorities;
- (b) Slaughter and meat inspection fee be collected and retained by Local Government Authorities; and
- (c) Produce/livestock cess to be charged at the source only and "user charge" fee to be levied at the destination market. These changes were introduced during the 1999/2000 Budget Speech and the decision was in line with the recommendation given in the 1998 MAC study on taxation, which suggested harmonization of taxation system between local and central government to remove multiplicity in the livestock subsector.

It has also been observed that 25% import duty plus VAT taxed on the livestock protect the local dairy sector. This is a high level of protection and faces a danger of encouraging illegal imports. On the other hand, the dairy industry also faces the following taxes:

- (a) Withholding tax (2%);
- (b) Service levy (0.3%) of net VAT turn over in case of companies e.g. Tanga Fresh Ltd.;
- (c) VAT (20%) on electricity, packaging materials and processed dairy products; and
- (d) Import duty 25% on packaging materials.

Total tax burden is about 47%, which is, indeed, very high and therefore considered to be a disincentive for the growth of dairy industry. On the other hand taxation in the livestock sector is still constrained by various bottlenecks as identified in the previous study. There are still variations in types and rates of taxes; most taxes are paid more than once per animal; sales prices differ in each market per day per animal; fixed rate is usually used instead of an ad valorem rate and, multiplicity of tax is still prevalent.

(iv) Taxes on Agriculture Inputs

In the last three years, taxes on almost all agricultural inputs have been removed. The import duty of 5% on fertilizer was removed in 1996/97, a year after the complete withdrawal of the subsidy on fertilizer. The import duty of 5% on agro-chemicals has also been removed a few years ago. Before the introduction of the VAT in 1998, no sales tax was charged on fertilizers and agro-chemicals, and presently no VAT is charged. Veterinary products and seeds are also exempted from import duties and VAT. Since July 1998 taxes imposed on agricultural inputs include import duty, VAT, and industrial cess. However, industrial cess has been replaced by service levy of 0.3% of turnover net of VAT payable by corporate entities.

Prior to the introduction of VAT in July 1998, tractors were subjected to the 5% import duty plus a sales tax of 5%. Starting from July 1999, agricultural tractors are chargeable to import duty at 0% and are exempt from VAT. Other changes, which were effected from 1st July 1999, are introduction of 5% import duty on fertilizer, agrochemical, seeds, breeding stocks (live animals) and reduction of import duty on packing materials from 30% to 25%. Agricultural inputs are exempted from VAT except packaging materials which are charged at 20%. Although tractors are exempt from any kind of tax, agricultural implements and machinery such as harrows, ploughs, hoes, spades, shovels, mattocks, picks, forks, rakes, axes, seeders, planters, which are mostly used by small scale farmers; and machinery and equipment solely used for spreading or spraying seeds and plants are charged an import duty

of 5%. Also import duty of 5% is imposed on iron bars used in the production of ploughs by local manufacturing industries.

(v) Business licenses

Traders and processors in the export crop sectors (coffee, cotton, cashew, tobacco, tea, sisal and pyrethrum) need a number of licenses. The fees for most of these licenses can be considered as a tax, because they do not represent the costs of a specific service. Traders and processors have also to obtain buying, processing and export licenses from the Crop Boards (all normally with validity of one year). Furthermore an export permit is needed for each export consignment. Agro-processing industries and trading companies need a business license from the Tanzania Revenue Authority.

Recently, various District Authorities have started to oblige crop buyers to obtain a business license for operating buying posts in villages. Some districts charge a fee per buying post, others an overall amount for the whole district, irrespective of the number of buying posts. The great variation in the costs of district licenses, the uncertainty of the costs of the licenses and the inconsistent application of the fees for these licenses, create distortions in the competition among traders.

In his budget speech in June 1999, The Minister of Finance recommended a revision of the distribution of licensing authority between local governments and the central government, with a view to enable each authority to collect and retain the license fees and to broaden the tax base of local authorities.

5.2 Export regimes and import protection

5.2.1 Problems the Country has Encountered in Implementing its URAA Commitments

In Tanzania awareness and understanding of the WTO Agreements are very weak within both the public and private sectors, and this explains why no action has yet been taken with regard to the implementation of the Uruguay Round Agreements (notifications and legislation). This is partly attributed to lack of or limited capacity in understanding what is to be done. Having signed the Final Act of Uruguay Round and the Marrakesh Agreement establishing the World Trade Organization, all the WTO Agreements became binding on Tanzania.

The effective implementation of WTO commitments by Tanzania continues to be hampered by lack of adequate financial, institutional, technological, and technical capacities, a situation that will exacerbate our participation in new and future negotiations. Tanzania therefore calls for renewed commitment to technical cooperation through adequate provision of resources in the regular budget of the WTO and other core agencies according to their mandates. Further emphasize is needed for improved coordination in the delivery of this assistance as a necessary requirement to facilitate effective participation on our part. Tanzania has, however, in spite of those shortcomings made efforts to comply with certain requirements such as establishing a National Inquiry Point and Acceptance of Code of Good Practice on Voluntary Standards.

5.2.2 Experience with Implementation of the Uruguay Round Agreement on Agriculture

The Uruguay Round Trade Negotiation, which was held between-1986 - 1994, came up with the WTO Agreement on Agriculture, set up at Marakesh Protocol. The relevance of the WTO

Agreement on Agriculture to Tanzania emanate from the position of Agriculture in the economy of the country. The Agreement on Agriculture is pivoted to Tanzania because of the following facts:

- i) Tanzania relies on agricultural sector both for subsistence and export earnings.
- ii) Over the last two decades, food production in Tanzania rose at a rate of one percentage below the population growth rate.
- iii) Tanzania is dependent on food import and food aid.
- iv) Exports from Tanzania still largely consist of traditional agricultural commodities, which cannot keep up with the increasing and to earn foreign exchange.
- v) The agriculture sector of the developed countries particularly the OECD states, is heavily protected and subsidizes and determines trends in world market pricing thereby affecting Tanzania adversely.
- vi) The protection of developed country agriculture's sector implies that food prices and the food import bill of Tanzania is determined by events in developed countries.
- vii) Surplus production in developed country markets is exported at artificially low prices thereby having a dumping effect in Tanzania and Sub-Sahara Africa as whole and depressed world market prices.
- viii) Trade preferences enjoyed by Tanzania under the Lome' framework or the Generalized System of Preferences (GSP) is continuously being eroded in a liberalized trading environment.
- ix) Agricultural sector is the major employer in Tanzania and thus when agriculture is not doing well major problems arises.

Tanzania's effective participation and tapping of benefits from agricultural trade preferential extended by different MTS is limited by supply constraints facing agricultural sector. In addition, under the circumstances described above the WTO Agreement on Agriculture, if the waiver sought by EU to continue giving preferential treatment for Tanzania, as a member of ACP will not be offered, this will hit hard on Tanzania's agriculture sector especially in the export commodities such as sugar that was offered market preference. Tanzania will not be able to compete with other countries on quality, quantity and prices. This will lead to increased unemployment and loss of income.

5.3 Development in Agricultural Commodities: Exports and Imports

5.3.1 Internal Trade

Tanzania's internal trade is not well developed. Tanzania's exports show that its structure is not symmetrical with the structure of domestic demand. Tanzania's exports are not an extension of domestic demand (linder theorem). In an ideal situation export should reflect, to a large extent, what the Tanzania economy is able to produce and consume and not only a satellite of overseas demand.

Internal trade has not been a strong engine of economic growth of Tanzania because of the following reasons:

- First, a weak and problematic marketing infrastructure has delayed the full monetisation of the economy. In an economy where money is accepted as a means of payment transactions are efficient, fair and provides incentives to produce more. A major bottleneck to full monetisation in Tanzania is a weak transport and communication infrastructure. Most parts of the country are not easily accessible either by roads, rail, sea or air. Telephones, telex and telefax facilities are poorly developed so much so that commercial transactions from one part of the country to another are executed over an uneconomically long period of time.
- The second problem that militates against full monetisation of the economy is low productivity particularly in (peasant) agriculture. Low productivity in this major preoccupation of the majority of Tanzanians means low income earnings and this coupled with a poor marketing infrastructure make the situation much worse. Low-income earnings mean low effective demand, which also means weak inertia for trade to act as an engine of growth.
- The third problem that militates against full monetisation of the economy is the low level of education of Tanzanians. A highly educated population will not only be more productive, particularly in agriculture but will also manage its affairs at a higher level of efficiency. Some of the problems, which are related to marketing infrastructure, have to do with poor managerial capabilities. Human resources development is very essential for raising productivity in all spheres of economic activity and therefore for achieving a high level of monetisation of the economy (ERB, 1994).

5.3.2 Foreign Trade

Over the past two decades Tanzania has maintained a persistently large trade deficit. In 1998, Tanzania's merchandise exports were US\$ 676 million, compared to imports of US\$ 1.3 billion. This discrepancy resulted in a continued trade deficit that was US\$ 590 million that year. Between 1995-97, exports grew at an average annual rate of 12.3 per cent (see Table xv). However, both traditional and non-traditional exports performed poorly in 1998, resulting in an overall export decline of 8 per cent. This was due to several factors. The volumes of traditional exports fell partly because of El Nino and poor world prices prevailed for several of Tanzania's commodity exports. A contraction in world demand due to the Asian financial crisis compounded these unfavourable trends. Weak performance in petroleum products and the manufacturing sector contributed to the decline in the non-traditional export growth rate. Unrecorded exports are also estimated to be sizeable - up to twice the official export figures - and the problem is particularly acute in the gold and gemstones sectors. The weak export performance has been insufficient to finance imports indeed; the export to import ratio has remained unchanged for almost two decades.

Table 5.3: Recent Trends in Trade, 1995-98

	1995	1996	1997	1998
Net Exports/GDP ³	24.5	23.6	16.3	
Imports/GDP	41.8	36.8	25.5	
Export growth rate (US\$ terms)	27.3	16.2	-6.6	-8.0
Import growth rate (US\$ terms)	2.4	-8.6	-5.0	9.0

Source: Economic Survey 1998, and URT, 1999. Report Prepared on the Consultation on Trade related Assistance.

Agriculture (including fisheries and forestry) dominates Tanzania's economy. The sector accounts for 50 per cent of GDP, and about 80 per cent of employment. Given this structure, it is not surprising that Tanzania's exports remain heavily dependent on agricultural commodities (see Table 11). Coffee and cotton alone account for a third of its exports. Other important agricultural exports are cashew nuts, tea, tobacco, and sisal. As a group, agricultural commodities made up over half of Tanzania's merchandise exports in 1998.

The manufacturing sector is small in Tanzania, accounting for 8% of GDP in 1998. For years the sector was dominated by parastatals and enjoyed a high level of protection. The resulting anti-export bias (compounded by an overvalued exchange rate) did not encourage production for export. Manufacturing exports averaged 13.8% of exports between 1995-98. Minerals (gold and gemstones) are rising in importance, growing at 27.4 per cent in 1998. They contributed 15.2 per cent of the export basket in 1998. They are starting from a small base, however, and much trade in the sector may be unrecorded.

Tanzania's dependence on primary commodities constrains its export performance. It makes the country vulnerable to weather variability and shifts in world commodity prices. An important government priority is to diversify the composition of its exports.

Table 5.4: Composition of Merchandise Trade, 1995-98 (Millions of US dollars)

	1995	1996	1997	1998	1997/98 Growth Rate
Traditional Exports	383.6	436.2	360.5	345.6	-4.1
Coffee	142.6	136.1	117.4	114.9	-2.1
Cotton	120.2	125.3	116.5	54.1	-53.6
Sisal	6.3	5.3	8.5	6.8	-20.7
Tea	23.4	22.5	30.1	32.2	7.2
Tobacco	27.1	49.2	12.9	25.5	97.8
Cashew nuts	64.0	97.8	75.1	112.1	49.2
Non-traditional Exports	299.6	331.8	358.4	330.6	-7.7
Petroleum products	11.0	15.8	12.4	7.4	-39.8
Minerals	44.9	55.9	92.8	103.0	11.0
Manufactured products	109.2	127.1	104.4	72.1	-31.0
Other non-traditional	134.3	133.0	148.7	148.1	-0.4
GRAND TOTAL	574.8	580.0	618.3	676.2	-5.9

Source: Economic Survey 1998, June 1999, URT, 1999. Report Prepared on the Consultation on Trade related Assistance

Tanzania's major export markets have remained largely unchanged since the late eighties with industrial countries, particularly Europe being the main destination, followed by Africa and

³ Includes unrecorded trade and statistical discrepancy.

Asia. Tanzania's main trading partners at present are the European Union (Germany, the United Kingdom, and the Netherlands), India, and Japan. As a group, industrial countries, particularly Europe, are the main destinations followed by Africa and Asia. Despite its membership in the Southern Africa Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA), Tanzania's trade with members of those groupings remains minimal. Tanzania is no longer a member of COMESA after announcing to pulling out of the Association early September this year.

Tanzania's main imports are machinery, transport equipment, petroleum and related products, textiles and clothing, and food and beverages. While the country's reliance on capital goods has fallen since the early nineties, the category still accounts for 42.3% of total imports (see Table 19). Tanzania exhibits continued high import dependence. The high input costs faced by producers exacerbate this dependence. Important sources of imports are Kenya, United Kingdom, Japan, India, and Italy. Import sources have become more diversified in recent years.

Table 5.5: Composition of Imports, 1995-98 (Percent of Total Imports, f.o.b.)

	1995	1996	1997	1998
Capital goods	36.0	36.0	37.1	42.3
Transport and equipment	14.0	14.0	14.0	14.4
Building and construction	3.0	3.0	2.4	4.1
Machinery	19.0	18.0	20.7	23.8
Intermediate goods	39.0	38.0	36.7	27.2
Of which: oil imports	13.0	11.0	14.0	7.3
Consumer goods	25.0	26.0	26.2	30.5
Unclassified imports	0.0	0.0	0.0	0.0

Source: Bank of Tanzania

The current account deficit widened further in 1998 in dollar terms from US\$ 589 million to US\$ 846.6 million. The deficit on the services account widened by about 0.3 percent of GDP, due primarily to interest payments on external debt. These higher payments were offset partly by a further increase in tourist receipts.

Foreign direct investment into Tanzania is low but increasing. It rose from US\$ 12 million in 1992 to US\$ 172 million in 1998. The main sector attracting FDI is the mining sector. Given Tanzania's low investment and savings ratios, FDI can play an important role in achieving the government's development vision. Reaching this potential, however, will depend on Tanzania reducing the administrative gridlock that investors face. Reforming the regulatory framework thus continues to be an important priority.

Table 5.6: Import Taxes before and after Uruguay Round

		Import duties/total imports	Sales Tax/total imports	Excise tax/total imports	Total Taxes/total imports
1994	For agriculture	0.054	0	1.049	1.103
	For all products	0.034	0.007	0.108	0.149
1995	For agriculture	0.095	0.076	0.076	0.171
	For all products	0.096	0.08	0.08	0.185
1996	For agriculture	0.141	0.073	0.001	0.216
	For all products	0.096	0.063	0.026	0.185
1997	For agriculture	0.207	0	0.097	0.304
	For all products	0.105	0.018	0.079	0.201
1998	For agriculture	0.163	0	0.121	0.285
	For all products	0.087	0.02	0.086	0.193
1999	For agriculture	0.119	0.002	0.091	0.212
	For all products	0.074	0.018	0.083	0.169
2000	For agriculture	0.13	0.001	0.118	0.249
	For all products	0.077	0.044	0.121	0.242

The table shows the taxes actually paid and it is surprising to note that agricultural products are taxed more as compared to other imports. In 1997 the total import taxes, as a ratio of imports was 30.4% as compared to 20.1% for all products. This trend is consistent over the years that in year 2000 the total import taxes for agriculture was 24.9% and 24.2% for other products. This is a unique result as many of the agricultural inputs are zero-rated or have lower scheduled taxes. The result indicates therefore that agriculture as a sector is taxed more than other sectors and yet the country states that it wants to promote the sector.

5.4 Domestic Support

5.4.1 Agricultural Sector Environment in Tanzania

Tanzania has enormous agricultural potential in terms of land resources and range of climatic conditions. The performance of agricultural sector in the country is still poor for both cash and food crops. Likewise, livestock and fish productivity and their per capita consumption are low despite the large national herd and the enormous water resource endowment.

Tanzania is one of the heavily indebted countries and still relies on foreign donors to support its socio-economic reforms. The deterioration of economic infrastructure in Tanzania in the recent past has made it difficult for the productive sectors to respond adequately to the changes in policies and incentives that began to take shape through the established economic recovery programs.

As highlighted in Table 14, Cereal yields in Tanzania are far below those of the other states in East Africa, Kenya and Uganda. Yields in Tanzania are about 1063 kegs per ha while those of Kenya and Uganda are 1364 and 1555 kegs/ha between 1979 and 1981. Even after the reform period (1986-96), yields of cereals in Tanzania are still below those of Kenya and Uganda. Tanzania is below average of the three states by 16% during this period. Talking of Average Annual Growth Rates of Food Production, we also see that during 1991-95, Tanzania had a negative growth of 2.4% while the other states had positive growths of over 2.5% over the period (Table 21).

Table 5.7: Cereal Yields and Average Annual Growth Rate of Agricultural Food Production

State	Cereal Yields		Average Annual Growth Rate of Food Production	
	(Kegs/ha)		%	
	1979-81	1994-96	1986-90	1991-95
Tanzania	1063	1310	0.9	-2.4
Kenya	1364	1822	0.9	3.2
Uganda	1555	1552	4.1	2.6
Average TZ as % of	1327	1561	2	1
Average	80.1	83.9	45.8	-211.8
% Below AVG	-19.9	-16.1	-54.2	-311.8

Source: Maro, 1999. Rural Infrastructure and its implication for Rural Development in Tanzania

This deterioration is attributed to the inadequate funding levels for investment and maintenance of the economic infrastructures. Together with this are the weak institutional structures (lack of capacity), poor management and inadequate technical capacity. The government has realized since mid 1980's that the poor transport infrastructure, for example, costs the economy nearly US \$ 200 million per annum which is almost half of total export earnings (WB, 1989).

In cognizance of the above, the government had set up a comprehensive program for restructuring and rehabilitation of the transport sector in 1987. Since then the government and the donor community have prepared specific programs to improve roads and railways. This initiative is in line with the government's aim to undertake concrete measures which would both protect social development objectives and complement the overall reform program. So a renewed policy decision was taken in 1993 to increase the participation of local governments and communities more actively in design and implementation of social service delivery, as well as building physical infrastructure.

The government expenditure on economic infrastructure indicates an increasing trend both in nominal Tshs and in US \$ terms. Substantial increases have occurred especially since 1995. While the expenditure amounted to US \$ 310 mill in 1995 it was US \$ 530 mill by 1997, and increase of about 71% over the period. The expenditure on public debt on the other hand, was US \$ 610 Mill (almost twice as much that on economic services) in 1995 and it reached US \$ 780 Mill in 1997, an increase of about 28%. This means that expenditure on economic infrastructure has risen faster than that on debt servicing over the three-year period, although in absolute terms expenditures on public debt is on average slightly more than 90%. This higher expenditure on public debt averaged 73% over and above that on economic services, between 1985 and 1994.

Improved economic infrastructure leads to increased specialization in production and promotion of migratory movements. The effect of infrastructure improvement is also on increased trading activities and improved market operations. It also leads to promotion of the development of towns and urban areas being maintained with food surplus from the rural areas.

5.5 Problems and Issues in Implementation of UR Commitments

Production pattern of the agricultural sector changed as a result of the change in the world market conditions and the internal agricultural policy

5.5.1 Trend in Food Security

Progress in improving poverty, food security, and malnutrition in Tanzania is highly dependent on the performance of the agricultural sector. This can be explained by the fact that poverty is primarily a rural phenomenon. The incidence and severity of poverty is twice as high in rural areas as much as in urban area, urban incomes are 2-3 times greater than rural incomes, and rural households lag behind urban households in almost every indicator of standard of living. Furthermore, 84 percent of the workforce in Tanzania is involved in agricultural production. Even if farmers were not poorer, no development strategy could expect to improve the lives of the majority of the population without significant investment in agriculture (WTO, 2000).

5.5.2 Role of Food Aid

International food aid began in the period after world war two. Previously it was largely in the form of supplies from the United States to Europe intended to help the war torn European economies recover. Later, the group of recipient countries was soon expanded to include developing countries. During the 1950s and the eve of the 1960s, United States was the principal food aid donor, donating approximately 90% of the total global food aid flows. The position of US became less dominant especially after signing the first Food Aid Convention (FAC) in 1967. Under this convention, donors reached a consensus on the scope and composition of food aid. In comparison to the mid-1960s, food aid is currently provided by a much larger number of donors, however US still continues to provide more than half of the total supplies followed by the European Union, Japan and China (DAC Development Cooperation Reports).

Unstable agricultural production coupled with fluctuation in commodity prices has adversely affected regional food security. For instance, in a case whereby food production declines drastically (without import tariffs to offset the differences) and prices are rising, causes direct effects to the quantity of local food available, reduces real incomes and access to food, and more worse, this later leads to the increases in the level of poverty and vulnerability of the society. Under this situation, the role of food aid to the region is seen as a mechanism that could help lessen the tension of the structural deficits and the weakening economies.

In particular, food security in Tanzania has been dwindling in the past 10 years, calling for both continued food aid and food importation from outside. For example, World Food Programme (WFP) and the Food and Agriculture Organization (FAO) in their in-depth assessment of food situation in the country in 1999, revealed that the national food deficit stands at 560,000 tons for the period through mid-2000, while an earlier evaluation by the government of Tanzania indicated a deficit of about 600,000 tons. That means, the country will continue to need food aid from outside.

Food aid is also one of the development instruments. Even though it is associated with emergency situations of famine, it is more often provided for purposes other than elimination of an acute hunger. For example, food aid may be given in the form of programme assistance, or to provide financial assistance to projects. Some few examples will help elaborate this point; for instance, food-for-work activities whereby labour is being rewarded with food rations is an example of food aid in the form of project assistance, while, food aid provided as

programme assistance usually includes products (such as wheat) of which there is structural deficit, and which the recipient nation has to import in order to meet its needs.

Cereals have dominated the various food aid programmes and the dependence of developing countries on cereal imports both of which in terms of commercial and food aid has been considerable. For instance, overall cereal imports accounted for about 10% of developing countries' cereal consumption in 1991 and this ratio has been growing by 3% annually since then, at the same time, the share of food aid in total food imports to developing countries was around 12% during the same year.

Donors provide food aid through three channels: bilateral, multilateral, and non-governmental organizations (NGOs). The distribution among the three channels looks as follows: bilateral 65%, multilateral 20% and NGOs 15%. In terms of global scale, it is provisionally perceived/estimated that more than half of food aid is of programme aid nature followed by emergency aid, while project aid becomes the last. That implies therefore that food aid has a bigger role to play in the economies of the recipient countries (i.e. Tanzania) as they help these nations solve their structural deficit.

Table 5.8: Cereal Food Aid Category, 1984/85-1988/89

Years	84/85	85/86	86/87	87/88	88/89
Programme aid	53	46	57	60	51
Project aid	22	24	22	22	28
Emergency aid	25	30	21	18	21
% total	100%	100%	100%	100%	100%

Source: WFP, Food aid review, 1990.

However, food aid, particularly of programme aid nature does not always reach the most vulnerable groups. Apart from that, food aid may have some forms of devastating elements as it can spur a change in the eating habits of the recipient nations or act as a disincentive to local food production and therefore causing a greater dependency of food aid recipients on donors. Moreover, due to subsidization of food imports, the distortion that can be created out of subsidization may accelerate total substitution of domestic produce by imports. The markets for locally produced traditional foods have consequently been compressed. These cheap imports, combined with inefficient local policies have also reduced the incentive to process traditional foods in ways which render them more acceptable to urban and high-income brands of households. Local coarse grains, owing to discriminatory pricing policies, tend to lose in the competition with imported grains.

In view of the minimal effects, effectiveness and efficiency of food aid as a development instrument, the IOV recommends that it be subject to a critical review. This applies particularly to the food-for-work approach of the World Food Programme (WFP) and NGOs. As far as development is the main objective, a project should be approved only if it has passed a cost-efficiency analysis.

5.5.3 Impact on Food Security⁴

Although Tanzania's data on food crop production may indicate surplus balance, however, it is normal to hear of food insecurity in some parts in the country. The reason lies mainly in the difficulty of moving the surplus from one area to another due to problems associated with internal trading/marketing (Maro, 1999).

⁴ Food security is defined by FAO to have three dimensions: food supply, access to food; and stability of flows over time

Table 5.9: Food Balance (1985/86 –1997/98) Metric tons

Years	Deficit Regions	Surplus Regions	Total Production	Surplus/Deficit as % Production	
1985/86	1622.82	2241.62	3864.44	618.80	16.01
86/87	1511.46	2247.42	3758.88	735.96	19.58
87/88	892.45	2711.95	3604.40	1819.50	50.48
88/89	1141.83	3083.05	4224.88	1941.22	45.95
89/90	1014.02	2903.70	3917.72	1889.68	48.23
90/91	972.93	2471.60	3444.53	1498.67	43.51
91/92	1190.37	2513.60	3703.97	1323.23	35.72
92/93	1194.20	2857.30	4051.50	1663.10	41.05
93/94	1011.00	2768.20	3779.20	1757.20	46.50
94/95	1333.00	3345.00	4678.00	2012.00	43.01
95/96	1546.40	3345.00	4891.40	1798.60	36.77
96/97	838.60	2427.50	3266.10	1588.90	48.65
97/98	1692.90	2799.40	4482.30	1106.50	24.63
Average	1227.84	2747.33	3975.18	1519.49	38.47

Source: Quoted Mjema, G. D. (ed.), *Food Security, Agriculture and Trade: Some Local and Global Linkages*, Oct. 1999

Potential limitations for achieving food security in Tanzania are characterized by many factors. Some of the limiting factors include the physical and human resources exist to produce and distribute adequate food to meet needs of all households given current population and inadequate production and supply of food by households; reliance on subsistence farming (hand to mouth farming); high population growth rate relative to existing resources; lack of efficient infrastructure; and combination of trade restrictions and market related policies including regulations which restrict the actual and potential for interregional trade.

The Agreement on Agriculture is likely to influence food security in four ways:

- ◆ Influencing the foreign exchange earning capacity. There is the potential of increasing foreign exchange earnings from increasing markets. However, this depends on the response of supply. Developing countries may however be unable to make gains via export earnings due to supply constraints and loss of market share.
- ◆ Influencing the price of food imports and market stability. The projection is towards an increase in the food import bill. In the food-deficit countries, the import bill is set to rise as domestic policy reforms in developed countries will see reduction in production of major agricultural food commodities and thus supply reduction.
- ◆ Influencing the availability of food assistance. The Decisions made at Marrakech compensates for the increased food import bill by accommodating the need for greater food aid.
- ◆ The likely impact of the Agreement is to create a two-tiered system of food security with rich and rapidly growing countries enjoying abundant affordable food supplies and poor countries suffering from malnutrition and food insecurity.

The losers from the Agreement are likely to be the net food importing countries and that include Tanzania. The country will be affected both as exporter and importer. As exporters, developing countries face loss of preferential margin, increase in competition, limited trade creation and potential loss of market share. As importers, developing countries will have an

increase in food import bill as world prices increase. The negative impact will also result as export subsidies are removed thereby raising effective price paid by importers. The negative effect will be worsened by loss in market share, which means lack of foreign exchange with which to pay the import bill.

5.5.4 Policy Impact of the Agreement on Food Aid

The Agreement indirectly addresses food security issues via the Special and Differential measures. The Agreement allows developing countries more time and smaller reductions in areas of market accesses, domestic policies and export subsidies. In addition, the *de minimis* commitment is raised to 10 per cent and there are further exemptions related to input subsidies and export marketing.

The Marakesh Ministerial Meeting foresaw and acknowledges the likely negative effects of the Agreement on Food Security and Food Aid. To this end, the Special and Differential treatment for developing countries had to be supplemented with other measures. Consequently, The decision on measures concerning the possible negative effects of the reform programme on least developed and the decision on net food importing countries was taken. The decision on measures in favour of the least developed countries was made. These decision address food security issues by reviewing the level of food aid and providing increasing amounts under grant terms. There is also provision for short-term assistance in financing normal imports from international financial institutions and provision for differential terms with respect to export credit. These measures are aimed at alleviating the burden on the food import bill and balance of payment as well as to enhance the capacity of the developing countries in increasing their agricultural production capacity in order to reduce the high dependence on imports.

5.5.5 Trend in Agricultural Prices

Prior to trade liberalization, all export crops were marketed through a single channel three-tier system, which involved Producers, Primary Societies, Cooperative Unions and Crop Marketing Boards. Tea and sisal were under Tanzania Tea Authority and Tanzania sisal Authority respectively. Marketing Boards handled other crops. Apart from crop buying, Crop Boards through Cooperative Unions and Primary Societies distributed production inputs to farmers on credit. Loans advanced to farmers in the form of inputs were recovered during crop buying.

Under trade liberalization, private traders/institutions are participating in buying and exporting traditional export crops. Marketing Boards have been exempted from crop buying and are entrusted with regulatory functions only.

For domestic markets such as that of rice, the most important marketing channels starts with a large number of small local traders who buy paddy from farmers and transport to rice mills where it is processed and sell it to interregional traders and local retailers.

5.6 Mainland Domestic Markets

5.6.1 Food Crop Marketing

The period since 1986 has seen rapid growth in market flows of food crops within Tanzania, due to both liberalization of distribution systems and the phenomenal growth in the population of Dar es Salaam relative to the rest of the country. A large proportion of food crops are still consumed within the household or locality that produced them. Maro (1999) reports MAC estimates that between 1992/93 and 1997/98, only 26% of maize and 50% of rice produced was sold, Dar es Salaam is by far the main destination for sales.

MAC estimates that over the 1992/93 to 1997/98 period Dar es Salaam was the destination of 13% of maize marketed surplus, 70% of marketed domestic rice, and 95% of marketed beans (Maro, 1999). The rapid increase in quantity of food marketed to Dar following liberalization as well as improvement in quality (fruits, vegetables, animal products) is the unheralded success story of Tanzania agriculture, at least for the first half of the 1990s four areas are listed as supplying 90% of maize to Dar es Salaam: Dodoma (46%), Iringa (19%), Mbeya (16%) and Songea (10%), although much of the Dodoma grain is undoubtedly transiting through from further inland. Dar es Salaam's rice supply comes from Mbeya (43%), Morogoro (29%), Shinyanga (19%) and Tanga (8%). On the other hand 95% of the marketed surplus of beans are sold to Dar es Salaam, and 6 regions (Mbeya, Arusha, Tanga, Morogoro, Iringa, and Songea) account for 95% of Dar es Salaam supply.

Poor road communications infrastructure greatly increases the cost of agriculture trade within Tanzania, as does arbitrary official taxation at the local level not to mention unofficial levies. Maro (1999) reports MAC estimates that the total cost of marketing 40 bags of maize from wholesalers in Morogoro to wholesalers in Dar es Salaam in 1995/96 season, excluding returns to traders were 27% of the final wholesale value on Dar es Salaam. Sixty percent of the marketing cost was attributable to transportation, 19% to packing materials, 9% to local taxes and the remainder to a variety of storage and handling charges. Since traders, cannot be expected to continue to work without return, trader profits need to be factored into marketing costs. Maro (1999) showed that the liberalization of food crop marketing after 1988 led to a lower cost distribution system compared to the previous distribution operated by the National Milling Cooperation. In the maize example above, the total return to traders, as inferred from the difference between total revenue and total cost, was 7.6% of the final wholesale price in Dar es Salaam.

Although studies of actual marketing cost are hard to come by, World Bank Study, 2000 has made possible to track with some degree of accuracy the evolution of spreads between food prices in different parts of the country and Dar es Salaam. This is by assuming that wholesale-to-retail markups do not differ greatly in percentage terms across markets and, the difference between retail prices between two locations between which trade is actually occurring is a good indicator of total marketing costs, including the traders margin. Also the abundance and quality of price data from the Market Development Bureau of the MAC permits statistical analysis of the evolution of monthly price spreads between outlying markets and Dar es Salaam between January 1986 and December 1998.

The dependent variable in this analysis by WB is the difference between the deflated monthly retail price in Dar es Salaam and those of other markets. The explanatory variables include a monthly time trend, the road distance from Dar es Salaam, road distance squared (to allow for

a non-linear relationship), and twelve monthly dummy variables, to control for seasonal effects. They have included a dummy variable for isolated markets), for markets physically situated on railroad (a little more restrictive than “line-of-rail or road”), and for markets in port town. The purpose of these dummy variables is to partially control for the fact that not all markets actually trade with Dar es Salaam, in which case price differences may be less than the marketing cost.

Results for wheat, rice, maize and cassava are also shown in Table 17. The first row shows the mean price spread (in December 1998 Tshs) for the crop in question between all markets and Dar es Salaam in all months over the 1986 to 1998 period. Spreads are highest for wheat (93 Tshs) and rice (less liberalized); next comes fresh cassava root, a perishable. Spreads are lowest for maize (24 Tshs/kg).

According to this study the time trend coefficient indicates that spreads have declined at an average monthly rate of Tshs 1.35 over the period, mostly because of liberalization towards the end of the period. Maize and rice spreads declined moderately at about 1 Kg/kg per annum (Tshs 0.06 to 0.08) per month). Cassava spreads which involved a smaller number of markets due to missing observations, increased significantly over the period (0.6 Kg/kg per month). Unlike the grains, cassava was not previously marketed by parastatals, so there is a no compelling reason why liberalization would have caused margins to decrease. However the lack of statistical significance of the other explanatory variables raises questions as to whether this crop is actually being actively traded to Dar most of the time.

On the other hand the study has shown that distance to Dar es Salaam has a positive effect on the spreads for wheat, rice and maize, as expected. For rice for example, an extra km of distance from Dar adds 0.11 Kg/kg to the spread (or US\$0.16 per ton/km), in between Maro’s estimated spreads per km for rice and maize shipments to Dar from Morogoro. The presence of statistically significant but very small negative coefficients for distance squared is interpreted as evidence of unit economies of distance as expected.

If a market is on a rail line, other things being equal, the spread for wheat and maize will be reduced by 12 Kg/kg and 4 Tshs/kg respectively. However, it increases the spread for rice significantly, perhaps because the main rice producing regions of the country are all on railroads, and Dar is in a part supplied by imports. If the supplying market is a port city, the spread is much lower for wheat and rice, both importable crops, although this is much less important for maize, as expected. Finally, spreads can be expected to be lowest when inland prices are high. This is the case at the start of the cropping season for the three cereals, and right after the cereals harvest for cassava, and is shown in Table 17.

In sum, there is solid evidence from both point studies and broad-based statistically-significant trends that spatial marketing margins have decreased over time for previously regulated tradable food crops like wheat, rice and maize. However, transport costs remain very high, and thus absolute spatial margins are still quite high in Tanzania. This, combined with occasional prohibitions on cross border trade, is a fundamental reason why a quarter of the country’s maize supply was seen to behave as a non-tradable crop. Market-mediated structural reforms will continue to be difficult to implement until spatial marketing margins can be brought down further, through infrastructure improvements and rural transportation policies that reduce transportation costs.

Table 5.9: Determinants of Spread Between Dar es Salaam Monthly Retail Price for Food Staples and Interior Market Retail Prices 1986-98

Result	Wheat	Rice	Maize	Cassava
	(December 1998 Tshs)			
Mean real spread over period	174.09	135.30	45.88	101.90
Continuous time trend	-1.35	-0.06	-0.09	0.60
Road distance from Dar (km)	0.11	0.11	0.05	n.s.
Road distance squared	-0.00	-0.00	-0.00	n.s.
Markets on a rail line	-12.41	21.32	-3.71	n.s.
Market is isolated	n.s.	n.s.	10.87	n.s.
Market is a port city	-20.25	-32.04	-5.53	n.s.
Lowest two of 12 monthly dummies	Nov. Jan	Dec. Jan	Oct. Nov	Jul. Aug
Units				
Number of observations	3,504	4,861	4,721	1,220
Adjusted R ²	0.67	0.68	0.71	0.60

Source: URT/WB, 2000. From OLS regressions by crop using data from MAC FEWS (1999); the dependent variable is the local price minus the Dar price; prices are in December 1998 Tshs per kg. All coefficients are statistically significant at 5% or better unless shown as n.s. (n.s. means not statistically significant).

5.6.2 Mainland Traditional Export Crops Export Market

The export performance of the traditional export crops, expressed in US\$ and per capita terms, over the past nine years, is shown in Table 18 and 19. There is a clear increasing trend in export earnings. In the early 1990s earnings amounted to about US\$ 200 million per annum, and increased to almost US\$ 450 million in 1996. However, this volume was not maintained over the following years, and earnings dropped to around US\$ 350 million. Falls in coffee, tobacco and cotton earnings are mainly responsible for this. Cashew has made a remarkable comeback. The crop's foreign exchange earnings have increased from US\$ 5.6 million in 1990 to US\$ 112 million in 1998, about one-third of total export earnings of the traditional cash crops. Tea is the most stable contributor to foreign exchange earnings, providing 1 0%- 1 5% of the total. During the 1960s sisal was the most important foreign exchange earner, but by 1972 this position had been taken over by coffee and cotton. The contribution of sisal has fallen drastically until it now contributes only 2% of total annual export value of traditional cash crops.

Although the increase of earnings per capita increased during the 1990s roughly by 50% from US\$8 -10 to US\$12 -15, the absolute level is small. The per capita earnings are about 70% lower than the level of the second half of the 1960s, which averaged US\$64 (annual average of 1966-69, OED, World Bank, June 30, 1998.) This decline is the outcome of reduced production, stagnating or falling world commodity prices and population growth.

Table 5.10: Volumes and Trends for Traditional Agricultural Export 1990-1998

Crop	Quantity of Exports of Cash Crops ('000' Tonnes)							
	1991	1992	1993	1994	1995	1996	1997	1998
Coffee	52.5	52.7	58.6	37.0	45.0	64.0	40.2	53.6
Cotton seed	38.7	72.8	61.2	60.0	70.9	89.7	70.6	38.0
Sisal	4.8	4.1	5.0	7.2	11.3	7.6	13.0	10.9
Tea	20.9	20.4	19.8	21.7	21.6	24.7	19.3	22.7
Tobacco	8.6	12.7	10.6	15.4	17.1	24.0	21.5	12.7
Cashew nut	19.0	29.3	32.2	65.0	75.6	121.2	56.7	140.4

Source: MAC, 2000. Basic Data, Agricultural and Livestock Sector

Table 5.11: Value and Trends for Traditional Agricultural Export 1990-1998 (US \$ million)

Year	Cashew	Coffee	Cotton	Tea	Tobacco	Sisal	Total
1990	5.6	85	74.6	21.5	10.6	4.0	209.1
1991	16.7	77.3	63.3	21.7	16.7	2.2	197.9
1992	23.5	59.5	97.6	22.4	27.2	1.3	231.5
1993	23.3	96.1	78.4	38.0	17.1	3.3	256.2
1994	51.2	115.4	105.1	39.5	20.6	5.1	336.9
1995	64.0	142.6	120.2	23.4	27.1	6.3	383.6
1996	93.8	137.8	137.7	26.3	47.0	4.8	447.4
1997	75.1	117.4	116.5	30.1	12.9	8.5	360.5
1998 ⁵	112.1	114.9	54.1	32.2	25.5	6.8	345.6

Source: URT/WB, 2000. Tanzania Agriculture Performance and Strategies for Sustainable Growth

5.7 Zanzibar's Agricultural Exports

5.7.1 The Traditional Export Crops

Zanzibar's three most important agricultural exports have traditionally been cloves, copra and chilies, with cloves occupying first place by a wide margin. Most of the cloves are grown in Pemba. The international clove market has been bleak for sometime, with recent prices being only a tenth in nominal terms of the high prices in 1980s, when Zanzibar still enjoyed a virtual monopoly on clove exports accounting for over 90% of the value of total export on average. While inherently volatile due to fluctuations in yields, prices have fallen dramatically since the early 1980s with changing sources of supply in South East Asia. Annual production in Zanzibar between 1985 and 1997 fluctuated in the 1,000-2,000 metric tons range, interspersed with occasional years with over 10,000 metric tons production. At present production is static at around 8,000 tonnes/year. The decline in production and exports have been due to growing competition in the world market, climatic variations, insecurity of the three-acre land tenure system, disease and poor management which has resulted in low returns.

On the other hand clove yields are low, particularly because of the old age of many of the trees. Replanting has not proceeded at a pace fast enough to increase proportion of young trees. Husbandry practices area also said to be poor. Although declining in output and value, cloves are still very important to Zanzibar for foreign exchange and as a source of income to many rural people. In the new agricultural policy currently being debated in Zanzibar's political institutions, it is intended to improve extension services for cloves and to create incentives for replanting.

Production of chilies has not fared much better. Its production has decreased from 250 tonnes in 1905 to 3 tonnes in 1993 because of the deterioration in quality of the dry chilies, high labour requirements and introduction of seaweed which provides higher and ready cash returns to the farmers. The yield of dry chilies ranges from 0.5-2.0 ton/ha. However, output reached a peak of 4.2 metric tons in 1990. When prices have been good, producers have responded positively by increasing production. However prices have at times been discouraging and production was negatively affected. Zanzibar has at times failed to adapt export production to changes in the preferred varieties and qualities, with a consequent fall in average prices received. The new agricultural policy intends to encourage the production of the preferred varieties and to help improve yields through extension services.

⁵ Provisional data, subject to revision.

Copra, which is predominantly grown in Unguja, comes from processed coconuts. Like cloves, the age of the trees and slow replanting rates have contributed to low yields, in addition to poor husbandry, which is responsible for heavy pest and disease infestation of coconut trees. Production of copra has fallen steadily in the 1990s.

5.7.2 Non-Traditional Export Crops

In recent years, following liberalization programs, non-traditional exports have grown in importance. While cloves are still the dominant export in most years, accounting for over 90% of the value of total export on average, some non-traditional exports have shown that they can contribute significantly to export earnings. Several fish species and seaweed in particular has shown great potential. While seaweed is not bought and exported by a state monopoly, oligopolistic private buyers reportedly at present pay only 10% of the export price to producers. The government of Zanzibar is exploring ways to facilitate a more competitive environment that can pass on a higher return to the producer. Other non-traditional export crops in Zanzibar include citrus fruits, rambutan, mango, sugarcane, ginger, turmeric, black pepper and cinnamon. Mango, which is grown all over Zanzibar, the competition of its market is stiff. Boribo Muyuni is the preferred variety for the export in the Gulf States. Zanzibar currently exports approximately 150tonnes per year and there is still potential for higher exports if quality can be improved. Ginger which, is usually grown under partial shade with areas receiving high rainfall and fertile soils enriched with organic matter content has high market demand in Europe and Asian Countries. Tumeric is normally exported to the Gulf States. Its establishment costs are very high due to the cost of planting material, which is about 65% of the total cost. Yields of about 45tonnes/ha can be obtained, and the return per hectare is about Tshs 115,000 for fresh tumeric. Black pepper grown in Zanzibar has a high export potential but the quality and quantity is not promising. At present about 2tonnes/year are exported to Mombasa. Cinnamon has a good export prospect in Kenya and Mainland Tanzania. Its yield ranges between 0.5kg to 10kg of dry back depending on the age and size of the plant.

6.0 THE AGRICULTURAL POLICY REGIME AT THE END OF 1999

6.1 Situation at the End of 1999

6.1.1 Import Policy

Adjustment made to the country's import agricultural policy as compared to the world market conditions at the end of 1999

The major policy adjustment in this area hinges on the government's policy objective of opening up the economy and providing incentives for domestic and external investment in the priority sectors like agriculture, tourism, mining, transport sector, etc. In this case all projects passing through Tanzania Investment Centre (TIC) enjoy some incentives mainly in setting up projects including capital good imports. Elimination of import duty all farm input and implement is another measure taken to develop agricultural sector.

6.1.2 Export Policy

Adjustment made to the country's export agricultural policy as compared to the world market conditions at the end of 1999

Liberalization of traditional exports started far back in 1993 (for Coffee, Cotton, Tobacco, and Cashew) allowing private traders to buy, process and export these crops. Removing nuisance taxes on cash crops has strengthened this policy. The government has tried also to harmonize the local government taxation to the central government one to remove double taxation of the exportable crop traders. Private traders began to operate legally in the coffee and cotton sector in 1994-95 and in the tobacco sector the following year. On the other hand, the Pyrethrum Board's factory was closed in 1997 due to financial problems and privatized in 1998. The owner has started operations (World Bank, 2000). Private tea estates already account for 70 percent of production, and the remaining estates and processing plants of the Tanzania Tea Authority are being privatized.

6.1.3 Domestic Policy

Since the major economic reforms of 1986, the government of Tanzania has realized that agriculture has been affected adversely especially in the area of marketing and input supply. One of the major domestic policy changes is that of new land policy of 1995 but which became effective in 1999. The new land policy has introduced markets in land although limited, it has created national customary land tenure law, land ownership to all and the recognition of the village to control land tenure administration.

In 1999 there has also been more involvement of the private sector organizations in agriculture. The Tanzania Chambers of Commerce, Industry and Agriculture trade (TCCIA) for example has opened branches all over the districts, regional and national level in order to assist in input delivery and procurement. The private sector organizations and other private companies have also involved themselves with market interventions, extension services and credit supply. This is more apparent in the cashew nuts production and marketing and this has made this crop one of the top contributor to export earnings in Tanzania.

Theoretically Africa should gain from the expansion of trade that would result from the lowering of tariffs in non-European markets, including the US and Japan, not previously covered by special preferences, but in practice, this seems to be not forthcoming. GATT: Analysis of the Draft Final Act of the Uruguay Round, with special attention to the aspects of interest to Developing Countries, Geneva, 1993 shows that tariff cuts on goods of export interest to developing countries are less than those on goods of export interest to developed countries. For instance, in developed countries, tariff reductions for industrial goods average 38 percent for imports from all origins, but only 34 percent for imports from developing countries. Escalation of tariff rates according to degree of processing will remain high on several product groups of export interest to developing countries, particularly leather, coffee, tea, jute, fabrics, cocoa products and tropical fruits. This problem is likely to be compounded by the low Africa's level of competitiveness making it difficult to exploit lower tariffs.

7.3.2 Country's Priority Agricultural Exports for Negotiations

For Tanzania, the foregoing concerns translate into the erosion of the margin of preferences enjoyed in the EU market under the Lome Convention and loss of GSP preferences in other major developed country markets. It also excludes the existence of peak tariffs (exceeding 12 percent and in some cases reaching or exceeding 300 percent) resulting from the tariffication of non-tariff measures and tariff escalation affecting many agricultural items. This limits the scope of expansion of production into value-added and higher priced products such as coffee. Other concerns are of non-trade nature and include the impact of agriculture liberalization on rural employment, etc. The issues require priority attention on part of Tanzania's given the centrality of the agricultural sector in the economy.

The principles of progressive liberalization and free markets underpinned by the Uruguay Round Agreement will inevitably favour those countries that have been able to achieve a high level of productivity and competitiveness *vis a vis* those, like Tanzania, that still have a long way to go to achieve such status. Take the case of liberalization of agricultural exports. Such exports from countries like Tanzania will face the challenges that include:

- ◆ Their competitiveness will improve only in relation to the domestic supplies in importing developing countries. They will still have to compete with suppliers in developed countries and newly industrializing countries.
- ◆ Advantages gained by way of higher market prices may be outweighed by the disadvantages of exchange rate fluctuation.
- ◆ Price is not the only factor of competitiveness. Agricultural exports depend on efficiency and effectiveness of micro-management-over issues such as product quality, adherence to product specifications, delivery schedules, among many others. Infrastructure bottlenecks may also militate against required efficiencies.

By committing to eliminate subsidies, which have an impact on export prices, countries like Tanzania have lost one of the most important instruments for pursuing an export-led growth. However, budgetary constraints in turn, the ability of Tanzania and other developing countries to impose quantitative restrictions for balance of payment purposes is severely curtailed.

Tanzania needs to make a scientific analysis of the impact of the market access aspects: tariffication; tariff reduction; and market access with a view to identifying strategies to make advantage of the agreement. One priority direction is product diversification to production of non-traditional food products for export. Successful implementation of this strategy depend on creation of awareness and understanding of the issues involved prior to implementation, which can be achieved through accessing technical assistance offered under the Agreements on Technical Barriers to Trade (TBT) and the Sanitary Phytosanitary measures (SPS).

The tropical fruits and fresh produce is one area where Tanzania possesses comparative advantages and can develop high export potential. However the sub-sector is also affected by TBT and SPS requirements on value added products. Market access for Tanzanian horticultural products into Japan and Europe has become increasingly difficult because of packaging requirements, shelf lifetime requirements, allowable levels of additives and disease free areas requirements. These constraints can be tackled through request for technical assistance provided under the WTO framework as well as domestically formulating export product diversification strategies.

The liberalization of agriculture sector will have positive impact to other processing and agri industries. The new investment act has proved to be able to attract investors in this area. In 1999 investment in agriculture has cumulatively increased from a small figure in 1996. Other sectors that will expand with liberalization of agriculture is textiles and footwear. However, with textiles there trade-offs as all are labour intensive and they can compete for the resource. In addition quick import liberalization has made many textile industries that were earlier heavily protected suffer because of failure to compete. However, agriculture being the largest sector in Tanzania will have positive effects on other sectors and good linkages with manufactured sectors and processed goods. But investment needs to be expanded in these areas including other systemic constraints to be solved. Although agriculture contributes a large share in the country's GDP, the share of public expenditure to the sector is not high.

7.3.3 Domestic Support

Transformation of agriculture in Tanzania requires the positive net-inflow of resources into the sector. Agriculture was highly overtaxed during the 1970s and 80s at the height of trade confinement regime. As shown above its revival is constrained by inadequate public support for productivity growth and little or absence of investment in agribusiness. Transformation of agriculture will require implementation of viable agricultural sector development strategy that itself requires investment. There is the need for incorporating WTO trade issues with those of foreign direct investment so that Tanzania could be assisted through support before being required to compete in the world market. Cognizance of the fact that developed countries subsidies heavily their agriculture should be the basis for assisting developing countries so that they can provide domestic support to their agriculture.

Public expenditure is an important component of economic policy affecting agriculture. As shown on Table 20, the real value of budget allocations to the Ministry of Agriculture and Cooperatives (MAC) since the 1990-91 fiscal budget. Although there is some fluctuation from year to year, the overall pattern is a sharp decline in budgetary support for the MAC (World Bank, 2000). For instance, the real allocation in 1997-98 is about on third the average annual value in the 1991-92 to 1993-94 period. There is some recovery of the agriculture budget in the approved 1998-99 budget and the estimated 1999-2000 budgets. The allocation of the agriculture budget among different spending categories suggests crop and livestock

development to be the largest item, showing a declining share after 1991-92. The declining share of research and development is especially worrisome for future productivity growth in agriculture, falling from 25-30 percent in the early years to an estimated 12 percent in the 1999-2000 budget.

Table 7.1: Real Budget Allocation to Agriculture

Budget item	1990-91a	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998 Approved	1999-2000 Estimates	1991-92-1991-98 Total
(million 1998-99 Tsh)											
Total vote	57293	64432	71001	62696	63252	40161	26420	21829	37047	44421	386839
Distribution By sector											
Administration	33	10	10	10	5	4	9	13	29	32	13
Crop development	4	47	39	44	47	55	49	48	34	36	42
Research and Development	29	25	34	22	30	18	10	15	15	12	20
Cooperative development	0	6	5	6	3	4	5	9	4	4	5
Food security and strategic grain reserve	0	0	0	7	5	6	12	11	3	3	5
Livestock develop.	33	12	12	12	9	13	16	4	15	13	13
Total	100	100	100	100	100	100	100	100	100	100	100

A 1990/91 distribution by sector includes only recurrent expenditure because development expenditure figures are not allocated by sector.

Note: Total vote includes recurrent and development expenditure. "Administration" includes policy and planning. "Crop development" includes input trust funds. Totals may differ by 1 percent from 100 due to rounding error.

Source: Quoted from World Bank, Agriculture in Tanzania since 1986, *Follower or Leader of Growth?*, 2000, p14

Table 7.2: Public Expenditure to Agriculture Sector as Compared to National Expenditure

	1995/96	1996/97	1997/8	1998/9	1999/00
Recurrent Ratio: Agriculture/ National	0.029	0.029	0.022	0.030	0.021
Capital Ratio: Agriculture/ National	-	0.125	0.029	0.109	0.118
Total Exp Ratio: Agriculture/ National	0.028	0.029	0.024	0.050	0.044
Recurrent To Total Exps Ratio: National	0.966	0.998	0.782	0.752	0.757
Capital To Total Exps Ratio: National	0.034	0.002	0.218	0.248	0.243
Recurrent To Total Exps Ratio: Agriculture	1.000	0.992	0.737	0.457	0.354
Capital To Total Exps Ratio: Agriculture	-	0.008	0.263	0.543	0.646

Source: URT VOTE BOOKS, Ministry of Finance, 1997- 2000.

7.3.4 Trade and Environment

Environment issues are intimately linked to the sustainability of trade. This fact should not be ignored and Tanzania needs to place efforts in safeguarding its environment. However, it is not justified to link these issues at the current level of development in promoting or hindering international access. What should be done is to encourage national policies that are environmentally friendly.

Tanzania also needs to be assisted in putting the right regulatory frameworks and legal systems conducive to the implementation of WTO issues. So far some progress has been

Table 7.3: Private and Social DRCs for Selected Tanzanian Crops

	Private DRC (I)=(PCR) 106			DRC Social Prices (I)		
	Average	Improved	Potential	Average	Improved	Potential
Maize (Iringa)	0.89	0.71	0.61	0.93	0.72	0.61
Maize (Tabora)	0.79	0.84	0.77	0.78	0.80	0.72
Maize (Dodoma)	1.02	1.23	2.26	0.66	0.71	0.96
Rice(rainfed, upland)	0.58			0.82		
Rice (rainfed, lowland)	0.37	0.47		0.60	0.78	
Rice irrigated, Morogoro)	0.32	0.34	0.31	0.63	0.72	0.66
Sesame (Mtwara)	0.62	0.44		0.50	0.31	
Cotton (Shinyanga)	0.59	0.66	0.74	0.43	0.50	0.53
Tobacco ((flue cured)	0.77	0.70	0.59	0.62	0.56	0.47
Tobacco (fire cured)	0.76	0.77	0.60	0.56	0.56	0.44
Cashew (Mtwara)	0.35	0.48	0.41	0.27	0.26	0.22
Cashew (Tanga)	0.69	2.57	2.51	0.50	0.90	0.81
Coffee (arabica)	0.50	0.35	0.28	0.39	0.27	0.22
Coffee (robusta)	0.66	0.65	0.58	0.59	0.56	0.49
Tea (smallholder) Iringa	1.40	1.48		0.97	0.92	
Tea (estate) Iringa		1.30	1.01		0.55	0.43
Sugarcane Morogoro	0.68	0.65		0.80	0.77	

Source: Quoted from World Bank, 2000, Tanzania, Agriculture: Performance and strategies for sustainable growth.

African countries including Tanzania tend to be importers of food, particularly wheat, rice and dairy products. The increase in prices of temperate food product normally imported into Africa implies that the food import bill will increase. The increase is also attributed to other factors such as population growth. As a result of export subsidy reduction, there is a possibility of trade creation as countries get a share of the world market. The value of agricultural exports will rise but the gain from this will be reduced or eliminated by loss of preferences. For Tanzania, the overall impact on trade creation may be negative and import bills high. To overcome this, policies to increase food production and promote export commodity diversification are necessary.

7.5 Impact on Agricultural Commodities

- The impact of the Agreement on commodities is largely to be felt in temperate products. It is likely that there will be a reduction in world output of temperate commodities as production in some major developed countries fall. The effect is likely to be strong among OECD countries where protection has been substantial, namely cereals (wheat, rice, and coarse grains), meat, dairy and sugar.
- It is expected that the quantity of temperate commodities sold at subsidized rates at the world market will decline and there will be an increase in import of these products by some developed countries.
- The effects on world market supply and demand will tend to push up the world market prices for the products concerned.
- There will be a shift in production and trade flows to less subsidizing net importers primarily in developing countries.

food. In the context of WTO, the provisions of Article XXIV of GATT 1994 are applicable to bilateral and regional trade agreements and do not prevent the formation of custom union or a free trade area between the territories of the contracting parties.

8.1.2 Production Pattern of the Regional Agricultural Sector

Agriculture remains to be the back-bone of economies of most African countries and is the prime vehicle for economic growth. It accounts for about 70 percent of total employment and about 40 percent of total merchandise exports. Although agriculture accounts for only 43 percent of African GDP, one to two-thirds of manufacturing value-added in most African countries is based on agricultural raw materials, and many services are linked to agro-processing. Agriculture in Africa accounts for about 1.1 percent of world GDP and about 1.5 percent of world exports. Analysis undertaken for Sub-Saharan Africa found that agricultural growth was the most important contributor to the growth of manufacturing and services. Agriculture is the major source of raw material for industry, the main purchaser of simple tools (farm implements) and services (farm mechanics, transport), and the farmer are the main consumers of locally produced consumer goods. The analysis suggested that a 1 percent growth in agriculture causes economic growth of 1.5 percent times this amount due to the stimulus to industry, transport and services (Cleaver, 1993). The poor performance of Africa's agricultural and trade sectors, among other factors, inevitably leads to a low pace of industrialization on the continent (ECA, 1999).

At EAC level, agriculture contributes about 41.7 percent of the EA countries GDP and employs up to 85 percent of the population. The EA countries depend on export of agricultural commodities for foreign exchange generation. Export markets are widely dispersed depending on the type of crop and marketing arrangements that have been established between trading countries. Industrialized countries provide 46 percent, 82 percent and 39 percent of export destinations for Kenya, Uganda and Tanzania respectively.

8.2 Regional Trade and URAA

8.2.1 Food Security

Most African countries are signatories to the declaration on household and national food security that came out of the 1996 Food Summit held at FAO. The commitment is to provide access to food that is at all times qualitatively and quantitatively adequate for a healthy life within the overall context of international trade in food and other commodities. To realize that objective, African countries still face a formidable challenge especially in ensuring that agricultural production and distribution systems are competitive and can ward off stiff competition from cheap food imports in an era of trade liberalization and lower tariffs. Infrastructure and market information to integrate national domestic markets spatially and temporally is inadequate, this entails also weak institutional and regulatory environment that removes impediments to the free flow of agricultural commodities between and within countries.

8.2.3 Policies Addressing Regional Export Controls

There is a need for the country to remove laws especially local government laws and regulations that hinder cross border trade. Some remote border areas can benefit more with legal trade across borders in the region. Given the high transport costs and other

infrastructural problems, it is better to have across the border trade rather than the movement of products especially food to the large towns. But for this to happen export controls have to be removed.

8.2.4 Regional or International Policies to Address Changes in Market Conditions

World market conditions have undergone significant changes on one hand due to technological innovations and on the other due to the move towards free international trade. Also, it is evident that the world economy has, especially in the recent past, witnessed regionalization of the world economy in view of forming more free trade areas among the member countries. Such trends bring about inconsistency of trade policies among different regional groups. This implies that African countries, individually and as members of sub-regional and regional groupings such as the Common Market for Eastern and Southern Africa (COMESA), Southern Africa Development Cooperation (SADC), the Economic Community of West African States (ECOWAS), need to formulate national agricultural and trade policies in relation to policies of other regional groupings such as the Common Agricultural Policy of the European Union, among others. The policies should ensure that the interests of agriculture are adequately represented in all international negotiations.

8.2.3 Preferential Access and EU

Preferences have been used as policy instrument to encourage trade between LDCs and the developed countries through the Generalized Scheme of Preferences (GSP) on one hand, and among developing countries through the Generalized Scheme of trade Preferences (GSTP) on the other. They are also the principal instrument in trade development in regional economic integration schemes such as SADC, COMESA, SACU, ECOWAS, NAFTA, EU, etc. Preferences normally take the form of lower tariffs than MFN rates with the intention to increase trade and stimulate economic growth. Preferences are also extended on a bilateral basis between different economic groupings as in the case of EU and ACP through the application of lower tariffs or non-quota units. Benefits of preference include access to markets, which would have been difficult to penetrate under normal trade circumstances. Market access opportunities encourage investment leading to better resource allocation, technology transfer, employment creation, and income generation.

Tanzania has a wide choice of access to trade preferences in the multilateral and regional trading arrangements in which the country participates. Many opportunities have risen from membership in the MTS as an LDC hence eligibility for preferential treatment in trading relations with developed countries and technical assistance to facilitate effective participation in international trade. Specific opportunities include those from EU/ACP schemes, AGOA and others. Other opportunities emanate from participation in regional arrangements such as SADC and EAC. However, the country has not benefited much from these preferences especially with respect to driving towards export development.

For instance, under the Lomé Convention, Tanzania receives the full range of aid made available to ACP countries by the European Union. As a result, many Tanzanian exports to the EU are exempt from import duties. Likewise, Tanzania's goods enjoy non-reciprocal preferential access to the markets of other developed countries through the Generalized System of Preferences. However, due to Tanzania's limited export capacity, the benefits that Tanzania reaps from these preferential arrangements are minimal.

8.2.4 *Loss of Preferential Trading Agreements*

The commitments made towards greater liberalization of world trade and trade in agricultural products will have an impact on developing countries with regard to the level of preferences they will enjoy. The reduction in rates of an MFN basis will lead to a fall in value of preferences.

The liberalized global trade implies loss in margin of preferences and thus an increase in competitiveness. The importance of the MFN rates is that their level determines the size of benefits from a preference. The lower the MFN tariff rate, the less the preference is worth. Since global liberalization lowers the MFN rate, it implies that over time, the preferences granted to Tanzania are worthless.

The implication of the erosion of preferential margin makes the export impact of the Agreement less clear. Erosion could lead to a fall in export competitiveness and in market share. There is in overall a likelihood of losses of export market share for some developing countries.

8.2.5 *Impact of the Agreement on Regionalism*

Regional Trade Arrangements are not new phenomena in international scene. However, in most of these arrangements, agricultural policy has not been fully integrated.

- a) The impact of the Agreement on Agriculture on Regionalism stems from the fact that regional arrangements will have to integrate agricultural policy in their agenda.
- b) In general, the loss of preferential trading agreements will stimulate the growth of regional groupings.
- c) Further, the process of liberalization indicates that agricultural policies in many developing countries are becoming closer. The commitments provided in the Agreement will provide the basis from which greater coherence could develop with respect to both trade policy via tariffication and tariff reduction.

8.3 *Regional trade and WTO 2000 Issues*

8.3.1 *Net Food Importing Countries*

For net importing countries such as Tanzania, regional trade issues and WTO are basically those of increasing productivity of this important sector through joint regional efforts such as research and technological innovations. The regional grouping in Eastern and Southern Africa have all shown that they are interested to conduct joint research since the climate and other agriculture condition are nearly the same. Joint research will reduce duplication of efforts and scarce resources while sharing of knowledge and expertise. This will eventually increase productivity for the region thus increases production for regional use and for exports. The regional efforts can thus be utilized as a stepping-stone towards WTO compliance and also for easier bargaining for market access in the more developed market.

Regional grouping can also assist in increasing regional trade by reducing or eliminating intra-regional barriers, and then through improvement in quality of goods more access to

- Enterprises, urban farmers, urban non-farmers, rural farmers, rural non-farmers, government, rest of the world and the savings-investment account.

8.5 Modeling Approach

We have basically used a Computable general equilibrium (CGE) modeling approach using General algebraic modeling system (GAMS) program (a la Sherman Robinson, Hans Lofgren and Peter Wobst).⁹ The structure is trade focused and adjusted to accommodate the policy simulations.

The Tanzania CGE model follows the neoclassical specification of general equilibrium models. Markets for goods and factors and foreign exchange are assumed to respond to changing demand and supply conditions, which in turn are affected by government policies, the external environment and other exogenous influences. The model is Walrasian in that it determines only relative prices and other endogenous variables in the real sphere of the economy (monetary factors are not considered, such as interest rates). Sectoral product prices factor prices are determined relative to Consumer Price Index (CPI) which serves as the *numeraire*. There are four blocks of equations in the model, for price, production, institutions and system constraints.

The price block defines the domestic price of imports as the world price times the exchange rate adjusted for tariffs. The price of exports is also world prices times exchange rate of exports adjusted by subsidy/export taxes. The two prices of imports and exports follows the “small country” assumption and are given in domestic currency and thus the exogeneity of foreign currency import and export prices. The Absorption price for each commodity is also defined in the price block, and is expressed as the sum of spending on domestic output and imports, including an upward adjustment for sales tax. The composite price is paid by domestic demanders (households, the government, producers, and investors). Domestic output value at producer prices is divided between export value and domestic output sold domestically. This equation reflects CET and that it is linearly homogeneous. Activity Price is the sum of producer prices of different commodities and the yield of output of commodities per activities. Value added price is the price of activities times the input cost per activity unit.

In the production and commodity block, the production technology is presented by a set of CES (constant elasticity of substitution), CET (constant elasticity of transformation) and linear expenditure functions.

The activity production function is defined by CES technology. Factor demand is a CES function of wage distortion factor for factors – land, capital and five types of labor (urban professional, urban white collar, urban blue collar, urban unskilled and rural labor). Intermediate demand is fixed as a share of level of activities. Output is a function of yield of activity times its level. Export-domestic supply ratio for commodities is a CET function while import-domestic demand ratio for commodities is a CES function. The Armington assumption is used for aggregating domestic demand and import demand. The model allows for product differentiation between import and domestically produced goods in demand and between exports and domestically consumed goods and this permits two-way trade. This assumption is realistic in the case of Tanzania as we find that imported and domestically produced goods are not perfect substitutes horizontal as well as vertical differentiation exists.

⁹ I appreciate the CGE course at Bunda Malawi offered by International Food Research Institute (IFPRI) and the model used was developed and estimated while there.

However the differentiation will vary from sector to sector and different levels of elasticities of substitutions and transformation represent this across sectors.

The institution block determines transfer of income from factors to institutions, which is defined as the share to institutions and factors and factor income and transfers from rest of the world. Transfers are also determined as well as household demand and expenditure, investment demand, government revenue and expenditure and government saving which is just the difference between government revenue and expenditure (fiscal balance). Household consumption demand is based on LES utility function with constant expenditure shares. Household and enterprise savings are specified to be in fixed proportion to after tax income.

The system constraint block specify four macroeconomic balances, the external balance (current account), factor demand and supply balance, commodity supply and demand balance, the neoclassical macroeconomic closure that total investment is determined by total savings. In addition in the system block we have the price normalization equation (*numeraire*).

Based on the small country assumption (price taker), domestic prices of imports and exports are expressed in terms of the exchange rate and their foreign prices, as well as the trade taxes foreign transfers. The tariff rate on imports tax rate represents the import duty collected divided by total imports. In the Tanzania data there is no subsidy given although the specification in equations is made to allow for policy experimentation.

The different macro and micro closures are used in the model. Savings-driven investment, which implies flexible investment adjustment factor, fixed foreign savings therefore flexible exchange rate, fixed direct tax rates for institutions and factors. Further, all factors are fully employed, available in fixed supplies and mobile in each market so the average wage rate is the clearing variable.

We assume that producers maximize profits subject to specified production functions with primary factors as arguments while households maximize utility subject to budget constraint.

8.5.1 How the Model Works

This model as with other CGE models recognizes that an exogenous change (in policy or from some other source, such as world market) that has an impact on any one part of the economy can give rise to consequences throughout the system, direct and indirect effects. The model satisfies Walras' law in that the set of commodity market equilibrium condition is functionally dependent. We drop the equilibrium condition for one variable using the closure rules. The model is homogeneous of degree zero in prices to assure that only one solution exists. A price normalization equation in our case consumer price index (CPI), has been added—equal number of endogenous variables and independent equations. Given that we have the *numeraire*, all simulated price changes can be directly interpreted as changes *vis-a-vis* the CPI.

8.5.2 Limitations of the study

There are few limitations that we encountered when using the model for our particular objective. First the model is static and therefore it does not have some attractive qualities present in dynamic models. It is thus difficult to see the effect of the policy changes in some

Table 8.1: CGE Model Simulation Results based on Tariff Cut (TC) 50% and Exchange Rate Change 20%

	Base	SIM1	SIM2	SIM3	SIM4
Real absorption	1937.7			-5.5	-13.9
Real investment	419.5				
Real government consumption	331.6				
Real household consumption	1186.6			-9	-22.8
Total real exports	165.7	2.1	2.5	41.6	123.4
Total real imports	576.8	0.6	0.8	-5.6	-6.6
Real exchange rate	100	0.9	0.8	15.2	16.8
Nominal exchange rate	100	1.1	1	20	20
Domestic price index	100	0.2	0.2	4.1	2.8
Tariff rate	5	2.5	2.5	5	4.9
Percentage of nominal GDP					
Investment	27.1	-0.1	-0.1	3.5	3.2
Private savings	0.2			0.1	0.2
Foreign savings	10.2	0.2	0.1	-5.8	-16.4
Trade deficit	26.5	-0.4	-0.4	-3.2	-13.8
Government savings	-1.1	-0.7	-0.7	0.4	0.5
Tariff revenue	1.5	-0.7	-0.7	0.1	0.1
Direct tax revenue	5.3			0.3	0.1

1(a) When tariff was cut by 50 percent with activity-specific total export increased by 2.1 percent. Total imports increased marginally by 0.6 percent. Real exchange rate depreciated by 0.9 percent. Trade deficit improved by 0.4 while prices increased by 0.2 percent. Government savings as percentage of GDP widened by 0.7, tariff revenue decreased by 0.7 while foreign savings as percentage of GDP increased by 0.2.

The decrease in tariffs had some effects on the micro variables, thus household consumption increased in total but for different household we observed different effects. For urban farmers consumption decreased, urban non-farmers it increased while rural farmers consumption decreased and rural non-farmers it increased. The cut in tariff had no much effect in the factor income except for rural labor that decreased marginally by 0.1 percent while capital gained by 0.1 percent. Light manufacturing increased by 0.3 percent and services increased by 0.1 percent. Prices of activities had different effects, agricultural export prices increased by 0.3 percent, light manufacturing and services by 0.6 percent respectively, while heavy manufacturing price decreased by 0.2 percent.

1(b). In comparison with the above results with the case of mobile capital we found that all the variables explained above move at the same direction but the changes are smaller except for total export and imports. Real exchange rate depreciated by 0.8 percent, while foreign savings increased marginally. Total household consumption increased, activity output and price increased while factor income had a marginal change. This might be explained by the fact that tradable sectors are more profitable after tariff cut so more investments might move to production of tradable goods.

2(a) A simulation with an increase in the exchange rate by 20 percent with activity-specific we found that total export increased by 41.6 percent. Total imports decreased 5.6 percent. Real exchange rate depreciated by 15.2 percent. Trade deficit decreased by 3.2. Government savings as percentage of GDP decreased by 0.4, tariff revenue increased by 0.1 while foreign savings as percentage of GDP decreased by 5.8.

With micro variables, we observed different effects. For urban farmers consumption decreased, urban non-farmers increased, while rural farmers consumption decreased and rural non-farmers increased. The cut in tariff had a greater effect on rural labor and a low effect on land, which decreased by 6.6 and 0.4 percent respectively. Prices of activities had different effects, agricultural export prices increased by 5.3 percent, light manufacturing increased by 15.5 percent, services increased 12.2 percent, while heavy manufacturing price increased by 15.1 percent.

2(b) In the exchange rate depreciation with mobile factors, we found that absorption changed more by 13.9 percent, consumption decreased by more by 22.8 percent compared with the case of fixed factors. Total real export increased more by 123.4 percent, imports decreased by 6.6 percent while real exchange rate depreciated by 16.8 percent. Trade deficit improved by 13.8, while foreign savings decreased by 16.4 points. Household consumption in different sectors changed much more, For urban farmers consumption decreased by 39.4 percent, urban non-farmers increased by 10.3 percent while rural farmers consumption decreased much more by 32.1 percent and rural non-farmers decreased by 10.1 percent.

The simulation effects are dramatized more when there is factor mobility as compared to the case where factors are fixed. This is important because it shows that when factors are not mobile policy changes will not produce the expected effects and this is the problem for many developing countries such as Tanzania that have structural rigidities that and lack of skills for its majority of workforce, and in addition lack of investible resources and underdeveloped financial intermediaries thus factors do not move freely.

The four simulations produced larger effects on the trade variables as compared to macro variables such as GDP, government savings etc. The closures applied have large influence on the kind of results obtained.

Table 8.2: Simulation Results: Micro and Activity Prices

	Base	SIM1	SIM2	SIM3	SIM4
Disaggregated real household consumption					
Household urban farmers	165.3	-0.3	-0.2	-18	-39.4
Household non urban farmers	260.6	0.5	0.5	11.4	10.3
Household rural farmers	705.1	-0.2	-0.1	-15.2	-32.1
Household rural non farmers	55.5	0.2	0.1	0.9	-10.1
Total household consumption	1186.6			-9	-22.8
Disaggregated factor income distribution					
Urban professionals	8.1			1	0.9
Urban white color	4.3			0.5	0.5
Urban blue color	8.4			0.9	0.9
Urban unskilled	3.9			0.5	0.5
Rural	35.6	-0.1	-0.1	-6.6	-6.3
Land	2.8			-0.4	-0.2
Capital	36.9	0.1		4.1	3.7
Total factor income	100				
Disaggregated activity production levels					
Agricultural exports	75.7	1.8	2.1	61.9	242.2
Agricultural food	338.4	-0.2	-0.3	-6.2	-21.3
Other agricultural	471.8			-2.9	-12.9
Mining	60	-0.4	-0.6	3.5	7.1
Non agricultural food processing	401.2	-0.2	-0.2	-4.7	-18.5
Non agricultural light manufacturing	227.7	0.3	0.7	3.9	17.3
Non agricultural heavy industries	360	-0.4	-0.6	2	3.5
Non agricultural services	1097.6	0.1	0.1	0.6	1.6
Total production	3032.4			0.6	1.7
Disaggregated activity prices					
Agricultural exports	100	0.3	0.1	5.3	-1.1
Agricultural food	100		0.2	-11.3	-9.4
Other agricultural	100	0.1	0.2	-8.1	-6.4
Mining	100	0.1	0.4	13.7	11.5
Non agricultural food processing	100	0.1	0.2	-0.8	0.5
Non agricultural heavy industries	100	0.6	0.1	15.5	9.5
Non agricultural heavy industries	100	-0.2		15.1	12.5
Non agricultural services	100	0.6	0.3	12.2	10.2

Key: SIM1 tariff cut with activity-specific capital
SIM2 tariff cut with mobile capital
SIM3 increase in exchange rate with activity-specific capital
SIM4 increase in exchange rate with mobile capital

From the model we can conclude that cutting down of tariffs by Tanzania will have positive results to the activity levels of agricultural exports, but negative results to agricultural food. The household income of rural farmers will go down but those of rural non-farmers will go up. The same effects in the level of direction is obtained using exchange rate devaluation but the levels of changes are much more dramatic. Devaluing of the Tanzanian shilling increase the exports by 61.9% with no factor mobility and by 242.2% with factor mobility. Agriculture food decreases by 6.2% with no factor mobility and by 21.3% with factor mobility. This indicates that with Uruguay Round Tanzania does not gain or lose very much in the agriculture sector by cutting down tariff. However, if Tanzania devalue exports

increases thus there is the need for accessing other markets thus other countries that Tanzania export to will have to also open their markets in order for Tanzania to reap some benefits from liberalizing of its trade. On the other hand in terms of food security, opening up threatens food security as shown from the CGE results.

It is evident therefore that with trade liberalization as a result of Uruguay Round Agreement, Tanzania can have some benefits as tariff are reduced both domestic tariffs, thus agriculture exports increased and when other countries who Tanzania trade with cut down their tariffs thus increasing market access – a sort of trade creation. However, the increased exports will be at the expense of diminishing levels of agricultural food and this is expected as we have assumed that resources are full employed so a kind of substitution in production must take place. In addition, we also expect that factor mobility in Tanzania is limited thus the positive benefits expected from more flexibility in factor utilization as they move from one sector to another are limited. This point then to the issues of supply constraints facing Tanzania that needs to be addressed to if we expect more positive results from Uruguay Round Agreement in agriculture.

9.0 CONCLUSION

Despite the fact that agriculture is the livelihood of most people in the country and of the economy in general, the sector is still underdeveloped and backward. The critical contributing factors for this have been identified largely as internal and external natural and man-made related factors.

The major contemporary challenges facing Tanzania therefore include poverty alleviation, assurance of food security and eradication of malnutrition, as well as the protection of the environment. These cannot be realized without raising agricultural productivity, which is the biggest challenge. To raise productivity in agriculture there is need to move from the current traditional and subsistence farming methods to modern and commercial ones through transformation. Since transformation is not very easy especially for resource scarce country like Tanzania, there is need for assistance using the available internationally based resources. In the same token much needs to be done by the producers, the government and other stakeholders in terms of commitment, the development of a systematic approach, public awareness and international co-operation in all aspects dealing with agricultural development. At the same time, it is also imperative to encourage full support and involvement of smallholder farmers, who have been and will continue to be the main agricultural producers for quite a longer period in the agricultural development policy issues.

The WTO Agreement on Agriculture has many aspects that are of benefit to least developing countries such as Tanzania. For instance, the Agreement does not ban any specific production policy even those that have trade distorting effects. In content and spirit, the Agreement demands that the trade-distorting policies be reduced and avoided in the long run. The Agreement and Country Commitments are legal binding and WTO member states are obliged to implement the commitments. The Agreement further extends support to least developing countries that face difficulties in complying with the commitments of the Agreement.

The issues of food security are of utmost importance when considering the implementation of the Agreement so that freer trade in agricultural commodities will not impinge on food security. Careful analysis therefore is necessary in order to safeguard the welfare of the

people in these developing countries and that for those countries that are net food importers are not disadvantaged. These issues need to be built in the new negotiations.

Special and Differential Treatment is still valid for many developing countries such as Tanzania given the level and constraints of its agricultural sector. Special and Differential Treatment is important if the LDC's will be able to participate in the WTO agreement in agriculture and these issues should be taken squarely in the new round of negotiations including capacity building.

Standards and technical barriers are still a problem to market access for Tanzania's export of agricultural commodities. These issues need to be dealt with squarely in the next negotiations so that they do not become non tariff barriers to trade and hinder smooth flow of goods in the international market especially goods originating from developing countries such as Tanzania. At the same time assistance need to be availed for these countries to be able to reach the required standard, while using the safeguard measures when dumping and other distortions are indicated. Regional cooperation can also be used to assist the member countries to reach a common agreed standard and this may act as a stepping-stone toward international trade.

10.0 RECOMMENDATIONS

Participation in international meetings - It is important for Tanzania, and for all the other developing countries to participate effectively in sessions held by the three standardization bodies, i.e. Codex, OIE, IPPC and in the WTO - SPS committee session.

For Tanzania, it is apparent that the Agreement on Agriculture will have significant impacts at various levels. Of importance is the food security issue, rising import bills and potential loss of market share in the face of loss in preferential margins. It is thus prudent for Tanzania to come up with domestic policies that address these issue. Such policies must comply in content and spirit with the Agreement on Agriculture. It is also critical for Tanzania to formulate policies on a product-by-product basis taking into account that temperate products will experience more impact than tropical products. Tanzania should also improve her supply side response to any new market that may be created as a result of developed country reduction in domestic support policies and export subsidy.

Tanzania is of the view that the WTO Agreement would make the global trading system more transparent and would provide a substantial improvement in the market access opportunities for least developed countries. The new rules for international trade could be useful if the special and differential rules provided in the various decisions and measures in favor of least developed countries were fully implemented. In this regard, Tanzania is faced with various challenges such as a review of its legislation to make it consistent with WTO commitments and the notification process which is a heavy burden, all of which requires enhancement of institutional and human resource capacities in trade-related information management. Improvement of Tanzania's exports and of its share in global trade has been the major focus of Tanzania's trade policy. Some specific promotion measures, which were being applied included trade information, export incentives, duty drawback schemes, trade facilitation for documents and procedures for simplification, as well as trade fair participation.

The central challenge of the new negotiations is to ensure that issues of development are addressed seriously. With development in mind, agriculture, which is still the backbone of the economies of many developing countries, can be assisted to develop and thereby offer a sustained rise in income of these countries and even more prospects for economic growth and poverty eradication. There should therefore exist a certain degree of flexibility to accommodate constraints faced by the least developed countries such as Tanzania.

The following needs for technical cooperation had been identified. Needs related to solving the supply capacity constraints, including building capacities for enhanced productivity, product development and diversification through improved research activities; development of infrastructure linking production areas with export outlets; and provision of reliable energy for industrial production; partnership in upgrading telecommunication systems and other infrastructural systems.

Needs related to policy formulation and implementation, including strengthening the private sector, particularly human resource and institutions, as well as ministerial departments to enable them to become active in trade policy formulation, review and implementation; review of the regulatory system to align it with WTO rules and increasing the awareness of the public of the WTO Agreements. Resources and technical assistance are needed to establish efficient information systems to identify market access constraints in the area of finance and credit facilities and to facilitate market development and adaptation programmes; studies in product design, quality packaging and standardization. Furthermore, assistance is needed for the rationalization and improvement of the efficiency of trade support service institutions. Tanzania has established Business Council and an Investment centre as a one-stop shop organization for the purpose of facilitating new and current investments.

Assistance is needed for human resource development, including training of public and private personnel in market research, training of customs and other staff involved in trade efficiency and in the use of different information and training of the private sector exporters and institutions, in particular the small to medium enterprises, to enable them to strengthen their role using the opportunities of trade liberalization.

Domestic measures that could be taken by Tanzania to support their own agriculture include the following :

- To improve agricultural infrastructure in order to reduce costs of production and transportation and hence improve farm productivity
- To use their best endeavor to make farm inputs affordable to most farmers and also to make agricultural credit accessible and affordable to the farmers.
- To take deliberate steps to support processing of agricultural products in order to increase “value added” on our agricultural exports so as to improve farmers income and increase employment opportunities for Tanzania.
- To seriously exploit areas in which Tanzania has comparative advantage over other countries. These include forest products marine products.
- Although the spirit of WTO Agreement on Agriculture is to promote fair and free trade, Tanzania must take measures to ensure that they do not become victims of unfair competition including dumping. Such measures could include the following:

- Vigilant watches on imports brought into these countries to make sure that no loopholes are being exploited to carry out unfair competition or dumping.
- To apply whatever restrictions or exceptions those that are allowed under the WTO agreement to protect Tanzania's interest.
- To ensure that future rounds of WTO negotiations address the need for greater access to existing and new markets in the EU and other global markets Tanzania should take the initiative to influence the course of events in the rounds of negotiations under the WTO agreement and also take keen interest in the planned time table of WTO events and make adequate preparations including research, consultations and lobbying in order to make a strong case and get support for our position.
- One of the pending obligations facing most LDCs, including Tanzania, is the need to enact new laws designed to align domestic legislation to the WTO agreements. Other measures involve the setting up of new institutions and restructuring of old ones to fulfill new tasks. These requirements impose relatively heavy demands on Tanzania, where there is a dearth of specialized legal and administrative skills.

APPENDIX: PARAMETERS OF THE MODEL

PARAMETERS

ad_a	=	efficiency parameter in the C-D prod function
adces_a	=	efficiency parameter in the CES prod function
α_{fa}	=	share of value-added to factor f
aq_c	=	Armington function shift parameter
at_c	=	CET function shift parameter
β_{ch}	=	marginal share of household consumption spending
cwts_c	=	weight of commodity in the CPI
λ_{a_{fa}}	=	CES production function share parameter
λ_{q_c}	=	Armington function share parameter
λ_{t_c}	=	CET function share parameter
δ_{ch}	=	per-capita subsistence consumption
ica_{ca}	=	intermediate input per unit of activity
pdwts_c	=	weight of commodity in the PDI
pwe_c	=	export price(foreign currency)
pwm_c	=	import price(foreign currency)
rho_a	=	CES production function exponent
rho_{q_c}	=	Armington function exponent for commodity c
rho_{t_c}	=	CET function exponent
shrtr_{i,ip}	=	household share in distributed enterprise income
shry_{if}	=	enterprise share in factor income
ta_a	=	enterprise rate
te_c	=	export tax rate
θ_{ac}	=	per unit enterprise output yield
qg_c	=	government commodity demand
qinv_c	=	base-year investment demand
tm_c	=	import tariff rate
tq_c	=	rate of sales tax

MODEL EQUATIONS

Priceblock

1. $PM_c = (1 + tm_c) \cdot EXR \cdot p_{wm}$
import price

2. $PE_c = (1 - te_c) \cdot EXR \cdot p_{we}$
export price

3. $PQ_c \cdot QQ_c = (PD_c \cdot QD_c + (PM_c \cdot QM_c)) (1 + tq_c)$
absorption for commodity

4. $PX_c \cdot QX_c = PD_c \cdot QD_c + (PE_c \cdot QE_c)$
output value for commodity

5. $PA_a = \sum_{c \in C} PX_c \cdot \theta_{ac}$
price for activity

6. $PVA_a = PA_a \cdot (1 - ta_a) - \sum_{c \in C} PQ_c \cdot ica_{ca}$
value-added price for activity a

Production and commodity block

7. $QA_c = adces_a \cdot \sum_{f \in F} \left(\lambda a_{fa} \cdot QF_{fa}^{-\rho a_a} \right)^{\frac{-1}{\rho a_a}}$
CES production function

8. $WF_f \cdot WFDIST_{fa} = PVA_a \cdot adces_a \cdot \sum_{fp \in F} \left(\lambda a_{fp,a} \cdot QF_{fp,a}^{-\rho a_a} \right)^{\frac{-1}{\rho a_a}}$

factor demand

9. $QINT_{ca} = ica_{ca} \cdot QA_a$
intermediate demand

$$10. QX_c = \sum_{a \in A} \theta_{ac} \cdot QA_a$$

output of commodity

$$11. QQ_c = aq_c \cdot \lambda q_c \cdot QM_c^{-rhoq_c} + (1 - deltaq_c) \cdot (QD_c^{-rhoq_c})^{\frac{-1}{rhoq_c}}$$

composite supply (Armington) function

$$12. \frac{QM_c}{QD_c} = \left(\frac{PD_c}{PM_c} \cdot \frac{\lambda q_c}{1 - \lambda q_c} \right)^{\frac{1}{1 + rhoq_c}}$$

import-domestic demand ratio

$$13. QQ_c = QD_c$$

composite supply for non-imported commodities

$$14. QX_c = at_c \cdot \left(\lambda t_c \cdot QE_c^{hot_c} (1 + \lambda t_c) \cdot QD_c^{hot_c} \right)^{\frac{1}{hot_c}}$$

output transformation (CET) function

$$15. \frac{QE_c}{QD_c} = \left(\frac{PE_c}{PD_c} \cdot \frac{1 - \lambda t_c}{\lambda t_c} \right)^{\frac{1}{hot_c - 1}}$$

export-domestic supply ratio

$$16. QX_c = QD_c$$

output transformation for non-exported commodities

Institution block

$$17. YF_{id,f} = shry_{id,f} \cdot (1 - TY_f) \cdot \sum_{a \in A} WF_f \cdot WFDIST_{fa} \cdot QF_{fa} - ERX \cdot trbar_{row,f}$$

factor income

$$18. TR_{id,idng} = shrtr_{id,idng} \cdot (1 - MPS_{idng}) \cdot (1 - TY_{idng}) \cdot YI_{idng} - EXR \cdot trbar_{row,idng}$$

transfer from domestic non-government institution to domestic institution

$$19. YI_i = \sum_{f \in F} YF_{if} + \sum_{idng \in I} TR_{i,idng} + trbar_{i,gov} + EXR \cdot trbar_{i,row}$$

income of domestic non-government institution

$$20. EH_h = (1 - \sum_{id \in I} shrtr_{id,H}) \cdot (1 - MPS) \cdot (1 - TY_h) \cdot YI_h - EXR \cdot trbar_{row,H}$$

consumption expenditures for household

$$21. PQ_c \cdot QH_{ch} = PQ_c \cdot \delta_{ch} + \beta_{ch} \cdot EH_h - \sum_{cp \in C} PQ_{cp} \cdot \delta_{cp,h}$$

LES consumption demand by household for commodity

$$22. QINV_c = \overline{qinv}_c \cdot IADJ \text{ investment demand for commodity}$$

$$23. YG = \sum_{f \in F} YF_{gov,f} + \sum_{i \in I} TY_i \cdot YI_i + \sum_{j \in F} TY_j \cdot \sum_{u \in A} WF_j \cdot WFDIST_{fa} \\ \cdot QF_{fa} - EXR \cdot trbar_{row,f} + \sum_{idng \in I} TR_{gov,i} + EXR \cdot trbar_{gov,row} \\ + \sum_{c \in C} tq_c \cdot PD_c \cdot QD_c + PM_c \cdot QM_c \\ + \sum_{c \in C} tm_c \cdot EXR \cdot pwm_c \cdot QM_c \\ + \sum_{c \in C} te_c \cdot EXR \cdot pwe_c \cdot QE_c \\ + \sum_{c \in C} Ia_u \cdot PA_u \cdot QA_u$$

government revenue

$$24. EG = \sum_{idng \in I} tr_{idng,row} + \sum_{c \in C} PQ_c \cdot qg_c + EXR \cdot trbar_{row,gov}$$

government expenditures

$$25. GSAV = YG - EG$$

government savings

System constraint block

$$26. \sum_{a \in A} QF_{fa} = QFS_f$$

factor markets

$$27. QQ_c = \sum_{a \in A} QINT_{ca} + \sum_{h \in H} QH_{ch} + qg_c + QINV_c$$

- composite commodity markets

$$28. \sum_{c \in CE} pwe_c \cdot QE_c + \sum_{i \in I} tr_{i,row} + FSAV = \sum_{c \in CM} pwm_c \cdot QM_c + \sum_{\inf a \in I} trbar_{row, \inf a}$$

current account balance for RoW (in foreign currency)

$$29. \sum_{c \in C} PQ_c \cdot QINV_c + WALRAS = \sum_{idng \in I} MPS_i \cdot (1 - TY_i) - EXR \cdot trbar_{row,i} + GSAV + EXR \cdot FSAV$$

saving-investment balance

$$30. \sum_{c \in C} PQ_c \cdot cwtS_c = CPI$$

price normalization

APPENDICES

Tanzania mainland exports 1995

DOMESTIC EXPORTS 1995		
HEAD CODE	DESCRIPTIONS	VALUE (Tshs)
0901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins;	56,456,046,281
0801	Coconuts, brazil nuts and cashew nuts, fresh or dried, whether or not	22,090,370,495
2401	Unmanufactured tobacco; tobacco, tobacco refuse.	13,087,027,580
0902	Tea, whether or not flavoured.	10,381,093,612
0304	Fish fillets and other fish meat (whether or not minced) fresh	7,786,561,190
0713	Dried leguminous vegetables, shelled, whether or not skinned or split.	5,440,085,269
1207	Other oil seeds and oleaginous fruits, whether or not broken.	4,691,557,747
0002	Special transactions and commodities not classified	3,309,730,480
0907	Cloves (whole fruit, and stems).	2,593,282,250
0306	Crustaceans, whether in shell or not, live, fresh, chilled, frozen, dried,	2,589,476,175
1005	maize (corn).	2,143,734,930
1801	Cocoa beans, whole or broken, raw or roasted.	1,569,503,070
1001	Wheat and meslin.	1,234,542,018
1102	Cereal flours other than of wheat or meslin.	1,002,482,003
0603	Cut flowers and flower buds of a kind suitable for bouquets or for	944,462,421
1006	Rice.	876,169,487
2306	Oil-cake and other solid residues, whether or not ground or in the form	815,951,662
0511	Animal products not elsewhere specified or included; dead animals of c	812,983,448
0305	Fish, dried, salted or in brine; smoked fish, whether or not cooked	784,981,669
0506	Bones and horn-cores, unworked, defatted, simply prepared (but not cut to	762,005,660

Tanzania mainland's Export of Agricultural Commodities 1996

HEAD CODE	DESCRIPTIONS	VALUE (Tshs)
0002	Special Transactions And Commodities	35,229,505.00
0105	Live Poultry, That Is Fowls, Ducks, Gees, Turkeys And Guinea Fowls.	22,442,974.00
0106	Other Live Animals.	20,475,622.00
0301	Live Fish	13,769,064.00
0302	Fish, Fresh Or Chilled (Excl. Those Of 03.04)	8,426,402.00
0303	Fish, Frozen, (Excl. Those Of 03.04)	6,557,161.00
0304	Fish Fillets And Other Fish Meat, Fresh, Chilled Or Frozen	5,544,947.00
0305	Fish, Salted, Dried...; Smoked Fish; Fish Meal Fit For Human Consumption	2,994,134.00
0306	Crustaceans, Fresh, Chilled Or Frozen	2,548,593.00
0307	Molluscs And Aquatic Invertebrates, Nes	2,127,394.00
0402	Milk And Cream, Concentrated Or Sweetened	1,992,941.00
0409	Natural Honey	1,446,350.00
0502	Pigs'... Bristles; Brush Making Hair; Waste	1,416,164.00
0506	Bones And Horn-Cores	1,010,639.00
0507	Ivory, Tortoise-Shell, Whalebone And Whalebone Hair, Etc, Unworked	820,908.00
0508	Coral And Similar Materials	725,365.00
0511	Animal Products, Nes; Dead Of Chapters 1 And 3, Unfit For Human Consum.	664,866.00
0603	Cut Flowers And Flower Buds For Ornamental Purposes, Fresh, Dried...Etc	475,627.00
0604	Other Parts Of Plants For Ornamental Purposes, Fresh, Dried...Etc	375,744.00
0701	Potatoes, Fresh Or Chilled	375,157.00
0703	Onions, Shallots, Garlic, Leeks...Etc, Fresh Or Chilled	361,811.00
0704	Cabbages, Cauliflowers, Kohlrabi, Kale...Etc, Fresh Or Chilled	328,412.00
0706	Carrots, Turnips, Salad Beetroot...Etc, Fresh Or Chilled	301,632.00
0708	Leguminous Vegetables, Shelled Or Unshelled, Fresh Or Chilled	264,482.00

Tanzania mainland's Export of Agricultural Commodities 1997

HEAD CODE	DESCRIPTIONS	VALUE (Tshs)
0002	Cotton, Not Carded Or Combed	114,518,351.00
0101	Coffee; Coffee Husks And Skins; Coffee Substitutes Containing Coffee	104,019,289.00
0102	Unmanufactured Tobacco; Tobacco Refuse	74,540,129.00
0103	Coconuts, Brazil Nuts And Cashew Nuts, Fresh Or Dried	67,727,900.00
0104	Fish Fillets And Other Fish Meat, Fresh, Chilled Or Frozen	51,421,203.00
0105	Tea	30,357,404.00
0106	Diamonds, Not Mounted Or Set	13,566,850.00
0201	Cigars, Cigarillos, Cigarettes, Etc, Of Tobacco Or Tobacco Substitutes	13,311,668.00
0206	Sisal, Etc, Raw Or Processed But Not Spun; Tow And Waste Of These Fibres	8,063,984.00
0207	Other Oil Seeds And Oleaginous Fruits	7,908,393.00
0208	Precious Stones (Excl. Diamonds) And Semi-Precious Stones, Not Set...	7,366,192.00
0301	Cloves	7,177,112.00
0302	Raw Hides And Skins Of Bovine Or Equine Animals, Not Tanned	7,046,113.00
0303	T-Shirts, Singlets And Other Vests, Knitted Or Crocheted	6,612,584.00
0304	Portland Cement, Aluminous Cement, Persulphate Cement, Etc	6,245,731.00
0305	Dried Leguminous Vegetables, Shelled	5,943,394.00
0306	Electrical Transformers, Static Converters And Inductors	5,351,797.00
0307	Cut Flowers And Flower Buds For Ornamental Purposes, Fresh, Dried...Etc	5,251,601.00
0402	Crustaceans, Fresh, Chilled Or Frozen	4,707,937.00
0409	Oil-Cake And Other Solid Residues, Of Vegetable Fats	4,506,139.00
0505	Twine, Cordage, Rope And Cables	3,664,436.00
0506	Ivory, Tortoise-Shell, Whalebone And Whalebone Hair, Etc, Unworked	3,635,053.00

Tanzania mainland's Export of Agricultural Commodities 1998

HS CODE	DESCRIPTION	FOB VALUES (USD)
0901	Coffee; Coffee Husks And Skins; Coffee Substitutes Containing Coffee	108,737,926.00
0801	Coconuts, Brazil Nuts And Cashew Nuts, Fresh Or Dried	108,015,892.00
0304	Fish Fillets And Other Fish Meat, Fresh, Chilled Or Frozen	64,029,118.00
2401	Unmanufactured Tobacco; Tobacco Refuse	55,048,019.00
0902	Tea	30,227,183.00
0713	Dried Leguminous Vegetables, Shelled	17,227,654.00
1701	Cane Or Beet Sugar And Chemically Pure Sucrose, In Solid Form	14,373,954.00
0603	Cut Flowers And Flower Buds For Ornamental Purposes, Fresh, Dried...Etc	8,530,030.00
1103	Cereal Groats, Meal And Pellets	6,216,570.00
0306	Crustaceans, Fresh, Chilled Or Frozen	5,274,503.00
1207	Other Oil Seeds And Oleaginous Fruits	4,766,798.00
1801	Cocoa Beans	3,980,987.00
1006	Rice	2,977,827.00
0507	Ivory, Tortoise-Shell, Whalebone And Whalebone Hair, Etc, Unworked	2,448,489.00
0511	Animal Products, Nes; Dead Of Chapters 1 And 3, Unfit For Human Consum.	2,313,143.00
2306	Oil-Cake And Other Solid Residues, Of Vegetable Fats	2,200,809.00
1212	Seaweeds, Algae, Sugar Beet And Cane; Vegetable Products, Nes	2,082,769.00
0305	Fish, Salted, Dried...; Smoked Fish; Fish Meal Fit For Human Consumption	2,040,648.00
1521	Vegetable Waxes (Excl. Triglycerides), Beeswax, Other Insect Waxes	1,634,828.00
0303	Fish, Frozen, (Excl. Those Of 03.04)	1,510,555.00
2101	Extracts And Preparations Of Coffee, Tea Or Mate; Roasted Chicory...	1,430,825.00

IMPORTS

HEAD	HEADING DESCRIPTION	IMPORT	IMPORT DUTY	EXCISE DUTY	T-DUTY	P-INDEX
1701	Cane or beet sugar and chemically pure sucrose,in solid form.	19,915,552,906	2,336,920,561	14,157,356	2,351,077,917	12%
1511	Palm oil and its fractions,whether or not refined,but not chemically	14,894,645,839	1,128,259,025	2,654,324	1,130,913,349	8%
1001	Wheat and meslin.	9,241,129,568	787,889,193	0	787,889,193	9%
2203	Beer made from malt.	6,925,161,957	1,546,344,655	3,694,754,783	5,241,099,438	76%
1006	Rice.	6,877,820,264	287,503,711	0	287,503,711	4%
1005	maize(corn).	5,969,492,995	245,736,665	0	245,736,665	4%
2106	Food preparations not elsewhere specified or included.	3,470,501,308	439,098,848	194,629	439,293,477	13%
0713	Dried leguminous vegetables,shelled,whether or not skinned or split.	3,115,129,372	6,772,782	0	6,772,782	0%
1107	Malt,whether or not roasted.	2,998,898,818	178,445,611	0	178,445,611	6%
1516	Animal or vegetable fats and oils and their fractions,partly or wholly	2,828,340,166	481,345,204	0	481,345,204	17%
1101	Wheat or mesin flour.	2,126,553,305	220,658,094	0	220,658,094	10%
1515	Other fixed vegetable fats and oils (including jojoba oil)and their	1,843,987,793	680,104,250	0	680,104,250	37%
1502	Fats of bovine animals,sheep or goats,raw or rendered,whether or not	1,564,929,870	99,591,220	0	99,591,220	6%
0402	Milk and cream,coconcentrated or containing added sugar or other	1,532,486,203	431,223,188	1,284,575	432,507,763	28%
2401	Unmanufactured tobacco;tobacco,tobacco refuse.	1,170,165,726	32,506,594	0	32,506,594	3%
1905	Bread,pastry,cakes,biscuits and other bakers',wares,whether or not	1,082,375,018	104,598,752	0	104,598,752	10%
1512	Sunflower seeds,safflower or cotton-seed oil and their fractions,wheth	1,000,470,091	121,329,882	0	121,329,882	12%
0708	Leguminous vegetables,shelled or unshelled,fresh or chilled.	672,807,222	520,566	0	520,566	0%
1507	Soya bean oil and its fractions,whether or not refined,but not chemica	672,329,632	31,114,817	0	31,114,817	5%
0813	Fruit, dried other than thatof headings no.08.01 to 08.06; mixtures of	565,543,531	177,648	0	177,648	0%
1008	Buckwheat,millet and canary seed;other sereals.	552,008,426	27,536,482	0	27,536,482	5%
2302	Bran,hsarps,and otehr residues,whether or not in the form of pellets,	511,712,450	2,670,445	0	2,670,445	1%
1102	Cereal flours other than of wheat or meslin.	474,242,045	14,636,705	0	14,636,705	3%

HEAD	HEADING DESCRIPTION	DIRECT IMPORT VALUE	S HOME USE VALUE	DUTY	SALES TAX	EXCISE DUTY	RE-EXPORTS		
							VALUE	T-DUTY	P-INDEX
1701	Cane or beet sugar and chemically pure sucrose in solid form.	8,556,228,588	8,556,228,588	1,712,597,402	860,584,879	12,022,480	0	1,724,619,882	20%
1006	Rice.	8,167,927,539	7,049,786,061	439,592,818	136,865,146	0	0	439,592,818	5%
1001	Wheat and meslin.	5,316,907,453	5,316,907,453	762,386,011	584,332	0	0	762,386,011	14%
1511	Palm oil and its fractions, whether or not refined, but not chemically	5,144,710,036	5,144,710,036	1,075,492,613	688,865,437	0	0	1,075,492,613	21%
1005	maize (corn).	5,000,809,029	5,000,809,029	8,877,763	0	0	0	8,877,763	0%
713	Dried leguminous vegetables, shelled, whether or not skinned or split.	4,814,995,270	4,814,995,270	5,721,838	74,679	10,210,200	0	15,932,038	0%
2203	Beer made from malt.	4,127,550,821	4,134,144,548	446,772,128	45,450,713	#####	0	2,757,019,730	67%
1008	Buckwheat, millet and canary seed, other cereals.	2,812,808,887	2,812,808,887	281,118,863	0	0	0	281,118,863	10%
1107	Malt, whether or not roasted.	2,479,112,335	2,479,112,335	465,441,604	534,387,343	0	0	465,441,604	19%
2208	Undermatured ethyl alcohol of an alcoholic strength by volume of	1,841,819,088	85,344,872	23,491,774	34,998,856	31,189,608	0	54,681,382	3%
2106	Food preparations not elsewhere specified or included.	1,767,620,382	1,767,620,382	350,355,816	381,664,088	0	0	350,355,816	20%
1101	Wheat or meslin flour.	1,725,329,327	1,725,329,327	259,794,672	160,760,827	0	0	259,794,672	15%
1516	Animal or vegetable fats and oils and their fractions, partly or wholly	1,414,461,562	1,414,461,562	48,541,004	19,211,281	0	0	48,541,004	3%
1702	Other sugars, including chemically pure lactose, maltose, glucose and fru	1,160,738,098	1,160,738,098	340,853,376	149,260,796	5,400,000	0	346,253,376	30%
1515	Other fixed vegetable fats and oils (including jojoba oil) and their	807,679,214	807,679,214	216,048,161	98,511,589	0	0	216,048,161	27%
1502	Fats of bovine animals, sheep or goats, raw or rendered, whether or not	601,069,959	636,229,935	73,324,443	35,037,399	0	0	73,324,443	12%
1507	Soya bean oil and its fractions, whether or not refined, but not chemica	439,362,928	439,362,928	114,243,483	51,654,887	0	0	114,243,483	26%
402	Milk and cream, concentrated or containing added sugar or other	425,911,089	431,870,032	105,505,764	97,160,280	0	0	105,505,764	25%
1512	Sunflower seeds, safflower or cotton-seed oil and their fractions, wheth	331,945,162	331,945,162	85,589,256	42,741,832	0	0	85,589,256	26%
602	Other live plants, (including their roots)cutting and slips, mushroom	276,841,687	276,841,687	641,048	3,162	0	0	641,048	0%
1108	Starches; inulin.	260,911,178	260,911,178	29,101,204	10,872,968	0	0	29,101,204	11%

Zanzibar's Exports

Chapter	Description	1995	1996	1997	1998
		Value Tshs.	Value	Value Tshs.	Value Tshs.
1	Live Animals; animal products	332,197,968	36,733,941	35,821,459	58,911,799
2	Vegetable products	3,520,767,651	2,316,029,848	5,048,729,763	1,582,162,825
3	Animal or Vegetable Fats and Oil	450,000	72,060	-	3,654,426
4	Prepared food stuff, beverage, Spirit & tobacco	5,925,604	154,332,745	38,965,786	135,165,664
5	Mineral Product	-	-	558,399	1,471,995
6	Products of the chemical or allied industries	186,747,485	60,014,905	127,057,398	60,639,483
7	Plastic and Rubber Articles	8,257,306	29,908,573	19,618,973	122,672,963
8	Raw hides and skin, Leather articles	33,600	861,766	3,039,513	2,015,995
9	Wood, Charcoal, Cork and their articles	69,216,977	10,970,193	64,951,447	35,910,575
10	Pulp of Wood & other fibrous cellulosic material	26,834,902,911	20,891,635,804	19,362,145,390	7,762,246,860
11	Textiles and textiles articles	196,972,729	261,603,469	472,844,278	520,013,817
12	Footwear, headgear, Umbrellas walking sticks etc	2,391,699	1,102,447	4,274,312	7,031,512
13	Articles of stone, plaster, cement, asbestos	44,856,463	9,081,349	31,470,088	5,195,126
14	Natural or cultured Pearls, precious stones	-	-	-	-
15	Base metal and articles of base metals	21,922,952,166	424,073,257	482,487,047	488,052,315
16	Machinery and Mechanical appliances, electrical equipment	2,049,779,006	1,618,733,743	773,776,139	594,301,286
17	Vehicles, Aircraft, vessel & Associated transport	55,867,230	110,005,039	65,187,510	639,717,704
18	Optical, Photographic, cinematographic, Watches etc.	3,201,424	2,235,599	5,821,268	1,560,233
19	Arms and Ammunition; parts and accessories thereof	-	-	-	-
20	Miscellaneous manufactured articles	13,595,947	12,495,081	36,228,047	20,515,500
21	Works of Art, Collectors' pieces & Antiques	-	-	1,578,587	-
	Total	55,248,116,166	25,939,826,818	26,574,555,404	12,041,246,079

Zanzibar's imports

Chapter	Description	1995	1996	1997	1998
		Value Tshs.	Value	Value Tshs.	Value Tshs.
1	Live Animals	1,047,562	1,007,325	-	-
2	Metal and edible meat offal	12,782,491	32,931	98,796,197	27,032,722
3	Fish and crustaceans	658,354	3,630,533	1,664,522	5,635,873
4	Dairy produce:	160,959,440	326,379,179	447,295,357	577,589,182
5	Birds. eggs; natural honey;	111,593	-	-	26,313
6	Products of animal origin	-	202,390	299,378	87,792
7	Live trees and other plants; bulbs	1,438,710	4,797,834	6,718,265	4,723,961
8	Edible vegetable and certain roots and tuber	49,343,682	69,092,439	104,970,383	170,685,247
9	Edible fruit and nuts; peel of citrus fruit or melons	40,383,256	39,802,493	38,064,178	38,796,684
10	Cereals	4,769,203,352	7,196,485,238	6,364,389,431	6,709,746,109
11	Products of the milling industry; malt; starches; inulin;	995,265,700	2,610,229,126	3,122,944,246	979,749,554
12	Oil seeds and oleaginous fruits; miscellaneous grains,	18,236,980	3,494,060	3,737,325	4,400,738
13	Lac; gums, resins and other vegetable saps and extracts	264,193	600,538	3,357,459	927,266
14	Vegetable plaiting materials;	8,329,170	109,689	145,551	11,459,110
15	Animal or vegetable fats and oil and their cleavage products;	2,117,889,284	1,630,129,288	4,675,919,145	4,787,720,396
16	Preparation of meat, of fish or of crustaceans,	7,188,737	10,115,832	4,751,694	6,056,254
17	Sugars and sugar confectionery	3,602,609,630	7,228,348,177	4,091,841,408	5,950,305,709
18	Cocoa and cocoa preparations	8,619,525	6,276,772	8,660,082	8,930,503
19	Preparations of cereals, flour, starch or milk;	215,056,597	164,023,189	223,296,016	332,710,894
20	Preparations of vegetables, fruit, nuts, or other parts of plants	60,713,021	66,702,789	71,186,790	109,321,147
21	Miscellaneous edible preparations	157,446,637	169,005,643	246,691,217	457,462,764
22	Beverages, spirits and vinegar	43,166,109	53,939,997	125,660,024	126,103,407
23	Residues and waste from the food industries,	110,946	554,702	113,068	65,445
24	Tobacco and manufactured tobacco substitutes	-	12,426,510	97,933,065	110,739,193
25	Salt; sulphur; earths and stone;	42,062,494	96,694,064	106,960,210	191,336,708
26	Ores, slag and ash	214,878	37,492	-	-
27	Mineral fuels, mineral oils and products of their distillation;	304,979,581	1,694,965,563	251,655,620	4,383,990,687
28	inorganic; chemicals; organic or inorganic compounds of precious metals	138,479,989	67,468,811	54,991,287	4,831,362
29	Organic chemicals	3,088,520	17,645,382	13,131,937	7,490,997
30	Pharmaceutical products	1,506,554,768	900,021,156	638,617,408	378,794,050

31	Fertilizers	-	-	91,525,824	17,518,608
32	Training or dyeing extracts; tannins and other derivatives;	115,582,061	163,982,302	86,387,466	76,339,236
33	Essential oils and resinoids; perfumery	146,891,394	348,139,240	303,984,074	141,323,301
34	Soap, organic surface - active agents, washing preparations	389,243,227	444,148,732	318,743,307	424,765,607
35	Albuminoidal substances; modified starches; glues; enzymes	16,866,448	41,658,099	26,214,983	14,813,226
36	Explosives; pyrotechnic products; matches; pyrophric alloys;	100,209,121	259,029,411	265,731,772	214,215,759
37	Photographic or cinematographic goods	50,416,396	84,911,997	62,069,088	48,911,913
38	Miscellaneous chemical products	725,663,228	1,058,415,256	315,844,045	224,870,540
39	Plastics and articles thereof	507,099,629	1,048,289,284	688,679,462	1,753,786,042
40	Rubber and articles thereof	518,196,655	1,432,436,281	1,489,933,414	1,417,456,631
41	Raw hides and skins (other than furskins) and leather	106,625	-	-	-
42	Articles of leather, saddlery and harness: travel goods	328,230,541	654,642,712	568,868,333	464,378,966
43	Furskins and artificial fur; manufactures thereof	535,858	1,909,372	95,173	-
44	Wood and articles of woods wood charcoal	248,019,519	50,771,490	415,121,389	209,959,233
45	Cork and articles of cork	-	4,071	1,257,368	287,096
46	Manufactures of straw, of esparto or of other plaiting materials;	50,512,955	80,640,300	26,878,065	18,008,254
47	Pulp of wood or of other fibrous cellulosic material	24,162,299	56,507,302	18,751,255	8,750,173
48	Paper and paperboard; articles of paper pulp	12,354,584,970	308,365,468	305,371,903	354,606,822
49	Printed books, newspapers,	47,197,012	98,568,166	13,602,801	56,702,070
50	Silk	-	-	60,059	-
51	Wool, fine or coarse animal hair;	-	237,945	3,961,013	-
52	Cotton	317,557,337	872,441,391	831,827,229	537,026,355
53	Other vegetable textile fibres	12,563,636	12,504,886	151,716	7,600,997
54	Man-made filaments	79,973,131	179,666,836	107,902,669	56,707,111
55	Manmade staple fibres	64,249,410	80,072,946	60,528,874	147,172,794
56	Wadding, felt and non-woven; special yarns; twine, cordage	699,616,422	343,803,984	314,660,000	113,564,382
57	Carpets and other textile floor coverings	30,648,402	54,117,685	57,407,523	38,857,312
58	Special woven fabrics; tufted textile fabrics; lace	6,826,938	4,118,266	8,498,508	46,904,321
59	Impregnated, coated, covered or laminated textile fabrics;	91,169,962	181,374,209	121,896,798	97,607,199
60	Knitted or crocheted fabrics	153,358	54,672	1,248,545	10,501,759
61	Articles of apparel and clothing accessories, knitted or crocheted	43,705,283	59,524,579	156,043,030	198,915,828
62	Articles of apparel and clothing accessories, not knitted or crocheted	958,357,824	2,170,021,224	5,172,741,054	10,304,072,547
63	Other made up textile articles; sets;	637,430,948	597,540,060	394,776,607	371,770,402
64	Footwear, gaiter and the like; parts of such articles	1,734,689,251	2,978,015,930	1,193,641,530	1,117,265,127

65	Headgear and parts thereof	6,745,953	9,665,156	7,410,543	7,383,336
66	Umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips	19,489,932	44,867,803	45,935,408	82,103,517
67	Prepared feathers and down and articles made of feathers or of down	7,863,073	6,210,525	3,890,644	2,908,652
68	Articles of stone plaster, cement, asbestos	57,858,342	79,126,297	38,795,310	327,394,579
69	Ceramic products	394,574,395	596,011,732	505,110,518	185,621,263
70	Glass and glassware	116,552,567	152,498,904	112,115,337	83,213,949
71	Natural or cultured pearls, precious or semi-precious stones,	28,858,917	9,727,798	4,458,969	4,341,195
72	Iron and steel	302,874,940	326,272,397	491,701,514	247,820,786
73	Articles of iron or steel	1,001,422,867	788,713,927	1,406,118,896	1,301,800,290
74	Cooper and articles thereof	76,305,445	104,378,262	57,196,731	8,138,335
75	Nickel and articles thereof	13,604,808	1,416,522	1,915,618	-
76	Aluminum and articles thereof	220,529,558	171,227,094	113,040,554	147,274,759
77	(Reserved for possible future use in the Harmonized system)	-	-	-	-
78	Lead and articles thereof	4,511,984	671,871	1,600,204	68,792
79	Zinc and articles thereof	1,214,274	808,038	32,464	-
80	Tin and articles thereof	-	133,821	452,455	884,041
81	Other base metals; cements; articles thereof	1,608,310	152,297	46,077	-
82	Tools, implements, cutlery, spoons and forks, of base metal	296,339,263	351,507,904	258,841,350	328,523,201
83	Miscellaneous articles of base metal	279,085,015	809,963,498	135,474,681	58,278,382
84	Nuclear reactors, boilers, machinery and mechanical appliances	5,904,760,432	4,309,904,917	2,068,771,522	1,967,569,581
85	Electrical machinery and equipment and parts thereof	3,908,868,219	5,932,692,219	5,129,076,952	5,176,508,857
86	Railway or tramway locomotives, rolling-stock and parts thereof	7,268,958	167,033	169,997	-
87	Vehicles other than railway or tramway rolling - stock	4,669,429,601	4,345,727,224	3,408,171,616	3,323,895,574
88	Aircraft, spacecraft, and parts thereof	-	62,026,253	24,904,447	36,331,619
89	Ships, boats and floating structures	6,214,816,470	25,487,069	2,279,402,558	1,985,844,850
90	Optical, photographic cinematographic, measuring, checking	261,076,131	226,360,135	517,642,928	158,208,327
91	Clocks and watches and parts thereof	32,694,090	44,382,080	25,579,088	22,227,428
92	Musical instruments; parts and accessories of such articles	1,871,340	3,925,786	1,747,177	14,276,157
93	Arms and ammunition parts and accessories thereof	655,350	215,078	9,253,250	597,486
94	Furniture; bedding, mattresses, mattress supports	343,944,448	623,446,635	1,011,212,948	437,665,757
95	Toys, games and sports requisites, parts and accessories thereof	215,627,468	129,619,170	125,086,646	87,554,759
96	Miscellaneous manufactured articles	133,892,695	212,503,029	111,507,990	105,330,576
97	Works of art, collectors' pieces and antiques	-	1,437,979	18,792	74,335
	Total	59,093,007,884	55,411,382,038	52,053,179,051	59,983,220,061

Comparison of Tax and Non-Tax Incentives Granted in Mainland Tanzania and in Zanzibar

Incentive Legislation Applicable in Union Areas	Incentive Legislation Applicable In Zanzibar	
NATIONAL INVESTMENT (PROMOTION & PROTECTION) ACT NO. 10 OF 1990	ZANZIBAR INVESTMENT (PROMOTION & PROTECTION) ACT NO. 2 OF 1986	THE ZANZIBAR FREE ECONOMIC ZONES AUTHORITY ACT NO. 17 OF 1992
I. Eligibility Requirements and Criteria		
<p>A. An approved enterprise shall be entitled to the benefits specified in the National Investment (Promotion and Protection) Act, 1990 .</p> <p>An approved enterprise means an enterprise whether a new enterprise or the rehabilitation or expansion of an existing enterprise in respect of which a Certificate of Approval is granted by the Center (i.e., Investment Promotion Center).</p>	<p>A. An approved enterprise shall be entitled to the benefits specified in the Investments Protection Act No. 2 or 1986.</p> <p>Approved in relation to any investment, foreign currency, period, sum or amount means an enterprise, currency, period, sum or amount specified in the relevant certificate issued under section 3 of the Act.</p>	<p>A. Free economic zones means Fumba and Micheweni, Free Economic Zones Areas and any other sites hereunder designated as such by the President of Zanzibar and Chairman of the Revolutionary Council.</p> <p>Bonded factory means a factory established and recognized as such under any enactment or rules made for establishment and regulation of bonded factory.</p> <p>Bonded warehouse means a warehouse established and recognized as such under customs regulations or under any enactment or rules made for establishment and regulation of bonded warehouses.</p> <p>The Zanzibar Free Economic Zones Authority shall have exclusive jurisdiction in the administration of the Free Economic Zones.</p>
<p>B. Priority Areas of Investment</p> <p>Schedule A: Priority areas</p> <ul style="list-style-type: none"> a. Agriculture and Livestock Development <ul style="list-style-type: none"> i. Food crop and cash crop ii. Livestock development b. Natural resources c. Tourism d. Manufacturing industries 	<p>B. Priority Areas of Investment</p> <p>Schedule A: Selected Areas</p> <ul style="list-style-type: none"> a. Agriculture b. Livestock and animal husbandry c. Fisheries d. Tourism e. Agro-related industries f. Manufacturing 	<p>B. Authorized Activities</p> <p>Schedule A: Industrial Activities</p> <ul style="list-style-type: none"> a. Textile b. Garment c. Electronics d. Footwear e. Machinery f. Computer

<ul style="list-style-type: none"> e. Petroleum and mining f. Construction g. Transport h. Transit trade i. Computers and high technology 	<ul style="list-style-type: none"> g. Construction h. Transport and communication i. Service sectors j. General import and export trade 	<ul style="list-style-type: none"> g. Jeweler h. Wood products i. Telecommunication
Schedule C: Areas Reserved for Local Investor		
<ul style="list-style-type: none"> a. Retail and wholesale trade b. Product brokerage c. Butcheries d. Butcheries e. Ice-cream making and parlors f. Smaller travel agencies and car hire services g. Bakeries h. Tailoring i. Selected few others 		
II. Investment Incentives		
A. Tax incentives	A. Tax incentives ²³	A. Tax incentives ²³
<p>1. Income tax</p> <p>a. Tax on profit for a new enterprise As from the operative date and within a period of five years the whole of the tax payable with respect to gains and profits of an approved new enterprise shall be remitted.</p> <p>Thereafter, the tax shall be chargeable as follows:¹</p> <ul style="list-style-type: none"> i. For corporations and companies 50% on taxable profits from an investment project by nonresident and 40% for resident. ii. For cooperative societies registered under the Cooperative societies Act, 1991, 22.5%. iii. For sole proprietor the rate shall be as specified in the Income Tax Act, 1973 	<p>1. Income tax</p> <p>a. Tax on profits and reinvested profits Income tax relief (but not complete holiday) for a period of seven years.</p> <p>Where an investor makes a declaration of his intention to reinvest in Zanzibar the profit earned during a period of three years⁴ from his approved enterprise or approved domestic enterprise, the amount of such profit actually reinvested in that or any other new approved enterprise or domestic approved shall be exempted from income tax.</p> <p>In establishing taxable profit the investor shall in relation to sum reinvested be entitled to the benefit of any investment allowances provided for under this Act or any other law.</p>	<p>1. Income tax</p> <p>Income tax holiday for a period of ten years, extendable to another ten years. After that period, the applicable tax rate shall be only 50% of the nominal tax rate.</p> <p>Any sum paid by way of dividend to a shareholder and interest and other sums paid to investors by an export enterprise after production by and within the five years, extendable to ten years, shall be exempted from withholding tax.</p>

Kenya's State of Agricultural Trade Reform in the Framework of World Trade Organization

Hezron Omare Nyangito

Introduction

This paper analyzes Kenya's state of agricultural trade reform in the framework of the World Trade Organization (WTO). The paper addresses two main issues, namely; (a) impact of implementation of the Uruguay Round of Agreement on Agriculture (URAA) focusing on where the country currently stands and evaluation of domestic adjustments arising from URAA changes in applied protection and other trade related barriers, and (b) analysis of the country interests and options for the new WTO round of negotiations focusing on market access, domestic support and export competition; new trade agenda; country's domestic policies; economic effects of specific policies and new rules; and the impact of agriculture's increased liberalization on the other sectors.

This paper is divided into two main sections, which are organized according to the major issues to be addressed as outlined above. Section I presents an assessment of the impact of URAA implementation on Kenya. Section II deals with analysis of the country's interests and options for the new round of negotiations.

I.0 Impact Of Uruguay Round Agreements On Agriculture (Uraa) In Kenya

The Uruguay Round (UR) of multilateral trade negotiations which were completed in 1993 brought radical changes in the global environment for agriculture in terms of both institutional setting and the rules which govern broad agricultural production policies and agricultural trade relations among countries. Together with this, the UR culminated in the creation of the World Trade Organization (WTO), a successor institution for the General Agreement on Tariffs and Trade (GATT) as the global organ for monitoring and supervising the New World trading system. Furthermore, for the first time, agriculture was fully embraced and the sector was formally brought under a more formal and relatively comprehensive multilateral set of disciplines through the approval of the Agreement on Agriculture (AA).

The main thrust of the AA is to remove past production-and trade-distorting practices and to facilitate a fair and market-oriented agricultural trading system. Prior to UR, agriculture products enjoyed a "special status" under multilateral trade rules. Under these rules countervailing actions could not be taken against agricultural products which, enjoyed domestic subsidies at whatever level and of any type, some quantitative trade restrictions were permitted and rules on export subsidies for agriculture were much weaker than those for industrial goods. The main elements of the URAA are to improve market access; reduce domestic support measures; and to reduce export subsidies.

This section reviews the implementation of URAA and focuses on where the country currently stands with respect to implementation of the URAA. It also presents the evaluation of domestic adjustments arising from the URAA implementation.

1.1 Implementation Status of URAA and Experiences in Kenya

Kenya became a signatory to the URAA in 1995 while it was in the process of implementing the structural adjustment programs (SAPs) which started in early 1980s. The SAPs are closely related to the AA particularly the principle of improved market access, which is closely linked to market liberalization. Thus, by the time of signing the AA, the county had already liberalized its markets and eliminated subsidies on agricultural production. However, the level of subsidies on agricultural production and exports was minimal even before the SAPs. Instead, it is argued that the government overtaxed producers rather than subsidizing them (Swamy, 1994).

1.1.1 Recent Policy Changes in Agriculture

Kenya, like much of the developing world has embraced the concept of structural adjustment programs since the early 1980's and the buzzword has been 'liberalization'. Considerable deregulation of domestic trade in all commodities, decontrol of prices, trade liberalization, and institutional reforms of the key sectors--coffee, tea, maize, dairy, cotton and sugar--, and a restructuring of the ministry of agriculture, are some of the reforms that have been implemented.

The deregulation of markets, decontrol of prices, and trade liberalization were aimed at encouraging the private sector to play an important role in the production, marketing and processing of agricultural commodities. The cotton, sugar, beef, dairy, and maize markets have been deregulated. At the same time, though the government is yet to completely deregulate the marketing of export crops, mainly coffee and tea, it has substantially decontrolled their pricing and trade. Domestic controls and trade in cotton have been completely deregulated.

Institutional reforms are aimed at reducing the government's involvement in the marketing of agricultural commodities and allowing its marketing institutions to operate like commercial entities and compete with the private sector. These reforms have been implemented by way of restructuring the grains, sugar, cotton, dairy, and coffee marketing boards in order to encourage private competition. The restructuring of the ministry of agriculture aims at reorienting its roles to strategic functions, which emphasize research and the provision of extension and other essential services to farmers.

Reforms in macro policies have also been introduced. Removal of restrictions on the exchange rate, foreign exchange retention and remittances, and liberalization of interest rates are some of the monetary policy reforms that have been implemented. Government spending has been reduced through retrenchments in the civil service and this coupled with reduced government borrowing should reduce inflationary pressures in the economy.

Table 1 presents the major recent policy reforms in the agricultural sector while Table 2 presents a list of the main agricultural commodities and inputs for which there have been changes in policy, the date of change in policy, the policy before the change, and the policy after the change. Seven commodities --coffee, tea, maize, wheat, milk, beef, and horticulture-- which are the cornerstone of Kenya's agriculture (Nyangito, 1998), and cotton are listed in Table 2.

As can be seen from Tables 1 and 2, the domestic market has been freed and prices have been fully deregulated. Trade in cereals and milk, which was previously the preserve of the NCPB and the Kenya National Trading Company (KNTC), has been liberalized. Imports are controlled by use of variable import duties. Before reforms trade in milk could only be undertaken by KCC, but since 1993 the private sector has been allowed to participate in the processing and marketing of milk. Importation of powdered milk is controlled by use of variable import duties. Substantial deregulation of the coffee, tea and cotton trade has been effected, with exporters being allowed to retain most of the foreign exchange proceeds. Trade in cotton has been completely deregulated.

From the tables, it can be argued that Kenya found it easy to make commitments to AA because it was already implementing related policy reforms. The specific AA and implementation for the country are outlined in the next section.

Table 1: Agricultural and Other Related Policy Reforms, 1993-1998

Policy	Policy Action	Timing	Implementation
Agricultural Policies	·Implement plan to streamline KARI	1995/1997	Done
	·Initiate and complete any legal, policy, and institutional changes arising from the review of the role of co-operatives	1995	Done
	·Accelerate reforms of agricultural parastatals	1995	Not Done
	·NCPB to offer storage facilities for maize to private sector at cost	April 1995	Done
	·Submit necessary legislation reviewing NCPB Act to Parliament	June 1995	Done
	·Publish policy statement in liberalization of oil seed industry	June 1995	Done
	·Implement operating rules for NCPB	July 1995	Not Done
	·Expand role of KARI's Agricultural Research Fund in the financing of research contracts	July 1995	Done
	·Recover unpaid loans extended to KCC	December 1995	On-going
	·Complete restructuring of the MOALD&M	December 1995	Done
	·Commence special financial and physical audit of NCPB	December 1995	Done
	·Review role of co-operatives in a liberalized agricultural sector	1996	Done
	·Establish financially self-sustaining breeder and foundation seed units at KARI's research centers and improve public plant quarantine facilities to enable import and export of seed	1996	Done
		March 1996	Done

	<ul style="list-style-type: none"> ·Implement agreed operating rules for NCPB during transition period ·Submit to Parliament revisions of the Co-operative Act defining new and more independent role of co-operatives in a liberalized agricultural sector ·Implement actions to improve operations of KCC ·Issue policy statement related to the liberalization of the seed market ·Issue letter of invitation for proposals for provision of services to undertake commercialization of NCPB ·Experts in place to prepare and implement commercialization program of NCPB ·Establish modalities for maintenance of strategic maize reserve stock and market interventions ·Establish NCPB as a commercial entity, free to make independent commercial decisions ·Complete rationalization of KARI 	<p>March 1996</p> <p>March 1996</p> <p>March 1996</p> <p>June 1996</p> <p>December 1996</p> <p>December 1996</p> <p>June 1997</p>	<p>Done</p> <p>Done</p> <p>Done</p> <p>Delayed</p> <p>Done</p>
Domestic Market Liberalization	<ul style="list-style-type: none"> ·The number of national and local fees and licences required for new start-ups of retail and wholesale trade to be reduced 	December 1994	No progress
Trade Policy	<ul style="list-style-type: none"> ·Abolish specific duties on cereal imports ·Present to Parliament an anti-dumping legislation consistent with WTO rules and impose anti-dumping duties on cereal imports in accordance with the law ·Aim to reduce tariffs towards the lowest prevailing in COMESA 	<p>December 1996</p> <p>December 1996</p> <p>1997</p>	<p>Done</p> <p>Done in June 1997</p> <p>On-going</p>

Table 2: Specific Policy Changes for Various Agricultural Commodities

Commodity	Policy Before Change	Policy After Change	Date of Change in Policy	Implementation Status
Coffee	·Auctioning done with local currency only	·Auctioning using foreign currency allowed	Nov. 1992	Done
	·No Retention of foreign currency proceeds	·Retention of 50% of foreign exchange proceeds by exporters	1992	Done
Tea	·Auctioning done with local currency only	·Auctioning using foreign currency allowed	Nov. 1992	Done
	·No Retention of foreign currency proceeds	·Retention of 50% of foreign exchange proceeds by exporters	1992	Done
Sugar	·Producer prices controlled	·Minimum Prices established	1994	Done
	·Controlled imports	·Variable duty introduced to protect local producers	1994	Done
Maize	·NCPB only importer	·Private sector can import but variable duty will be imposed	1992	Done
	·Producer prices controlled	·Minimum (floor) prices based on long-term import parity prices	1994	Not done
	·Consumer prices controlled	·Controls abolished	1994	Done
	·Movement permits required	·Movement permits not required	1994	Not done
	·NCPB maintained strategic reserves	·Foreign exchange reserve of \$60 million established	On-going	On-going
	·Only 8% of public	·Funding to be increased		

	research funds allocated to maize	to reflect importance of the crop. Private funding to be sourced through user charges		
Wheat	·Producer prices controlled	·Minimum (floor) prices based on long-term import parity prices	1994	Done
	·NCPB only importer	·Private sector can import but variable duty will be imposed	1994	On-going
	·Public research funding	·Public and private research funding	1994	On-going
Milk	·Prices Controlled	·Prices decontrolled	1992	Done
	·KCC monopoly in processing and marketing	·Private sector allowed to participate in processing and marketing	1992	Done
	·Kenya Dairy Board a monopoly	·Monopoly of Kenya Dairy Board removed	1992	Done
		·Imports of powder milk allowed but variable duty will be imposed	1992	Done
Beef	·Marketing and prices controlled	·Marketing and prices decontrolled	1987	Done
Cotton	·Domestic marketing, trade, and prices controlled	·Complete deregulation of domestic marketing, trade, and prices	1992	Done
Horticulture		·Improve and expand precooling and storage facilities at Jomo Kenyatta International Airport	On-going	On-going

LEGEND: NCPB=National Cereals and Produce Board KCC= Kenya Co-operative Creameries

issues such as trade and labor standards, trade and environment, trade and competition, and trade and investment are seen as strategies designed by the developed countries to create barriers to trade for commodities from developing countries,

I.1.2 Domestic Support

Kenya presented a detailed Schedule on domestic support measures under URAA under the Green Box but not under Amber and Blue Boxes. However, it had already reduced its support on agriculture spending particularly on extension, research and delivery of services to farmers such as (animal health, mechanization and subsidized credit) under the SAPs. Most of these except subsidies on services are support measures under the Green Box of the URAA.

Available evidence indicates that Kenya used to spend about 10% of its total government budget on agriculture in the 1980s but this has dropped to about 5% in the 1990s (Nyangito, 1999 and Table 4). However, about 60 percent of the government's expenditure on the agricultural sector is on recurrent expenditure, which are dominated by salaries (for employees including the extension officers). On the other hand, only about 40 percent is spent on agricultural development which include agricultural research and market information, animal health services, crop protection, seed inspection, mechanization services and farm planning services. This is the expenditure, which can be considered within the domestic support measures.

The amount spent on recurrent expenditure has been consistently higher than that spent on development expenditure since 1995/96 except for the year 1996/1997 and 1999/2000. This is possibly because of fiscal reforms in which the government emphasizes reduction of its public expenditure and the government finds it easy to reduce development expenditure than recurrent expenditure. Most important perhaps, is that most of the development expenditure is funded by donors. This is usually unstable due to the donors' changing policies to provide funds to the government of Kenya.

The government's funding on different domestic support measures on the agricultural sector is shown in Table 5. The government has increased its funding on supportive services such as market and research, and seed inspection on nominal terms since 1990 as opposed to provision of direct production domestic support measures such as artificial insemination, tractor hire, aerial spraying, veterinary services and farm planning. Provision of the latter services can be considered as direct subsidies for agricultural production. This is allowed for developing countries under the special and differential clause (S&D) for measures that fit into the developmental category. The low levels of funding for these direct services means that the costs of these inputs to farmers for agricultural production have increased.

Table 4. GOVERNMENT EXPENDITURES FOR ALL SECTORS AND AGRICULTURE IN MILLION K£ 1982/1983-1999/2000

Year	Agric. Recurrent	Agric. Development	Total agric	Total public	Percent share of agric.
1982/83	52.4	44.3	96.7	1190.7	8.1
1983/84	58.3	14.7	72.9	1242.4	5.8
1984/85	90.4	39.0	129.4	1521.7	8.5
1985/86	62.2	77.6	139.8	1628.4	8.5
1986/87	122.7	99.7	222.4	2063.1	10.7
1987/88	168.1	67.7	135.8	2198.9	6.1
1988/89	310.0	91.6	401.6	3101.9	12.9
1989/90	82.7	71.1	153.8	3156.0	4.8
1990/91	38.6	40.2	78.8	2815.7	2.8
1991/92	13.3	4.9	18.2	4926.7	0.4
1992/93	117.0	177.2	294.2	6064.7	4.8
1993/94	160.6	302.9	463.5	9007.7	5.1
1994/95	184.4	192.2	376.6	9205.6	4.1
1995/96	216.1	170.5	386.6	9170.4	4.2
1996/97	229.5	331.8	561.3	10147.8	5.5
1997/98	213.4	174.4	387.8	1213.5	3.2
1998/99	243.4	229.9	473.3	1364.6	3.4
1999/2000	221.1	265.8	486.9	1917.4	2.5

Source: Kenya, Statistical Abstracts (Various Years)

**Table 5. EXPENDITURE IN AGRICULTURAL PRODUCTION SERVICES 1980-1999
IN KENYA MILLION POUNDS (K£).**

Year	Market and Research	Artificial insemination	Aerial spraying	Tractor services	Govt vet services	Seed inspection service	Farm planning
1980	2624	17	120	2363	31	46	1
1981	2703	17	124	2435	32	47	1
1982	2919	18	130	2523	32	48	1
1983	3066	19	135	2611	35	48	2
1984	3126	19	137	2676	38	48	2
1985	3281	20	139	2944	50	82	2
1986	3081	15	141	1052	174	113	4
1988	3,174	18	140	2,073	112	104	6
1989	3,139	17	144	1,783	143	111	6
1990	9,315	18	141	2,027	122	110	6
1991	9,789	17	144	2,030	125	110	6
1992	9,559	17	144	1,843	141	117	5
1993	10,700	16	145	1,800	146	119	4
1994	9,815	15	140	1,805	148	121	5
1995	10,450	16	149	1,924	158	129	5
1996	11,240	17	160	2,071	170	139	5
1997	11,688	18	166	2,152	177	144	5
1998	12,621	19	179	2,324	191	156	5

Source: Kenya, Statistical Abstracts (Various Years).

I.1.3 Export Subsidies

The URAA permits export subsidies on agricultural products but constraints are imposed on the practice and commitments were made by member countries to reduce the subsidies. The base period for computing export subsidies was 1986-90. These must be reduced from the base by 24% in value (for developing countries) over an eight-year period, during which the subsidies cannot be increased. Subsidies to reduce costs relating to export marketing and internal transportation are exempt for developing countries, although no new ones can be introduced. Importing countries can undertake countervailing measures if export subsidies cause serious injury to their domestic industries.

The major experience with respect to export subsidy commitments for developing countries, Kenya included, is that the provisions are underused (Oyejide, 1997). In

general, subsidized exports of several products are fairly small relative to what were allowed. The main reason for this is that few developing countries provide export subsidies and so the disciplining of this practice has no direct consequence for them. However, it is important that they are aware of the effects felt indirectly. For example, the effect on net food-exporters is most obvious as export subsidization by others hurt them in terms of market share and earnings. On the other side, food importers may face increased import bills once import subsidies are withdrawn. Thus removal of subsidies have different effects depending on whether one is a net food importer or exporter.

I.1.4 Other Issues

Other than the three key issues discussed, the URAA contains three important elements.

First, it imposes new rules on Sanitary and Phytosanitary (SPS) measures. This mandates that the SPS should be applied only to the extent necessary to protect food safety and animal and plant health. This however can constitute unfair technical barriers to trade when used indiscriminately. Provision is also made for possible technical assistance for developing countries to comply with SPS standards of importing countries.

Second, the URAA recognizes the S&D for developing countries and least developed countries (LDCs). The developing countries are permitted a period of 10 years to implement reduction commitments. For the least developed countries, no reduction commitments are required in any of the three areas of market access, domestic support and export subsidies.

Third, the Marrakesh Declaration noted the special difficulties of LDCs and net-food-importing developing countries who may suffer sharply increased food import bills following the reduction in food export subsidies by the developed countries and possible increases in food import prices. However no clear-cut operational mechanisms have been developed for implementation of this decision.

I.2 Impact of URAA on Price Stability, Tariffs, Trade Patterns and Agricultural Production

I. 2.1 Price stability

The impacts of URAA on price stability are mirrored on the price trends for agricultural commodities. However, since Kenya liberalized its markets under SAPs before becoming a signatory of WTO, the observed trends cannot be wholly attributed to URAA. The price trends are shown in Table 6. There was a significant increase in the nominal prices of agricultural commodities in 1993 when the country started to vigorously implement liberalized market policies. This was due to removal of government controls on domestic prices and foreign exchange. In real terms, the prices for cereals (maize, wheat and rice)

have increased since 1995, the prices of export crops (tea and coffee) show fluctuations between 1995 and 1999, while the prices of industrial crops (sugar, sisal, pyrethrum and cotton) have remained almost constant during the period. The price trends for export crops have fluctuated with an upward trend depending on supply in the world markets. The price of tea for example, has shown a decline possibly because of the large supply in the world markets. The price of industrial crops depends mostly on local demand for the commodities, which is also derived from the demand for the manufactured products.

Table 6. Real Prices (1982 = 100) for Agricultural Commodities in Kenya

Year	Cereals	Export Crops	Industrial crops	Livestock and Products
1990	246.9	154.3	242.2	197.6
1991	294.2	181.1	253.4	211.6
1992	396.9	205.9	290.4	276.7
1993	587	396	364.1	321.5
1994	814.5	474.5	623.3	409.6
1995	764.5	472.1	665.2	457.7
1996	923.2	456.0	646.4	393.9
1997	1,151.3	753	650.7	500
1998	1,088.5	820	792	497.7
1999	1,161.6	608	794	481.8

Source: Kenya, Economic Surveys (Various years)

The impact of price changes on the incentives to farmers is better illustrated using the nominal protection coefficients for the major agricultural commodities as shown in Table 7. The incentives have been more favorable for wheat whose coefficients have been more than 1 since 1994. This means that the domestic price is higher than the world import prices. The nominal coefficient for maize has fluctuated between 1 and 0.8 since 1994. The prices of wheat and maize (Kenya's main imports) are generally higher than the import prices because of deliberate Government's efforts to encourage increased production of these commodities. This is made possible through the involvement of the National Cereals Produce Board (NCPB), a government parastatal, in the marketing of these commodities and use of high import tariffs to keep domestic prices high.

The nominal coefficients for tea and coffee, the main exports have averaged about 0.9 since 1994 indicating that the price received by farmers are slightly lower than the export prices. This is because of tax charges and deduction of marketing charges by marketing agencies on these commodities. Similarly, the nominal coefficients for industrial crops (sugar and pyrethrum) have been generally lower than 1 since 1994 indicating that prices received by farmers are much lower than the export prices. This is because of poor marketing arrangements and therefore high charges for services rendered to farmers which drastically reduce the price received.

Table 7 Nominal Protection Coefficients for major agricultural commodities in Kenya 1990-1999

Year	Wheat	Maize	Rice	Coffee	Tea	Pyrethrum	Sugar
1990	1.09	0.75	0.64	0.94	0.93	0.92	0.53
1991	1.22	0.76	0.55	0.87	0.88	0.81	0.34
1992	0.86	0.78	0.92	0.79	0.51	0.51	0.37
1993	0.48	0.69	0.67	0.79	0.93	0.33	0.58
1994	2.08	1.11	0.94	0.88	0.91	0.34	0.37
1995	1.27	0.89	0.51	0.98	0.82	0.71	0.49
1996	1.07	0.98	0.50	0.98	0.91	0.63	0.61
1997	1.55	1.14	0.97	1.01	0.88	0.57	0.64
1998	1.43	0.84	0.93	1.01	1.06	0.83	0.78

Source: Calculations using data from Kenya Statistical Abstracts (various issues)

In conclusion, it is apparently clear that the use of import tariffs is more important with respect to providing incentives for production of cereals while domestic marketing costs and world market prices play a major role in affecting the production of export and industrial crops. The Government of Kenya uses variable import duties on food imports to restrict them when domestic supplies are high (to increase domestic price) and to encourage them when there is a deficit in domestic supplies (to lower domestic price). However, the government does not apply any measures to cushion producers of export crops against price fluctuations in the market.

1.2.2 Domestic Adjustments from URAA: Changes in Applied Protection (Tariffs)

Kenya has undertaken substantial trade liberalization since 1993 under the auspices of the SAPs, which are consistent with the URAA. Tariff reforms started in 1981 with tariff reductions on about 21 items used mainly by export-oriented industries. The tariff reductions were gradually extended in the 1980s and 1990s and the tariff categories were reduced from 25 to 11, while the maximum tariff rate was reduced from 170% to 70% over the 1987-1993 period (Mwega, 2000). In the 1994-1996 budget speeches, the maximum rate was reduced to 35% and the number of bands to five. The average unweighted tariff rate declined from 41.3% in 1989/90 to 34% in 1992/93 (UNDP/World Bank, 1993). The only element of tariff protection remaining in Kenya by end of 1995 was provision to impose countervailing duties, announced in the 1995/96 Budget Speech and these were aimed at curbing unfair competition from subsidized exports from other countries. On becoming a member of WTO, the country bound its tariffs at 100% for all agricultural products and 62% on fish. The country also reduced all non-barrier tariffs on agricultural imports.

A detailed breakdown of tariffs at HS2digit level (SITC) for agricultural commodities and related products for 1994 to 1999 is given in Annex 1. It is clear from the Annex that Kenya has substantially reduced its tariff levels from between 40% to 60% for most commodities to below 30% most of the commodities and processed agricultural products.

Only cereals (maize, wheat and rice) and cereal related products attracted tariffs higher than 60% in 1999 but these are also less than the binding ceiling of 100%.

I.2.3 Value and Patterns of Trade

Kenya's volume of trade for exports and imports since 1990 is shown in Annex 2 and 3. The volume of trade in exports has risen from £¹4.2 billion prior to signing the WTO to K£5.7 billion in 1998 while the volume of import trade has risen from K£5.7 billion to K£9.9 billion. Agricultural commodities dominate the exports while manufactured goods dominate the imports.

The major destinations of Kenyan exports over the 1994-1999 period are the East African Community (EAC), the European Union (EU) and the Common Market for Eastern and Southern Africa (COMESA) (Table 8 and Annex 2). In 1994, the EU was the dominant market for Kenyan exports but in 1997, EAC became the main destination and continues to dominate. This may have been possible because of the regional trade agreement that was formed by the three East African countries. Kenya's trade with COMESA excluding the EAC countries has been declining. This is possibly because of the emergence of South Africa as a major trading force in the region. The share of exports to the rest of the world has grown by 3% since 1994 and about 10% for the rest of Africa.

Table 8. Destination of Exports to major markets as a percentage of Total exports

Year	EAC	COMESA Less EAC	Rest of Africa	EU	United States	Japan	Rest of World
1994	22.6	13.5	7	36.1	3.3	0.8	16.7
1995	28.5	10.1	9.9	32.2	2.7	0.7	15.8
1996	29.2	9.0	8.9	32.4	2.7	0.8	16.9
1997	29.2	8.9	8.6	31.6	2.9	0.8	18.1
1998	29.7	7.5	10.6	29.1	2.6	0.8	19.7
1999	30.5	2.3	16.9	27.4	2.3	0.9	19.6

Source: Kenya, Economic Surveys

Exports

The structure of Kenya's trade in Exports (Table 9) indicates that there has been no marked difference in its composition since the country became a WTO member. Agricultural trade in food and beverages has not changed and it continues to dominate Kenyan exports constituting an average 53% of total exports over the period 1994 to 1998. Kenya's exports can be divided into traditional and non-traditional exports. Traditional exports are those, which account for more than 3% of total exports in the base

¹ One Kenya Pound (K£) is equal to Kenya Shillings (Kshs20) while one US\$ is currently equal to about Kshs78

year (1980) (Blackhurst and Lyakurwa)². The traditional exports include industrial supplies, coffee, tea and crude vegetable materials. The non-traditional exports include most of the horticultural products including flowers.

Table 9. Composition (%) of Kenya exports and imports in broad categories

Type of commodities		1994	1995	1996	1997	1998
Food and Beverages	a. Exports	51.5	51.1	52.9	53.9	57.4
	b. Imports	10.04	4.53	7.69	6.62	8.60
Industrial Supplies	a. Exports	29.4	26.9	26.1	22.4	18.3
	b. Imports	39.37	39.22	36.60	39.75	33.83
Fuel and Lubricants	a. Exports	6.5	5.3	6.6	9.0	9.1
	b. Imports	16.15	12.98	16.09	15.50	16.13
Machinery And Capital Equipment	a. Exports	0.9	1.4	0.9	0.6	0.9
	b. Imports	15.35	19.25	18.16	16.91	17.63
Transport Equipment	a. Exports	1.1	0.5	0.5	0.4	0.6
	b. Imports	12.27	17.0	14.42	14.43	15.67
Consumer Goods	a. Exports	13.6	14.8	13.1	13.9	13.7
	b. Imports	6.82	7.03	7.04	6.79	8.14

Source: Kenya, Economic Survey (1998)

The value of agricultural exports has risen from K£2.5 billion in 1994 to K£3.8 billion in 1998 (Annex 2). Except for tea and crude vegetable materials, the performance of tradition exports was poor in the 1980s and 1990s with growth averaging 7.4% when compared to non-traditional exports where growth was estimated at 20.1% (Mwega, 2000). The good performance of the non-traditional exports is attributed to removal of restrictive trade policies by importing countries, particularly, to Europe under the ACP-EU Lome Agreement. The good performance in 1992-1996 similarly overlaps with trade liberalization and is explained by "removal of bureaucratic bottlenecks and availability of foreign exchange" (Kenya, Economic Survey, 1996). On the other hand, the share of exports for industrial supplies fell from 24.2% in 1994 (pre-agreement period) to 17.9% in 1999.

An analysis of market access conditions for Kenyan exports indicates that the major traditional exports for Kenya (tea and coffee) do not have a problem of accessing markets in developed countries (Mwega, 2000). Furthermore, most Kenyan agricultural exports (73.2%) are exported into the European Union where the applied tariff and non-tariff barriers were low. The schedule of tariff barriers in 1996 for the EU market indicates that they are higher for Food and Live Animals and Alcoholic Beverages. These products are

² Markets and market access for African exports: past, present and future". Framework paper presented at the African economic Research Consortium Workshop on Africa and World Trading System held at Novotel Hotel, Accra, Ghana, on October 24-25. Cited by Mwega (2000)

also subject to stricter non-tariff measures. Crude Vegetable materials, animal and Vegetable Oils and manufacturers had relatively lower tariff charges and less strict non-tariff barriers (NTBs). The reduction of tariffs and tariffication is therefore likely to benefit Kenya's exports, which the country has a comparative advantage in and is a major exporter to EU. However, erosion of the General System of Preferences (GSP) and those preferences that have been provided for Least Developing Countries (Kenya is considered a developing country) in the WTO Agreements are likely to hurt the country's exports.

Imports

Industrial supplies dominate imports with a share of 36% of total imports into Kenya followed by machinery and capital equipment at about 15%. Food and beverage constitute an average of 8%. Imports into Kenya are less dispersed than exports (Table 10 and Annex 3). The EU imports accounted for about 33% in 1999 having declined from 36% in 1994 while the rest of Africa accounted for about 10% and the rest of the World 41%. Imports have also remained relatively constant for USA while there has been a decline for Japan. Manufactured goods dominate the imports from EU, USA and Japan while African countries (South Africa for processed agricultural products and maize, and Uganda and Tanzania for maize and beans). Australia, Argentina, USA and Canada dominate imports of wheat. Given that developed countries export relatively low levels of agricultural products, particularly maize which is the country's staple food crop, the threat of subsidized commodities from these countries to suppress domestic production (mainly food commodities) is lower.

Table 10. Origin of Imports as a Percentage of Total Imports

Year	EAC	COMESA excluding EAC	Rest of Africa	EU	United States	Japan	Rest of World
1994	1.1	1.1	11.3	36.8	6.5	8.4	34.8
1995	0.5	0.2	8.8	38.6	4.4	11.5	36.0
1996	0.6	0.7	8.3	38.0	5.2	7.4	40.1
1997	0.7	0.1	14.4	31.8	7.4	7.6	38.0
1998	0.3	0.2	8.0	32.7	8.3	7.9	42.5
1999	0.4	0.3	10.5	33.2	6.8	7.8	41.0

Source. Kenya, Economic Surveys

In conclusion, it can be argued that liberalization and URAA have not greatly changed Kenya's trading patterns. The major trading partners for agricultural commodities for Kenya are the European Union countries for coffee, horticulture and tea, Asian countries for tea and coffee, and COMESA countries for tea and processed food products. The country's pattern of trade with EU has not changed much because Kenya had a special trading relationship with the EU under the African Caribbean and Pacific (ACP)-EU Lome agreement, which, gave special treatment for exports (lower tariffs) from the ACP countries including Kenya. The COMESA countries have also special preferential trade arrangements amongst the members. Thus the URAA enhanced the already existing

market access for Kenya to EU and COMESA. However, for countries which Kenya did not have any preferential trade treaties before URAA, the rules can make it possible for the country to access these markets and therefore increase exports into these countries. But this has yet to happen.

Part of the URAA which, have impacted on Kenya's trade is the Agreement on Sanitary and Phytosanitary Standards (SPS). This has affected Kenya's fish exports to the European Union when a ban was put fish exports from the East Africa countries in 2000. The argument was that the fish from Lake Victoria were unsafe for human consumption because of poor fishing hygiene and pollution of the Lake. Although the ban was later lifted, the SPS create barriers to agricultural trade. The minimum residual pesticide requirement by EU countries on horticulture produce is also a barrier to trade for Kenyan exports. In general, food standards are used extensively by developed countries to block entry into their markets of agricultural products from developing countries. Unfortunately, developing countries consider the standards set by developed countries not to be transparent. Furthermore, fair implementation of the SPS agreement requires both financial and technical resources which developing countries lack. Kenya and developing countries concern is for an agreement that allows for transparency and non-discriminatory treatment in international standards.

The URAA and the SAPs have also influenced Kenya's policies in marketing, input pricing and provision of agricultural services such as extension, credit and research. Before implementation of SAPs and the URAA, the government of Kenya controlled marketing of agricultural commodities. The markets however have been liberalized and currently the government has little or no control over the marketing of agricultural commodities. Under the SAPs policies, the government removed the controls it had over pricing and marketing of inputs and the consequence were an increase of the prices, which has reduced their use. For example, the level of fertilizer use in Kenya has stagnated at about 200, 000 metric tonnes between 1986 and 1999 while the potential is about 600, 000 tonnes (Nyangito, 1999).

1.2. 4 Agricultural Production

Kenya has been a member of WTO for a relatively short period as is the case for most developing countries but the impacts of URAA on agricultural development can be mirrored from the impacts of the SAPs. In general the agricultural sector performed poorly in the 1990s when compared to the 1980s. Annual growth in agricultural gross domestic product (GDP) averaged at about 2 percent compared to about 4 percent achieved in the 1980s. The food sub sector was the worst hit and the decline was most severe in the late 1990s (Table 11). Decline in export and industrial crops particularly cotton has also occurred (Table 12). This is partly attributed to liberalization of domestic markets and free trade in textiles and the subsequent cheap textile (including second hand types) which have flooded the domestic market. The consequences have been limited markets for domestic produced textiles. This has led to closure of such manufacturing firms resulting in loss of employment.

Table 11. Total production of selected food commodities 1990-1998 in 000 tonnes

Year	Maize	Wheat	Rice	Sugar	Milk ¹ Million Litres
1990	2544	190	28.6	434	372
1991	2205	195	32.7	434.3	359
1992	2340	125.9	35.6	371.9	220
1993	1773	76.9	28.7	385.2	249
1994	2363	107.8	30.9	303.9	258
1995	2060	128.6	29.5	384	350
1996	1908	135	30.6	389	257
1997	1890	125.8	31.5	401.61	197
1998	2070	177.1	24.6	449.13	126

Source: Kenya, Economic Surveys (Various Issues)

¹ Refers to recorded sales by the Kenya Dairy Board. Used as a proxy for production because of difficulties of estimation. This represents about 40 per cent of total production.

Table 12. Production of selected cash crops in Kenya 1980-1998 (000 tonnes)

Year	Coffee	Tea	Cotton	Sisal
1986	114.9	143.3	25.4	41.5
1987	104.9	155.8	23.8	37
1988	125	164.0	10.9	36.9
1989	116.9	180.6	13.8	37.4
1990	111.9	197.9	18.8	39.3
1991	87.1	203.6	8.4	38.8
1992	88.4	188.1	15.1	34.1
1993	77.8	211.1	2.5	34.2
1994	81.5	209.4	1.8	34
1995	95.8	244.5	0.2	27.9
1996	97.0	257.2	0.5	28.1
1997	68.0	220.7	0.5	20.1
1998	51.3	294.3	0.5	18.1

Source: Kenya, Economic Surveys (various issues)

It seems that liberalization and implementation of the URAA has disadvantaged Kenya's trade. The exports into the developed countries are declining while imports particularly cereals from the developed countries are increasing. This trend has had a negative impact on agricultural development in Kenya. This point is aptly demonstrated by the balance of trade between Kenya and the rest of the world as shown in Table 13. The balance of trade with developed countries is increasingly becoming worse against Kenya. Annex 5 also presents the trend of exports of agricultural products in since 1994. The general trend is a decline in export value for the country.

**Table 13 Volume of trade (%) and balance of trade for Kenya with different regions
1994 to 1989**

Country/Region	1994	1995	1996	1997	1998
Western Europe					
a. Exports	34.5	32.8	34.1	33.8	30.7
b. Imports	37.4	43.2	39.8	33.7	34.1
Eastern Europe					
a. Exports	0.2	0.2	0.4	0.4	0.4
b. Imports	1.2	1.0	1.4	1.5	1.4
North America					
a. Exports	4.0	3.3	3.2	3.3	3.0
b. Imports	5.4	4.5	6.3	8.2	9.1
Africa					
a. Exports	44.6	48.8	46.7	46.0	47.3
b. Imports	13.7	9.0	9.6	15.1	8.6
Far East, Australia And Others					
a. Exports	15.0	12.4	12.4	13.3	14.7
b. Imports	26.9	29.4	26.8	24.4	28.7
Middle East					
a. Exports	1.7	2.3	3.2	3.2	3.9
b. Imports	15.4	12.9	16.1	17.1	18.1
Total Exports value (K£ Million)	4,282.13	4,866.95	5,910.0	6,022.26	6,059.03
Total imports value (K£ Million)	5,753.90	7,758.42	8,424.31	9,533.68	9,889.43
Balance of trade value (K£ Million)	(1,471.86)	(2,891.47)	(2,514.31)	(3,511.42)	(3,830.4)

Source: Kenya, Economic Surveys (1998)

1.4 Economic Effects of Liberalization and Trade

The analysis of the status of agricultural production and trade in Kenya in the previous sections indicates that policy reforms and trade liberalization has had impacts on the sector. It is widely acknowledged that a wave of substantial agricultural policy reforms in Kenya started in 1993. This was preceded by a period of on-and-off removal of controls and this contributed significantly to the poor performance of the sector in the early 1990's. Agricultural production grew at an average annual rate of 3.5 per cent during the 1983-1990 period. This was followed by a steady decline in agricultural growth with the sector registering a rate of growth of minus 0.4 in 1990-91 and dismal low of minus 4.1 per cent in the 1992-93 period. Following the improved implementation record beginning in 1993, and coupled with good weather conditions, there was an upsurge in agricultural growth and the first positive growth rate in the 1990's was registered at 2.8 per cent in 1993-94 followed by 4.8 per cent in the 1994-1995 period. The sector continued to perform reasonably well registering a growth rate of 4.4 per cent in 1995/96.

The growth rate has, however, been on a declining trend since 1996 with the sector recording growth rates of 1.2 per cent and 1.4 per cent in 1996/97 and 1997/98, respectively. Major impacts of the agricultural policy changes have also occurred on producer prices, marketed output, trade and private sector participation, and consumer prices.

Following the liberalization of the food sub-sector in 1993, there was a dramatic increase in producer prices for all food commodities however there has been a poor response in the production of food despite the nominal price increases (Tables 6 and 10). The poor response can be explained by the fact that the real producer prices fluctuated widely while the terms of trade between the outputs and inputs worsened (Nyangito, 1998).

Foreign exchange liberalization generally increased producer prices for cash crops. Domestic producer prices are now more aligned to world market prices than before. The upward trend for producer prices started in 1992 and has continued for coffee, sisal, and cotton. However, tea producer prices began to decline in 1994 because of the low world market prices. Despite reforms, domestic taxation combined with delays in paying farmers has ensured that producer prices continue to be below the world market prices. The nominal protection coefficients were less than unity for coffee, tea, and sisal between 1993 and 1996 as indicated in Table 7 and by Nyangito (1999).

The policy reforms have also led to fluctuations in the marketed output through the formal market channels for the main food commodities (maize, wheat, sugar, rice, and milk). Generally, less and less of the food commodities are being channeled through the formal markets. The liberalized trade of the commodities has resulted in an increase in importation of foodstuffs. Imports of rice, wheat, and sugar have been on the increase in recent years (Table 14). The policy reforms have also increased participation by private firms and individuals in the trade for food commodities. For example the number of private firms involved in the processing and marketing of milk has rapidly increased and the private sector accounted for about 30 per cent of the market share by 1995 (Kenya, 1995). The number of private firms involved in the domestic distribution of rice, sugar, wheat and maize has increased. In the past this activity was the preserve of Government parastatals.

On consumer prices for food commodities, there was a dramatic increase in 1991-1992 period but soon after rigorous implementation of liberalized market policies in 1993, there was a declining trend probably due to increased food imports and liberalization of the food markets. By 1995, the consumer prices had somewhat stabilized and the general increase may be attributed to inflation (Table 15).

**Table 14. Imports of major food commodities 1980-1998
in 000 tonnes**

Year	Maize	Wheat	Rice	Sugar	Dry Milk
1980	323	48.5	1.2	3.1	12,888
1981	77.3	49.2	4.6	2.1	11,210
1982	89	139.3	11.9	2.2	4,210
1983	0	81.9	44.8	2.4	4,532
1984	405.4	149.9	0.5	1.7	11,108
1985	125.5	14.8	0.6	39.1	6,677
1986	0.7	115.3	61.7	126.3	1,508
1987	0	217.9	39.2	49.1	545
1988	0	75.6	10	42	82
1989	0	123.5	30	80	15
1990	0	322.6	28	64	48
1991	0	242.6	61.2	59.7	65
1992	414.9	100.8	58.9	153.8	829
1993	12.9	314.4	37.2	184.8	747
1994	650.4	353.1	93.5	256.1	2,319
1995	12	364	30.7	244	679
1996	10.8	486.9	47.9	65.8	N/A
1997	1,101.1	388.1	62.4	52.4	N/A
1998	774	478.9	62.8	186.5	N/A

Source: Kenya Statistical Abstracts (Various years)

Table 15 Consumer Retail Prices (Kshs/Kg) for selected food Commodities in Kenya 1994-1999

Food item	Unit	1994	1995	1996	1997	1998	1999
Maize floor	1 Kg	20.50	15.96	16.92	21.50	20.11	22.06
Maize Grain	1 Kg	17.40	12.58	13.67	19.34	16.70	19.79
Wheat Four	1 Kg	26.30	25.15	31.55	33.68	34.10	33.75
Rice	1 Kg	15.50	16.60	18.75	18.75	20.26	21.70
Dry beans	1 Kg	37.38	31.88	33.67	61.36	55.68	51.21
Beef	1 Kg	98.33	106.67	126.25	134.17	127.53	132.43
Milk	1 Litre	26.30	26.37	31.00	35.00	40.00	44.16

Source: Kenya Economic Survey (1999)

Input prices recorded a dramatic increase following reforms and this trend has continued (Table 16). The rapid increase has been attributed partly to inflation and partly to the weakening of the Kenyan Shilling. The input prices are sensitive to exchange rate policies because most of the inputs are imported or have large import components. The level of input use has remained more or less constant since the mid-1980's (Table 17). Fertilizer use in particular, has fluctuated in a narrow band between 174,000 and 285,000 metric tonnes, which is well below the potential level of use estimated at 600,000 metric tonnes.

Table 16. Agricultural inputs price indices for Kenya 1994-1999

Input	1994	1995	1996	1997	1998	1999
Fertilizers	227.2	218.6	232.8	389.7	446.9	528.4
Fuel and Power	576.4	641.7	730.6	804.4	851.5	932.8
Bags	294.9	283.6	301.6	296.1	337.4	296.1
Manufactured feeds	578.3	540.6	621.7	886.6	946.5	740.3
Purchased Seeds	848.5	830.6	937.4	1,166.8	1,679.7	1,865.5
Other input Materials	313.9	350.0	378.9	386.2	408.8	340.0
TOTAL MATERIAL INPUT	460.4	435.5	489.9	585.6	656.7	647.2

Source: Kenya, Economic Survey (1999)

Table 17. Agricultural inputs quantum indices for Kenya 1994-1999

Input	1994	1995	1996	1997	1998	1999
Fertilizers	94.4	128.0	115.2	124.7	99.6	87.0
Fuel and Power	116.8	121.8	129.1	114.9	118.4	116.3
Bags	101.3	104.5	110.9	133.3	135.6	140.1
Manufactured feeds	271.7	342.0	273.6	240.4	232.3	245.0
Purchased Seeds	120.4	131.3	128.2	125.3	142.7	123.8
Other input Materials	99.9	101.6	100.3	101.5	104.6	109.8
TOTAL MATERIAL INPUT	125.3	128.4	127.2	139.6	138.9	143.2

Source: Kenya Economic Surveys (1999)

Although the implementation record of policy reforms has improved since 1993, a wide chasm between policy pronouncements (in Government policy papers such as Development Plans, Sessional papers, etc.) and policy implementation continues to exist. Those policies that entail simple policy pronouncements such as price decontrol have met with a greater implementation rate compared to those requiring structural changes and budgetary commitments. While the policy reforms have the objective of placing markets at the center of the economy, little has been achieved in empowering the private sector to play the important role envisaged in such reforms. The government policies have often been inconsistent and unpredictable. In the reform period there has been uncertain political commitment to the necessary changes. Stakeholders have not always been involved in the design and implementation of the policy changes and this has meant that policies with potentially significant long-run economic benefits have met with resistance due to their negative short-run impacts. The negative effects of reforms are exacerbated by the extreme poverty in Kenya. The fact that many people are poor means that any disruption in their economic and social activities may provoke unrest with serious political consequences. The implementation record has also suffered because of lack of capacity in key areas including the capacity to analyze and implement change.

The policy reforms have, to a certain extent been successful in achieving necessary macroeconomic changes. However, they have been less successful in achieving growth in the agricultural sector. This failure is closely linked to the weaknesses in the policies themselves as well as other institutional and administrative weaknesses as they relate to the implementation of the reform programs. Many reform packages lack complementary policy components and proper sequencing. The government has the important role of providing infrastructure (e.g. roads, information), an institutional framework for the efficient operation of markets, and the creation of a system of rights and obligations which holds society together and responds to the needs of its citizens. The government, it would appear has equated liberalization and privatization with an abdication of any responsibility for economic development. After long periods of government production and marketing monopolies, private traders lack the managerial skills, the financial capacities, and/or physical infrastructure to take on the production and marketing functions which the government has been performing.

The policy reforms and URAA have also affected Kenya's trade. In general, Kenya's export performance has declined significantly since 1989-91 (average of 14.5% of GDP), before rebounding in 1993-1996 (average 23.3% of GDP), followed by a decline in 1997-1999 (average of 20.6% of GDP) (Mwega, 2000). While domestic supply constraints are largely responsible for the reduction in trade, access to markets is also a problem. About 73.2 percent of Kenya's exports go to the European Union. The applied tariff levels in these markets is generally low for raw export commodities such as coffee and tea but food products which include agro-processed products and horticulture Face slightly higher tariffs and non-tariff measures such as SPS requirements. Thus tariff reduction under WTO is likely to benefit Kenya's food industry (fish and horticultural) which the country has a comparative advantage. However. The erosion of the General System of Preferences (GSP) and those preferences provided to least developed countries (LDC) embodied in WTO agreements are likely to hurt Kenya's trade.

II. 0 Kenya's Interests And Options For The New Round Of Negotiations

The URAA was a turning point in the history of agricultural trade negotiations. Conversion of all non-tariff barriers into binding custom duties and reduction in tariffs has led to improved access to markets and trade opportunities have expanded worldwide. However, differences persist in the level of market access as committed by various members. The causes of the differences include border protection levels, discrepancies between applied and bound rates, trade-weighted and single average tariffs, tariff peaks, tariffication, high seasonal tariffs, application of tariff quotas and scope of special safeguards.

As a result of the above differences, barriers to trade are still very high and a lot remain to be done before agricultural trade is as liberal as world trade in manufactures.

II.1 Interests and Options in the Built-in Agenda

Kenya's interests and options in market access domestic support and export competition are discussed in this section.

II.1.1 Market Access

The new sets of rules on market access, reduction of tariffs and tariffication of non-tariff barriers, are remarkable and can contribute significantly to the predictability and security of trade. However, for actual trade to take place at a given point in time depends on the level of tariffs and other access conditions, which are country specific. Experiences of implementation of the rules so far as identified by FAO (1999) are as follows:

- Bound tariffs still remain high on sensitive products. This is because of three main reasons
 - (a) The base period chosen (1986-1988) was a period when world market prices were low and therefore the computed tariff equivalents, or gaps between domestic and world prices were very high.
 - (b) Some countries set their base tariff rates for some products such as temperate zone products (cereals, dairy and meat) to be very high than justified by computed tariff equivalents.
 - (c) The simple average formula used in UR allowed countries to make smaller (15 percent minimum required) cuts on some commodities (sensitive products) combined with larger cuts on others (tropical products) in order to arrive at the simple average.
- Tariff peaks are still important and widespread. For all agricultural products, the numbers of tariff lines, which exceed 20%, are more than 26% for both the EU and Japan. Tariff peaks in agriculture are most widespread in three product groups- major food staples; fruit and vegetables; and processed food products.
- Actual border protection tariffs may have increased. In principle, tariffication of was aimed at resulting in lower bound tariffs no more protective than NTBs and since tariffs were to be reduced, market access should be better but this has not happened. Tariff protection is substantially higher on food and beverages compared to agriculture as a whole.
- The tariff structure is complex especially for the case of developing countries because of the increase in tariff lines.
- Safeguards are used less than expected by developing countries while 80 percent of tariffied items of the OECD countries are subject to SSGs thus allowing importers to increase tariffs above the bound levels in response to surges in imports or a decline in import prices.
- Tariff escalation has been observed particularly for processed tropical products. This will continue to impede exports of processed products from developing countries.

- Sanitary and Phytosanitary measures (SPS) or technical barriers to trade (TBT) have nullified access to markets. As tariffs are lowered, SPS/TBT measures will be increasingly important for trade. For the developing countries however, meeting these standards is a major challenge as the gap in standards is high. Moreover, concerns over food safety and quality are on the rise in richer countries, possibly further widening the gap.

These experiences raise concerns that Kenya and other developing countries should address in future negotiations.

II.1.2 Domestic Support Measures

Domestic support provisions were a major innovation in the URAA and have been welcomed by many countries. At the same time, the general consensus regarding the effectiveness of these provisions in reducing trade distortions is that there has been only a very limited impact (Pearce and Haddock, 1999). The majority of developed countries managed to package substantial previous support commitments into the blue and green box categories. Developing countries on the other hand were less adept at using opportunities for AMS exemptions, and many underplayed the importance of AMS by excluding measures which should have been included either in green box submission or as part of the *de minimis* exemption.

Liberalization under the SAPs programs, which many developing countries including Kenya were implementing before the commitments of the URAA has made many not to benefit from the provisions under the domestic support measures. For example, although Kenya notified the WTO its use of domestic support measures, which largely fall under the “green box”, the use of these measures is not comprehensive enough as allowed for in the URAA. Measures such as marketing, promotion services, direct payments, producer resource retirement schemes and investment aids and those allowed for under the S&D are not used by Kenya. Even within, the domestic support measures the country uses, the government has reduced funding because of the influence of the structural adjustment programs (SAPs) the country has been implementing since the 1980s.

Reductions in agricultural development expenditures as one of the efforts of reducing fiscal deficits has hampered the support required for increased agricultural production. Given the role agriculture plays in the economic development of many developing countries, a special clause should be introduced in the URAA to provide for provisions for development (Development Box) which will allow developing countries to support the agricultural sector more. In general, Kenya requires initiating efforts to use most of the domestic support measures allowed for in the URAA to enhance agricultural production.

II.1.3 Export Subsidies

Export subsidy commitments were introduced with a major objective of restricting disposal of subsidized surpluses of agricultural commodities in the world market, particularly from developed countries, which accentuate world price instability. The total values of subsidies disbursed during the base period were required to fall from \$22.5 billion to \$14.5 billion during the implementation period. Half of the reduction was to be accounted by the EU. The main commodities affected were wheat and coarse grains, sunflower, sugar and bovine meat. The commitments made were commodity specific unlike commitment for market access and domestic support

The reduction of export subsidies was initially significant and this led to a surge in international market prices, particularly for cereals. However, in 1998, there was an increase in the level of subsidies on food commodities because most developed countries used the provision within the URAA which allows for a “roll-over” of the value of permitted subsidies that are unused in subsequent years (UNCTAD, 1999). Furthermore, it must be recognized that at the time of the agreement, subsidized exports accounted for a third or more of the trade in beef, wheat and vegetable oils, while a fifth of poultry and coarse could still be subsidized (Pearce and Haddock, 1999). Thus, high level of subsidies still exists in developed countries. This is despite the fact that market access has opened up significantly in developing countries. This indicates that the URAA still permit distortions to market access. Hence, even with the reduction in subsidies, the volume of subsidized commodities still remains high. The EU accounts for almost 90 percent (at US\$5.8 billion) of the world total export subsidy use in 1998, which is roughly 4 times larger than the average agricultural value added (GDP) of sub-Saharan African countries in the same year (UNCTAD, 1999).

The impact of subsidized food imports from developed countries, particularly cereal grains, have been substantial in Kenya since the liberalization of the economy and implementation of the URAA which opened up the market for imports. The level of food imports has been substantial and this may be part of the reason for the decline in food production. As a result of this, there is a concern that export subsidies should be eliminated or prohibited. This is despite the thinking that elimination of subsidies will hurt the net food importing developing countries. However, Kenya might gain in the long run from elimination of the export subsidies because this will encourage the country to provide adequate incentives for increased domestic food production.

II.2 New Trade Agenda on Food Security Issues

The liberalized trade of the commodities and URAA has led to an increase of imports of foodstuffs mainly maize, rice, wheat, sugar and dairy products as shown in Annex 4. In general, the country has imported wheat and rice over the years but the large imports of all commodities in recent years may have led to depressed domestic production and hence reduced marketed domestic volumes. The increase in imports can be attributed to the cheaper imports mostly from the North (EU and USA) which are subsidized.

Cheap food imports reduce the market for domestic agricultural products and leave the majority of farmers and workers in agriculture related industries with no alternative sources of income. Hence even if there are plenty of supplies of food imports even at low prices than domestic supplies, the ability of most people to purchase it is limited. Thus, the impact of URAA and liberalized markets on food security can be positive or negative. Positive in the sense that they can help to enhance access to food through availability and negative in the sense they can limit access to food through limited income generation opportunities.

Subsidized food exports from developed countries into Kenya particularly for maize and wheat are generally cheaper than domestic produced food. Thus the food imports dampen the domestic producer price received by farmers. This acts as a disincentive to production of the affected food commodities as farmers switch to alternative profitable commodities where opportunities exist. In some cases, farmers reduce the amount of food grown for the market and instead produce just enough to meet their subsistence needs.

Admittedly, the availability of food imports allows consumers to access food cheaply. This is true if consumers have other sources of income to purchase the food. However, most Kenyan consumers depend on agriculture directly or indirectly. Food imports reduce the market for domestic agricultural products and leave the majority of farmers and workers in agriculture related industries with no alternative sources of income. Hence even if there are plenty of supplies of food imports even at low prices than domestic supplies, the ability of most people to purchase it is limited.

The policy options to mitigate against the adverse consequences of liberalization and subsidized food exports from developed countries into Kenya are to restrict the imports or use of domestic support programs.

II.2.1 Use of tariffs

Use of tariffs to restrict food imports is allowed within the URAA framework. The tariffs are frequently used to restrict food imports into Kenya although the 100 percent ceiling level has never been used on cereal grains. The high tariffs help to raise the domestic producer prices and this acts as an incentive to producers. The scope of using high tariff to restrict food imports is however limited because the URAA agreements require that the tariffs should be gradually reduced to eventually allow for free trade among member countries. Thus, the use of tariffs to reduce the impact of subsidized food imports from developing countries is feasible for the short and medium time periods only.

II.2.2 Domestic support programmes

The use of domestic support measures within the “green box” which include improved extension and research, infrastructure (roads, markets, etc.), pest and disease control and

promotion are another option for increasing domestic food production. This means that the government has to increase funding in the provision of these services. However, although these services are essential to food production, they do not offer direct incentives to producers to increase food production.

The other policy option within the domestic support measures is the provision of subsidies on agricultural investments and inputs. These are allowed within WTO agreements under the S&D treatment. However, the level of use of these support measures in Kenya is very low. This is one area that the country can use to reduce the domestic costs of food production so they can compete with subsidized imports. These measures can however be used for a short period and are not sustainable in the long-run.

Given the three policy options outlined above, it seems that the best option for the country to focus on for sustainable food production, which can compete with imports, is to focus on the “green box” measures. Thus the country needs to intensify food production extension services efforts, enhance research to provide high yielding crop varieties and livestock breeds, improve infrastructure to make both input and output markets efficient and allow farmers to access credit cheaply. A development box to allow for greater government support on food production can enhance the country’s ability to achieve food security through increased domestic production.

II.2.3 Policies to facilitate adjustments to changes in market conditions

The Marrakesh Decision on Net Food Importing Developing Countries (NFIDCs) contains mechanisms to ensure that the implementation of the URAA does not adversely affect the availability of food aid at a level that is sufficient to provide assistance in meeting the food needs of developing countries, especially LDCs and net food-importing developing countries.

The Marrakesh Decision is a major justification for maintaining export subsidies on food products by developed countries. This is because the effect of reduced subsidies on food exports from developed countries on NFIDCs is not obvious. It is true that a reduction in export subsidies will lead to increased import bills making food imports expensive for consumers. However, the subsequent rise in domestic food prices will create incentives for local producers to increase production. The extent to which removal of export subsidies raises international market prices is an empirical one and this is yet to be estimated but it is assumed not to be very significant.

The impact of reduced food export subsidies on Kenya, as an NFIDC is not very clear and can be ambiguous. On hand, the reduction of export subsidies could increase the import bill for the country but on the other hand, it can increase domestic incentives for increased food production. Since most food consumers in Kenya (about 80%) depend on agriculture (mainly food based activities) for their incomes, reduced subsidies on food imports are likely to raise domestic food prices, which will also lead to increased

incentives to food producers. This is likely to benefit Kenyans in the long run as this can lead to increased food production, which can benefit both producers and consumers.

II.3 Domestic Policy Changes in Agriculture

Kenya, like much of the developing world has embraced the concept of structural adjustment programs since the early 1980's and the buzzword has been 'liberalization'. Considerable deregulation of domestic trade in all commodities, decontrol of prices, trade liberalization, and institutional reforms of the key sectors--coffee, tea, maize, dairy, cotton and sugar--, and a restructuring of the ministry of agriculture, are some of the reforms that have been implemented.

The deregulation of markets, decontrol of prices, and trade liberalization were aimed at encouraging the private sector to play an important role in the production, marketing and processing of agricultural commodities. The cotton, sugar, beef, dairy, and maize markets have been deregulated. At the same time, though the government is yet to deregulate the marketing of export crops (tea and coffee) completely, it has substantially decontrolled prices and liberalized trade. Domestic controls and trade in cotton have been completely deregulated.

Institutional reforms are aimed at reducing the government's involvement in the marketing of agricultural commodities and allowing its marketing institutions to operate like commercial entities and compete with the private sector. These reforms have been implemented by way of restructuring the grains, sugar, cotton, dairy, and coffee marketing boards in order to encourage private competition. The reforms are expected to cover other sub-sectors as well.

Reforms in macro policies have also been introduced. Removal of restrictions on the exchange rate, foreign exchange retention and remittances, and liberalization of interest rates are some of the monetary policy reforms that have been implemented. Government spending has been reduced through retrenchments in the civil service and this coupled with reduced government borrowing should reduce inflationary pressures in the economy.

II.3.1 Barriers that might constrain WTO rules

Although there has been a wave of substantial agricultural policy reforms since 1993 and the implementation record of policy reforms improved, a wide chasm between policy pronouncements (in Government policy papers such as Development Plans, Sessional papers, etc.) and policy implementation continues to exist. While the policy reforms that have the objective of placing markets at the center of the economy, little has been achieved in empowering the private sector to play the important role envisaged in such reforms. Stakeholders have not always been involved in the design and implementation of the policy changes and this has meant that policies with potentially significant long-

run economic benefits have met with resistance due to their negative short-run impacts. The negative effects of reforms are exacerbated by the extreme poverty in Kenya³.

The policy reforms have, to a certain extent been successful in achieving necessary macroeconomic changes. However, they have been less successful in achieving growth in the agricultural sector. Many reform packages lack complementary policy components and proper sequencing. For example, although the government has the important role of providing infrastructure (e.g. roads, information), an institutional framework for the efficient operation of markets, and the creation of a system of rights and obligations which holds society together and responds to the needs of its citizens is lacking. But it would appear Kenya has equated liberalization and privatization with an abdication of any responsibility for economic development. After long periods of government production and marketing monopolies, private traders lack the managerial skills, the financial capacities, and/or physical infrastructure to take on the production and marketing functions which the government has been performing.

II.3.2 Effectiveness of WTO disciplines

Kenya found it easy to implement the URAA rules because of the policy reforms it was implementing. However some of the rules such as use of variable duties on food imports are now constrained and have to operate within the bound tariff limits. The domestic support measures provide an avenue for the government's support of the agricultural sector. But because the country reported only a few domestic support measures and was unable to give schedules for Aggregate Measures for Support (AMS), further support may be constrained unless the country is allowed to revise its schedules. Under reforms, the government eliminated the use of subsidies and therefore the provisions provided for by URAA are unlikely to benefit the country. Ironically, there is pressure from the farming community for subsidies particularly on farm inputs and animal health services. Despite this shortcomings, the WTO policies have pushed the country in the right direction towards market liberalization particularly freeing domestic trade and access of the domestic market to its trading partners. However, there are fears that the country does not have similar market access for its exports to its trading partners both in the LDCs, developing countries and developed countries. Thus reviewing domestic support measures, market access conditions and use of subsidies for developing countries are disciplines that will be most effective in supporting domestic reforms in Kenya.

II.3.3 Problems with legal trade policies

Some of the legal trade policies, which are causing problems for the country, are the most favored nation (MFN) and general preference systems (GPS). Kenya is a member of many trading blocs [e.g. East African Community (EAC) and Common Market for East

³ The number of people estimated to be living below the poverty line (earning one dollar or less per day) by 2000 was 52 percent of the total population.

and Southern Africa (COMESA)] and has agreements for preferential trade with many countries such as under African Caribbean and Pacific-European Union (ACP-EU) and the African Growth Opportunity Act with USA. This membership creates conflicts in trading terms when the country has to have different arrangements of trade with different partners. A good example, is Kenya's preferential treatment for trade with EAC and COMESA members. There arises a problem on how to deal with members of EAC (e.g. Tanzania) which are not COMESA members to conform with trade arrangements which are in harmony for all the different memberships. Clear WTO policies on trade arrangements for countries under various agreements will help solve these problems.

II.4 Specific Policy and Negotiations

Article 20 of the URAA mandated WTO negotiations on continuing reforms in agriculture trade. The first phase runs for the period March 2000 to December 2001. Discussions on the negotiation proposals started during the second meeting of the Special Session of the Committee on Agriculture held at the end of June 2000. The proposals that were discussed covered a range of issues and included:

- (a) elimination and prohibition of export subsidies,
- (b) effective disciplines on export credits,
- (c) possible approach to reclassify the rules governing domestic support measures and reduction commitments;
- (d) market access commitments including tariff reduction formula for improving tariff rate quotas administration and,
- (e) non-trade concerns such as animal welfare and food safety.

Kenya's concerns with respect to the new rules are presented below under the three main disciplines; market access, domestic support, and export subsidies.

II.4.1 Market access

The major concern in market access for Kenya is to establish rules and disciplines that are genuinely fair for both food-importing and food-exporting countries, as well as for developed and developing countries. The objective of negotiations should be to maximize improvements in market access opportunities and to make the structure of tariff bindings for WTO members more uniform. The concerns identified by ECA (1999) for African countries which also apply to Kenya are on the following:

- (i) Lowering tariff rates and binding them, but not limited to zero/zero initiatives for agriculture. This is necessary because tariffs are the only legitimate border measure to adjust differences in natural and economic conditions regarding trade under WTO.
- (ii) Expanding market access opportunities for products subject to tariff rate quotas (TRQs). The focus here is on the need to increase volumes under tariff quotas to developed countries.
- (iii) Reducing disparity between applied and bound tariff rates. The tariffication adopted by developed countries and adoption of very high ceiling bindings by

- developing countries still allow countries to vary protection as they wish in response to changes in domestic and international food markets.
- (iv) Simplification of complex tariff regimes. The need arises to allow for a harmonization of the tariffs for all member countries for easy implementation.
 - (v) Greater certainty and transparency in operation of tariff regimes. The system of operation of tariff quotas particularly notification to the Committee on Agriculture of the WTO is of concern. Various methods are used and seem to provide protection greater than the impact of the tariff quota itself.
 - (vi) Improved market access to the benefit of the least developed WTO members.
 - (vii) Developing countries need to demand for import regimes that are not restrictive for agricultural exports, abolition of border measures that are not tariff only, request for tariff reduction measures that will provide the best market access, and rules and practices governing administration of tariffs which are transparent.

In general, the URAA reinforces inequities in favor of developed countries because of numerous loopholes, which allow for tariff peaks to be set at high levels and tariff escalation to take place. Furthermore, there is a tendency to minimize tariffs for sensitive products while reducing tariffs on those products, which do not have high tariffs in the first place. These issues necessitate the need to review market access rules.

II.4.2 Domestic support

The main issues for future negotiation on domestic support measures for developing countries including Kenya have been identified by many analysts (e.g. Pearce and Haddock, 1999; UNCTAD, 2000; Das, 1999 and; SEATIN, 1999). These concerns include:

- (a) Establishment of a “development box” or flexibility within the “green box” which allows developing countries to use domestic support measures and transparent import controls as national government see fit to encourage food production for domestic consumption.

Transparency by the developed countries to provide information on what is actually included in the green box. A clear meaning on the requirement that “green box” measures be “non trade distorting” is also required because the interpretation is currently ambiguous and open to disagreement.

Pressure should be put on developed countries for further AMS reductions for measures in the green box. The possibilities for doing so include a further reduction on support from established base levels by a similar proportion; tightening the requirements for exemptions so that no more support is included in AMS calculations; and making reductions specific to individual commodities rather than pertaining to an aggregate AMS.

The status of the blue box should be reviewed as most of the domestic support measures in it apply to developed countries. The measures give these countries undue advantage over developing countries. Direct payments allowed for in this box can be dealt with in the overall AMS.

II.4.3 Export subsidies

Two major issues are of concern for developing countries including Kenya in the next round of negotiations. The first is the relatively small number of WTO members, which are now permitted to use export subsidies, and are therefore subject to reduction commitments. The second is the concentration of subsidy permits currently provided by the URAA whereby only 19% of the members are allowed to implement export subsidies and more than half of these countries use subsidies for a narrow range of products. Thus, Kenya should focus on the following issues.

- (a) *Further reductions or abolition:* A major criticism of export subsidies agreement is that it effectively gives advantages to those countries, which have been prior users of export subsidies. The greater use of such subsidies during the base period, the greater the permitted use of subsidies during and after the implementation period. Those countries, which did not subsidize exports, or did so only minimally, will not be allowed to do so. This inequality provides an argument for reduction commitments to be extended through the next round of negotiations.
- (b) *Provision for export prohibitions and taxes:* The converse of export subsidies, export taxes received relatively little attention during the Uruguay Round negotiations. However, disciplines on Export Prohibitions and Restrictions gives provisions for member countries to use taxes for food security concerns but only after providing adequate notice and consultation prior to implementation. Developing countries are exempt from these provisions. Given the concerns of NFIDCs that they enjoy welfare gains from export subsidies on foodstuffs during periods of relative abundance of trade commodities and losses during periods of relative scarcity, food security may necessitate the need to include taxes and prohibitions in future negotiations.
- (c) *Export credits:* The issue of export credits is dealt with under the “prevention of Circumvention of Export Subsidy Commitments”. Export credits provide a possibility of concealing export subsidies (e.g. low interest rates on capital value of exports or use of a low price at delivery date rather than the one prevailing at the payment period or vice versa). However, the URAA agreement calls for members to work towards internationally agreed disciplines with respect to export credits and insurance programs., to conform to the disciplines once they are agreed. The Cairns Group of countries is putting pressure on removal of credit subsidies. Kenya should support transparency in use of export credits and clear disciplines for their us.
- (d) *Clarification of definitions:* There is lack of clarity regarding the status of subsidies which are not listed in Article 9:1 of the URAA. For example, Article 10:1 stipulates that such subsidies shall not be used in a manner which might lead to “circumvention of subsidy commitments”. It does not say that such subsidies are prohibited. Thus there is a degree of uncertainty regarding the status of the various incentive arrangements aimed at agricultural exporters, including direct and indirect tax incentives. Annex 1 of the Subsidy and Countervailing Measures (SCM) on prohibited taxes Article 3:1 excludes those provided for in the URAA however, this is not clear within the URAA. The SCM should clarify

the status of export credits and export guarantee schemes, since Annex 1 ascribes them prohibited status to the extent that they contain an element of subsidy.

II.5 Role of Other Sectors

Agriculture is the major sector in Kenya's economy and, although its contribution to the gross domestic product (GDP) has declined from 35 percent in 1964 to about 25 percent in 1999, it employs about 75 percent of the labour force, provides raw materials for the agro-based manufacturing industries (which constitute 70 percent of all industries) and accounts for about 45 percent of the government revenue. Thus agriculture is the mainstay of the economy.

The agricultural sector has shown mixed performance with the onset of liberalisation of the Kenyan economy. Agricultural monopolies have been abolished for some commodities including maize, wheat, milk, sugar and cotton. This has resulted in low marketing costs and in some cases permitting increased prices to farmers but not in other cases. In some cases uncontrolled imports have depressed incentives for production of commodities such as maize, wheat, rice, sugar and cotton. This has greatly reduced incomes to farmers and job opportunities in these industries.

Under the liberalisation programmes, the government has reduced expenditure on the agricultural sector and encouraged cost-sharing in the provision of services such as animal health and research. This has in some cases led to the poor performance of the sector. Liberalisation has led to an increase in prices of purchased inputs including fertilisers and pesticides and this has tended to erode the profitability of agricultural production.

The decline in the growth of the agricultural sector has a lot of implications on the other sectors (manufacturing and services) of the economy. As a result of the low use of purchasable inputs, land and labour productivity in the agricultural sector is low. The consequence is low yields and overall production of agricultural commodities. This has affected the other sectors of the economy such as food processing and agro-manufacturing (e.g. textile and foot wear) through lack of adequate supplies of raw materials for the industries.

A major concern in the agricultural sector in Kenya is to ensure a speedy recovery to a growth rate of at least 4 percent or higher per annum (Kenya, 1997). This will require provision of incentives to farmers through restrictions on dumped agricultural commodities into the country. Increased attention should also be given to strengthen private input supply systems, government extension services and institutional credit. Attention should also be given to increasing livestock production through improved animal health services and marketing infrastructure. Further, infrastructure in rural areas, particularly roads, water supplies, electric power and communication should receive a higher priority to help in the development of the agricultural sector.

Given the importance of the agricultural sector in Kenya, the WTO rules will play an

important role in its development. The domestic support measures are important with respect to determining an appropriate level of government support to the sector. Market access rules are important to allow Kenya sell its agricultural and agro-processed products to other countries. Finally, a reduction of export subsidies on agricultural products (mainly cereal grains and livestock products) in developed countries will ensure that such imports into Kenya do not depress the domestic prices, which provide incentives to farmers for increased agricultural production.

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III. APPENDIX

Annex I Applied Tariffs for imports of Agricultural Commodities and Related Products into Kenya 1994 to 1999

Commodities	1994	1995	1996	1997	1998	1999
Live animals	0.88	0.47	1.13	9.43	2.86	2.59
Meat of bovine animals, fresh	0.02	N/A	N/A	N/A	15.00	14.82
Other meat and edible offal, fresh	30.61	29.77	34.87	15.00	14.50	21.97
Meat and edible offal chilled	11.95	11.78	15.00	15.00	1.41	15.00
Meat and edible meat offal, preparations	61.66	22.10	12.76	12.39	14.07	20.96
Milk and creams	8.46	33.97	22.20	22.77	26.39	29.28
Butter and other fats and oils	46.47	27.58	16.01	24.97	24.70	25.00
Cheese or curd	44.37	19.42	14.10	13.79	15.33	20.73
Eggs, birds, and egg yolks, fresh	61.54	17.59	14.10	14.70	14.95	19.90
Fish, fresh, chilled, frozen	43.81	18.65	13.96	15.13	14.60	11.23
Fish, dried, salted or in brine smoke	49.04	20.45	14.19	11.02	15.00	15.00
crustaceans, molluscs and others	62.00	29.74	15.01	15.00	15.00	15.00
Fish, crustaceans, other aquaticS	43.72	23.77	14.68	14.97	15.03	14.97
Wheat (including spelt)	0.00	25.35	7.29	15.00	35.23	40.85
Rice	0.01	37.28	36.45	34.05	49.33	70.01
Barley unmilled	N/A	N/A	14.99	15.00	30.00	39.74
Maize not including sweet	0.00	15.00	24.99	18.75	43.66	70.68
Cereals, unmilled	7.32	15.12	14.57	15.00	15.00	17.49
Meals and flours of wheat	30.83	16.87	0.04	14.83	29.06	94.16
Other cereal meal and unmilled	20.12	18.94	15.00	1.54	14.70	17.68
Cereal, preparations of starch	58.44	34.00	21.08	20.17	15.66	23.06
Vegetable, fresh, chilled, frozen	26.65	16.95	16.67	14.62	7.49	19.76
Vegetables of roots and tubers	29.66	18.55	13.47	15.10	22.12	38.04
Fruits and nuts fresh, dried	41.77	17.95	18.10	19.08	18.12	22.40

Fruits, preserved and preparations	44.81	30.13	19.76	18.61	21.64	33.32
Fruits juices and vegetable juices	26.21	20.33	23.14	22.55	20.27	35.29
Sugar, molasses and honey	12.61	27.44	27.51	22.70	24.28	24.59
Sugar confectionary	51.63	41.54	34.01	30.47	29.81	29.46
Coffee and coffee substitutes	42.55	21.68	14.82	15.00	14.74	13.34
Cocoa	24.63	16.25	15.00	14.17	11.03	14.80
Chocolate and others	49.45	42.49	37.09	27.18	26.64	24.11
Tea and mates	36.69	24.45	13.74	15.85	15.00	14.98
Spices	31.85	16.36	14.47	15.78	14.57	15.00
Feeding stuff for animals	11.56	9.91	8.37	5.84	6.79	10.06
Margarine and shortening	45.09	40.01	30.52	19.35	30.46	36.46
Edible products	37.14	21.94	20.03	16.17	13.78	15.33
Non-alcoholic beverages	48.06	41.33	33.16	27.95	25.01	24.36
Alcohol beverages	49.37	42.74	37.53	40.61	0.00	41.05
Tobacco unmanufactured	60.00	24.00	N/A	27.28	N/A	22.79
Tobacco Manufactured	33.65	28.32	33.57	24.18	31.71	29.74
Hide and skins	10.02	19.43	N/A	7.31	5.02	5.00
Furskins, raw	18.00	N/A	N/A	15.00	15.00	15.00
Oil seeds	30.82	19.40	2.92	5.29	5.00	5.15
Oil seeds and oleiginous fruits	33.09	22.20	14.67	6.49	10.68	7.04
Natural rubber	27.19	1.02	5.11	4.88	5.00	5.01
Synthetic rubber	24.55	13.86	7.23	5.50	4.94	5.03
Cork, natural, raw	N/A	18.18	15.00	N/A	N/A	N/A
Fuel wood and wood charcoal	20.00	15.00	13.92	15.00	15.00	15.29
Wood in chips	31.00	19.99	15.00	15.00	N/A	N/A
Wood in rough	N/A	15.00	N/A	15.00	15.00	N/A
Wood simply worked	29.56	24.93	24.92	21.53	21.31	20.26
Pulp and waste paper	13.87	12.55	7.22	4.99	9.33	5.49
Silk	N/A	N/A	N/A	N/A	0.00	N/A
Cotton	20.06	10.00	15.00	5.01	N/A	13.56
Jut and other textile bast fibres	N/A	N/A	9.12	N/A	14.93	15.00

Vegetables textile fibres	31.00	19.06	N/A	14.92	15.00	N/A
Synthetic fibres	25.51	15.92	8.12	4.93	4.91	5.00
Other man-made fibres	25.01	16.45	8.88	6.39	3.74	5.38
Wool and other animal hair	31.00	15.00	N/A	15.00	N/A	15.00
Worm clothing	35.64	26.58	32.90	27.25	24.70	25.47
Fertilizer, crude	5.67	0.77	1.88	3.42	0.81	5.00
Crude animals materials	18.61	14.83	12.35	12.76	13.98	20.51
Crude vegetable material	19.14	13.31	12.20	10.87	11.43	10.21
Animals oils and fats	23.45	17.83	14.93	14.92	15.06	11.39
Fixed vegetable fats, oils	41.00	42.65	34.41	25.15	25.40	18.95
Fixed vegetable fats, crude	28.24	7.09	28.00	32.10	22.22	33.37
Animal or vegetable fats or oils	37.58	17.22	15.28	19.05	26.21	29.33
Veneer, plywood, particle board	40.38	28.34	25.34	30.14	24.92	25.05
Wood manufactured	48.44	38.72	30.43	24.13	22.74	24.45
Paper and paperboard	30.33	23.95	23.30	22.16	23.44	31.34
Paper and paperboard	42.93	33.54	29.50	29.04	29.48	35.16
Textile yarns	38.80	26.18	24.30	24.18	21.97	28.26
Cotton fabrics, woven	46.10	41.18	33.95	29.59	22.52	27.29
Fabrics, woven of man-made	48.21	36.54	29.30	29.77	25.99	27.44
Other textile fabrics woven	54.49	41.83	32.72	30.07	25.00	26.04
Knitted or crocheted fabrics	53.68	43.53	39.42	31.65	64.73	35.70
Tulles, laces, embroidery, ribbon	59.58	38.95	98.37	29.95	26.02	24.58
Special yarns, textile fabrics	33.17	21.11	15.51	17.81	16.83	16.85
Agriculture machinery and parts	11.46	3.63	1.72	1.57	7.04	2.38
Tractor	0.03	0.20	0.73	0.11	0.00	0.12

Annex 2: Kenya Exports to Country of Destination 1990-1998 (Value in K£'000)

GEOGRAPHICAL AREA AND COUNTRY	1990	1991	1992	1993	1994	1995	1996	1997	1998
European Union	577,181	668,473	777,194	1,416,021	1,449,878	1,567,281	1,664,500	1,963,403	1,813,529
Rest of Western Europe	12,652	86,717	80,508	36,800	28,585	61,974	67,204	74,326	46,234
Eastern Europe	19,685	2,102	965	6,645	6,698	6,252	16,610	22,694	17,826
Canada	10,855	10,321	11,480	29,808	28,917	31,008	32,399	29,610	30,642
U.S.A	42,577	57,500	63,295	136,501	146,753	131,624	158,691	168,741	152,672
Rest of America	181	2,243	595	2,795	3,656	4,719	3,820	4,322	5,272
Comesa	233,607	332,922	385,552	1,088,702	1,629,401	1,898,445	2,271,063	2,277,248	2,369,675
Rest of Africa	27,400	37,223	70,088	149,487	186,592	285,097	310,359	244,047	220,389
Middle East	48,256	46,740	50,543	104,944	74,786	116,266	198,125	197,141	239,245
Far East and Australasia	156,907	176,222	237,402	469,186	487,524	531,957	612,815	630,038	783,823
TOTAL EXPORTS	1,232,360	1,611,179	1,768,085	3,625,207	4,170,724	4,656,184	5,696,299	5,722,973	5,722,266

Annex 3: Kenya Imports by Country of Origin (Value in K£'000)

GEOGRAPHICAL AREA AND COUNTRY	1990	1991	1992	1993	1994	1995	1996	1997	1998
European Union	1,243,784	1,172,063	1,070,304	1,851,383	2,035,820	2,986,516	3,174,395	3,070,404	3,219,269
Rest of Western Europe	41,658	52,636	58,486	71,939	115,813	102,621	193,562	165,508	175,204
Eastern Europe	15,648	24,048	18,140	27,860	65,555	110,925	104,509	110,843	114,340
Canada	15,706	24,408	21,300	40,170	26,551	34,564	89,608	79,647	69,657
U.S.A	114,356	132,062	243,428	293,402	381,598	319,344	440,096	705,488	825,464
Rest of America	50,607	25,343	58,061	61,148	49,663	151,755	94,003	125,666	392,593

Comesa	69,546	69,519	84,981	118,910	149,684	91,212	105,651	339,629	125,158
Rest of Africa	6,112	9,494	9,084	5,862	642,770	555,223	703,422	1,106,231	741,807
Middle East	524,506	528,742	647,398	1,153,110	886,399	1,071,227	1,360,208	1,636,630	1,795,174
Far East and Australasia	464,310	597,888	677,305	949,414	1,401,618	1,959,681	2,156,584	2,179,325	2,404,006
TOTAL IMPORTS	2,546,233	2,645,913	2,954,863	5,056,419	5,755,471	7,392,745	8,424,308	9,533,676	9,889,433

Annex 4. Kenya Domestic Exports Value (K£'000) of Principal Commodities 1990-1998

COMMODITIES	1990	1991	1992	1993	1994	1995	1996	1997	1998
Food, Beverages and Tobacco	772,659	830,459	945,519	2,008,220	2,124,963	2,456,271	3,046,129	3,046,129	3,256,760
Basic materials	253,979	392,534	397,523	654,791	696,803	777,051	1,023,891	1,115,222	1,063,598
Lubricants									
Manufactured Goods	207,351	359,028	429,472	919,298	1,345,939	1,420,005	1,583,082	1,473,254	906,914
Miscellaneous	360	31,128	30,514	43,282	3,019	2,857	14,737	22,108	16,590
Grand Total	1,232,360	1,533,831	1,708,085	3,625,206	4,170,724	4,656,184	5,696,299	5,722,973	5,722,266

Annex 5. Kenya Exports of Agricultural Commodities Value (K£'000)

COMMODITIES	1990	1991	1992	1993	1994	1995	1996	1997	1998
Food,Beverage,Tobacco									
live animals chiefly for food....	2,803	1,931	2,792	6,719	3,758	6,129	1,581	1,473	1,279
meat and meat preparations-total.	5,583	4,270	2,097	5,598	5,335	4,443	5,481	5,657	6,431
Tinned meat and preparations.....								1,015	1,416
Bacon.....	5	25	7	183	740	893	545	2,856	2,319
Others.....	5,578	4,245	2,090	5,415	4,595	3,550	4,936	1,786	2,696
Milk and cream.....	607	328	956	5,833	4,644	58,997	19,041	5,783	4,702
Butter and Ghee.....	672	82	186	297	189	1,144	5,955	1,953	1,173
Eggs.....	46	567	124	236	374	420	132	85	98
Fish and preparations.....	30,824	37,965	42,105	86,393	95,309	84,444	164,661	153,780	114,549
Maize ,unmilled.....	20,667	4,804	757	304	849	90,536	100,014	2,779	6,484
Meal and flour of wheat.....	10	19	357	603	700	63,014	51,444	41,886	48,543
Fruits and vegetables-Total.....	128,027	143,825	158,133	269,580	277,002	327,192	448,553	434,420	469,201
Cashew nuts.....	243	7,319	738	428	5,339	1,074	1,708	375	4,273
Pinapples ,tinned.....	43,400	56,683	56,919	96,758	84,723	123,923	192,580	131,024	138,910
Beans,Peas and Lentils.....	14,367	6,642	958	1,348	1,642	5,085	396	135,352	25,683
Others	70,017	73,181	99,518	171,046	185,298	197,110	253,869	167,668	300,334
Coffee,not roasted.....	220,996	218,428	206,339	551,510	652,897	722,132	821,360	842,802	643,752
Tea.....	314,505	381,630	474,908	933,659	844,069	899,473	1,135,228	1,206,295	1,648,533
Feeding stuffs for animals.....	751	3,349	2,011	2,701	3,283	2,156	578	558	517
Others	28,021	12,653	19,468	40,710	93,260	73,760	228,091	1,522,871	197,219

Beverages and Tobacco.....	13,562	16,849	35,286	103,692	143,294	122,431	135,956	122,176	114,279
TOTAL	772,659	830,459	945,519	2,008,220	2,124,963	2,456,271	3,118,075	3,046,129	3,256,760
Basic Materials, Minerals Fuels and Lubricants									
Hides and Skins,undressed.....	1,186	634	944	6,016	14,194	14,555	11,593	18,241	6,380
Oils seeds and oil nuts.....	1,804	2,325	2,259	3,074	3,830	8,988	6,350	17,927	2,723
Timber(trough or simply worked).....	278	314	607	1,400	2,343	1,497	1,910	3,346	635
Wool,raw.....	-	11	1,187	750	999	1,361	1,390	2,012	949
Cotton,raw.....	-	-	-	-	-	3,842	-	323	130
Sisal Fibres and tow.....	18,941	17,665	36,281	36,281	33,120	29,414	40,713	36,154	34,438
Wattle bark.....	10	4	-	-	324	4	7	-	-
Pyrethrum flowers.....	186	178	285	470	564	592	434	-	-
Pyrethrum extracts.....	20,930	32,239	36,569	49,607	78,330	66,369	79,960	68,552	35,789
Other , not stated above.....	42,522	55,878	73,767	134,463	176,672	262,585	395,457	363,633	412,814
Animal and vegetable oils and fats.....	1,946	2,834	6,682	36,374	70,329	96,734	98,764	109,844	119,817
TOTAL	89,793	114,053	141,731	268,435	380,705	485,941	621,918	555,774	553,867



Agriculture and the New Trade Agenda in the WTO 2000 Negotiations. Economic Analyses of Interests and Options for Ghana

Abena D. Oduro

I. Introduction

The development of the agriculture sector is an integral part of Ghana's development and poverty reduction strategy. Although only a small fraction of total production in the agriculture sector is currently traded internationally, developments in the world market for agriculture products has ramifications for domestic production. Expansion in production to supply export markets is an objective of the current agriculture strategy. It is imperative for Ghana that market access is maintained and if possible improved. Market access will be eroded if importing countries maintain high tariff and/or non-tariff barriers. It will also be undermined if some suppliers to third markets have undue advantage because they receive domestic subsidies and support that are not available to the Ghanaian farmer.

Ghana's agriculture is constrained by several problems that are not tackled by the World Trade Organisation. Ghana has several commitments to meet under the WTO that will require not only changes in regulations but also substantial amounts of investment. It is critical that the trade liberalisation that the implementation of the WTO is supposed to achieve does occur. Failing that, countries like Ghana for which the immediate costs of implementing the WTO Agreements appear to be greater than the long-term gains may be less than willing to participate in the process.

II. The Agriculture Sector in Ghana

Agriculture (as defined in the national accounts) comprises of five sub-sectors with the following contributions, i.e. cocoa (14%), other crops (61%), livestock (7%), fisheries (5%) and forestry and logging (11%)¹. The agriculture sector currently contributes approximately 40% to GDP. Approximately 54% of the workforce aged between 15 and 64 are employed in agriculture. In the rural sector the proportion rises to about 70%. Small-holder farms dominate the sector accounting for about 80% of total agricultural production. Subsistence production is still prevalent in the food crop sector.

A wide range of food crops is produced in Ghana. The area under cultivation of many of these crops has increased in the 1990s. Agriculture and food production increased in the 1990s. However, on a per capita basis the picture is less encouraging (Table 1). Both food production per capita and agriculture production per capita peaked in 1995 and have followed a declining trend since then (Table 2). This pattern of production over time is

¹ Forestry and logging includes activities such as timber felling, planting and replanting of trees, transportation of logs up to permanent transportation links, gathering of uncultivated materials and charcoal burning in the forest.

evident amongst cereals (Table 2). Production indices in 1999 are lower than the 1995 indices for maize, sorghum, millet and paddy rice production.

Table 1. Indices of Agriculture and Food Production 1989-91=100

	Agriculture Production	Agriculture Per Capita	Food Production	Food Per Capita
1990	82.4	82.5	82.3	82.4
1992	118.4	115.0	118.3	114.8
1992	117.2	110.3	116.8	109.8
1993	126.2	115.1	125.3	114.2
1994	120.4	106.5	120.0	106.1
1995	136.5	117.2	136.1	116.9
1996	139.6	116.5	138.7	115.8
1997	138.9	112.8	137.6	111.7
1998	145.3	114.9	144.0	113.0
1999	145.3	111.9	144.0	110.9

Source: FAO Quarterly Bulletin of Statistics, Vol.11 No. 3, Rome.

Table 2. Index of Production of Selected Food Crops (1984-86=100)

Crop	1992	1993	1994	1995	1996	1997	1998	1999
Cassava	170	179	180	198	213	210	215	234
Yam	300	350	219	273	293	310	348	418
Plantain	88	108	121	134	149	147	156	167
Cocoyam	76	78	73	94	98	97	99	108
Maize	144	189	185	203	198	196	200	199
Sorghum	159	201	199	221	217	204	218	185
Millet	108	161	137	170	157	117	132	130
Paddy Rice	176	209	216	295	287	263	375	278

Source: Ministry of Agriculture (1999) Agriculture in Ghana. Facts and Figures, SRID, Accra.

Table 3. Production of Industrial Crops (Mt)

	Cocoa	Coffee	Seed Cotton	Tobacco	Oil Palm
1990	293352	4872	11160	1160	470430
1991	242817	2710	14250	1740	508780
1992	312122	370	17460	1725	544970
1993	254652	4116	23350	2230	572990
1994	309406	6330	26290	1700	418380
1995	403000	6330	34640	2000	478980
1996	322490	2880	40250	2020	481910
1997	409360	8370	45670	2390	523350

Source: Ministry of Agriculture (1999) Agriculture in Ghana. Facts and Figures, SRID, Accra.

The production of cocoa has followed an upward trend in the 1990s. Seed cotton production has increased steadily with a quadrupling of production levels between 1990 and 1997. Oil palm production rose continuously between 1990 and 1993 and then declined to levels below the 1995 peak in subsequent years (Table 3).

Productivity in the food crop sector is quite low. Estimates of achievable yields (i.e. yields that have been achieved in isolated cases due to more effective extension and other logistic support) show that there is a wide gap between actual yields and the potential.

The agriculture sector faces several constraints that impact negatively on increased production and productivity. The small-holder farms are dispersed and this makes the provision of support services expensive. Production is largely rain-fed and traditional techniques of production tend to dominate. Less than 1% of the arable land is irrigated. The rainfall patterns can explain much of the wide fluctuation in the recorded growth rates. Fertiliser and insecticide use is limited amongst small-holders. A poor marketing and distribution network is a constraint on the expansion of production. In the agriculture sector there exists well-established marketing chains (for example in the cocoa industry) that transfer the produce from the farm to the final consumer. However the coverage of the marketing chains is limited. Many farmers are not part of these marketing chains and the cost of accessing them is high. Transport costs are a major constraint to the development of market chains for all commodities in all localities.

The sector's contribution to tax revenue has followed a cyclical upward trend. Except for cocoa there are no export duties on agricultural exports and agricultural exports are zero rated in the new tax regime². The cocoa sector generates the bulk of the tax revenue of the sector.

The growth of foreign exchange earnings from the sector in the 1990s has been quite variable. Initially export earnings declined but picked up in 1994. The sector's contribution to merchandise exports has declined in the 1990s. Cocoa beans and products dominate agriculture exports. Most of the developments in agriculture export earnings are due mainly to developments in cocoa earnings. However the share of cocoa bean exports has been declining in the 1990s.

Further liberalisation of agriculture trade and domestic policies in its major trading partners is important to Ghana. However the market potential that the liberalisation offers will not be taken advantage of if it is not possible to increase the marketable surplus.

III. Ghana's Agriculture Trade.

Ghana's agricultural exports are dominated by cocoa beans and products. They made up approximately 80% of agricultural exports between 1990 and 1995. The European Union

² The value-added tax was introduced in December 1998. This replaced the sales tax. Some agricultural imports were subject to the sales tax.

Table 4. Market Share for Ghana's Major Trading Partners for Selected Agricultural Exports.

Country	Percent		
	1992	1995	1998
European Union	43.430	57.46	75.7
of which:			
Belgium	2.051	9.23	4.91
France	1.088	5.74	7.85
Italy	1.076	3.53	4.40
Germany, F	13.025	11.78	9.37
Netherlands	8.393	10.73	22.60
Spain	0.986	5.74	2.65
United Kingdom	16.130	8.51	21.02
United States	5.480	5.76	4.18
Japan	5.333	5.16	8.44
Russia	1.180	5.01	2.59

Notes. This table provides data for 16 HS commodity codes at the 8 digit level. They account for about 80% of the total agricultural exports.

1. A major trading partner is a country that receives at least 3% of the total value of the selected exports.

Source: Ghana Statistical Services **External Trade Statistics various issues**, Accra

Table 5. EU share of selected agricultural exports 1995, 1997, 1998 (%)

HS code	Product name	1995	1997	1998
0702	Tomatoes, fresh or chilled	100	0	0
0714	Roots & Tubers with high starch	84	75	70
0803	Bananas – Plantain	99	99	85
0804	Pineapples, mangos...	64	87	78
0901	Coffee; coffee husks	89	68	79
1511	Palm oil & its fractions	46	87	98
1801	Cocoa beans	51	69	74
1802	Cocoa shells	100	94	97
1803	Cocoa paste	85	48	42
1804	Cocoa butter	93	88	88
1805	Cocoa powder	0	0.1	47
1806	Chocolate & other food	42	5	47
2006	Fruits, nuts & peel	100	0.0	76
2009	Fruit juices	2	75	94

Source: Calculated from Ghana Statistical Services data files.

is the major destination for most agricultural exports (Table 4). The share of agriculture exports going to the European Union has increased in the 1990s and is estimated at 75% in 1998. For some commodities the EU accounts for more than 90% of what is exported

(Table 5). This suggests that for Ghana developments in the EU agriculture and trade policies are of critical importance.

The trend in cocoa export volumes has been upward since 1995 (Table 6). Cocoa prices paid for Ghana's cocoa rose until 1999 when they declined. The effect was therefore for cocoa export earnings to rise until 1999 when they recorded a decline. The export volumes of pineapples, yam, bananas and plantains were higher in 1999 than in 1995. However in the instance of pineapple exports, these peaked in 1996. Volumes have declined since then although they remain higher than levels recorded in 1995 (Table 6).

Table 6. Trends in Export Volumes of Selected Agricultural Products

	1995	1996	1997	1998	1999
Cocoa Beans	237.2	349.0	261.25	327.32	346.76
Cocoa Products	13.86	43.38	53.26	48.38	35.32
Pineapple	15.7	27.6	25.12	24.8	23.44
Yam	6.86	8.08	7.01	7.42	9.76
Plantain/Banana	1.85	3.29	4.00	2.90	3.38

Source: Ghana Export Promotion Council and Bank of Ghana.

Table 7. Market Share of Ghana's Major Trading Partners for Selected Agriculture Imports

Country	1992	1995	1998
European Union	16.892	25.92	24.6
of which:			
Belgium	4.417	1.63	3.36
Germany, F.	2.501	2.11	2.30
Netherlands	3.298	5.23	7.12
France	4.224	5.34	2.61
United Kingdom	1.071	8.12	4.78
United States	22.320	21.50	22.77
Canada	3.741	9.03	15.87
Pakistan	9.908		
Thailand	10.906	13.08	1.53
Vietnam	10.320	3.97	4.23
China	7.829		

Notes. This table provides data for 20 HS commodity codes at the 4 digit level. They account for about 90% of the total agricultural imports.

1. A major trading partner is a country that receives at least 3% of the total value of the selected exports.

Source: Ghana Statistical Services **External Trade Statistics various issues**, Accra

The European Union emerges as a major source of imports. However it does not dominate the direction of import trade as it does the direction of export trade. On the basis of selected imports that account for at least 80% of Ghana's agricultural imports in 1992, imports from the European Union account for about 17% (Table 7). The share of imports originating from the European Union is estimated at about a quarter in 1998. The USA and Canada are major sources of agricultural imports. This is largely because wheat imports are sourced from these countries. Wheat imports accounted for over a fifth

Table 8. Developments in the Structure of Exports and Imports since 1995

HS	Selected Imports	1995	1998
	Milk and Cream, not concentrated or sweetened	0.112	0.153
	Milk and cream concentrated or sweetened	2.662	7.869
	Maize	0.984	0.879
	Rice	16.501	14.404
	Wheat or meslin flour	0.169	0.135
	Wheat or meslin	21.250	28.935
	Soya bean oil and its fractions	0.738	0.921
	Palm oil and its fractions	0.329	3.308
	Cane or beet sugar and chemically pure sucrose	18.296	18.700
	Other sugars in solid form	0.161	0.295
	Coffee; coffee husks and skins	0.033	0.037
	Tea	0.349	1.197
	Cereal Grains otherwise worked	0.373	0.620
	Malt	3.88	4.332
	Margarine	1.620	2.787
	Malt extract	2.983	1.266
	Tomatoes prepared or preserved otherwise than	1.527	1.804
	Wine or fresh grapes(incl. Fortified wines)	1.146	1.331
	Ethyl alcohol undernaturated of	3.418	2.562
	Bread, pastry, cakes etc; communion wafers	1.438	3.090
	Selected Exports		
	Roots and tubers with high starch content	1.863	0.687
	Bananas including plantains, fresh or dried	0.553	0.430
	Dates, figs, pineapples... etc, fresh or dried	2.244	1.382
	Melons and pawpaws, fresh	0.036	0.112
	Coconuts	0.152	0.850
	Coffee, coffee husks and skins	11.726	1.082
	Pepper of the Genus of piper...	0.079	0.139
	Cocoa beans, whole or broken	51.840	68.260
	Cocoa shells, husks skins and other cocoa waste	0.435	0.034
	Cocoa paste, whether or not defatted	0.615	2.028
	Cocoa butter, fat and oil	14.120	8.645
	Cocoa powder not containing added sugar	0.114	0.010
	Chocolate and other food preparations containing	8.283	0.125
	Fruit juices (incl. Grape must) and vegetable	3.275	0.045

Source: Estimated on the basis of data obtained from data files of Ghana Statistical Services

of agricultural imports. The East Asian countries also emerge as major agricultural exporters to Ghana. This again can be explained largely by the structure of imports. Rice imports made up about 15% of agricultural imports (Table 8).

There is a fair degree of concentration in the structure of Ghana's agricultural imports. Rice, wheat and sugar account for just over half the agricultural imports. They accounted for 55.9% of total imports in 1995. Their share rose to 62% of the imports in 1998 (Table 8). The value of rice imports have declined between 1995 and 1998 and rose quite substantially in 1999. The value of wheat imports on the other hand rose continuously between 1995 and 1998, declining in 1999. Unlike rice where there is some domestic production, there is no domestic production of wheat and sugar.

IV. The Trade Regime In Agriculture Before the Uruguay Round.

A. Border Protection –tariffs and non-tariff barriers.

The economic reform package in April 1983 aimed at reversing the decline in the economy and began a process of liberalisation that has pervaded all sectors of the economy.

Import Tariffs and other Import Restrictions

In 1990 there were five tariff lines, i.e. 0%, 10%, 15%, 20% and 25%. Sales taxes were imposed on imported items in addition to import duties. In 1990 there were four sales tax lines, i.e. 0%, 10%, 22.5% and 35%. A super sales tax ranging from 75%-500% on luxury goods was introduced in that year. The super sales tax of 500% was imposed on imports of edible fruits and nuts (HS code 8) and some fruit preparations (HS code 200819 to 200990). A rate of 200% was imposed on alcoholic drinks (HS code 2204-2208) and caviar. Vegetable preparations, i.e. HS code 2001-2007, some miscellaneous edible preparations under HS code 21, margarine, cheese and butter were subject to the 100% super sales tax.

The import tariff regime was restructured in 1994 to 0%, 10% and 25%. Items that had tariff rates of 20% had their rates increased to 25%. A zero tariff rate applied to imports of seeds, some inputs and baby food. Raw materials for domestic industry had a 10% tariff rate and the 25% tariff rate applied to agricultural consumer goods.

The import licensing system was dismantled in 1989. Except for a limited number of items on a negative list, all items could be imported without prior approval.

B. Export Regimes

Export Taxes and Other Export Restrictions

With the exception of cocoa, there were no export taxes on agricultural products. The cocoa tax is what remains after farmers have received the producer price and the

marketing costs of the Cocoa Board have been deducted. Restrictions on the export of cotton and palm oil and on the import of palm oil were removed.

Export Promotion

A package of incentives was introduced in 1983 to encourage non-traditional exports³. The package included a customs duty drawback scheme, income tax rebate scheme and retention of foreign exchange earnings for non-traditional exports. Export subsidies were withdrawn in 1983.

C. Domestic Agricultural Policies

At the start of the reforms in 1983 the economy suffered two shocks. The first was the drought and bush fires that adversely impacted agriculture and the second was the return of approximately a million Ghanaian emigrants from Nigeria. The effect was to increase tremendously the demand for food. The focus of the agriculture policy in 1984-1986 was to increase the production of food crops through an increased supply of inputs.

In the following period the focus of policy shifted towards self-sufficiency in food crops, industrial raw materials and animal products. Other objectives during this period were increasing the production of export crops, reducing post-harvest losses, improving credit and market facilities and the research stations, and maintaining buffer stocks for price stabilisation and security.

The emphasis of the agriculture strategy during the period of reforms was on privatisation. It was considered that privatisation of the supply of inputs would increase their availability and the expected increase in competition would reduce the price to farmers. The liberalisation of the food marketing system was expected to result in higher prices being offered farmers compared to what Government could offer. Another reason given for the privatisation of the sector was that the shedding of some functions performed by staff of the Ministry of Agriculture would allow them to concentrate more on policy issues and monitoring. Finally the parastatals were a drain on state coffers.

By 1990, except for cocoa beans, the farm gate prices of agricultural products were determined by market demand and supply conditions. The prices of cotton were based on negotiations between the producers and the commercial enterprises. The monopsony of the Ghana Cotton Company in the buying of cotton and its monopoly in cotton ginning was broken. The Ghana Seed Company, responsible for the production and distribution of seeds to farmers was abolished. The monopoly of the Produce Buying Company of the Cocoa Board in cocoa haulage was removed. In 1990 the guaranteed minimum price scheme for maize and rice was ended. Input subsidies were phased out and their sale was privatised. Subsidised credit to agriculture had ended in 1987. In 1990 the requirement that at least 25% of commercial bank loans go to the agriculture sector was removed. The Livestock Marketing Board was closed down and the Ghana Food Distribution Corporation ceased to expand its storage facilities for price stabilisation purposes and

³ Traditional exports are exports of cocoa beans, timber, minerals and electricity. Non-traditional exports are all others.

food distribution. Plantations of the Cocoa Board and 40 livestock farms were either closed down or divested.

There has been a definite movement in agricultural strategy away from the state's direct involvement in the production, distribution and marketing of output and inputs. There is also a clear movement away from directly intervening in the market through minimum prices and the provision of production and/or input subsidies.

The medium term agricultural development programme (MTADP) for the period 1991-2000 reflected quite clearly this re-thinking of the direction and bias in agricultural strategy and policy-making in Ghana. The objectives of the strategy were food security, rural employment, increased agricultural exports and increased production of raw materials.

Critical to achieving these objectives was the provision of an appropriate incentive structure, improvements in agriculture support, increased private sector participation, strengthening of agriculture management and more rational allocation of public resources. Unfortunately the performance of agriculture during the period of implementation of the MTADP was poor. Production rates did not rise significantly and the constraints of marketing and access to credit remained.

V. URAA Commitments Made by Ghana

A. Export Subsidies.

The URAA requires that provision of export subsidies conform with what has been agreed upon. The Agreement stipulates the types of export subsidies that are subject to reduction commitments (Article 9). Ghana did not make any export subsidy reduction commitments because it does not have any export subsidies.

B. Market Access.

By the time URAA had been concluded Ghana did not have any quantitative restrictions, so that the issue of tariffication did not apply to it. Ghana chose to bind its tariffs and reduce them over a ten-year period. It bound its tariffs at rates much higher than actually applied (Table 9). Ghana does not have tariff quotas so did not submit a schedule of commitments. Ghana's trade regime does not have non-tariff measures such as non-automatic licensing, tariff quotas, variable levies and import monitoring.

C. Domestic Support.

Ghana had very little in the way of price or income support measures for its farmers. The URAA exempted investment subsidies and agricultural input subsidies provided to low-income or resource poor producers in developing countries from domestic support reduction commitments. Ghana provided a schedule indicating the investment subsidies it had in place. Subsidies are provided to the extension services, research services, veterinary services and to encourage afforestation and control of post-harvest losses.

D. The Agreement on Sanitary and Phytosanitary Standards

Ghana had until January 1, 2000 to implement its obligations under the SPS agreement. Unfortunately it was unprepared for the January 1 deadline. The set of regulations were not developed. It had been agreed that the Inter African Phytosanitary Council would provide the framework and guidelines within which national regulations would be developed. The expected guidelines from the Council had not been received and this held up the development of national guidelines. The Quarantine check-list was not completed. This meant that Ghana had no scientific basis on which to defend its ban on imports of for example, maize seeds from the USA. The national enquiry point has not been established.

The FAO provided Ghana with assistance to develop its Plant Quarantine Legislation. This process was completed in 1997. However very little progress has been made in the process of ensuring that the instrument becomes law.

VI. Changes Made to Meet URAA Commitments

By the time of implementation of the URAA Ghana had a fairly liberalised agricultural trade regime compared to those of its major trading partners. Applied tariffs have remained fairly constant since the start of the implementation period of the URAA. There has been very little in the way of reversal of its trade liberalisation. The main challenges facing Ghana are compliance with the institutional requirements of the other agreements, for example the Agreement on Sanitary and PhytoSanitary Measures, Technical Standards and Customs Evaluation.

There have been no significant changes made in applied import protection due to the URAA. There are presently four main tariff rates, i.e. 0%, 5%, 10% and 20%^{4, 5}. The upper rate of 25% was lowered to 20% in 2000. Ghana's trade liberalisation has been driven largely by agreements made with the IMF and the World Bank rather than by what has occurred at the WTO.

In 1995 the sales tax schedule was revised to 0% and 17.5%. Products that were either classified as zero-rated or exempted under the import tax regime were subject to a sales tax of 0%. The excise tax of 17.5% was imposed on luxury items. By 1998, the sales tax rate of 17.5% was reduced to 15%, and the super sales tax was replaced by the special tax rate of 17.5%.

The sales tax of 15% was replaced by the value added tax of 10% in December 1998. The VAT applies to imported agricultural products. The agricultural items exempt from the VAT are: live animals, livestock and poultry, imports of animals, livestock and poultry

⁴ A special import tax of 20% was introduced in April 2000 and is applicable to about 7% of tariff lines. This tax was imposed in the aftermath of a decline in the terms of trade in an attempt to stem the demand for foreign exchange.

⁵ Unprocessed goods from within ECOWAS with an ECOWAS Certificate of origin are expected to enter duty free.

for breeding purposes, raw animal products produced in Ghana and agricultural and aquatic food products in their raw state produced in Ghana. Also exempt are seeds, bulb rootings and other forms of propagation.

There has been a decline in the tax rates for imported goods in the 1990s. The maximum tax rate for products not subject to the super sales tax was 60% in 1990 compared to a maximum tax rate of 35% in 1999.

Table 10. Evolution of the Agriculture Import Trade Regime.

Year	Action Taken
1990	Import Tariffs: 0% 10% 15% 20% 25% Sales Tax: 0% 10% 22.5% 35% Introduction of super sales tax with rates ranging between 75% and 500%.
1994	Import tariffs rescheduled to 0% 10% 25%
1995	Sales Tax schedule revised to 0% and 17.5% Excise Tax of 17.5% on luxury items
1998	Sales tax schedule revised to 0% and 15% Sales tax replaced with 10% VAT in December. Super sales tax replaced with special tax of 17.5%
1999	Removal of special tax
2000	Import tariff rate reduced from 25% to 20% Special import tax of 20% introduced on selected items VAT increased to 12.5% in June.

Nominal Protection

Nominal tariff rates on agricultural products have not changed substantially in the period 1995-1999. It was only in 2000 that agricultural consumer goods would register a decline in nominal protection conferred on tariffs with the reduction in the 25% tariff rate to 20%. However the nominal protection conferred by the exchange rate declined in the period since 1995 due to the real appreciation of the exchange rate.

An assessment of the impact of sector and macroeconomic policies on agricultural price incentives can be made by decomposing real agricultural prices in the following manner:

$$P_{it}/P_t = (P_{it}/P_{it}^* \cdot E_t)(P_{it}^*/P_t^*)(P_t^* \cdot E/P_t) \quad (1)$$

Where

P_{it} is the national average wholesale price of product i

P_t is the domestic consumer price index

E_t is the nominal exchange rate, cedi per US dollar

P_{it}^* is the border price of product i in foreign currency

P_t^* is the international price index

The first expression in brackets is the nominal protection coefficient (NPC_d). It is a measure of direct price incentives resulting from sector policies. The second expression in brackets is the international terms of trade of the product (TOT). The final expression in brackets is the real exchange rate and captures the effect of economy-wide policies on agricultural prices (RER).

The direct and indirect incentives (NPC_p) is given by $(NPC_d).(RER)$. It measures the effect of both the sector and economy-wide policies. The total effect on price incentives is the combination of the policy-induced incentives and the terms of trade movements (NPC_t).

Developments in price incentives were estimated for cocoa beans (1990-1997), maize and rice (1995-1997). The choice of these crops was determined largely by the availability of data. The real exchange rate and terms of trade were estimated as indices using 1995 as the base year. The domestic price of cocoa used for the analysis is the producer price announced by government. The domestic price of maize and rice are the national average wholesale prices for these crops. The cif border prices of maize and rice are obtained by dividing the value of imports by the quantities imported. This data is obtained from the external trade statistics division of the Statistical Services. The foreign price used in the calculation of the terms of trade of the product is the USA consumer price index.

Cocoa Beans

The farmer's share of the world price in the period 1990-1997 ranged between 30% and 49%. Except for 1993 when the farmers received an unusually low share of the producer price, the nominal rate of protection ranged between -0.51 and -0.61 during the period under review (Table 11).⁶

With the exception of 1991, the real exchange rate depreciated each year between 1990 and 1995. It has appreciated in each of the two subsequent years. The depreciation reduced the negative impact of the sector policies on cocoa price incentives. A comparison of the nominal rate of protection for direct and indirect effects finds that it was lower than the NRP_d until 1996. In 1996 and 1997 the nominal rate of protection due to direct and indirect effects is higher than the NRP_d indicating that the appreciating real exchange rate contributed to taxing the cocoa sector.

The terms of trade for cocoa deteriorated between 1990 and 1994, but have risen by about 13% between 1995 and 1997. The improvement in the terms of trade has counteracted the negative effect of the appreciating real exchange rate on cocoa incentives.

⁶ The nominal rate of protection (NRP) for the direct, policy-induced and terms of trade effects is measured as:

$$NRP_d = NPC_d - 1$$

$$NRP_p = NPC_p - 1$$

$$NRP_t = NPC_t - 1$$

Maize

The national average wholesale prices for maize were below the cif border price during the period under review. The national average wholesale price for maize has been rising since 1990 and a substantial increase was registered in 1997. This can explain the improvement in the NRP_d in that year. The economy-wide policies however have impacted negatively on price incentives for maize so that the NRP_p was slightly higher than the NRP_d in all years (Table 11). The border price of maize fell during this period and there was a drop of about 40% in 1997.

Rice

In contrast to maize and cocoa, the price of local rice has remained consistently above the cif border price. In 1995 the price differential was larger than could be explained by the import and sales tax on imported rice. The differential has declined since then. The cif border price of rice unlike that of maize increased between 1995 and 1997. The NRP_d declined in the three years being reviewed (Table 11). The sum effect of the direct and indirect policies was to reduce incentives for rice. However the improvement in the terms of trade more than compensated for the erosion that had occurred in the NRP_p .

Table 11 Agriculture Price Incentives for Selected Crops

Year	NRP_d Direct Price Effect	NRP_p Direct and Indirect Price Effects	NRP_t Direct, Indirect and Terms of Trade Effects
Cocoa			
1990	-0.54	-0.62	-0.54
1991	-0.51	-0.62	-0.55
1992	-0.54	-0.61	-0.57
1993	-0.70	-0.69	-0.75
1994	-0.58	-0.49	-0.60
1995	-0.61	-0.61	-0.61
1996	-0.57	-0.59	-0.56
1997	-0.53	-0.56	-0.50
Maize			
1995	-0.87	-0.87	-0.87
1996	-0.82	-0.83	-0.88
1997	-0.46	-0.49	-0.82
Rice			
1995	1.13	1.13	1.13
1996	0.08	0.03	1.10
1997	0.13	0.05	1.09

Effective Rates of Protection

The effective protection coefficient is the ratio of value added in private prices to value added at world prices. Values less than one imply that policies are not conferring any protection on the activity.

The effective protection coefficients of maize were greater than one in 1984/5 but were estimated to have declined to below one in 1992 and 1994/5. Unfortunately no estimates

of the effective protection coefficient have been found for maize since 1994/95 so it is difficult to comment on what has happened since the coming into force of the WTO.

The effective protection coefficient for rain fed rice production registered a decline in the up until the mid 1990s (Table 12). It is estimated that in 1999 there was an increase in the effective protection conferred on rice.

The effective protection coefficient on cocoa production has also registered a similar increase in the period since 1994/95 (Table 12).

Table 12 Estimates of Effective Protection Coefficients

Product	1986 ^a	1992 ^a	1994/95	1999
Maize	1.89-2.23	0.63 - 0.91	0.83	
Cocoa			0.77	1.05
Pineapple			0.82	
Cotton			0.67	
Rainfed rice	1.42-1.95	1.17 - 1.35	0.75	1.33

a. The rate varies depending on the different types of production methods, i.e. traditional through to mechanised production methods.

Source: Asuming-Brimpong (19), Seini, W. (1997) and Seini et. al (2000).

The evidence though patchy, suggests that the trade regime since 1994 has provided protection to some agriculture products.

Ghana's applied tariff rates on agriculture imports have not changed significantly in the period the coming into force of the URAA. Compared to the tariff rates of the European Union its main export destination, Ghana's import tariff rates are high. However unlike the European Union, Ghana has virtually no non-tariff barriers on its agricultural imports. An important result of the URAA was the move away from non-tariff measures to tariffs. Thus countries were required to go through a process of tariffication of the non-tariff measures. An assessment of the tariffication process by Ingco (1996) finds that "If the EU applied the maximum specific tariffs committed in the UR, the estimated post-UR *ad-valorem* tariff equivalents in 1995 and 2000 indicate significant increase in protection in major commodities relative to recent levels and relative to the average protection over the last fifteen years" (p. 436). It is estimated that tariff rates for sugar and meat in the EU in 2000 would stand at 152% and 76% respectively. These are significantly higher than Ghana's tariff rates.

VII. Experience with the implementation of URAA Commitments

Although not part of the URAA, the Sanitary and Phytosanitary (SPS) Agreement has direct for agriculture production methods and trade. It is with the SPS Agreement rather than the URAA that Ghana faces severe problems of implementation. Exporters have experienced problems with quality and phytosanitary requirements. Cassava leaf exports were rejected in the UK market because of the presence of insects. Inspectors were

trained to identify the insects, so the problem was solved. In the US market there is a particular problem with the import of yam. Yams to the US market have to be fumigated before they are allowed entry⁷. This process of ensuring health standards creates costs for the yam exporters. The yam is not able to withstand the extreme changes in temperature that occur because of the fumigation process. It is a particular problem during winter when the yam is transferred from the heat of the tropics to the cold temperate weather and then is subject to the extreme heat of the fumigation chamber. The cells of the yam break down and it deteriorates. One exporter estimates that during winter between 20-30% of the yam is lost due to the fumigation process. Article 2 of the SPS agreement outlines the rules and obligations in the application of SPS measures. However the article does not provide measures to protect the importing country from practices that destroy the supplies of the importer in the process of health standards being tested for. In paragraph 2 of the SPS agreement it is stated that measures be applied “only to the extent necessary to protect human, animal or plant life or health”. Article 2 of the SPS Agreement needs to be more explicit in also protecting the interests of the suppliers as they work to satisfy market requirements. There needs to be included in the agreement a paragraph that stipulates that procedures to ensure that standards are met do not result in the destruction of the consignment.

A second weakness with the agreement is the failure to explicitly deal with the time frame within which new measures should be implemented. In the first paragraph of Annex B to the agreement, it is stated that "Except in urgent circumstances, Members shall allow a reasonable interval between the publication of sanitary and phytosanitary regulation and its entry into force in order to allow producers in exporting Members, and particularly in developing country Members, to adopt their products and methods of production...". A problem with this provision is with the definition of “reasonable interval”. Who should decide on how long a reasonable interval should be? It appears that this is left to the discretion of the importing country. Ghana’s experience so far has been that the importing country sets the requirements and the time period within which the measures should be implemented. A major concern is that the time period is not long enough for the necessary adjustments to be introduced without losing a foothold in the market in the meantime. The experience of the fish industry (which is not part of the Agriculture agreement is quite revealing). The time frame within which the EU wanted its health related requirements to be implemented was not long enough for most operators in the industry to adjust. The result was a sharp decline in the number of exporters involved in fish exports in the first year that the directives were enforced.

Nevertheless giving the developing countries the opportunity when it is possible, to phase in the SPS requirements over a longer time period than do other suppliers may put the developing country suppliers at a disadvantage. This is because at a point in time the market will perceive that supplies from developing countries will not be of the same standards as that of other suppliers. Markets could be lost as a result. A preferable option is to offer all suppliers the same time frame within which to meet the health and safety

⁷ The US claim is that Ghana has an insect that it does not want to enter its territories. The insect feeds internally in the yam, hence the need for fumigation.

requirements. In deciding on the time frame the implementation capacity of the developing countries must be taken into account.

Ghana is not ready to implement the SPS agreement. There is not enough information and knowledge about the contents of the agreement. Many personnel who should be enforcing it do not know what it is about. Ghana needs more time to be able to put in place the legal instruments, data base and institutional structures necessary for the implementation of the SPS. At present the playing field is uneven. The mechanisms to enforce its SPS requirements are not in place and there is inadequate knowledge about the SPS requirements of trading partners.

VIII. Country's Interests and Options for the New WTO Round of Negotiations

Estimates of the revealed comparative advantage suggest that Ghana has a comparative advantage in most of the agricultural commodities it exports (Table 13). It appears that except for cocoa products, Ghana's comparative advantage currently lies in the production of primary products.

Some commodities have been selected for intensive production and promotion. They are cashew nuts, cocoa butter, plants and parts of plants, black pepper, papaya, fresh cut flowers, coffee not roasted, yams, ginger and pineapples. Other products that have been earmarked are palm oil, beans and peppers⁸. The long-term objective is to move into processing of primary products. The selection of the products whose production is to be encouraged is based on the identified market demand, the country's geographical position and the agricultural traditions of the country. It is recognised that Ghana is closer to the European Union market for the supply of fresh fruit and vegetables than are the Far Eastern Countries. It therefore wants to grasp the opportunity that this geographical advantage provides.

Ghana's major interest in URAA negotiations is to improve upon market access for its agricultural products. This is particularly important for Ghana because a major plank of its current agricultural strategy is the expansion of exports. In the policy document outlining the accelerated agricultural growth strategy it is stated that Ghana is going to be proactive rather than reactive in developing improved market access to traditional and new markets. This it intends to do by improving access to information on import regulations in the importing countries.

⁸ The first set of products was obtained from the Ministry of Trade and Industry. The additional products were obtained from the Ghana Export Promotion Council.

Table13. Estimates of Revealed Comparative Advantage 1995-1998

HS code	Heading Description	1995	1996	1997	1998
0106	Other Live Animals	0.99	0.78	0.70	0.99
0402	Milk and Cream Concentrated or Sweetened	-0.99	0.46	-0.60	-0.99
0702	Tomatoes (fresh or chilled)	0.49	0.99	0.92	1.00
0708	Leguminous Vegetables (fresh or chilled)	0.43	0.97	0.92	0.99
0709	Other Vegetables (fresh or chilled)	0.99	0.99	0.99	0.97
0714	Roots & Tubers with high starch content	0.99	0.99	0.99	0.99
0801	Coconuts, Cashews, Brazil nuts ...	0.85	0.99	0.99	0.99
0803	Bananas, Plantain	0.99	0.99	0.99	0.99
0804	Pineapples, Mangoes, Avocados	0.99	0.99	0.99	0.99
0805	Citrus Fruit	0.86	0.99	0.95	0.91
0807	Melons, including Watermelon & Papaya	1.00	1.00	0.99	0.99
0901	Coffee; Coffee husks and skins	0.96	0.94	0.96	0.98
0904	Pepper of the Genus Piper	0.81	0.94	0.91	0.93
0910	Ginger, Saffron, Turmeric	-0.91	0.52	-0.08	-0.92
1005	Maize	-0.99	0.97	0.81	0.53
1006	Rice	-0.99	-0.75	-0.99	-0.99
1201	Soya beans	1.00	-0.31	0.97	-1.00
1202	Groundnuts	0.94	1.00	1.00	0.09
1511	Palm oil and its fractions	-0.66	0.94	1.00	0.47
1513	Coconut, palm kernel oil and their fractions	0.93	0.62	0.97	-0.43
1801	Cocoa Beans	1.00	1.00	1.00	0.99
1802	Cocoa Shells	1.00	1.00	1.00	1.00
1803	Cocoa Paste	0.99	0.99	0.99	1.00
1804	Cocoa Butter	0.99		0.99	0.99
1805	Cocoa Powder	0.99	1.00	0.76	0.99
1806	Chocolate and other food preparations ..	0.95	0.97	0.34	0.18
2002	Tomatoes prepared or preserved...	-1.00	-0.87	-0.86	-0.99
2006	Fruits, nuts, fruit peel and other parts of plant	0.60	0.95	0.13	0.02
2009	Fruit juices (incl. Grape must) and veg...	0.86	0.80	-0.25	-0.57
2104	Soups and broths and preparations thereof	0.46	0.58	0.67	0.26
2106	Food preparations not elsewhere specified	-0.95	-0.97	-0.74	-0.90
2203	Beer made from malt	-0.15	-0.31	-0.13	-0.70
2401	Unmanufactured tobacco; tobacco refuse	-0.11	0.89	-0.009	-0.17
2402	Cigarettes, cigars and cheroots	0.96	0.99	0.30	0.91

Notes:

The Revealed Comparative is calculated as $(X_i - M_i)/(X_i + M_i)$, where X_i is the exports of commodity "i" and M_i is imports of commodity "i".

A. Market Access.

Tariff Rates and Preference Margins

In discussions with officials of the Ministry of Trade and Industry, the Ghana Export Promotion Council and exporters the consensus is that given the current trade regime, tariffs are not a constraint on market access in the industrialised countries. Tariffs are a

problem however in gaining access to the Ecowas market. Tariffs do not constitute a problem in industrialised country markets, particularly the EU, because of preferential trade arrangements. With the exception of bananas, Ghana's agricultural exports can enter the EU market duty-free.

The EU market is the major destination of Ghana's agricultural exports. The US emerges as a significant destination in only a limited number of agricultural commodities, i.e. palm oil, cocoa beans and fruit juices. Thus the discussion on preference margins will concentrate on the EU market.

Under the Lome Convention, Ghana benefits from duty-free access to the EU market. The effect of the reduction in MFN tariff rates resulting from the Uruguay Round is the erosion of Ghana's trade preferences. However the extent of the erosion varies considerably. The MFN duty rates on cocoa beans, yams, cassava and coffee were very low conferring extremely limited advantages (Table 14). Several tariff peaks still remain. The preference margins for cocoa products exceed 5%. The margins for processed fruits, fruit juices and bananas are extremely high despite the reductions that have occurred. Although nominal tariff rates on many of the products have been cut, tariff escalation still remains. Tariffs on fresh or raw products are considerably lower than tariffs on processed products (Table 14). A further reduction in EU MFN tariffs on items of export interest to Ghana could ironically put Ghana at a disadvantage since it will erode the advantage it has against non-preference receiving countries. Since Ghana is unlikely to be able to stop the process of tariff liberalisation it should negotiate for a reduction in any domestic taxes that may discriminate against foreign goods but tend to favour domestic producers.

The trade regime of the Lome Convention is not consistent with the WTO rules. A waiver was requested and obtained by the EU to allow it to maintain the Lome trade regime until its expiry. The EU is in the process of determining what form future trade relations with the ACP countries should take. It appears to be disposed towards forming regional economic partnership arrangements (REPAs) with groups amongst ACP countries. The REPAs are intended to be free trade areas. ACP partners would maintain their preferential access but would have to reciprocate by opening up their markets in return. Ghana's negotiating position on the issue of tariff reduction is therefore determined by what the conditions of its trade regime with the EU in the future.

The domestic support provided by other countries to products Ghana exports, gives these countries an undue advantage in third countries. A particular concern is with the support given to maize. Ghana in the last couple of years has begun exporting maize. From this perspective it would be in Ghana's interest to press for further reduction in domestic support and export subsidies to these products. The dilemma Ghana faces however is that this may result in higher prices on the world market. Ghana needs to consider the gains to be had from losing consumer surplus due to higher import prices of some food products against the increased producer surplus from the possible expansion in the production and export of maize and other products that may result from the decline in domestic support and export subsidies in its major trading partners. At present imports constitute a minute

proportion of total domestic consumption of maize in Ghana. The import bill will not be affected to any large extent if world maize prices should increase.

Table 14. Tariffs and Trade Control Measures in the EU market 1994, 1996, 1998.

HS code	Item	Year	MFN range	MFN average	NTM incidence (%)
0702	Tomatoes (fresh or chilled)	1994	11-18	14.5	
		1996	10-17	11.3	
		1998	9.5-15.6	13.2	100
0714	Roots & Tubers with high ..	1994	3	3	
		1996	3	3	
		1998		3	100
0803	Banana & Plantain	1994	20-20	20	0
		1996	19-19	19	0
		1998	17.3	17.3	100
0804	Pineapples, mangos..	1994	9	9	0
		1996	8	8	0
		1998	6.9	6.9	0
0901	Coffee; coffee husks &...	1994	4	4	
		1996	3	3	
		1998	1.7	1.7	100
1511	Palm oil & its fractions	1994	4-6	5.0	0
		1996	3-5	4.0	0
		1998	1.3-4.5	2.9	0
1801	Cocoa Beans	1994	3	3	0
		1996	2	2	0
		1998	1	1	0
1803	Cocoa Paste	1994	12	12	0
		1996	12	12	0
		1998	11.4	11.4	0
1804	Cocoa Butter	1996	9	9	0
		1998	9	9	0
1805	Cocoa Powder	1994	12	12	0
		1996	12	12	0
		1998	10.7	10.7	
2006	Fruits, nuts, fruit peel	1994	0-25	18	
		1996	0-23	17.6	100
		1998	0-21.7	15.4	10
2009	Fruit juices	1994	19-42	30.5	
		1996	17-39	28	100
200919	Orange juice	1998	14.5-36.4	25.5	100
200940	Pineapple juice	1998	16.5-36.7	21.7	16

Source: UNCTAD TRAINS.

Non-Tariff measures

Except for bananas, tomatoes, coffee, cassava and processed fruit Ghana's agricultural exports are not subject to non-tariff measures in the EU (Table 14). The EU's banana import regime for the ACP states is governed by Protocol No. 5 of the Lome Convention. This provided duty-free entry to traditional exporters of bananas to the EU market. Ghana is not a traditional exporter. Ghana had a quota limit of 5000 tonne a year and paid

approximately \$100 a tonne on its exports of banana as well as an import licence fee of \$0.25 a kilo. In 1996, the banana import regime was challenged by the US, Ecuador, Honduras, Guatemala and Mexico. They argued that it was inconsistent with WTO regulations. The Dispute Settlement Board ruled that some aspects of the regime contravened the WTO rules and that the EU had to bring the regime into conformity with the WTO provisions. The EU introduced a new import licensing regime to become effective at the beginning of 1999. This has improved the market access conditions for Ghana's bananas. Two tariff quotas with a cumulative volume of 2.553 million metric tonnes will be provided annually for non-traditional exporters. The duty rate for non-traditional ACP exporters within the quota will be zero. Other countries will face a duty of ECU 75 per tonne. Non-traditional exports that exceed the quota will be subject to a duty of ECU 300 per tonne. However the quota is to be shared with the more efficient Latin American producers. If Ghana is to take advantage of the improved market access conditions it will need to improve upon its efficiency.

From the discussions with staff of the Ghana Export Promotion Council and the Ministry of Trade and Industry non-tariff barriers are the main barriers to entry into the major markets. One concern is with the costs that these barriers, in particular the SPS measures impose on exporters. There is the fear that increasingly health and quality standards will become trade control measures and not merely measures to ensure the life and health of plants, animals and people.

B. Import Policy

Although the cumulative effect of import tariffs, sales tax and special tax in 1998 for some products stood at approximately 60%, these price instruments are the only significant source of price support received by the agriculture sector. As indicated earlier the WTO rules allow a country like Ghana to provide subsidies to reduce costs of marketing exports and subsidised transport and freight charges. Unfortunately these are not available in Ghana. Tariffs are a subsidy to the producer and a tax on consumers. A further decline in import tariffs would reduce the subsidy received by agriculture. Some crop and livestock producers would find it difficult compete, and this could increase the reliance on imports. Further, liberalisation may not be an optimal strategy to pursue from a food-security perspective.

Trade taxes are not the best way to achieve an increase in production. However in the absence of production and input subsidies trade taxes may be considered a second-best alternative. If further trade liberalisation is to be implemented it is imperative that other support measures be introduced to enable domestic producers compete with imports coming from countries that provide their farmers with substantial support.

In consultations with stakeholders in agriculture conducted in 1995 it was recommended that subsidies be provided the agriculture sector in order to increase production. A portion of the cocoa revenue could be allocated to provide a 20% fertiliser subsidy over a 5 year period. It was estimated that the subsidy would cost approximately US\$5 million per annum. The advantages of such a measure would be the increase in agriculture

production, reduced feed costs to the livestock and fish industry as prices fell and the resulting increase in the production of these sectors. These benefits would have to be weighed against the loss of part of the cocoa revenue to government.

The government's position on subsidies is determined not by WTO rules but largely by the requirements of the IMF and World Bank agreements. Its obligations with these institutions make it difficult for Ghana to take advantage of some of the rights conferred on it by the WTO.

C. Export Policy

The possible option for further liberalisation within the cocoa sector is the increase in the share of the world price received by farmers. In 1998 farmers received approximately 59% of the fob price. This is more than the target of 55% that was recommended in a consultation with stakeholders in the agriculture sector. In deciding to liberalise the cocoa sector with an increase in the farmer's share of the world price it is necessary to consider possible repercussions on world prices and the national budget. An increase in the farmer's share of the world price, if it is accompanied by an increase in the real producer price of cocoa, will generate an increase in supply and could encourage the planting of new trees. Ghana is no longer the world's largest exporter of cocoa beans and comes a distant second to Cote d'Ivoire in the EU market supplying not more than 20% of that market. The impact on world prices of an increase in cocoa bean exports from Ghana may therefore not be very large, but could still put some downward pressure on prices. Cocoa tax revenue does not account for more than 20% of total central government revenues. A decline in government's share of the world price may not dent revenues to any large extent especially if alternative sources of revenue generation are tapped. Thus the possibility of liberalising the cocoa trade regime exists but the benefits of increased real incomes to farmers in the short run need to be weighed against the possible downward pressure on world prices and impact on the budget.

Barriers to the Expansion of Exports A limited survey was conducted of producers/exporters of agricultural products. The export items covered by the survey were pineapples, papaya, assorted vegetables, yam, cashew nuts and pineapple juice. Except for the yam and cashew nut exports that were sent to the US market, the exporters of fruit and vegetables were concentrated in the EU market.

Some of the exporters to the EU market commented that quality considerations had increased in the last five years. In the case of pineapples for example the buyers were becoming more particular about the minimum residual level of pesticides in the fruit. The buyers of papaya from the UK come down regularly to inspect the facilities and conditions under which the workforce operates in order to ensure that the conditions meet their specifications. The entrepreneurs attributed the growing concerns about quality to the rising competition in the fruit market and the need for buyers to maintain their share of the domestic market. They did not perceive the quality requirements to be a problem.⁹ One producer/exporter was installing a new factory to ensure that quality requirements

⁹ There is a sample selection bias here. Those exporters who cannot meet the quality standards will probably drop out of the market.

were met. All exports require a phytosanitary certificate to be issued by the Ministry of Food and Agriculture. For exporters sending their items to the EU, a form had to be completed which would allow them to benefit from duty-free entry.

The producers/exporters interviewed do not perceive access conditions in the EU to be a constraint on their activities. For all of them the concern was with shortcomings on the side of domestic policy. Several problems and shortcomings were cited by the entrepreneurs. Freight charges for the shipment of pineapples from Ghana are higher than in Cote d'Ivoire. The larger export volumes from Cote d'Ivoire, making it possible to take advantage of scale economies, and higher port charges in Ghana were cited as the causes of this. The potential to increase production and export of fruits exists, however there is a lack of labour with skills to manage the production of horticultural products. There is inadequate scientific support to analyse and advice on plant disease. In some years the reason why production and export is low is because the crop has become diseased. The producers claim that unfortunately there is inadequate support from research laboratories to help them deal with these problems. Inadequate storage facilities at the ports and poor road infrastructure contribute to undermining the quality of the product before it gets to its final destination.

D. The New Issues

Investment Policy

Ghana would like the WTO to set rules that are explicit about the obligations of the recipient countries and investors. It is of the position that nationals should have the right to decide where investment flows should go and this should not be the prerogative of a multilateral institution. Discussions on the rules regarding investment policy should be guided by the links between development and investment. Within Ghana further work needs to be done on the analysis of the implications of an investment policy in WTO for Ghana. Thus at the international level the negotiations should not be rushed in order for there to be a full appreciation of what is being agreed upon.

Competition Policy

Ghana is in the process of putting together a restrictive business practices law. Its discomfort with discussions on competition policy in the WTO is the fear that the OECD multilateral agreement on investment will not be a negotiating framework, but may be imposed on countries to accept. Its perspective regarding discussions of competition policy issues at the WTO is that the negotiations should focus on introducing rules that will allow countries to monitor the activities of transnational corporations. This is to reduce the incidence of restrictive business practices amongst these entities, for example collective bidding.

Environment Issues

A major concern for Ghana is the costs accompanying the introduction of measures that are environment sensitive. How is the burden of these costs to be distributed? The fear is that the costs of implementing environmentally sensitive measures may render some of

Ghana's products uncompetitive. Resources will have to be provided to assist in the development in environment friendly technologies.

Intellectual Property

Ghana had until December 1999 to meet its obligations and commitments under the TRIPs agreement. The copyright law has been updated to conform to the rules of the TRIPs. The Law has been presented to Cabinet and is yet to be put before Parliament. A problem with attempts to monitor the infringement of copyright laws is the lack of basic infrastructure, such as computers and vehicles. It would be in Ghana's interest as well as in the interest of other developing countries to lobby for firmer commitments from the industrialised countries that have been the championing the cause of TRIPs to provide resources to developing countries to enable them meet their obligations.

Conclusions

Ghana needs more time to be able to analyse the short to long run implications of the rules that will be agreed upon. Since Ghana has made much more progress in liberalising the agriculture sector than have many other countries, its concerns should be in how it can improve upon agriculture yields and productivity. If indeed the WTO negotiations are to provide benefits for developing countries the emphasis should not be only on the establishment of rules but also in assisting the developing countries adjust to the new rules and increase their production and incomes.

IX. Food Security Issues.

The production of cereals has followed a downward trend since 1995. This contrasts with the upward trend that was recorded in the period 1992-95 for most cereals (Table 2). The production of starchy staples such as yam, cassava and plantain on the other hand have tended to increase since 1995.

The decline in the domestic production of cereals raises concerns about food security. Domestic demand for wheat is satisfied entirely from food aid and commercial imports because there is no domestic production. The volume of commercial imports has risen since 1995. Food aid import volumes fell in 1996 rose in 1997 and have tended to remain fairly constant since then. This category of imports constitutes a smaller share of total domestic supply in 1999 than it did in 1995. International wheat prices have tended to follow a downward trend since 1995, with prices in 1999 approximately 27% below their 1995 level.

Domestic production dominates the supply of maize on the local market. Maize imports are quite small and have not exceeded 1% of total domestic supply over the period 1995-1999. The price of maize on the world market has declined since the signing of the URAA. Despite this it does not appear that imports have substituted domestic production.

There is very little importation of millet. Virtually all domestic consumption of millet is met from domestic supplies.

The picture is quite different for rice. Domestic rice production has not been able to keep up with demand over the period 1995-1999. Rice imports constitute a significant share of the supply of rice on the local market. In 1995 commercial rice imports made up approximately 43% of the domestic supply. In 1998 it is estimated that commercial rice imports made up about 67% of domestic supply. Food aid import volumes dropped quite sharply after 1995 with volumes staying fairly stable thereafter.

Table 15. Production and Domestic Supply of Selected Cereals

	Maize		Rice		Wheat	
	1995	1999	1995	1999	1995	1999
000 MT						
Net Production	723.94	710.15	104.45	109.12	0.00	0.00
Commercial Imports	0.89	0.20	104.26	227.78	29.18	181.64
Food Aid Imports	3.21	1.12	37.98	3.56	51.00	48.97
Exports	0.00	5.57	0.00	0.70	0.05	9.00
Total Domestic Supply	728.04	705.89	246.69	339.76	80.18	230.61
Ratio of Total Domestic Supply						
	1995	1999	1995	1999	1995	1999
Net Production	0.99	1.01	0.42	0.32	0.00	0.00
Commercial Imports	0.00	0.00	0.42	0.67	0.36	0.79
Food Aid Imports	0.00	0.00	0.15	0.01	0.64	0.21
Exports	0.00	0.01	0.00	0.00	0.00	0.04
Total Domestic Supply	1.00	1.00	1.00	1.00	1.00	1.00
World Price S/mt	104	87	270	240	149	108

Source: Production and Trade data obtained from CEPA (2000), Price data obtained from World Bank data files.

In the case of rice, therefore developments in the world market will have implications for domestic food security. The price of rice on the world market has fallen since the signing of the URAA. This means that if there is to be lower dependence on foreign production for the domestic supply of rice, measures have to be implemented at home to improve upon the rice farmer's ability to compete with imports.

X. Policy Lessons and Recommendations for the Next WTO Round

Ghana has made more headway (albeit within the context of the structural adjustment programmes) in liberalising the agriculture sector than have many other developing and industrialised countries. The experience of Ghana's agricultural liberalisation is pertinent for other countries even though it was not implemented as part of its URAA commitments. The main lesson from Ghana is that as government withdraws from certain activities, it must ensure that the private sector is in a position to effectively fill in the gap left by government. For developing countries in particular this suggests that the liberalisation process should not be rushed. It is important that the process is sustained so as not to create time consistency and credibility problems. The private sector's capacities

must be assessed and analysed and the information obtained used to design the liberalisation strategy.

There are several domestic constraints that make participation in the talks and implementation of the various agreements difficult. A great deal of effort needs to be made for staff of the ministries, departments and agencies to be informed about the WTO agreements. There does not appear to be enough co-ordination between the Ministry of Trade which is responsible for the WTO and the other ministries and departments that have to institute the changes that the agreements require.

The second constraint is the relationship with the Bretton Woods institutions. The conditionalities of the agreements made with these institutions can act as a constraint on the ability to negotiate within the WTO and take advantage of rights.

The third constraint is the limited number of personnel in Geneva to actually participate in the discussion of issues pertinent to Ghana. Implementation of the agreements' requirements will be enhanced if personnel in the implementing institutions are able to participate in the negotiations. The Ministry of Trade personnel may not have the necessary competencies to negotiate on issues related to technical barriers and sanitary and phytosanitary measures. If however there is qualified personnel from the relevant section of the Ministry of Agriculture also participating in the negotiations, the negotiating strength of the Ghana team will be improved and the concern about the flow of information will be addressed. Limited resources are a major reason why there is only Ministry of Trade personnel participating in the talks. The WTO agenda should therefore also include a session on the funding of developing country participation as a means of avoiding their marginalisation in the discussions.

There is also the need for discussions that will culminate in a framework to provide assistance to developing countries that need to invest substantial resources in order to implement the Uruguay Round Agreements. Within the context of agriculture this issue is particularly relevant for the SPS Agreement. Ghana as is the case for other African countries, is constrained in terms of human capacity and the physical infrastructure to ensure that there is in place sanitary and phytosanitary standards that match international standards.

Table 9. Market Access conditions for selected agricultural products

HS	UR			Actual									
	Base Tariff	Bound Tariff	Quota	Applied Tariff (1998)		Other duties and charges		Quota (Quantity)		In Quota tariff		Over Quota Tariff	
				Pre UR	Post UR	Pre UR	Post UR	Pre UR	Post UR	Pre UR	Post UR	Pre UR	Post UR
Wheat	125%	99%	none	10%	10%	22.5%	15%	none	none	none	none	none	none
Maize	125%	99%	none	25%	25%	15%	15%	none	none	none	none	none	none
Rice	125%	99%	none	25%	25%	15%	15%	none	none	none	none	none	none
Cane or Beet Sugar	125%	99%	none	10%	10%	15%	15%	none	none	none	none	none	none

Agriculture and the New Trade Round: Economic Interests and Policy Options for Nigeria

E. Olawale Ogunkola

I. Introduction

African countries' participation in the Uruguay Round (UR) of multilateral trade negotiations (MTN) was more nominal than purposeful as they were not engaged in the real business of negotiation. The motive for participation was an overt defence of special and differential (S&D) treatment. Hence they offered little concessions and consequently, the expected benefits to these countries were low (Oyejide, 1997 and 1990; Ohiorhenuan, 1998 among others). The passive participation of these countries in the last UR notwithstanding, awareness and genuine willingness to lock-in various unilateral trade liberalisation measures cannot be totally ruled out of their motive for participation. Their participation was, however, constrained by many factors especially inadequate understanding of the complexity of issues to be negotiated and a dearth of in-depth analysis of implications of various proposals for their national interests (Ohiorhenuan, 1998).

Nigeria's participation in the UR was modest (Ogunkola and Agah, 1998) and the country's external affairs ministry conducted the negotiation. This level of representation raised at least two issues. First, foreign policy rather than economic consideration became the negotiating factors; and second, the Ministry lacked the power and capacity to co-ordinate consultations, as it was improperly positioned to secure necessary backup from home. Notwithstanding, Nigeria made some commitments in the Uruguay Round Agreement on Agriculture (UR AoA). The backlash of such level of representation is the problem of implementation. Even if the implementers were to be actively involved in the UR negotiations, the problem of capacity to negotiate the agreement was still a major constraining factor.

UR AoA aimed at establishing a fair and market-oriented agricultural trading system under three main issues: market access, domestic support and export subsidies. The agreement provides for review of implementation (Article 18) and continuation of the liberalisation process (Article 20). Experience with and effects of implementation of the UR AoA are to guide the future liberalisation in the sector. Another factor in the continuation of the reform process is the special and differential (S&D) treatment to developing countries. The continuation of the liberalisation process in the sector is justified on many grounds. First, the long-termed nature of the objective of the agreement requires a gradual process. Second, the difficulty in reaching the agreement calls for a revisit. In any case the new round offers a second chance for re-negotiations especially to developing countries like Nigeria.

As the new round is around the corner, this paper examines issues of interest and policy options for Nigeria. It tries to provide justification for the country's interest in the negotiations. The country's various agricultural policy regimes, with emphasis on the commitments and implementation of UR AoA, were examined. Implementation of the UR AoA by the country's major trading partners in agricultural commodities also received attention. Impact of both the changes in domestic and external policies on agricultural production and trade in the country was not left out of the discussion. All these are geared towards charting the country's position in the forthcoming round of negotiation.

The rest of this paper is organised as follows: Sections II through IV trace the evolution of Nigeria's agricultural trade regimes. The effects of the structural adjustment programme (SAP) and UR AoA on this evolution were emphasised. The major observation was that over the pre-UR period, there has been substantial trade liberalisation in the agricultural trade. While the desire to fulfil its WTO commitments was a major force, budget constraint was another significant force. There are still substantial barriers on trading in some items. These are food items and other agricultural products where the country has comparative advantage. Section V evaluates the external environment facing agricultural commodities that are of interest to Nigeria in some major markets. Market access conditions remain difficult, domestic support to farmers remain high and export incentives continued unabated.

Section VI is on recent trends in Nigeria's trade in the agricultural products. There seems to be a wide gap between agricultural exports and imports to the country. Food imports continue to increase. Sections VII and VIII present the country's interests and options in the new round of negotiations and regional dimension of agricultural trade respectively. Section IX concludes the report.

II. Overview of Nigeria's Agricultural and Food Sector

Nigeria is naturally an agrarian economy in spite of the oil sector's dominance of exports. The importance of agriculture to the Nigerian economy stems from its linkages (backward and forward) with other sectors of the economy. Notwithstanding, that oil currently generates the bulk of foreign exchange earnings (a role that was performed by the agricultural sector in the 60s up to the oil boom of the early 70s), oil sector's linkage is not comparable with that of the agricultural sector. The agricultural sector still plays its traditional role of providing employment for majority (between 65% and 70%) of the labour force and of contributing substantially (30 to 40%) to the gross domestic product (GDP) of the country (Figure 1).

A population of about 120 million that is growing at about 2.83% per annum makes Nigeria the most populous country in Sub-Saharan Africa (SSA) demographically, and one of the fastest growing countries in the world. Coupled with the human resources, the country is endowed with abundant natural resources including agricultural and mineral resources. Apart from covering a wide expanse area of land, about 92 million hectares, Nigeria's diverse pattern of endowment makes production of varieties of agricultural commodities a natural phenomenon. Arable land and pasture account for about 60% of total landmass. Water bodies; rivers, lakes, and reservoirs account for about 14% of landmass. Forests and woodland occupy about 12% of total land use. The quality of the Nigerian soil is low and, thus, extensive application of fertiliser is required to enhance productivity. Indeed, on the basis of Food and Agriculture Organisation (FAO) scale of quality of soils, none of Nigeria's soils is in the high productivity category. Only 5% of the land are adjudged to have good productivity while over 60% are classified as having low productivity. The climatic condition is largely tropical, thus, permitting production of some tropical crops. Mild winter, in some parts of the country, makes cultivation of some winter crops possible (Vision 2010).

Farm holdings fall into three broad categories with small holders, 0.1 to 5.99 hectares, accounting for about 81% of total farm holdings. Medium holders, 6 to 9.99 hectares, constitute 14% of farm holders. Large holders, 10 or more hectares, are only 5%. The small holders provide 95% of total crop output and they are family-based, labour intensive and have limited access to institutional credit. Traditional rotational fallow agricultural practice dominates the two other farm practices: permanent agriculture and mixed farming. Ancestral claim to land is very strong therefore, makes the land policy that vests all lands in the state government ineffective.

A majority of the agricultural population is poor and resides in rural areas, lacking in capital and usually unorganised. Apart from being small landholders, they are mostly illiterate; making adoption of irrigation farming and/or agricultural mechanisation difficult. These farmers depend on rains and simple farm implements for cultivation of land. Net rural-urban migration has compounded the problem of agricultural development in the country, resulting in the aged dominating the agricultural population.

These resources are under-utilised, as actual agricultural production is less than the potential suggested by these resources. Many factors account for this less than optimal utilisation of resources: under-employment of resources; low productivity mainly due to technological and investment constraints; and infrastructural constraints, among others. Less than half of the potential agricultural resources are currently under cultivation.¹ Since the technology of agricultural production is still backward, the fortune of the sector depends to a large extent on favourable weather conditions (timely and well distributed rainfall) and various activities of government agencies directed at minimising some of the constraints to agricultural development in the country.

Apart from low technology that limits productivity, marketing and infrastructural (inadequate storage facilities and bad rural road networks) constraints further reduce delivery of agricultural output. Post-harvest loss is substantial and it is currently estimated at about 40% of farm gate output (FGN: Vision 2010). Two forces drive domestic demand for agricultural output: first, the teeming population's demand for food and, second, domestic demand for agricultural products by the fledgling agro-allied based firms. The disappearance of traditional exports from Nigeria's list of exports may be partially explained by production and marketing constraints and partly by the demand for these products by the fledgling domestic agro-allied firms. Processed agricultural products, however, encounter higher trade control measures (mainly tariff escalation) than the raw agricultural products in the traditional market for Nigeria's exports.

It is paradoxical that a country that is endowed with such abundant agricultural resources cannot produce enough food to feed her teeming population. This is a post-1974 phenomenon that has defied all solutions despite various programmes aimed at boosting food production. Recent trends in food exports and imports in Nigeria raise the concern about the implementation food aid and safeguard measures contained in AoA.

Given the general characteristics of the Nigerian agricultural sector, a positive change in the fortune of the sector is a means to poverty alleviation, rural development, sustainable and balanced development and efficient utilisation of resources. What are roles for trade in promoting the development of the sector and the economy in general?

III. Evolution of Nigeria's Agricultural Trade Regime

3.1 Pre-1986 Agricultural Policy Environment

Before the introduction of SAP in 1986, marketing of agricultural commodities was heavily regulated. Government marketing agencies were established and empowered to administer commodity-marketing policies. While private individuals were responsible for domestic trade in food items, government intervention at this level was limited to setting official guaranteed minimum prices at which appropriate commodity boards would act as a buyer of last resort. The

¹According to WTO (1998), area currently under cultivation was about 34 million hectares. This translates to about 37% of total arable landmass.

guaranteed minimum prices were set at levels which did not adequately provide incentives to the farmers, hence this strategy failed to serve as an incentive for increased production. Marketing boards had played important roles in the purchase and sale of export crops such as cocoa, rubber, groundnuts, cotton, palm kernel, palm oil, and soybeans. Producers were required by law to sell their crops at officially determined prices to the commodity boards which were the sole exporters of specified crops (Oyejide, 1986).

During this period, six-state trading enterprises (STEs) in agricultural commodity market were responsible for marketing fifteen crops in the country. The Nigerian Cocoa Board was in charge of marketing of cocoa and coffee. The Nigerian Cotton Board was responsible for purchasing seed cotton, cotton lint, and cottonseed. The Nigerian Groundnut Board had five crops under its operation: groundnut, sheanuts, soybeans, benniseed and ginger. The Nigerian Grains Board was in charge of maize, rice (paddy), wheat, sorghum, and millet. The Nigerian Palm Produce took charge of palm kernel, palm kernel oil, palm kernel pellets and palm kernel cake, and the Nigerian Rubber Board was in charge of natural rubber.

Commodity and marketing boards were established to stabilise both the prices and income of farmers. The desire for a buffer stock between farmers and foreign markets as a protection from short-term world price fluctuations led to the creation of stabilisation funds by the Boards. Other functions of the Boards included funding of research into the conditions of production such as plant breeding, improved husbandry and pest control and supplying of inputs such as fertilisers and insecticides, and credit against crop deliveries. The boards in some cases also finance farmers' working capital. The board was involved in the grading of produce and offering of different prices for different grades to induce farmers to improve the quality of their produce and campaigning against swollen shoot disease and capsid infection of cocoa trees; and provision of storage facilities, transport and processing.

These are laudable functions, however, they were perverted over time as stabilisation funds were diverted to government uses thus became a convenient way of taxing the sector. Farmers were paid well below world market prices for their products. For example, groundnut producers were paid about 32% of the world price. Groundnut farmers, for instance, were subjected to a tax of approximately 68% in 1950 (Oyejide, 1986). Prices paid to coffee, cocoa, rubber, and ginger farmers were less than 70% of their world market prices (CBN/NISER, 1992). Farmers' incentive to produce was dampened by the activities of the marketing/commodity Boards.

Between 1970 and 1985, cocoa farmers received on the average 61% of world market prices. For coffee producers, only about 47% of the international market price were received. Rubber producers earned about 51% of world market price while the ginger farmers' income was about 52% of income at world market price.

Table 1: *Ratio of Producer prices to World Market Prices*

Commodity	1970-75	1976-80	1981-85	Average, 1970 to 85
Cocoa	61.2	53.4	67.0	60.5
Coffee	32.2	39.9	68.1	46.7
Rubber	65.4	36.7	50.4	50.8
Ginger	41.1	47.1	68.5	52.2

Source: CBN/NISER (1992)

Thus, exports of agricultural commodities are done by STEs. These enterprises provided some support services to the farmers. Since the domestic prices of agricultural commodities are set below the world prices, smuggling of these products across the border was rampant. Cocoa smuggling into Benin Republic was so rampant that Benin's cocoa exports were higher than its production figures.

During this period, domestic agricultural policies were manifested in the establishment of various institutions. These institutions provide services ranging from credit financing, input subsidies, research and development. Agricultural Development Projects (ADPs), National Fertiliser Corporation of Nigeria (NAFCON) and the Federal Super-phosphate Fertiliser Company (FSFC), River Basin Development Authorities (RBDAs), and National Agricultural Land Development Authority (NALDA) were established. Overlapping mandates, lack of effective co-ordination and varying government subventions are some of the factors hindering the effective performance of these institutions.

The ADPs were involved in the provision of infrastructure such as rural road construction, maintenance and rehabilitation; supply of farm inputs (fertilisers, seed, root/tubers, chemicals etc); extension and training services and agricultural production within the project areas. Operations of ADPs in recent times have declined as a result of lack of fund. Substantial decline in both the World Bank and the Federal Government subvention to the organisation since 1995 still continued in 1997. The two state-owned fertiliser companies, NAFCON and FSFC were established for the purpose of supplying fertilisers at affordable prices to farmers. As result of lack of adequate fund, the operations of these companies deteriorated over the years. For example between 1996 and 1997, capacity utilisation rate fell from about 45.2% to about 22.4%. The RBDAs focus their operations on land development (mainly preparation and irrigation) and provision of infrastructural facilities (dams, boreholes and roads). NALDA's operations in the areas of land development and extension services fell substantially over the years.

In the area of finance and risk, some institutions such as Nigerian Agricultural and Co-operative Bank (NACB) and Nigerian Agricultural Insurance Corporation (NAIC) were also established. NACB was mandated to provide financial support to agricultural production. The NACB was established in 1973 to promote agricultural production and rural development; assisting in the improvement of income and quality of lives of farmers and other rural dwellers. This is a vital contribution to the overall growth and the development of the Nigerian economy. The level of self-sustainability of the Bank is however low and hence its heavy dependence on government subsidies that are no longer forthcoming. Thus, the activities of the Bank remained unimpressive since 1994 (CBN, 1997). Similar organisations that have suffered from reduction in government subventions include the RBDAs, NALDA and ADPs..

Perhaps the fertiliser policy of the government has generated a lot of debate more than any other domestic support programme. Gross under-funding handicapped operations of state-owned fertiliser companies. Available fund from the government was not sufficient to procure (import) inputs necessary for the maintenance of the plant and machinery. Government is currently considering the privatisation of these two companies. According to officials, government will refurbish these plants before they are put on the market. Meanwhile, inquiries are on the activities of the two companies. Trading in fertilisers is being liberalised, as the ban on the importation of fertilisers has been lifted and the import duties on it reduced by 50% from 10% to 5%. However, government is still involved in the importation, distribution and marketing of fertilisers.

A host of other institutions indirectly promote their objectives through the development of the agricultural sector, as they perceived the development of agriculture as a means of achieving their

goals. These institutions reflect governments' implicit integrated approach to addressing rural poverty, agricultural production and rural infrastructure. National Directorate of Employment (NDE), Directorate of Food, Roads and Rural Infrastructure (DFRRI), Peoples' Bank of Nigeria (PBN), Community Bank and the defunct Directorate for Social Mobilisation (MAMSER), were involved in agriculture and rural development. For example, the defunct MAMSER, a political organ for social mobilisation, launched Operation Food First in July 1988 as a means of promoting self-reliance. The operation was to mobilise small-scale farmers to organise themselves into co-operative groups in order to facilitate appreciable increase in food production. It was a means of identifying major constraints to increased food production. Similar organisations have a strong link with agricultural development. NDE found it easier to create more employment in the agricultural sector than in other sectors of the economy.

Various agricultural research institutes and universities were established. However these institutions were inadequately funded. These institutions are not properly linked with those who require their services and hence most research findings are not commercialised. They are hardly patronised by the private sector, and even by the government that established them.

A common factor to all these organisations is declining government subvention. Figures 2a and 2b show that Federal Government expenditures on agriculture, rural development and water resources was not only small (1.58% and 4.59% of total government expenditures), but have declined from an average of \$128.7 million in 1986/88 period to about \$94 million in 1995/98 period.

3.2 Nigeria's Agricultural Trade Regimes Since 1986

Before the negotiation of AoA was concluded, SAP implementation was in progress and indeed the post UR saw little no change in the agricultural trade policy of the country because the country made minimal commitment. In what follows, I looked at the SAP implementation, the UR AoA commitments made by the country and development in the international trade in agriculture environment.

3.2.1 Measures relating to SAP

As part of the provisions of SAP, marketing/commodity boards were abolished. Agricultural commodity prices were liberalised. Farmers' remuneration was further boosted by the development in the macroeconomic environment especially the depreciation of the Nigerian currency- the Naira. Farmers were able to compete more freely in the product as well as factor markets.

The post-SAP analysis revealed that farmers received close to world market prices. For instance, cocoa farmers received up to 98% of World market price in the post-SAP era. Apart from the high prices received by the farmers, payments were prompt unlike the delayed payment experienced during the era of commodity/marketing boards. Some cases of pre-payment or credit to farmers were also observed during this period.

Apart from the direct effects of commodity marketing reforms, other components of SAP created indirect effects. All these reflected on the performance of the agricultural sector. The exchange rate policy reform, for example, provided some incentives. Before the introduction of SAP, the Naira was overvalued and thus created disincentive to local production. The overvalued currency altered the competitiveness and profitability of agricultural practice and hence dampened agricultural production. SAP had reversed the trend in such a way that exports of cash crops were

encouraged. The indirect effects of exchange rate liberalisation on agricultural production and exports also presented adverse effects. The imported components of agricultural production increased its operating costs. The net effect of exchange rate policy reform was positive only because farmers (especially small-scale farmers) were less dependent on foreign inputs. Besides, there were incentives directed at reducing factor-input costs. In the case of agriculture, government policies on fertilisers, improved seeds, herbicides, pesticides and agricultural machinery provided significant incentives. Indeed, most of the special programmes for boosting food production in Nigeria since the 1970s relied on farm input subsidies as the main channel of providing incentives to farmers (CBN/NISER, 1992). These supports were to be reduced gradually thereby leaving the farmers to free market forces in the long run. Other supporting measures directed at boosting agricultural production included monetary and credit policies, public expenditure and investment policies. Banks were directed to grant credits to the agricultural sector at preferred interest rates.

In summary, the reform disbanded commodity boards, liberalised trade and foreign exchange markets and provided various incentives for agricultural production. All these created a more favourable environment for agricultural practice. Indeed, indirect taxes on agricultural production gave way to subsidies during the implementation of SAP.

3.2.2 UR AoA Commitments made by Nigeria

The UR multilateral trade negotiations were held between 1986 and 1994 and the economic reform in Nigeria was put in place in 1986. Thus the country embarked on both unilateral and multilateral trade reforms in parallel sessions. However, they were neither co-ordinated nor referenced. Indeed they were treated as two unrelated programmes. Since, the economic reform was initiated and supported by the Bretton Wood Institutions (IMF and the World Bank), and the round was held under the auspices of GATT/WTO, lack of (effective) co-ordination was implied on the parts of these international organisations. Even, if a new (further) reform under WTO have implied too much liberalisation, the achievement under SAP would have been locked in. Credits for unilateral liberalisation were neither sought nor given, even on domestic supports and export subsidies reforms². More importantly it seems the country continued with the implementation of unilateral trade reform.

Market Access

Before the Uruguay Round, only one tariff item (stockfish) was bound in Nigeria's tariff. At the conclusion of the Round, Nigeria undertook bindings for agricultural products at a ceiling rate of 150% and a maximum 80% for other duties and charges (ODC)³. The bound rates for most products are considerably higher than applied custom duties. These bindings provide the country with substantial degree of freedom without necessarily violating the country's obligations in the WTO. Although Nigeria as a developing country is expected to reduce her tariff, the country and some other developing countries, were not committed to reduction from her ceiling binding⁴.

² The argument that if Nigeria wants credit for unilateral trade liberalisation, the country should have bounded its tariff at the unilateral rate does and cannot cover the commitments under the domestic support and export regime and import protection components of the UR AoA.

³ It is noted that custom duties on 333 six-digit HS tariff lines were also bound at between 40 and 80%

⁴ Non-commitment of the country to reduction in tariff rate on agricultural products was acceptable to member, hence there was no objection. This raises a point about the UR Agreement in general. As long WTO members are not complaining about implementation and/or non-implementation of a particular agreement, the violator will not be brought to book. Developing countries are at a disadvantage in this situation because they lacked the wherewithal to seek redress from an erring member.

Domestic Support

Nigeria was not committed to reduction in domestic support for agricultural production⁵. It is noted, however, that most of the supports operating in the country are WTO compatible. URAA excluded from reduction commitments some domestic assistance that has minimal impact on trade. These measures include government assistance for inputs, export transport and marketing, research, pest or disease control, infrastructure, and food security, as well as direct payments in the framework of environmental or regional assistance programmes (Ohiorhenuan, 1998; Ingo and Townsend, 1998). It is also noted that measures directed at promoting corporate savings and investment and differential taxes (value added tax and excise tax) on domestic production and consumption still remain outside the scope of WTO agreement.

Import Protection and Export Subsidies

Although Nigeria is not committed to reduction in export subsidies, import protection and export incentives are being reformed in line with WTO obligations and for ease of administration. The country's obligation in this area is the filing of notifications on support programmes that are in existence. The country is also required to submit notification on export prohibitions and restriction on food products.

From the foregoing it is clear that Nigeria made very little commitments in AoA, hence implementation has been limited to notification of changes in existing policy environment. Evidence point to lack of capacity (lack of resources and lack of understanding of the issues involve) rather than deliberate policy as the main determinant of the commitments made. This point is informed by the development in the policy environment since the UR AoA came into effect and the role and place attached to the agricultural sector in the development of the country.

Other related agreements

Sanitary and phytosanitary standards, technical regulations and industrial standards, if set arbitrarily, could constitute barriers to trade. Both the agreement on technical barriers to trade (TBT) first negotiated in the Tokyo round and the agreement on the application of sanitary and phytosanitary (SPS) measures therefore attempt to ensure that regulations, standards, testing and certification procedures do not create unnecessary obstacles to trade. The agreements recognise the rights of WTO members to adopt the standards they consider appropriate, for example, for human, animal or plant life on health, for the protection of the environment or to meet other consumer interests. However, in order to prevent too much diversity, members are encouraged to use international standards where appropriate. In addition, the agreements set out a code of good practice for the preparation, adoption and application of standards by central government bodies. It is refined that such standards must be fair and equitable without giving unfair advantage to domestically produced goods. Members are also encouraged to recognise each other's testing procedures. All members are required to establish national enquiry points to ensure information regarding latest standards is made available conveniently.

In Nigeria, the National Agency for Food and Drug Administration and Control (NAFDAC) and the Standard Organisation of Nigeria (SON) are the enquiry points that have been notified to the WTO regarding standards and technical regulations. Nigerian standards specify production process, quality characteristics on mandatory testing procedures. Notices of technical regulations, standards and certification systems adopted by government are published in the Official Gazette.

⁵ Although Table 2 suggests that all developing countries be committed to tariff reductions of 24% unweighted average over 10 years, only three countries (Cote d'Ivoire, Mali and Senegal) made commitments on domestic agricultural support programmes (Ingo, 1998).

Both NAFDAC and SON are mandated to secure uniformity in standards specification through co-operation with national and international organisations. In that regard, Nigeria is a member of the International Organisation of Standardisation and the CODEX. Both SON and NAFDAC are further required to carry out investigations into the quality of both domestically produced and imported products. They are also empowered to seize, confiscate and destroy substandard, fake or defective goods and to close factories producing them.

SON issues official standards covering processed food, beverages, medical devices, chemicals, chemically related products (including and raw materials) and other manufactured goods. NAFDAC is responsible for the control and regulation of food and drug and/or pharmaceutical products. Standards for processed food and SON sets related items in conjunction with NAFDAC. However, SON is exclusively responsible for conformity assessment through inspection, testing and certification of all products in the area of textile, leather, electrical, electronics, civil, building and mechanical engineering.

Under the Drugs and Related Products Decree of 1993, the manufacture, import, export, sale, distribution and advertising of regulated products is subject to registration with NAFDAC. These products include all processed food, beverages, tobacco, cosmetics, drugs, drug products and chemical, including both raw materials and finished products such as pesticides. It is prohibited to sell non-registered products. Applications for registration must be made by the manufacturer or by a registered company representing a foreign manufacturer. Imports of non-registered products are detained until the registration process is achieved.

In the areas of marking, labelling and packaging, all manufactured products are required to bear names or identification marks of the manufacturer. In particular, information carried on packages and leaflet inserts of imported drugs must not differ from that in the product's country of origin. All items entering the country must be labelled in metric terms exclusively.

As regards sanitary and phytosanitary (SPS) measures, imports of live animals and birds and animal products are subject to permits from the veterinary authorities. Imports of cattle and beef from countries affected by Bovine Spongiform Encephalopathy (BSE) are banned. Imports of fresh plants, plant products, soil and fish required certificates issued by the authorities of exporting countries as well as a phytosanitary certificate issued by the National Plant Quarantine Service of Nigeria.

A National Hazardous Chemical Tracking Programme is also administered by the Federal Environmental Protection Agency (FEPA) under which both chemicals and raw materials are inspected. The objective is to prevent the importation of products whose domestic sale or use is banned or severely restricted in the country of origin. The policy was put in place following the discovery of a shipment of toxic waste in the early 1980s.

Although Nigeria is a member of some of the international standard-setting organisation recognised by WTO⁶, effective participation of the country in these organisations are constrained by lack of resources (mainly financial and material constraints). Thus, the country has not been able to play

⁶Article 3 paragraph 5 of SPS agreement recognised the following international standard-setting organisations and enjoins members to be active in these bodies. (1) The Food and Agricultural Organisation/World Health Organisation (FAO/WHO) Codex Alimentarius Commission (CODEX) for food safety, (2) the office of internationale des epizooties (OIE) for animal health, and (3) the FAO International Plant Protection Convention (IPPC) for plant protection. Nigeria is a member of CODEX.

any significant role in international standard-setting even where its own interests are directly affected. This constrain has also impacted on the country's ability to take advantage of benefits offered by SPS agreement. A case in point was the country's non-response to the EU's proposal on standards on aflatoxins. Given Nigeria's trade relation with EU, its development aspirations and the commodities involve, a reaction was expected.

The procedure for introducing new measures requires that advance notice of at least 60 days for comments from members. Although the provision allows for extension of period for comments, the period is too short for meaningful analysis of the impact of proposed regulation because resources for such analysis are not readily available. Moore importantly the mode of transmitting the notification, through e-mail, assumes a level of technology, which is not easily available to all parties. The level of information system in the country has not developed sufficiently to a level where e-mail will be a reliable and dependable means of communication.

With respect to SPS, given the characteristics of Nigerian farmers, dominated by peasants and small-scale farmers, SPS measures are hardly understood and are difficult to meet. Education and training, financial and technical resources are required both at farm and national levels for a meaningful understanding and compliance (Oyejide, et al, 2000). This problem is compounded by lack of mutual recognition of inspections and standards given rise to delays and unpredictable trading environment.

3.3 Changes in the Agricultural Sector Policy Environment since 1994

Although the country is not committed to reduction in tariff rates, liberalisation of the agriculture sector has continued. Market access conditions have improved tremendously over the pre-UR period. Implementation of URAA has brought some changes: tariff liberalisation and the removal of non-tariff barriers in the agricultural sector. Applied tariffs on agricultural and livestock production increased slightly from 26.5% in 1990 to 27% in 1998 (a 1.9% increase). While the applied tariffs on forestry and logging decreased from an average of 14% in 1990 to 9% in 1998 (a 35.7% decrease); the applied tariff rates on fisheries declined by about 75.6% from 59.5% in 1990 to 14.5% in 1998. Thus, the applied tariff on agriculture, forestry and fisheries decreased from an average of 30.5% in 1990 to 23% in 1998 (i.e. about 25% decrease), the range of duty was 4% to 120.5% in 1998 (Table 2). This compared with food, beverages and tobacco manufactures where the average duty declined from about 88.5% in 1990 to about 52% in 1998 (i.e. about 41% decrease). The range of duties for 1998 was 4-160.5%.

Table 2: Nigeria's Import Duties in Agriculture, Forestry and Fisheries, 1990 and 1998

SITC	Product/Activity group	Applied Import duties		Share of bound tariff lines %
		Average 1990	Average 1998	
111	Agricultural and livestock production	26.5	27	100
121	Forestry and logging	14	9	0
130	Fisheries	59.5	14.5	24
100	Agriculture, Forestry & Fisheries	30.5	23	

Source: WTO (1998)

Annexes I to V present import and export prohibition list for 1991, 1995 and 1999. The list is getting shorter by the year. Since 1995, most items that were removed from the list attracted high

duty rates. For example, following the 1999 budget, the following items were removed from the import prohibition list and replaced with the following level of tariff: Live, chilled or frozen poultry and eggs, (excluding day-old chicks), 150%; beer and stout, 100%; barley and malt, 20%; and mineral and similar waters, 100%. WTO members have queried the continued use of some quantitative measures for balance of payment reasons noting that measures to protect balance of payment are supposed to be temporary. The government is asking for an extension of application of these measures pending some major port reforms.

Import prohibition measures for the purpose of safeguarding domestic producers faced some obstacles. Lack of adequate capacity to comply featured in Nigeria's notification to WTO Committee on Safeguards. Since there are no formal legislation on safeguard actions, the country cannot justifiably apply such. However, the country banned importation of some agricultural products (millet, sorghum, and wheat flour) and gypsum for safeguard reasons. This action by Nigeria elicited criticism from WTO members. Other trade control measures applicable to agriculture are prohibitions, sanitary and phyto-sanitary inspection and certification. Agricultural products featured prominently on the list of export prohibitions. These products include raw hides and skins, and wet-blue leather; maize; yam tubers; palm kernels; beans; rice; timber and unprocessed wood, except gmelina logs; scrap metal; and unprocessed rubber. A mandatory phyto-sanitary requirement for the exports of fresh plants and plant products is required. Similarly, a mandatory certificate of origin and a declaration of value for exports of cocoa is required. Export of animals and related products require sanitary certificate (WTO, 1998).

There is no export subsidy in place in Nigeria. The government has notified the WTO that agriculture is not being subsidised and that the country does not give any export subsidies on agriculture. However, there are a host of export incentives that are applied on non-discriminatory basis. Thus, there are no incentives (or subsidies) directed at agricultural exports. The operations of these schemes have been declining over the years. Lack of funds to backup some of the schemes and the bureaucracy of implementation rendered them ineffective. A repackaged incentive was introduced in August 1999. According to government officials the need to minimise government expenditure on some of these schemes and the desire to comply with WTO regulation on the use of non-cash incentives to support export activities prompted the review. The scrapped incentive schemes are presented in Appendix Table A2. In place of these scrapped incentives, government introduced a Negotiable Duty Credit Certificate (NDCC). The new scheme will not involve transfer of cash from government to beneficiaries rather the latter can use the Certificate in settling future import duties or charges. The scheme allowed manufacturers access to raw materials and other intermediate products for the production of exportable goods. A performance bond by any recognised bank or insurance company is, however, required. Manufacturers will be granted automatic refund of 60% of import duties paid on import used for producing exportable products. The remaining incentives are presented in Appendix Table A3.

IV. Nigeria's Current Agricultural Policy Regime

The current policy focus is to return agricultural exports to its former (pre-oil boom) position although with emphasis on increasing the value added of export by processing agricultural commodities for export market rather than exporting them in raw form.

Provision of food for the teeming population with the aim of attaining self-sufficiency in food production and ensuring national food security is a priority assigned to the Nigerian agricultural sector. The sector is also expected to provide raw materials for agro-allied industries, generate employment and provide markets for locally manufactured goods. By performing these roles, the

industrial base is expected to expand, generate greater employment and reduce the dependence of local industries on imported inputs (FGN: Vision, 2010).

It is also recognised that agricultural trade can enhance the technological innovation of the sector. If agro-allied industries that depend on cheap local raw materials are expanded, the demand for agricultural raw material will increase and encourage farmers to embrace modern farming methods. Also, since liberalisation makes technological artefacts available in the global market, skills that are necessary for efficient utilisation of equipment and machinery can easily be obtained by farmers. Thus, improved farm implements, storage, and distribution facilities can be developed to enhance productivity of the sector. The accompanying socio-economic development of the rural areas will also go a long way in alleviating poverty at this level. Trade policy is therefore an important tool in ensuring that agriculture attains its potential.

Indeed, the diversification of the country's export base and further liberalisation of import trade are the main objectives of Nigeria's trade policy. The promotion of the traditional non-oil exports of cocoa, rubber and palm produce is central to the diversification policy. These sectoral objectives are backed up by trade control measures that are designed to discourage importation of agricultural commodities that the country has comparative advantage in their production.

Using the United Nations Conference on Trade and Development (UNCTAD) coding system of trade control measures, the structure of tariffs and other measures on agricultural trade in Nigeria is examined.⁷ The main policy instruments in Nigeria are import tariff and quantitative restrictions;⁸ the latter consists of prohibitions. All the tariffs are *ad valorem*, as there are no variable or seasonal duties. Preferential treatment agreement among the Economic Community of West African States (ECOWAS) countries is not active hence imports from all countries enter Nigeria on a most-favoured-nation (MFN) basis. However, under the generalised system of preference (GSP), Nigeria grants rebates to all GSP countries. No Harmonised System (HS) line within the agricultural sector is included in the rebate.

Para-tariff measures include a surcharge of the duty payable, a value-added tax (VAT) which also apply to domestic goods and services, and two specific levies: sugar levy on sugar imports and national automobile council tax on value of imported vehicles and parts. In 1998, import duties included the followings: customs duty that is based on the published Custom, Excise Tariff etc. (Consolidation) Decree, 1995, as may be amended.⁹ A rebate where applicable¹⁰ a port

⁷The UNCTAD coding system of trade control measures is arranged into 9 broad categories according to their nature. The nine categories are (1) tariff measures (1000), para-tariff measures (2000), price control measures (3000), finance measures (4000), automatic licensing measures (5000), quantity control measures (6000), monopolistic measures (7000), technical measures (8000) and miscellaneous measures (9000). Within the broad categories, the measures are further subdivided according to their nature or objective. An example of further classification according to nature is prohibitions (total prohibition, seasonal prohibition, and suspension of issuance of licence etc.) under the broad category of quantity control measures. In the case of sub-categorization according to objectives, measures for sensitive products, be it internal taxes or charges levied on imports or technical measures, are further classified according to objectives of protecting animal health and life, plant life, environment, wildlife, control drug abuse, ensure human safety, ensure national security etc.

⁸ Import tariff is defined to include para-tariff measures.

⁹Although customs duties for a period of seven years are published some changes are usually made during annual budget presentation. For example, in 1998, the following amendments were made with respect to agricultural products. Review of the Customs and Excise Tariff, 1998. Thus with effect from 01 January, 1998, the import duty rates applicable to textile fabrics in HS Chapters 50 to 60 was 65% instead of the published rate of 45%. Similarly, the following items that were removed from import prohibition list attracted high duty rates as live, chilled or frozen poultry and eggs, (excluding day-old chicks) attracted 150%, beer and stout, 100%; barley and malt, 20% and mineral and similar waters, 100%.

¹⁰ In the 1999 budget, all rebates were cancelled.

development tax of 5%, a raw materials and development council surcharge of 1% and a shippers' council surcharge of 1%. Sugar imports attracted a 5% tax on the cost-insurance-freight value while imported vehicles and parts attracted a 2% on c.i.f. value. A five per cent VAT was calculated on the duty-paid CIF value of imports. A landing charge, equivalent to excise duties on some domestically produced goods, is charged on competing imports. These duties were all abolished in 1998 without removing the landing charges on the corresponding imports, thereby enhancing the rate of protection of domestic production for these goods.

Generally, tariffs on agricultural raw materials were reduced with the exception of those that compete with domestic production such as millet, sorghum, maize, and live poultry. Protection of domestic production is reflected in high tariffs on processed agricultural products where domestic production capacity exists. Poultry, cereals, confectionery, grain mill products, animal feeds and mineral waters attracted high import duties simply because domestic production capacity exists for these products. High tariffs on tobacco and beer are for health policy reasons. Notwithstanding that all the tariff lines in agriculture, (HS Codes 1 to 24), were bound at a ceiling rate of 150% and a maximum of 80% other charges, the applied rates were lower than the bound rates. An exception is the list of products that were recently removed from import prohibition list where the rates are close to the ceiling rates. There are no price control measures currently operating in Nigeria. Anti-dumping actions were last taken in 1991. These were in respect of tomato paste and puree, starch and some other non-agricultural products. The fact that there are no anti-dumping cases does not imply that there are no dumping. Rather a lack of capacity to establish such a dumping is a major problem as technical and stringent requirements for establishing dumping are not within the reach of the country and the firms concerned (Ogunkola, 1999). The Customs Duties (Dumped and Subsidised Goods) Act, 1958 has been under review since 1991 to ensure conformity with WTO rules. Until this is done and the WTO notified, anti-dumping measures cannot be legitimately taken.

Quantity control measures, especially import prohibitions are being used in Nigeria for various reasons. Concerning agricultural products, import prohibitions for the purposes of safeguarding domestic production and for balance of payment reasons are common. Liberalisation process has led to a reduction in the list of import prohibition. Most of the items removed from the list are tariffied at close to the bound rate (See Appendix Table A1).

On the input side, tariffs on agricultural equipment and chemicals are very low. In 1997 government liberalised the importation of fertiliser, a major agricultural input that was initially under the control of government. Private individuals can now import fertilisers subject to import certificate from National Agency for Food, Drugs Administration and Control (NAFDAC).

In summary, agricultural trade policy is directed at protecting domestic production, encouraging the development of agro-allied based industry and ensuring food security. Trade control measures were directed at providing higher protection to domestic industry, by imposing low import duties on inputs into the production of agricultural commodities, while the importation of agricultural outputs that can be easily obtained from the country attracted high import duties or were banned. From the analysis presented, the general direction is towards a more liberalised trade regime; hence, items on import and export prohibition lists are getting shorter.

However, the agricultural pricing policy aimed at ensuring that farmers obtain appropriate remuneration, price and income stabilisation as well as quality control are not given appropriate attention in the new marketing arrangement. Farmers are now exposed to sharp fluctuations in the international market. The agricultural pricing policy also aimed at ensuring that Nigeria's agricultural commodity prices are competitive in the international market in order to expand

agricultural exports. Another aim of the policy was to ensure that agricultural imports do not enjoy undesirable comparative price advantages over local commodities, and that agricultural commodity prices be in parity with those of non-agricultural commodities in Nigeria (Federal Ministry of Agriculture and Natural Resources, 1987).

V. Development in the External Markets of Interest to the Nigerian Agricultural Sector

5.1 Market Access

The average border protection to agricultural products in the Organisation for Economic Co-operation and Development (OECD) was higher in 1996 compared to its level in 1993 in eight out of the 10 OECD countries (FAO, 1999).

This protection is achieved through high agricultural tariffs. The post-UR tariffs remain high on temperate-zone food products with tariff peaks common in major staples, fruit and vegetables, and processed foods. Table 3 shows the structure of tariffs in agricultural products for EC, Japan, and the United States. On the aggregate, 26 percent of tariff lines in agriculture chapters (SITC 1 to 24) attracted duties above 20% in the EU. More revealing is that more than half of tariff lines in certain product groups attracted duties of 20% and above. (60% of tariff lines in cereals, 54% of tariff lines in dairy products, and 53% of tariff lines in Sugar, Cocoa etc). Meat, live animals, prepared fruit and vegetables, and other food products have more than one third of their tariff lines affected by tariff peaks (i.e. duties of 20% and above). Some tariff lines attracted more than 100% rate.

In Japan, tariff peaks also manifested in about a quarter of tariff lines in agricultural products. About 84% of tariff lines in dairy products, 64% of lines in sugar and cocoa and preparations attracted 20% and above duties. Tariff peaks are also significant in cereals, flours etc and in other food products where about half of the lines in these categories were charged duties at 20% and above.

In the United States, tariff peaks are relatively less than what obtains in EU and Japanese markets. On the aggregate, only about 10 of the lines in agriculture are charged at 20% and above duties. About 38% of tariff lines in dairy products and about 20% in other food industry faced tariff peaks.

Perhaps it should be noted that all tariff lines in fish and crustaceans are charged duties below 20% in both Japanese and American markets while about 54% of the lines for this category of agricultural products are faced with tariff peaks in the European market. Barring any other barriers, the Japanese and American markets should be attractive to exporters of these products. Similar argument holds for Cereals, flour, etc.

Tariff escalation is another problem. It remains an effective way of protecting process products from the developed markets. This is not in tandem with the development aspiration of Nigeria. Figures 3a through 3c show the trends in tariff rates facing some products of interest to Nigeria as the processing chain advances. There is no significant change in the pre- and post-UR in tariff escalation.

Problems with the implementation of tariff rate quotas (TRQs) have been identified to include lack of transparency in their administration, poor performance with respect to quota fill rate, and the generation of large number of bilateral trade arrangements. Allocations of quotas on any other bases apart from most-favoured nation basis is bound to result in discrimination and therefore

jeopardised the objective of increasing market access. Table 4 shows that the administration methods have shifted gradually from applied tariffs, an approximate most-favoured-nation principle, to licences on demand, historical importers and combinations of various methods^{11 12 13}. By allocating quotas on the basis of historical importers new entrants to the market for the particular products are discriminated against. Licences on demand are also prone to lack of transparency.

Broad classification of products for TRQs allowed under the UR AoA has prevented opening up of market access in some sub-product categories within a broad product category (FAO, 1999). EU's treatment of vegetables and fruits into different categories is a case in point. This disaggregation circumvented the minimum access commitment.

All these and some other practices such as counting existing preferential treatment and allocation to non-WTO members as part of quotas, etc have affected the fill rates by countries and by products over the years.

The right to increase tariffs above bound rates in response to a surge in imports or a decline in import prices were reserved by 38 members (16 developed and 32 developing countries). Relative to the size of these groups in the WTO, there is an imbalance in this commitment. The invocation of the SSG has also been biased in favour of the developed countries. Four members have reportedly taken action with respect to SSG in 1995, 5 in 1996, 6 in 1998 and 4 in 1999 (WTO, 2000). Only Korea among the developing countries that reserved the right to use SSG measures had invoked it. Table 5 shows that Japan, EC and the United States dominated SSG actions between 1995 and 1998. They jointly accounted for 80% of the price-based action and 98% of the volume-based action. Indeed only two other countries, Poland and Slovak Republic had undertaken SSG measures among the relevant group of developed countries. Potential applications of SSG actions are common in meat, cereals, fruit and vegetables, oil seed and oil products and dairy products. Table 6 shows that actual price-based SSG actions were made on sugar and confectionary, cereals, food preparation, coffee, tea, mate, cocoa, etc. The volume-based actions were mainly on fruit and vegetables, animal and animal products and agricultural fibres. Dairy products attracted both price- and volume-based SSG actions.

5.2 Domestic Support: Dirty Implementation?

Based on notification to WTO committee on agriculture (CoA), Table D shows that there is substantial increase in exempted domestic support expenditure categories especially expenditure on green box measures. For EU and the United States, the expenditure on green box measures almost doubled the base year figure in 1995 and by the end of the subsequent years these expenditures were more than doubled the base year figures. Japan has no other exempted expenditure other than green box expenditure. Unlike in the EU and the United States, expenditure on green box measures though were higher than the base year in the first year of implementation, 1995, it has since been declining. It was still slightly higher than the base year figure in 1997.

¹¹ Under applied tariffs, no shares are allocated to importers. Imports are allowed in unlimited quantities at the in-quota rate or below.

¹² Under licences on demand importers shares are generally allocated, or licences issued, in relation to quantities demanded and often prior to the commencement of the period in which the physical importation is to take place. This includes methods involving licenses issued on a first-come, first served basis and those systems where licence requests are reduced to pro-rata where they exceed available quantities.

¹³ Historical importers involve allocations of shares or issuance of license on the basis past imports of the product concerned.

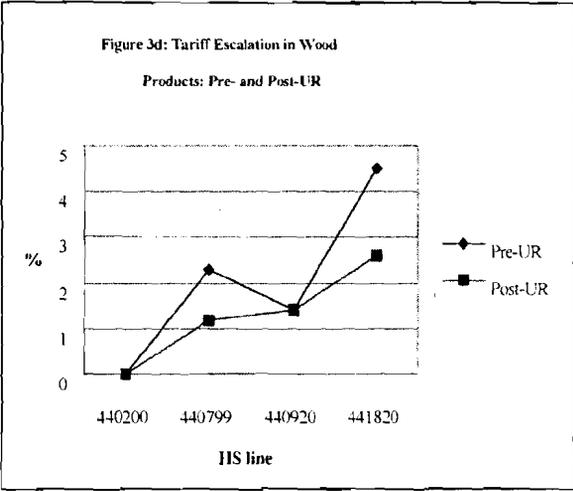
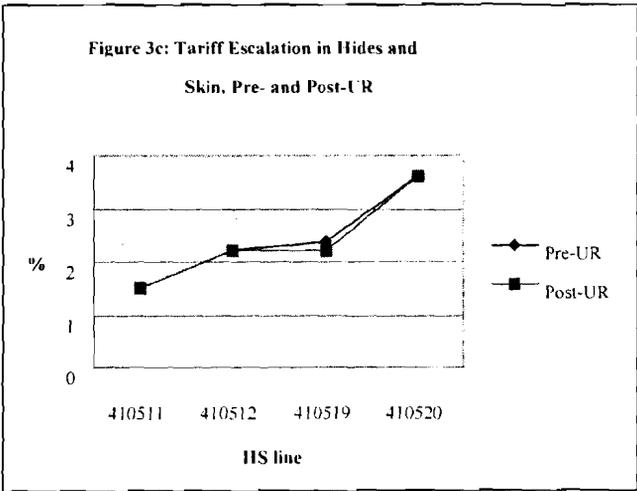
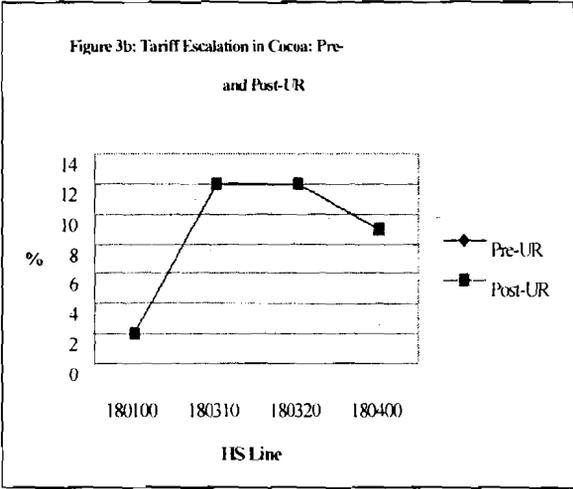
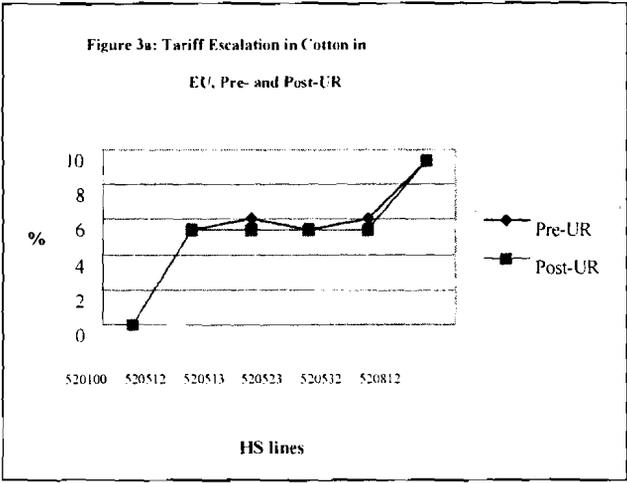


Table 3: Tariff Peaks by Agricultural Product Groups (EC, Japan and the US)^{1/}

Product group ^{2/}	Number of tariff lines within a tariff range					
	Total	20-29 %	30-99 %	>100 %	No. of peaks	Share in total %
European Community (EC)						
Meat, live animal (1-2)	351	68	79	14	161	46
Fish and crustaceans (3)	373	45	0	0	45	12
Dairy products (4)	197	21	77	9	107	54
Fruit and vegetables (7-8)	407	10	5	1	16	4
Cereals, flours etc. (10-11)	174	29	75	0	104	60
Veg. Oils, fats, oilseeds (12,15)	211	0	8	2	10	5
Canned and prep.meat, fish (16)	105	17	8	0	25	24
Sugar, cocoa and prep. (17,18)	75	34	6	0	40	53
Prepared fruit, vegetables (20)	310	70	39	1	110	35
Other food industry prod. (19,21)	90	27	8	0	35	39
Beverages and tobacco (22,24)	202	9	15	2	26	13
Other agri. Prod (5-6, 13-14, 23)	231	4	14	4	22	10
All agri., fishery products (1-24)	2,726	343	334	33	701	26
Japan						
Meat, live animal (1-2)	136	3	19	7	29	21
Fish and crustaceans (3)	189	0	0	0	0	0
Dairy products (4)	146	45	57	22	122	84
Fruit and vegetables (7-8)	209	1	2	7	10	5
Cereals, flours etc. (10-11)	132	37	24	10	71	54
Veg. oils, fats, oilseeds (12,15)	161	1	1	3	5	3
Canned and prep.meat, fish (16)	101	21	3	3	27	27
Sugar, cocoa and prep. (17,18)	80	26	19	6	51	64
Prepared fruit, vegetables (20)	231	52	5	2	59	26
Other food industry prod. (19,21)	232	113	2	15	130	56
Beverages and tobacco (22,24)	65	8	0	0	8	12
Other agri. Prod (5-6, 13-14, 23)	208	0	0	0	0	0
All agri., fishery products (1-24)	1,890	307	132	75	514	27
United States						
Meat, live animal (1-2)	116	6	0	0	6	5
Fish and crustaceans (3)	114	0	0	0	0	0
Dairy products (4)	251	29	58	9	96	38
Fruit and vegetables (7-8)	269	13	0	0	13	5
Cereals, flours etc. (10-11)	59	0	0	0	0	0
Veg. oils, fats, oilseeds (12,15)	124	0	2	2	4	3
Canned and prep.meat, fish (16)	90	1	1	0	2	2
Sugar, cocoa and prep. (17,18)	144	6	13	2	21	15
Prepared fruit, vegetables (20)	169	3	2	3	8	5
Other food industry prod. (19,21)	156	11	18	2	31	20
Beverages and tobacco (22,24)	126	1	3	8	12	10
Other agri. Prod (5-6, 13-14, 23)	161	0	2	0	2	1
All agri., fishery products (1-24)	1,779	70	99	26	195	11

^{1/} Tariff peaks are defined as tariff rates that are 20 percent or more. All are MFN tariffs.

^{2/} The numbers within the parenthesis in the product are SITC numbers. Source: FAO (1999), Table 4

Table 4 Principal TRQs Administration Methods, 1995-1999 (Number of Tariff quotas)

Principal Administration Method	1995	1996	1997	1998	1999
Applied Tariff	49	36	38	26	20
First-come, first-served	1	3	1	1	-
Licences on demand	13	22	25	25	32
Auctioning	2	-	8	10	10
Historical Importers	6	20	25	35	35
State Trading	3	3	1	-	1
Producer groups	2	2	1	1	1
Other	5	6	-	-	-
Mixed Methods	4	6	9	10	9
Non-specified	23	10	-	-	-
Total Sample	108	108	108	108	108

Source: WTO (2000), Committee on Agriculture Special Session, *Changes in Tariff Quota Administration and Fill Rate*, G/AG/NG/S/20, 08 November.

Table 5: Special Agricultural Safeguard (SSG): potential application and action by members

Member	Potential application of SSG		SSG action by member and number of tariff items, 1995-98	
	Number of tariff items	number of product groups (HS 4-digit headings)	price-based action	volume-based action
Developed countries:	3856	967	64	128
EC	539	72	26 ^a	47 ^a
Japan	121	27	4 ^b	73 ^b
United States	189	26	24 ^a	6 ^a
Developing countries:	2216	728	8	0
Korea	111	34	8 ^c	
Total	6,072	1,695	74	128

Source: FAO (1999), Table 5. a/ HS 8-digit items. b/ HS- 9-digit items. c/ HS 6-digit items.

Table 6: Special Agricultural Safeguard (SSG): Potential Application and Action by Product Category

Product category	Potential application of SSG		SSG action by member and number of tariff items, 1996-98	
	number of tariff items	as percentage of total number of tariff items	price-based action	volume-based action
Cereals	1,087	17.9	7	2
Oil seeds, fats and oils and products	706	11.6	5	
Sugar and confectionary	291	4.8	23	
Dairy products	715	11.8	15	20
Animal and product thereof	1327	21.9	5	47
Eggs	74	1.2	1	
Beverages and spirits	329	5.4	1	
Fruit and vegetables	809	13.3	1	48
Tobacco	73	1.2		
Agricultural fibres	13	0.2		5
Coffee, tea, mate, cocoa and preparations; spices and other food preparations	277	4.6	6	1
Other agricultural products	371	6.1	8	
All commodity categories	6,072	100.0	72	123

Source: FAO (1999), Table 6

Table 7: Trend in Domestic Supports in European Union, Japan and the United States, 1995 to 1997

USA (million \$)	Base	1995	1996	1997
Green Box Measures	24098.0	46041.0	51825.0	51249.0
Development Programme Measures	0.0	0.0		
Direct Payment Under production-limiting		7030.0		
Non-exempt categories I	25470.0	7696.9	7052.8	7042.7
<i>Non-exempt categories II</i>		6213.9	5897.7	6238.4
TOTAL DS	49568.0	60767.9	58877.8	58291.7
Total AMS Commitment Level		23083.1	22287.2	21491.2
EU (million ECU)	Base	1995	1996	
Green Box Measures	9233.4	18779.2	22138	
Development Programme Measures	0.0	0.0	0.0	
Direct Payment Under production-limiting		20845.5	21520.8	
Non-exempt categories I	73644.9	50600.1	51478.0	
<i>Non-exempt categories II</i>		50030.0	51000.00	
TOTAL DS	82878.3	90224.8	95137.4	
Total AMS Commitment Level		78670.0	76370.0	
Japan (billion yen)	Base	1995	1996	1997
Green Box Measures	2204.6	3169.0	2818.0	2652.0
Development Programme Measures				
Direct Payment Under production-limiting				
Non-exempt categories I	4959.0	3544.7	3367.0	3207.1
<i>Non-exempt categories II</i>		3507.5	3329.7	3170.8
TOTAL DS	7163.6	6713.7	6185.0	5859.1
Total AMS Commitment Level		4800.6	4635.0	4469.5

Sources: Based on (1) WTO (2000), Committee on Agriculture, Special Session, Domestic Support, GA/G/NG/S/1 (2) WTO (2000), Committee on Agriculture, Special Session, Green Box Measures, GA/G/NG/S/2 Note: The figures in row for non-exempt categories I were calculated from product by product notification of expenditure. This did not distinguished from whether de minimis clause was satisfied or not. On the hand, the figures in row for non-exempt categories II only included expenditure within the de minimis level. Thus, all the sampled countries violated the de minimis clause. The rate of violation was more pronounced in the United States.

Table 8: *Liberalisation Commitments in Agriculture*

Country	Market access		Domestic Subsidies	Export Subsidies	
	Price	Quantities		Outlays	Quantities
Developed	Tariffication and tariff reductions of 36% unweighted average over 6 years	Tariff quotas for 3% of domestic consumption, rising up to 8% after 5 years	20% reduction in aggregate in 6 years	36% reduction 6 years	21% reduction 6 years
Developing	Tariffication and tariff reductions of 24% unweighted average over 10 years	None	13.3% reduction in 10 years	24% reduction 10 years	14% reduction 10 years
Least Developed	None	None	None	None	None

Source: Adapted from Ohiorhenuan (1998)

Table 9a: EU's Exports Subsidies, 1995 to 1998, million ECU

PRODUCT	Bud 1995	BUDn 1995	XS95 bud	Bud 1996	BUDn 1996	XS96 Bud	Bud 1997	BUDn 1997	XS97 bud	Bud 1998	BUDn 1998	XS98 bud	Bud 1999
Wheat and wheat flour	2309	118.7	5	2105	317.5	15	1901.4	177.7	9	1697.3	500.3	29	1493.2
Coarse grains	1605.7	303.4	19	1493.9	389	26	1382.2	273.2	20	1270.4	764.1	60	1158.6
Rice	54.6	30.3	55	51.1	72.2	141	47.5	32.6	69	43.9	25.6	58	40.4
Rapeseed	40.7	0	0	38.1	0	0	35.5	0	0	32.9	0	0	30.3
Olive oil	79.8	62.1	78	74.7	39	52	69.6	7.8	11	64.5	0	0	59.4
Sugar	733.1	379	52	686.3	525	76	639.5	779	122	592.7	794.8	134	545.9
Butter and butteroil	1392.1	256.2	18	1303.3	551.8	42	1214.4	310.5	26	1125.6	285.7	25	1036.7
Skim milk powder	406.2	140.9	35	380.1	170.1	45	354	116.4	33	328	191.7	58	301.9
Cheese	594.1	437.6	74	543.6	271.3	50	493.1	176	36	442.6	149.1	34	392.1
Other milk products	1024.7	727.6	71	959.3	732	76	893.9	756.4	85	828.5	758.9	92	763.1
Beef meat	1922.6	1506.5	78	1788.7	1526.7	85	1655	840.7	51	1521.2	642.9	42	1387.4
Pigmeat	288.8	100.5	35	269.3	71.1	26	249.8	74.4	30	230.3	356.1	155	210.8
Poultry meat	136.3	115.9	85	127.2	73	57	118	76.1	64	108.9	89.7	82	99.8
Eggs	60.7	12.9	21	57.3	6.9	12	53.9	13	24	50.5	17.3	34	47.1
Wine	57.5	51.1	89	53.9	59.6	111	50.2	37.2	74	46.5	29.3	63	42.8
Fruit and vegetables, fresh	77.6	70.4	91	72.6	61.8	85	67.7	26	38	62.7	31.6	50	57.8
Fruit and vegetables, processed	12.2	11.3	93	11.4	10.2	89	10.7	5.7	53	9.9	4.5	45	9.1
Raw tobacco	96.6	18.2	19	85.3	3.4	4	74	0	0	62.7	0	0	51.4
Alcohol	141.2	51.2	36	132.2	118.5	90	123.2	105.5	86	114.2	121.2	106	105.1
Incorporated products	717.4	491.1	68	656.8	565.9	86	596.4	553.1	93	535.9	573.4	107	475.4
	13745.9	6879.9	50.1	12886.1	7561	58.7	12027	6358.3	52.9	11167.2	7334.2	65.7	10307.3

Bud1995: annual commitment level for 1995 for each product in terms of budgetary outlays. Similar interpretation holds for other years

BUDn1995: notified use of budgetary outlays in 1995 for each product. Similar interpretation holds for other years

XS95bud: notified use of export subsidies expressed as a percentage of the relevant annual commitment level. Similar interpretation holds for other years.

Source: Summarised from WTO (2000), Committee on Agriculture, Export Subsidies, G/AG/NG/S/5

Table 9b: United States' Export Subsidies, 1995 to 1998, US \$

PRODUCT	Bud 1995	BUDn 1995	XS95 Bud	Bud 1996	BUDn 1996	XS96 Bud	Bud 1997	BUDn 1997	XS97 bud	Bud 1998	BUDn 1998	XS98 Bud	Bud 1999
WHEAT	765499231	0	0	685162308	0	0	604825385	0	n.a.	524488462	0	n.a.	444151539
COARSE GRAINS	67735453	0	0	63411914	0	0	59088374	1205000	2	54764835	0	n.a.	50441295
RICE	15705850	0	0	13038465	0	0	10371080	0	n.a.	7703695	0	n.a.	5036310
VEGETABLE OILS	52959518	0	0	45184194	0	0	37408871	0	n.a.	29633547	0	n.a.	21858224
BUTTER AND BUTTER OIL	44792792	0	0	41933678	20082000	48	39074563	8852246	23	36215449	451956	1	33356335
SKIMMED MILK POWDER	121118905	16818000	14	113387911	93781000	83	105656917	88798424	84	97925923	133284327	136	90194929
CHEESE	5339844	2056000	38	4999002	2500000	50	4658161	3905189	84	4317320	4164216	96	3976479
OTHER MILK PRODUCTS	14374120	1551000	11	11503491	5100000	44	8632862	8603833	100	5762232	7407673	129	2891603
BOVINE MEAT	33520056	0	0	31380478	0	0	29240900	0	n.a.	27101322	0	n.a.	24961744
PIGMEAT	730050	0	0	683451	0	0	636852	0	n.a.	590253	0	n.a.	543654
POULTRY MEAT	21377402	5153000	24	20012887	0	0	18648372	862500	5	17283857	1399762	8	15919342
LIVE DAIRY CATTLE (head)	17450834	0	0	16336951	0	0	15223068	0	n.a.	14109185	0	n.a.	12995302
EGGS (dozen)	7587922	0	0	6391233	0	0	5194545	0	n.a.	3997856	0	n.a.	2801167
	1168193972	25579995	2	1053427959	121464996	11	938661947	112229189	12	823895934	146709932	17.8	709129922

Bud1995: annual commitment level for 1995 for each product in terms of budgetary outlays. Similar interpretation holds for other years
BUDn1995: notified use of budgetary outlays in 1995 for each product. Similar interpretation holds for other years
XS95bud: notified use of export subsidies expressed as a percentage of the relevant annual commitment level. Similar interpretation holds for other years.

Source: Summarised from WTO (2000), Committee on Agriculture, Export Subsidies, G/AG/NG/S/5

In most cases, the non-exempt expenditures were substantially reduced from the base and have been declining since. However, the total domestic support (exempt plus non-exempt categories) has been increasing. The figures were higher than the based year figures in both EU and the United States. Japan has been able to maintain figures lower than the base year figure over the years. Thus, the implementation of reduction in domestic support was at best a change in the categorisation of expenditures. Thus, the ratio of expenditure on non-exempt categories to total AMS commitment level is a misleading indicator of the reduction in domestic support, a look at total (exempt and non-exempt expenditures) domestic support gives a realistic picture of the development in this area.

5.3 Export Subsidy

Two levels of reforms are expected in the export subsidy commitment. First, expenditures on export subsidies are to be reduced by 36% in industrial countries by the year 2000 and by 24% by developing countries by year 2004. Second, the quantity of subsidised exports is to be reduced by developed countries by 21% by the year 2000 and by developing countries by 14% by the year 2004. The summary of commitments in agriculture is presented in table 8. Although Nigeria is classified as a developing country; corresponding to the shaded row, the country opted out of some commitments. See section 3.2.2 for the country's commitments under AoA.

In general, Nigeria and other developing countries are expected to achieve two-thirds of the developed countries' commitment within one two-thirds of the period of implementation by the developed countries. The two-third and one two-third rules neither reflect the structural and institutional constraints by the developing countries as a group, nor directed at individual country's capability.

The implementation of export subsidy commitments by Nigeria's main trading partners, EU and the United States is summarised in tables 9a and 9b. Japan has no commitment in export subsidies.

The trend in the aggregate subsidies revealed that EU's export subsidies on agricultural products, though is within the commitment level, is on the upward trend. It increased from about ECU6.9 billion in 1995 to about ECU7.3 billion in 1998. Rice, Sugar, milk products, beef meat, alcohol and 'incorporated products' were highly subsidised. In some cases the subsidy on each products or product groups was greater than the committed level.. Article 10, paragraph 2b of the AoA allows for export subsidies on a given product to be in excess of the corresponding annual commitment level under certain conditions. One of such conditions is that the end of the implementation period the budgetary outlay should not be greater than 64% of the 1986-1990 based period. Although there are no data for budgetary outlays for 1999 and 2000, the available data shows that substantial reduction is required in certain groups of products if these conditions are to be met. For example, export subsidies on sugar have not only being greater than commitment levels since 1995, the budgetary outlays have increased from about ECU 379 million in 1995 to about ECU795 million in 1998, more than double. Similar trends are observable for 'other milk products'

The United States' export subsidies commitments on about a dozen of food products or product groups was to decrease from about \$1.17 billion in 1995 to about \$0.71 billion in 1999 (table 9b). The actual export subsidies granted were, however, limited to butter and milk products. Similar to that of EU the budgetary outlays are on the upward trend increasing from about \$26 million in 1995 to about \$147 million in 1998. While expenditure on most of the items increased over the year, they were within the commitment levels for each product or product group until 1998 the

export subsidies on skimmed milk and other milk products increased more than the commitment levels. They were about 136 and 129% percent of the commitment levels respectively. Substantial reductions in these subsidies were required if overall the country is to be within its overall commitment at the end of the implementation period.

VI. Performance of Agricultural Sector in Nigeria

The preceding sections have demonstrated that the implementation of agricultural sector reform (liberalisation and production reforms) has been minimal both in Nigeria and in the external markets that are of interest to Nigeria. The implications of this development on the Nigerian agricultural system are the focus of this section. Basically it examines trends in production, exports and imports of agricultural products with emphasis on developments in the food sub-sector.

6.1 Development in the Production, Exports and Imports of Agricultural Commodities

An analysis of the performance of the agricultural sector between 1970 and 1985 revealed that average annual growth of the major agricultural crop production was -1.23% (Table 10). Varying distortions in the economy during this period include over-valued exchange rate, marketing controls, price setting and restrictive trade policies, among others. It is noteworthy that staple crop production recorded the highest decline. Apart from exchange rate overvaluation that made imported food items cheaper, liberal food import policy, especially between 1970 and 1977, was responsible for the decline in staple crop production. Fish production that recorded an impressive growth between 1970 and 1980 suffered a great shock in 1985; hence the sector recorded a negative growth for the entire period (1970 to 1997). The changes in the fortune of fish sub-sector is explained by the constrained operations of National Accelerated Fish Production Programme (NAFPP): ineffective operations of the programme especially inadequate funding, poor input distribution to states and ineffective use of fishermen co-operative societies.

Table 10: *Growth Rate of Agricultural Production by Type of Activity, 1970-1997, 1984=100*

	Crops			Livestock	Fish	Forestry	Aggregate
	Staples	Others	Total crops				
1970-1985	-3.33	1.54	-2.20	2.21	-3.21	1.57	-1.23
1985-1995	10.70	3.74	9.52	5.07	1.74	2.38	7.56
1995-1997	3.77	5.36	3.95	2.60	15.96	0.96	3.91
1970-1997	2.18	2.63	2.45	3.29	-0.08	1.82	2.32

Sources: (1) Data for 1970-1990 from Central Bank of Nigeria (CBN), *Statistical Bulletin*, Volume 7 Number 1. (2) Data for 1995-1997 from Central Bank of Nigeria (CBN), *Annual Report and Statement of Accounts for the Year ended 31st December 1997* Lagos.

The second period (1985-95) was characterised by economic reform. Apart from creating an enabling environment through price incentives, there were supportive programmes that addressed the non-price factors. The sector recorded a positive growth rate of close to 8% during this period. Staple crops recorded the highest growth rate, 10.7%. The lowest, 1.74% came from fish sub-sector. In the third period, 1995-1997, trade liberalisation that began in the second period was

strengthened. Tariff rates were further reduced and all the tariff lines in agriculture were bounded. Non-tariff measures were sparingly used. These and other measures resulted in an average annual growth rate of agricultural production of about 3.91%.

For the entire period, 1970-1997, all the identified sub-sectors recorded positive growth rates between 1.82 and 3.29%, except fisheries that recorded negligible negative growth rate of -0.08%. The annual average growth rate of the sector for the entire period, 1970 to 1997, was less than the average growth rate of the population (2.32% compared with 2.83% population growth rate). These favourable conditions notwithstanding, the performance of the sector was below the projected 5.5% by the 1997-1999 Rolling Plan.

Nigeria's imports of agricultural commodities have been consistently below its exports at least in the last decade (see figure 4). Indeed Nigeria's exports of agricultural commodities increased marginal and stabilised at about \$0.5 billion since 1995. The imports rose gradually from a little over \$1.0 billion in the pre 1994 to about \$1.5 billion in 1998. Evidence point to declining agricultural commodity prices as a significant factor. For example the price Cocoa, a major agricultural product of Nigeria declined from an annual average of about 168 Cent per kg in 1998 to about 91 per cent in 2000. Similar trends are observable in other commodities that are of interest to Nigeria.

6.2 Food situation

The importance of food in Nigeria's agricultural trade is captured in table 11. The share of agricultural food exports by Nigeria has been declining over the years and agricultural food imports dominated agricultural imports by the country to the tune of 90% on the average. The country is a net food importer and government actions have focused on reversing this trend. Food supply in sufficient quantity, improved nutritional status and, food accessibility of Nigerians are some of the policy issues. Instability in food production (measured as grain equivalents of maize, millet, sorghum, rice, wheat, yam and cassava) are pronounced. In the first half of the 70s food production grew at an average annual rate of -1.74%. In the last half of the 70s growth rate of food production declined to -4.41%. By the first half of the 80s (1981-85) the growth rate of food production was +9.31% and this increased to reach a peak in the second half of the 80s when it was 14.55%. Indeed the 80s were a glorious decade for food production in Nigeria. Its growth rate for the first three years in the 1990s however, recorded an average growth rate of 5.71%.

Food import bill is on the increase as the share of food in total import was as high as 15% in the first half of 1980 (Table 11). The share declined in the second half of 80s to about 8.3% of imports. This translates to a reduction in food import bill from about \$2.2 billion in 1980 to about \$0.43 billion in 1990. This reduction in food imports was, however, not sustained as it increased to about 11% in 1995 and further to about 12.7% in 1996. In value terms, food import bill was \$0.53 billion and \$0.66 billion in 1995 and 1996 respectively. Indeed food import ranked second behind manufactures. The share of food export ranged between 1.7 and 2.7% during the period. The value food exports also declined from about \$0.57 billion in 1980 to about \$0.23 billion in 1990. It however increased marginally to \$0.34 billion and \$0.39 billion in 1995 and 1996 respectively. Figure 5¹⁴ shows that before 1975, Nigeria was a net exporter of food. However, since 1975 Nigeria's import bill has been in excess of food exports.

¹⁴SITC 0 is used as proxy for food imports and food exports.

The food gap that was reduced between 1985 and 1990 is now widening. Effects of SAP explain the development between 1980 and 1990 while the development in the latter period is attributable to the effect of AoA. Figure 6 shows the trend in import of wheat and sugar. The high jump in import of these commodities is attributable to trade liberalisation efforts by the government. The current food situation is worrisome and efforts are geared towards meeting the country's food demand through local production. Efforts are being directed at minimising post-harvest losses, and in bringing food prices within the reach of most Nigerians. The situation where more than 70% of average income is expended on food items is worrisome to the government. Government has no doubt shown that with appropriate policies in place, Nigeria can conveniently meet her food requirement locally and even become a net food exporter.

Observations on the trend of agricultural prices, output and exports tend to suggest that liberalisation and economic policies in the last half of the 80s have impacted positively on developments in the sector. First, domestic prices of agricultural commodities increased substantially. Figures 7 and 8 also reflect differences in the prices of cash crops and staples. While the prices of staples continued the upward trend in the 1990s, prices of some cash crops were either constant, or unstable or declining. In terms of output, the increase that started in the last half of the 80s was not sustained in the 90s. Indeed, output of some commodities fell. Figures 9 and 10 present a vivid picture of trends in selected outputs of agricultural products. Figure 5 for instance shows that while exports of food has been on the increase since 1990, its import declined, spiralling another wide gap between food imports and exports.

6.3 Food policy: to import or to produce?

For various reasons ranging from employment consideration to foreign exchange constraint, the government favoured meeting its demand for food through domestic production rather than food imports. Indeed, the current administration in the country puts food security and affordability on topmost priority. Adequate food supply is not only a means to poverty alleviation; it also possesses some economic benefits. The fact that poor nutrition impacts negatively on labour productivity necessitates meeting food demand from local sources which are considered a cheaper source than that of imported food items. This, coupled with government's policy of affordable food prices, substantially favours local food production. Even if food imports are relatively cheap, there are important benefits of domestic production of food items. Local food production provides employment for the teeming population and also generates income for them. Given the quality of available resources especially, the low skill level of agricultural population, an alternative employment of resources that is supposed to be engaged in food production may not be easy. The forward linkage between agricultural production and the manufacturing sector is another advantage in local food production as locally produced food items are to serve the food processing industry in the country. It has also been argued that local food production provides a market for manufacturing firms and it also promotes income distribution.

Table 11: *Structure of Nigeria's Import and Exports, 1980 to 1996*

	Exports					Imports				
	1980	1985	1990	1995	1996	1980	1985	1990	1995	1996
Percentage share										
Food	2.2	1.7	1.7	2.7	2.5	15.1	15.1	8.3	11.0	12.7
Agricultural raw material	0.2	0.3	1.1	2.4	1.8	0.4	1.2	0.8	0.9	0.4
Mining	95.6	96.0	92.9	86.8	92.0	1.7	1.7	1.5	1.0	0.7
Manufactures	1.8	1.9	4.2	8.0	3.7	82.6	80.2	88.5	85.5	85.2
Value in \$ billion										
Total	26.1	15.6	13.5	12.7	15.5	14.3	6.19	5.18	4.82	5.20
Food import bill	0.57	0.27	0.23	0.34	0.39	2.16	0.93	0.43	0.53	0.66

Source: Computed from WTO (1998)

VII. Nigeria's Interests and Options for the New WTO Round of Negotiations

The main purpose of the AoA is to bring agriculture under multilateral trading system. Two important elements in this process are tariffication and binding of commitments and to a large extent substantial progress was made in this regard in the last round. Of course, the ultimate objective relates to agricultural trade liberalisation and from the evaluation presented above, not much has been achieved in this area notwithstanding the commitments made by the WTO members. Given these observations, this section takes a look at what should be the preoccupation of WTO members in the forthcoming round of negotiations

From the foregoing, new round of negotiations provide an opportunity for re-tooling the AoA in order to reduce protection and distortionary trade policies in agriculture. Using the three pillars of AoA: market access issues, domestic support and export subsidies, this section attempts to articulate a Nigerian position in the new round of negotiations.

Nigeria's aspiration is to develop its traditional and non-traditional exports in line with the country's comparative advantage and past performance. It will be recalled that before the oil boom, raw agricultural exports were significant and contributed substantially to foreign exchange earnings. There is therefore no doubt that the country has the potential for attaining these goals. However, some factors, both domestic and external, are restricting the development (production and exports) of the sector. In the following paragraphs, options for the development of the sector are examined under the three pillars of the UR AoA.

7.1 Market Access Issues

Evaluating the country's implementation of agricultural trade liberalisation on the basis of changes in policies in the post-UR is likely to bias the country's commitment (not necessarily to

multilateral trade negotiation) and implementation of reforms. A whole gamut of liberalisation since the adoption of SAP should be considered in evaluating and strengthening trade liberalisation. The country has come a long way from taxing the sector to minimum government intervention. To an average farmer, there is no distinction between unilateral trade liberalisation and multilateral trade liberalisation and the best that WTO can do is to integrate agricultural trade liberalisation under SAP with the negotiation in the next round.

On the domestic front the across-the-board uniform rate should be revisited. Within the agricultural sector, there are sub-sector comparative advantages and different levels of priority that should be reflected in the binding commitments. The country should reflect all these in its agricultural tariff bindings in the forthcoming round of negotiations.

Nigeria has not completed the process of full tariffication. A few non-market based trade control measures such as bans are still in place. The country should consider tariffication of these commodities. Related to this is liberalisation of the sector, a preference for floor binding over the current ceiling bindings possesses the required transparency for trade policy to play a significant role in the development of the sector and the economy in general. Of course, this should incorporate the level of development of the country. In this vein, the country should consider reduction in tariff rates on the non-strategic sector, where the country has no comparative advantage. Reduction in bound rate close to the applied rate in this sub-sector may be considered.

On the strategic sub-sector such as food the country may maintain the current bound rate and possibly raise the applied rate close to this level. These suggestions are aimed at achieving transparency and possibly to attract foreign direct investment in the sector. Of course high applied tariff on food is bound to generate high consumer expenditure at least in short-run, tariff revenue from the sector could be used to develop the sector. Investments in infrastructures such as rural roads, storage and preservation facilities, and even processing units are in dire need in the country. This does not necessarily mean that the country would violate the AoA on domestic supports (see below).

In the medium-run, such a policy will attract development of local alternative to imported product and this is the more reason why the binding should be as close as possible to the bound rate so as to give a clear signal to investors in certain key areas. Perhaps the country should seek to anchor its tariff policy in order to escape from various interest groups that had succeeded in the past to reverse government policies in this area. Government policies on wheat production in recent past are a case in point.

Apart from liberalisation through tariff reduction of the sector, the country should seek a re-negotiation of other issues in the market access component of the UR AoA, such as SSG and TRQs. For example the country should seek to reserve the right to apply SSG measures. This would act as insurance against unforeseeable development in the sector, which would have ordinarily necessitated adjustment in tariff rates.

Perhaps government's reluctance in liberalising the sector is justified given the development in the relevant external markets. As presented in the Section VI, external markets that are of interest to Nigeria are still characterised by tariff peaks, tariff escalations, TRQs shrouded in conceptual and implementation laxity, SSG measures that perpetuate discrimination and, trade-restrictive SPS and TBT measures. The country's position on these issues are suggested in what follows

Tariff peaks affect about a quarter of tariff lines in agricultural products in EU and Japan and about a tenth of the lines in the United States. More importantly is that there are still some tariff

lines in agricultural products in these markets that attract more than 100 percent duties. The import of this is that UR AoA tended to have increased tariff dispersion. Tariff peaks in the developed countries are important because of the binding was at floor binding and hence these peaks are the applied rates. Closely related to this is tariff escalation, which are manifested in processed agricultural exports that are of interest to Nigeria. The case of cocoa and other products are illustrated in Section VI above.

The country should seek for harmonisation of tariff rates occasioned by tariff peaks and escalations. This would involve defining the negotiation formula to use. In any case the country should be interested in any formula that reduced the very high tariffs more and that have minimal impact on the already very low tariffs. Thus the country may propose a 'swiss formula' or its variant. This may also be applied to non-strategic agricultural commodities of the country. As I have argued earlier on, there is the need to consider the current applied rate in non-strategic agricultural products as the level of binding. The other option is to use the highest applied rate in this category of agricultural products as the negotiating rate under the swiss formula.

The country should also be interested in special safeguard provisions at least for two reasons: first, their uses in the EU, Japanese and the United State markets and their potential effect on Nigeria's exports. The concern should also manifest in taking advantage of the SSG. As shown earlier, the current access and application of SSG is biased against the developing countries in general. EU, JAPAN and the United States dominated the SSG actions so far taken. The frequencies at which these countries resulted to safeguard measures call for a revisit to underlying factors for SSG to be invoked. The current dispensation should be reviewed to allow developing countries who are willing to liberalise their trading in agriculture have a recourse to in case unforeseen circumstances. If Nigeria is to liberalise trade in the non-strategic agricultural sector, such safeguard measures are necessary. It would be recalled that the country's attempt at invoking safeguard provisions on import prohibitions on wheat flour, sorghum and millet in 1998 was not valid because it did not make any commitment in this regard.

Various practices that are counter to the objectives and intent of TRQs have been noted. The administration is far from being based on most-favoured-nation principles and hence various methods of allocation have been used to circumvent the objective of not reducing market access. Manipulation of domestic consumption calculations was also noted. Nigeria should seek for clearer rules on TRQs to ensure transparency and on in-quota rates. All these efforts should be geared towards expanding and dis-aggregating the TRQs in order to have a fair access.

7.2 Domestic Support

The discussion on domestic support to agricultural production in those markets that are of interest to Nigeria shows that the calculation of reduction on domestic supports is based on average and this left room for various manipulations at product level. The country should seek for product specific reduction especially as to ensure improved market access condition for its products. Total support (exempted and non-exempted expenditures) has been on the upward trend. Indeed by 1999 the support to producers reached the high level of a decade earlier (OECD, 2000). Of course, the trend shows an inverse relationship between support to farmers and low commodity prices. Lack of a cap on exempted expenditures and/or on total support has been responsible for the upward trend. Indeed the implementation has resulted in a reclassification rather than constraining the expenditures. The country should seek for a cap on total support and/or exempted expenditure. In addition, de minimis allowances for countries with huge aggregate measure of support (AMS) levels should be reviewed. Furthermore items on the list of exempted

expenditures should be rationalised and some of them such as items under the general services should be reserved for developing countries.

On the domestic front the need to develop domestic capacity for agricultural production includes, among others, improvement in production technology, distribution and processing. It is in this vein that input subsidisation, irrigation projects, assistance with provision of plant and machinery equipment services and other WTO compatible assistance to farmers are very important.

Nigeria favours market-based incentives not only because they are compatible with WTO agreement they are administratively convenient and tend to lead to better allocation of resources. However, market failure exists in the sector. Perhaps this explains the limited commercial farming in the country as noted in section II. More importantly because of the priority accorded to food production, government intervention cannot be ruled out at this stage of development of the country. While the country's support to the sector will remain within the AoA, the country should seek for greater latitude in the forth-coming negotiations.

An option is to revisit the domestic support commitments especially as they relate to the development of the strategic agricultural sub-sector. The country should press for the use of domestic support such as the ones that are necessary to address rural development (infrastructures: road, water, housing, drainage, sewerage), rural poverty, environmental problems, and more importantly food security for the teeming population. These supports are necessary for agricultural production to be more attractive and to reverse the rural-urban migration that was rampant during the oil boom era.

Granting access to these arrays of domestic support does not guarantee that the country will provide these services. Indeed the implementation of some of these support programmes was discontinued because of budget constraints even before SAP was introduced. One way out of this is to set aside tariff revenue from agricultural products for the purpose of developing the sector. Since such revenue may not be sufficient, external sources then becomes important. External development fund may come as grant and/or in form of foreign direct investment into the sector. To me the latter should be preferred for various reasons: First, farmers from the developed countries may establish joint ventured plantation with local farmers with government as guarantor. In effect this will imply relocation of farmers from developed countries to the country. The point is that the farmers may not require as much as the level of support being currently received by farmers in various developed countries. Second, such joint venture brings with (production, distribution etc) technology. Another advantage of this proposal, which is akin to industrial relocation apart from efficient utilisation of resources and technological transfer, is that it is mutually beneficial to both developed and developing countries. Finally, it is in the spirit of globalisation.

7.3 Export Subsidies

Export subsidies in the final analysis amount to dumping. Export subsidies depress world prices and thus distort the true comparative advantage. The concern of net-food importing developing countries about the adverse effect of removing export subsidies by developed countries on their food import bill is not justified in the long-run. Although, Nigeria is a net food importing country, it should clamour for complete abolition of export subsidies from a long-run perspective. While in the short-run assistance will be required to meet food demand by its teeming population, such assistance should be directed at stimulating domestic production of food. The country should be able to meet its basic food requirements locally.

It is this vein that the country should press for effective implementation of the ministerial decision on the possible effects of the reform programme on the least-developed and net food-importing developing countries. The country should also seek to be categorised as a net food-importing developing country¹⁵.

7.4 SPS Measures

The evaluation of the implementation of AoA by the Nigeria's major trading partner is not complete without the discussion of the agreement on the application of SPS measures which is linked by Article 14 of AoA. There are indications that standards are set above internationally recognised standards and that WTO procedure on standards can be effective. Otsuki et al (2000) quantified the impact of EU's standards on aflatoxins on food exports from nine African countries including Nigeria. EU's standard was more stringent than internationally recognised standards. It was found that EU's standard would decrease the relevant exports of the selected African countries by about 64% or about \$700 million over and above what would have been obtained using internationally recognised standard. EU's standard would reduce health risk by less than 2 deaths per billion a year! This is a case study on how SPS measures can disguise as trade barrier.

The standard at the proposal and comment stage by members generated concerns among some exporters of the relevant food products¹⁶. As a result of these objections, the EU relaxed the proposed standards although the standards that were eventually established were still higher than international standards.

The need to be more involve in standard-setting at international level cannot be over-emphasised and the fact that Nigeria did not react to EU's proposal cannot be attributed to negligible effects of the proposal nor can it be attributed to the country's capability to cope with the proposed standard. It is rather, a manifestation of lack capacity to implement WTO agreements. The country's lack of capacity has been examined either at the country's level and/or at regional level. (Ogunkola and Agah, 1999, Ogunkola, 1999, and Blackhurst et al, 1999). The balance of the argument is that there is greater role for regional bodies than they are currently playing. Perhaps, it should be stated upfront, these bodies need to re-focus and align their activities with that of the WTO.

VIII. Regional, Bilateral and Preferential Trade Agreements

As a member of the Organisation of African Unity (OAU), Nigeria has ratified the Treaty establishing the African Economic Community (AEC) which was established by the Summit of the OAU Heads of State and Government in Abuja, in 1991. The AEC Treaty provides for the creation of a pan-African economic and monetary union over a 34-year period. It is worthy to note that the AEC is yet to fully take off. Thus, Nigeria like many other OAU member States is yet to take any specific measures under the Treaty. However, Nigeria is a member of other Pan-African trade organisations like the Association of African Trade Promotion Organisations based in Tangier, Morocco, and the Inter-African Coffee Organisation.

¹⁵ The current list of net food-importing developing countries includes: Barbados, Botswana, Côte d'Ivoire, Dominican Republic, Egypt, Honduras, Jamaica, Kenya, Mauritius, Morocco, Pakistan, Peru, Saint Lucia, Senegal, Sri Lanka, Trinidad and Tobago, Tunisia and Venezuela

¹⁶ Reactions came from Bolivia, Brazil, Peru, India, Argentina, Canada, Mexico, Uruguay, Australia, Pakistan, Gambia, Senegal, South Africa and Thailand.

At the sub-regional level, Nigeria is founding member of the Economic Community of West African States (ECOWAS), which has provisions for trade and investment liberalisation commitments. Under the ECOWAS Trade Liberalisation Scheme (TLS), Nigeria today has the largest number of companies and products participating in the scheme. It is also the only member country that has fully paid its assessed contribution to the Compensation Fund for the TLS. However, the ECOWAS TLS has remained ineffective as a result of the preponderance of informal trading activities in the sub-region. The country's commitment to the successful implementation of the ECOWAS TLS has further been demonstrated through the establishment of one-stop combined checkpoints at its borders as well as the implementation of the ECOWAS Mission Agenda on the Free movement of persons and goods.

Nigeria has signed bilateral trade agreements (BTAs) with Benin, Bulgaria, Equatorial Guinea, Jamaica, Niger, Romania, Turkey, Uganda and Zimbabwe. These BTAs aim at facilitating trade between Nigeria and the various countries; and provide for Joint Committees to monitor and advise on measures for improving both the volume and balance of trade between the parties. Furthermore, in order to attract and enhance foreign direct investment, Nigeria has signed investment promotion and protection agreements with France, the United Kingdom, China, North Korea, Turkey and the Netherlands.

As regards preferential trade agreements, Nigeria is a signatory to the Lome Convention between the European Union and developing countries of Sub-Saharan Africa, the Caribbean and the Pacific area. Under the convention, Nigeria is granted duty-free access to the EU market for exports of all industrial and agricultural products which are not subject to a common market organisation in the framework of the EU's Common Agricultural Policy. With exports of ECU4.9 billion amounting to 22 per cent of total EU-ACP imports in 1996, Nigeria is clearly the largest exporter to the EU. This figure mostly reflects trade in crude oil, which enters the EU duty-free on an MFN basis. It is also expected that Nigeria can derive preferences from exports of refined oil products, which enter the EU duty-free from ACP countries, whereas MFN duties range to six per cent (WTO, Document WTIL/235, 10 October, 1997).

Under the UNCTAD Agreement on the global system of Trade Preferences (GSTP) among developing countries, Nigeria has conceded lower tariffs for imports from other participating countries on a limited number of products, including pharmaceuticals and certain machinery. The tariff concessions are, however, being enlarged within the framework of the Second Round of the GSTP negotiations, which is yet to be concluded.

North-South trade relationship and South-South trade relationship are captured in the various arrangements briefly examined. The north-south trade relationship as represented by ACP-EU Lome conventions and currently replaced by ACP-EU partnership agreement are based on complementarity rather than competitiveness (Olofin, 1977, Ogunkola and Oyejide, 1999). Hence, its usefulness as a basis for long-term development of the country is limited. Wang and Winters (1998) also examined the preferences under Generalised System of Preference (GSP) and the ACP-EU. They submitted that the margin of preferences granted are usually very small, erosion of preferences will continue with future multilateral trade liberalisation, hence there is no future for preferences, and preferences are usually encumbered with other requirements such as strict rule of origin, tariff rate quotas. Their conclusion is

"the preferences granted to SSA countries under the GSP and the Lome Convention seem to offer little benefit. They are not particularly deep quantitatively, but to the extent that are effective, they are probably perverse. To be sure the preferences transfer some tariff revenues from OECD taxpayers and other exporters to SSA exporters, but they do so in ways that could subvert long-run development. They divert resources from critical sectors,

create inefficiencies, encourage rent-seeking rather than productive investment and undermine incentives for trade liberalisation." Wang and Winters (1998: 66)

South-South trade relationship is bedevilled with many constraints. ECOWAS which, is expected form a building of African Economic Community has been involved with peace-keeping operations more than trade issues. It has not served as effective restraint on members trade policy. Trade infrastructural facilities such as effective payments system, telecommunications, transport are still underdeveloped. Coupled with the fact that the ultimate goal is integration to the world economy, there is a limited scope for regional trade arrangement.

Under the new dispensation, ECOWAS/AEC should focus on align their policies with that of WTO. They should also aim at assisting their members to develop capacity for effective participating of their members at the multilateral level.

IX. Conclusion

The implementation of SAP of which trade policy was a major component did not have a sustainable impact on the developments in the agricultural sector as little or nothing was done to address fundamental problems facing the production of agricultural production. Of course unilateral trade liberalisation as implemented by the country under SAP is quite different from multilateral trade liberalisation such as the UR, which was concluded in 1994. However, co-ordination and harmonisation of the two episodes of liberalisation would have been beneficial to the country.

While the country has gone a long way in reducing trade barriers, development of the agricultural sector is constrained by non-trade factors especially agricultural production infrastructure. The need to develop these facilities for any reform to have optimum impact on the sector should be accorded priority. Further liberalisation of the sector without addressing the infrastructural bottleneck is capable of aggravating the problem of agricultural trade in the country, at least from the experience of the previous liberalisation. The characteristics of Nigerian farmers required that peasant farmers be protected and that efforts should be geared towards encouraging large-scale farming in order to optimally benefit from trade liberalisation of the sector. Development of the necessary infrastructure and effective land reform will not only encourage large-scale farming but also ensure that the benefits of reform gets to the main actors, the farmers.

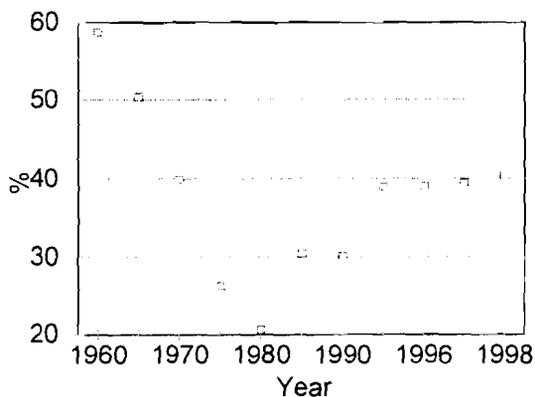
Agricultural sector reform in Nigeria is far ahead that of its major trading partners. Further reforms in the Nigerian agricultural sector should proceed at least at the same level with reforms in the developed countries or at best the developed countries must lead in the reform.

The country should take advantage of the next round not only to seek better latitude for the use of various supports, to demand for reform of AoA and effective implementation by the developed countries. The next round should also be an avenue for the country to bind its agricultural products at floor level and possibly liberalised the non-strategic sub-sector.

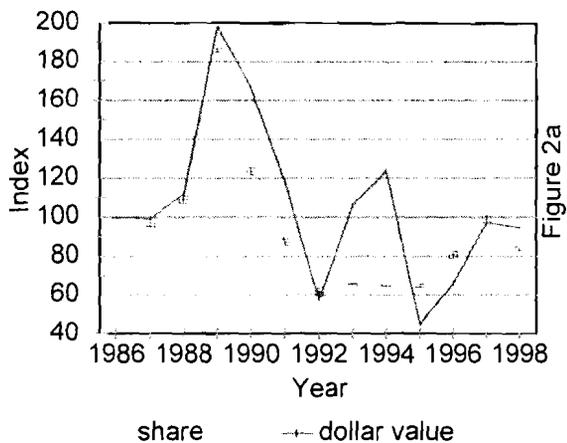
Figure 1
Figure 2b

Figure 2a
Figure 4
Figure 5

Share of Agriculture in GDP
1960 to 1998



Agricultural Expenditure:
Share and Dollar Indices



Average Expenditure in Agriculture
1986/88 and 1995/98

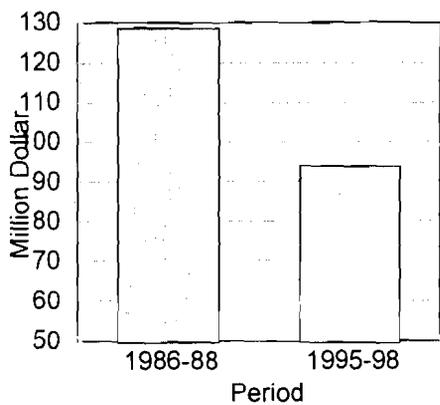
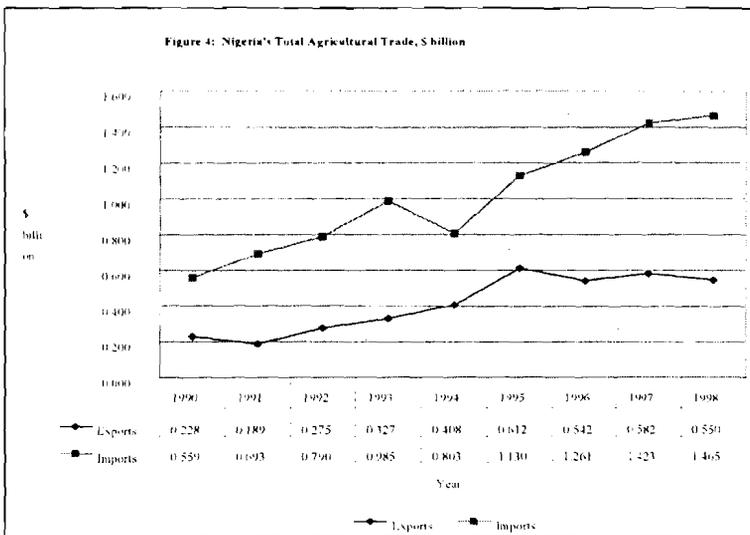


Figure 4: Nigeria's Total Agricultural Trade, \$ billion



Food Import and Export of Nigeria
1965 to 1997

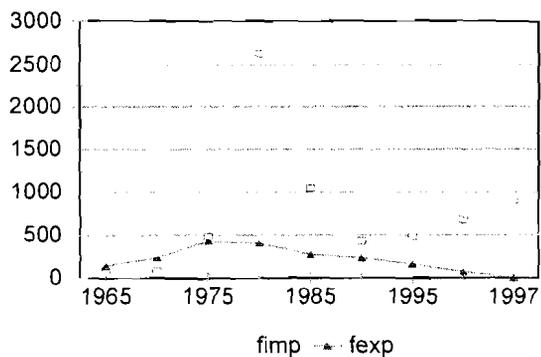
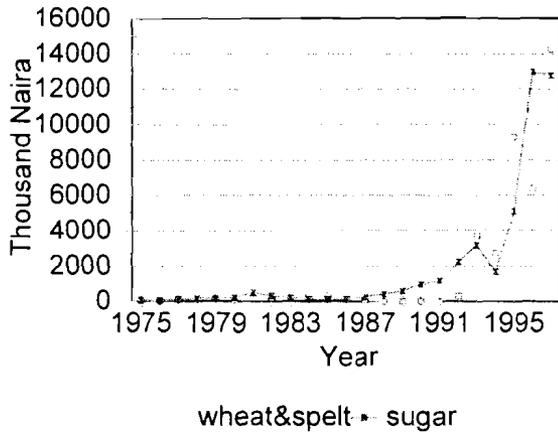


Figure 6
Figure 8

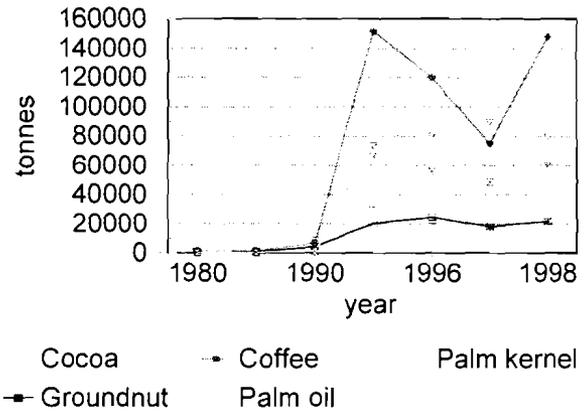
**Imports of Wheat and Spelt, and Sugar
1975 to 1997**



wheat&spelt • sugar

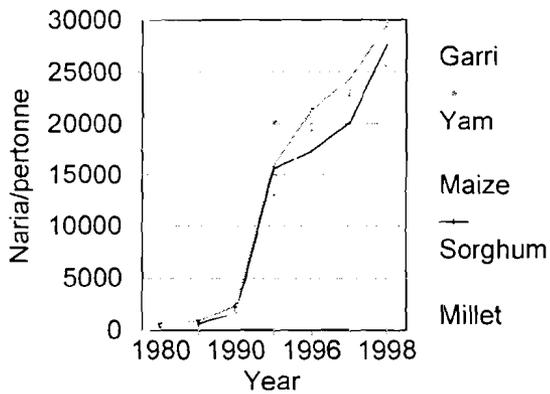
Figure 7
Figure 9
Figure 10

**Prices of Cash Crops
Naira per tonne**

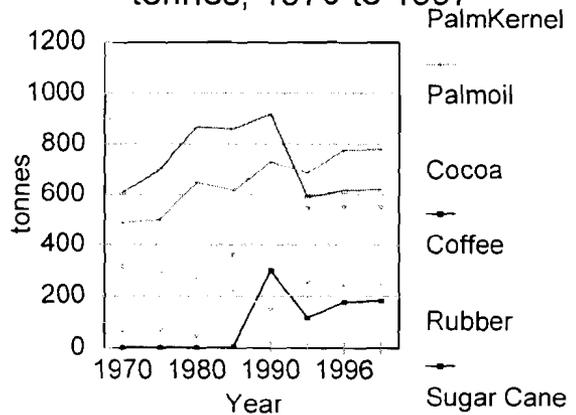


Cocoa • Coffee Palm kernel
— Groundnut Palm oil

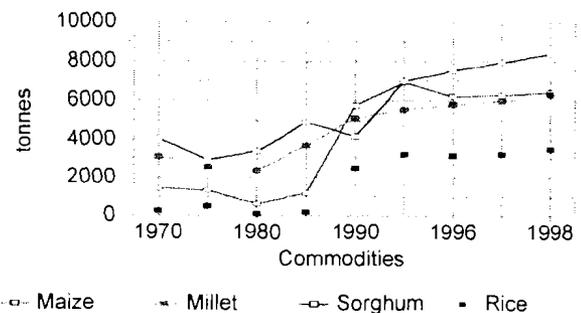
**Average Prices of Staples
1980 1998**



**Output of Some Crops
tonnes, 1970 to 1997**



**Output of Staples
1970 to 1998**



— Maize • Millet — Sorghum • Rice

Appendix Table A1: *Summary of exports incentive schemes abolished, in 1999 (August)*

Incentive scheme	Operating agent	Objective and remark
Duty Drawback Scheme	Customs Department; Standard Organization of Nigeria, Nigeria Export Promotion Council (NEPC), Commercial and Merchant Banks and CBN	To reimburse customs duty paid by exporters on imported input used for export production. This has not been widely utilized by exporters due to the cumbersome procedural requirements involved, although the fund has been increased to \$50 million (US 42.5 million)
Export Expansion Grant	NEPC	To encourage companies to engage in export business rather than domestic business, especially exporters who have exported N50,000 worth of semi-manufactured or manufactured products.
Export Development Fund	NEPC	To assist exporters in partly paying the costs of participation in trade fairs, foreign market research, etc.
Manufacturing in Bond Scheme	Federal Ministry of Commerce and Tourism	To assist potential exporters of manufactured products to import free of duty, raw materials for production of exportable products.

Source: Ministry of Finance, Abuja, Nigeria

Table A2: *Summary of exports incentive schemes currently in operation in Nigeria, as at August 1999*

Incentive scheme	Operating agent	Objective and remark
Refinancing and rediscounting facility (RRF) and foreign input facility (FIF)	Central Bank of Nigeria (CBN) Nigeria Exports and Import Bank (NEXIM)	To provide liquidity to banks in support of their export finance business, directed on exports promotions and development.
Currency Retention Scheme	CBN, Commercial and Merchant Banks	To enable exporters to hold export proceeds in foreign currency in their banks.
Tax relief on Export earned by banks on export credit	Banks and Federal Board of Inland Revenue	To encourage banks to finance exports by reducing their tax burden.
Export Credit Guarantee and Insurance Scheme	CBN and NEXIM	Assists banks to bear the risks in export business and thereby facilitating export financing and export volumes.
Export Price Adjustment	NEPC	This is a form of export subsidy designed to compensate exporters of products whose foreign prices become relatively unattractive, due to factor beyond the exporters control.
Subsidy Scheme for use of local raw materials in export production	NEPC	To encourage exporters to use local raw materials in export production
Abolition of export Licensing	Federal Ministry of Commerce and Tourism	To remove administrative obstacles from the export sector as much as possible.
Supplementary allowance in favour of Pioneer companies	Federal Ministry of Commerce and Tourism	To extend supplementary incentive to pioneer companies that export their products.
Accelerated depreciation and capital allowance	Federal Ministry of Commerce and Tourism	To extend supplementary incentive to industrial organizations for export of their products.
Export Liberalisation Measures Buyback Arrangement	Federal Ministry of Commerce and Tourism	To liberalize and promote export trade.
Export Processing Zone	Federal Ministry of Commerce and Tourism	Opened in mid - 1996 in Calabar, to facilitate and enhance exports.

Source: Ministry of Commerce and Tourism, Abuja, Nigeria

Appendix Table A3: *Changes in Nigeria's Import Prohibition List (trade), 1995 to 1998*

	Date removed	Old applied Rate, 1995 %	New, applied rate, 1998 %	Reason
Live or dead poultry (i.e. fowls, ducks, geese, turkeys; and guinea fowls) excluding day old chicks, grand parent and foundation stocks for research and multiplication purpose (H.S. 0105.1200-0105.9990 and 0207.1100-0207.3600); Eggs in the shell, including those for hatching (0407.0000)	1998	25-35	150	
Maize (1005.1000-1005.9000)		30	30	BOP
Sorghum (1007.0000)		150	150	SDP
Millet (1008.2000)		150	150	SDP
Wheat flour (1101.0000)		60	60	SDP
Vegetable oils, excluding licensed and castor oils used as industrial raw material (1515.1100.1515.1900 and 1515.3000)		15-45	15-45	BOP
Beer and stout (2203.0000. Barley (1003.0000) Malt (1107.1000-1107.2000) Evian and similar waters (2201.1000-2202.9000)	1998	80 15 40 65	100 20 20 100	
Baryes and Bentonite (2511.1100-2511.2000.2508.1100)	1996	5-20	5-20	
Gypsum (2520.1000)		150	150	BOP
Mosquito Repellant coils (3808.1110)		55	55	SAF
Domestic articles and wares made of plastic materials excluding babies' feeding bottle (3922.1000-3922.9000.3924.1000-3924.9000)		30-40	30-40	BOP
Retreated/used tyres (4012.1000-4012.9000)		50	50	BOP.SAF
Textile fabrics of all types and articles thereof, Chapters 50-63, but excluding: (a) Nylon tyre cord (5902.100-5902.9000) (b) Multifilament Nylon chaffer fabric and tracing cloth (5111.2000.5112.2000 and 5901.9000) (c) Mattress tickings (5901.1000-5903.9000) (d) Narrow fabrics (5806.1000-5806.4000) (e) Made-up fishing nets (5608.1100) and mosquito netting materials (5608.1900 and 5608.9000) (f) Gloves for industrial use (6116.1000-6116.9900) (g) Canvas fabric for the manufacture of fan belt (5907.0000 and 5908.0000) (h) Moulding cups and lacra (6212.90000 Elastic bands (5604.9000) Motifs (5810.1000 - 5810.9000) (i) Textile products and articles for technical use (5911.1000-5911.9000) (j) Transmission or Conveyor belt or helting of textile material (5910.0000) (k) Polypropylene primary backing material (5512.1100-5512.9000) (l) Fibre rope (5607.1000-5607.9000) (m) Mutilated rags (6310.1100) (n) Sacks and bags (6305.1000 and 6305.2000)	1997	10-55	10-75	
Motor Vehicles and motor cycles above eight (8) years from the date of manufacture (8702.1100-8702.9900, 8703.1000-8703.9000, 8704.1000-8704.9900, 8711.1000-8711.9000)	1998	5-40	5-40	
Furniture and furniture products (9401.1000-9401.9000, 9403.1000 to 9406.0000)	1996	30-50	45-65	
Gaming machines (9504.1000-9504.3000)		55	55	PMO

Key for reason: BOP= Balance of Payment; SDP= Safeguarding domestic production; SAF= Safety; PMO= Public morals
Source: Based on the information from the Federal Ministry of Finance, Abuja, Nigeria

Annex I: *Conditional import prohibition list of Nigeria, 1991*

- 1 Live or dead poultry, that is, fowls, ducks, geese, turkeys, fowls excluding grand-parent and foundation stocks for research and multiplication purpose, eggs in the shell, including those for hatching.
- 2 Vegetable, including tomato puree and paste, roots and tubers, fresh or dried, whole or sliced, cut or powdered and sago pith.
- 3 Processed wood excluding wood in the rough, squared or half squared but not further manufactured and particle board; furniture and furniture products; wooden cabinets for radio and television sets. Fruits fresh or preserved and fruit juices.
- 5 Mosquito repellent coils (HS Code 3808.111).
- 6 Textile fabrics of all types and articles thereof excluding:
 - (a) Nylon tyre cord;
 - (b) Multifilament nylon chaffer fabric and tracing cloth;
 - (c) Mattress tickings;
 - (d) Narrow fabric, trimmings and linings;
 - (e) Made up fishing nets, mosquito netting materials;
 - (f) Gloves for industrial use;
 - (g) Canvas fabric for the manufacture of fan belt;
 - (h) Moulding cups and lacra, elastic bands and motifs;
 - (i) Textile products and articles for technical uses;
 - (j) Transmission or conveyor belt or belting of textile material;
 - (k) Polypropylene Primary backing material;
 - (l) Fibre rope product (HS Code 56.07).
- 7 Domestic articles and wares made of plastic material including babies feeding bottles.
- 8 Evian and similar waters, soft drinks and beverages, beer and stout, malt and barley.
- 9 Maize and maize products.
- 10 Wheat and wheat products.
- 11 All sparkling wines including champagne.
- 12 Vegetable oils excluding linseed and castor oils used as industrial raw materials.
- 13 Aluminum sulphate including alum.
- 14 Retreaded sulphate including alum.
- 15 Branched alkyl benzene, bentonite and baryes.

Annex II: *Import Prohibition List (trade), 1995*

1. Live or dead poultry (i.e. fowls, ducks, geese, turkeys; and guinea fowls) excluding day old chicks, grand parent and foundation stocks for research and multiplication purpose (H.S. 0105.1200-0105.9990 and 0207.1100-0207.3600); Eggs in the shell, including those for hatching (0407.0000)
2. Maize (1005.1000-1005.9000)
3. Sorghum (1007.0000)
4. Millet (1008.2000)
5. Wheat flour (1101.0000)
6. Vegetable oils, excluding licensed and castor oils used as industrial raw material 1507-1517 (excluding 1515.1100.1515.1900 and 1515.3000)
7. Beer and stout (2203.0000, Barley and Malt (1003.0000 and 1107.1000-1107.2000 evian and similar waters (2201.1000-2202.9000)
8. Barytes and Bentonite (2511.1100-2511.2000.2508.1100)
9. Gypsum (2520.1000)
10. Mosquito Repellent coils (3808.1110)
11. Domestic articles and wares made of plastic materials excluding babies' feeding bottle (3922.1000-3922.9000.3924.1000-3924.9000)
12. Retread/used tyres (4012.1000-4012.9000)
13. Textile fabrics of all types and articles thereof, Chapters 50-63, but excluding:
 - (a) Nylon tyre cord (5902.100-5902.9000)
 - (b) Multifilament Nylon chaffer fabric and tracing cloth (5111.2000.5112.2000 and 5901.9000)
 - (c) Mattress tickings (5901.1000-5903.9000)
 - (d) Narrow fabrics (5806.1000-5806.4000)
 - (e) Made-up fishing nets (5608.1100) and mosquito netting materials (5608.1900 and 5608.9000)
 - (f) Gloves for industrial use (6116.1000-6116.9900)
 - (g) Canvas fabric for the manufacture of fan belt (5907.0000 and 5908.0000)
 - (h) Moulding cups and lacra (6212.90000 Elastic bands (5604.9000) Motifs (5810.1000 - 5810.9000)
 - (i) Textile products and articles for technical use (5911.1000-5911.9000)
 - (j) Transmission or Conveyor belt or belting of textile material (5910.0000)
 - (k) Polypropylene primary backing material (5512.1100-5512.9000)

- (l) Fibre rope (5607.1000-5607.9000)
- (m) Mutilated rags (6310.1100)
- (n) Sacks and bags (6305.1000 and 6305.2000)
- 14. Motor Vehicles and motor cycles above eight (8) years from the date of manufacture (8702.1100-8702.9900, 8703.1000-8703.9000, 8704.1000-8704.9900, 8711.1000-8711.9000)
- 15. Furniture and furniture products (9401.1000--9401.9000, 9403.1000 to 9406.0000)
- 16. Gaming machines (9504.1000-9504.3000)

Annex III: *Import Prohibition List (trade), 1999*

- 1. Maize (1005.1000-1005.9000)
- 2. Sorghum (1007.0000)
- 3. Millet (1008.2000)
- 4. Wheat flour (1101.0000)
- 5. Barytes and Bentonite (2511.1100-2511.2000.2508.1100)
- 6. Gypsum (2520.1000)
- 7. Mosquito Repellant coils (3808.1110)
- 8. Retread/used tyres (4012.1000-4012.9000)
- 9. Gaming machines (9504.1000-9504.3000)

Annex IV: *Export Prohibition List, 1995*

- 1. Beans
- 2. Rice
- 3. Cassava
- 4. Maize
- 5. Yam
- 6. Timber, rough or sawn
- 7. Raw hides and skin
- 8. Scrap metals
- 9. Unprocessed rubber latex and rubber lumps

Annex V: *Export Prohibition List, 1995*

- 1. Timber, rough or sawn
- 2. Raw hides and skin
- 3. Scrap metals
- 4. Unprocessed rubber latex and rubber lumps



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WTO 2000 and Agriculture in Africa : The Case of WAEMU Countries

Kouassy Oussou and Pegatiénan Jacques

1. Introduction

The Uruguay Round, which led to the Marrakech agreement establishing the WTO, was different from the former rounds in many ways. One major difference is the coverage of agriculture and services as well as of textiles (integration of the multifiber arrangement, MFA, in GATT). The 1994 WTO, agreed upon in Marrakech, set up an agenda commending a progressive integration of these activities in the WTO rules. This is a reason among others that justify the characterization of the construction of the new world trading system as a “built in agenda”. A number of important issues remained unsolved and will be subject of intensive negotiations during the coming rounds. In fact the agenda of these negotiations will comprise these new issues.

The new negotiations in agriculture is part of this “built in agenda” of the WTO. For agriculture and agriculture based products they will be organized around the following key areas: full liberalization of agricultural markets; market access; domestic support and export subsidies. The two first areas have to do with the dismantling of NTBs, that should be replaced by tariffs, and tariffs binding and reduction. The last one will be tackled by provisions of the WTO agreement relating to the classification of agricultural goods and activities (in red, green or white boxes), and various rules applied to domestic support (de minimis and aggregate measurement of support, AMS). This WTO agenda for agriculture is supposed to be carried out along with the negotiation in services and the conduct of a new comprehensive multilateral negotiation of the WTO agreement.

The WTO agricultural issues are of a great interest for developing countries for five main reasons:

- *agriculture and agricultural based activities dominate the economies of most developing countries. The opening up of agricultural markets might generate significant opportunities for most of them ;*
- *for net food importing developing countries liberalization of the world agriculture will result in an increase in their food import bill. This might jeopardize their food security programs and appropriate correcting measures should be adopted;*
- *given the low technological level of most developing countries, an accelerated liberalization of agricultural markets will put pressures on their supply and trading capacities. Agricultural intensification, rationalizing and structuring of marketing networks, etc.. will required focused support that should be compatible to the WTO provision;*
- *overall, the complexity and sophistication of some dimensions of the issues subject of the negotiations and the foreseeable implementation difficulties of the WTO agricultural agreement call for a significant technical assistance in the formulation of specific preoccupations of groups of developing countries and help them to conform to the agreement that will emerge from the negotiations;*

- *the provisional agreement on agriculture adopted in Marrakech contained special and differential treatment (S&D) and enhanced safeguard measures for developing countries. It appears that these countries have not been able to fully understand and take advantage of these provisions. Developing countries should better understand, seek for an extension and an intensive use of S&D and safeguard measures in order to strengthen their agricultural sectors. This can not be taken for granted within the coming negotiation round.*

This set of issues is topical for West African Economic and Monetary Union (WAEMU) countries, for which agricultural and natural resources are the basis for an integration to the world economy. For instance coffee and cocoa represent more than 60% of Côte d'Ivoire's exports, peanuts and phosphates the bulk of Senegalese export, cotton and livestock the essential of Burkina Faso's and Mali's export. WAEMU countries are also net food importers (50% of rice consumption of Côte d'Ivoire, more than 60% of rice supply of Burkina Faso, the quasi totality of wheat consumption of all the countries, etc.). From this stand-point liberalization of the world market of cereals will affect food import in WAEMU countries as well as changes on the markets of primary goods brought about by the WTO agreement will affect their export positions.

Given the tradition of important unilateral liberalization programs undertaken by individual member countries and a recent acceleration of regional integration efforts, through the launching of the WAEMU, the discussion should also cover the compatibility of ongoing trade and agricultural policies with the WTO rules and discipline as well as individual countries' commitments to the WTO.

This paper is set in order to inquire in the likely impact of WTO agricultural agreement on WAEMU countries, the compatibility of individual countries' and of the community trade and agricultural policies with the WTO agreement. We will also investigate the institutional arrangements adopted in the countries and at the community level in order to ensure a maximum gain from WTO to WAEMU countries and increase their participation into the WTO negotiation process underway. From this stand point questions raised by the discussion above are the following:

- *how the participation of individual countries and of WAEMU in the WTO negotiation as well as in the world economy can be increased;*
- *what can be done to better articulate the other (the IMF and World Bank inspired) reforms and agricultural policy priorities of countries and of WAEMU and their WTO commitments;*
- *what should be done in order to limit and mitigate WTO agreements implementation problems in WAEMU countries likely to increase their positive impact.*

In order to answer these questions three country case studies (Côte d'Ivoire, Senegal and Burkina Faso) are presented complemented by the WAEMU case. Before the detailed exposition of these cases let us turn now to a summary of the results of the UR agreement in agriculture.

The agricultural components of the UR agreement (URA) adopted in Marrakech are the following. NTBs have to be eliminated and converted into bound tariffs of a similar protection level. Tariffs should decrease on average at a rate of 36% in developed countries within 6 years,

and at a rate of 24% in developing countries, except the least developed countries (LDCs), within 10 years. The first tariff reduction comes with the enacting date of the WTO agreement, subsequent reductions intervening the 1st January of each year.

Apart from allowed supports (health, food security and environmental protection), supports and export subsidies to the agricultural sectors should decrease over the compliance period. Indeed, the aggregate measure of support (AMS) should fall by 20% in developed countries within 7 years, and by 13.3% in developing countries within 10 years. Export subsidies should fall by 36% and subsidized exports by 21% in developed countries within 6 years, the standards set in developing countries being 2/3 of those of developed countries, this within 10 years. The agreement provides for a clear definition of subsidies and support and characterizes different kinds of support to activities and investment, classified into different boxes (green, white, red). Main African countries did not make any commitment under the AMS rule. Nevertheless they are likely to benefit from the de minimis rule, which allows for support to specified products up to 10% of their traded value. In addition, safeguard measures (in presence of import surge, a sudden drop in international prices of major goods, or balance of payments difficulties) can be taken.

Beside these rules countries commit themselves to a minimum access to their market (3% of the volume of consumption in 1986-88, rising to 5% over the implementation period). Overall, the URA in agriculture opens significant opportunities to developing countries on the markets of developed countries despite some limitations. Among obstacles to the access to the markets of developed countries there is the agreement on sanitary and phytosanitary measures (SPS).

Indeed, under the SPS agreement, another important feature of URA for agriculture, countries can set their own health and safety standards, that have to be scientifically documented and internationally accepted. Import restrictions based on health and safety reasons should be non-discriminatory and should not be used as disguised trade obstacle. On request, some exceptions from SPS obligations may be granted to developing countries based on their financial trade and development needs. In fact, the SPS agreement proved seriously limiting for agricultural and agriculture-based products exports from developing countries.

Despite its "single undertaking" nature, the WTO agreement allows for some special and differential treatments (Oyijide,1998). Regarding tariffs, reduction efforts are linked to the level of development (higher for developed countries and not required for the least developed countries). Safeguard measures are more important for developing countries, particularly regarding the replacement of NTBs by tariffs, these countries are allowed to maintain some them or to introduce new ones based on financial, trade and development needs. Developed countries are allowed to concede non reciprocal concessions to LDCs and other DCs. These provisions mitigate the MFN principle and reduce full reciprocity in this respect. In addition to that, countries, particularly developing ones, are allowed to use import restriction measures or supportive policies for infant industries, products of special importance and balance of payment problems (caused by a sudden surge in imports for example). Special tariff reductions can also be granted to the least developed countries by developed countries.

This exercise consists of an assessment of the impact of URA in agriculture and examine directions in which these could be improved while increasing WAEMU countries participation in the WTO processes. The rest of the paper comprises 4 sections. Sections 2 and

3 deals with the country cases, followed by the WAEMU presentation in section 4. Section 5 concludes the paper.

2. UR agreement and agricultural issues in Côte d'Ivoire

Over the two first decades of its independent State life Côte d'Ivoire's economy was dominated by agriculture which represented more than 45% of GDP and 75% of export and employment at the end of the 1970s. Though its weight has declined over the recent years agriculture accounts in the middle of the 1990s for 30% of GDP, remained the main source of employment, export earning and government revenue. Côte d'Ivoire is the first world cocoa producer and exporter, it holds significant share in the world market of tropical fruits, tinned fish, coffee, cotton, rubber and palm oil, and enjoys a good coverage of its food needs by domestic production (namely for yams, cassava, vegetable cooking fats, etc.). The country has also developed over decades an agriculture based industries and an appreciable food industry. Given these features Côte d'Ivoire is particularly concerned by URA in agriculture.

2.1. Côte d'Ivoire's recent agricultural performance and policies

The following table summarizes the production performance of Côte d'Ivoire's main agricultural products between 1975 and 1995.

Table 1: Food and cash crop production and objectives between 1975 and 1995

Products (1000 t)	1975		1980	1985	1990	1995	1997	1998
	R	O	R	R	R	R	R	R
Coffee	270.3	330	249	277	285	189	278.7	247
Cocoa	241	335	398	565	725	1061	1120.9	1100
Palm oil	963	1262	1083	909	-	-	230.6	273.1
Rubber	21.24	22.24	22.20	22.20	38.80		82	107
Cotton	61	105	143	212	242	209.60	337.1	360.8
Rice	496	800	420	540	683	743	1263	1197
Yam	2172	2172	2040	2500	2800	2911.30	2966	2921
Cassava	939	750	1010	1200	1500	1660.50	1699	1692
Plantain	1168	900	910	1000	1200	1385.50	1440	1400

Sources: Kouassy and Diop-Boaré, 1998.

R = result; O = objective.

From table 1 it appears that cocoa, palm oil and rubber are the most performing cash crops, while yam, cassava and plantain are the most performing food crops in Côte d'Ivoire over the period reviewed. Rice production declined from 1975 to 1980 and stagnated afterwards, whereas rice consumption increased, resulting in a low coverage by domestic supply (50%). The other items of food import in Côte d'Ivoire are mainly wheat and livestock and meat (50% and merely 100% of consumption respectively). In fact, an aggregate index of food security (aggregate demand over aggregate demand excluding food aid) computed by Kouassy and Diop-Boaré (1998) shows a rather good coverage up to 1996 (0.9 between 1970-80, 0.78 in 1980, 0.85 between 1985-95). The other agricultural products of interest for Côte d'Ivoire's international trade are tropical fruits (bananas, pineapples), oil seeds (palm kernels, cashews, etc.) and sugar. Agricultural and agriculture based exporting goods are likely to suffer from the gradual dismantling of European preferences under the WTO rules and from the

liberalization of trading systems and the privatization of producers advised by the IMF, the World Bank and the WTO.

It is worth to note that production performance of almost all agricultural goods improved in 1995. This should be linked to the CFA franc devaluation which took place in 1994. In fact, such a connection raises the issue of the inter-play between agricultural performance and policies. Since the early 1980s agricultural policies in Côte d'Ivoire have the hallmark of a gradual retrenchment of the State from production, marketing (including pricing policies), and the financing of main activities. This was a dramatic change regarding the approach adopted during the first two decades of the history of the country. Policy objectives of the early period were:

- *development and diversification of perennial crops (palm oil, coconut and rubber in addition to coffee and cocoa) and tropical fruits (bananas, pineapple) for export, located in the south of the country;*
- *specialize the rest of the country in food crops and raw materials required by the industrial development (cotton, sugar, tobacco);*
- *modernize and intensify the agriculture of the country*

The instruments used then were price fixing and direct involvement in marketing systems (around the marketing board model), public agricultural investment (in direct production, marketing, and processing activities, through SOEs, in rural infrastructures, in training, extension services and research), and agricultural financing facilities. Within the SAPs, launched over the early 1980s in order to address economic and financial difficulties that emerged then and supported by the IMF and the World Bank, this model was abandoned. The new agricultural policy relies on an active privatization of SOEs, a liberalization of prices and marketing systems for most exporting goods, and a leading role devoted to the private sector. Nevertheless government kept an important role in areas of rural infrastructures, extension services, training and research activities, in addition to the provision of an enabling macro environment for productive activities including agriculture. This mission is particularly important given the weak intensification and low yields that characterize most agricultural products in Côte d'Ivoire as can be seen on table 2 below.

Table 2: Potential and actual yields of main crops

Products (t/hectare)	Potential yields	Actual yields
<u>Cash crops</u>		
Cocoa	1.5	0.5
Coffee	1.0	0.3
Cotton	2.4	1.3
Palm oil	18.0	9.0
Rubber	2.2	1.8
<u>Food crops</u>		
Rain-grown rice	4-6	1.2-1.5
Irrigated rice	8-8.6	2.5-3.5
Maize	6-11	2.5
Yam	20-50	8-16
Cassava	15-35	8-12

Source: Kouassy and Diop-Boaré, 1998

From the table it appears that actual yields are far below potential yields obtained in research stations. Recent agricultural policies seek for substantial improvements at this level and for an active integration to the world economy. This concerns both agricultural and other policies affecting the agricultural sector.

Policies in this area concern first the liberalization of the trading systems of agricultural exporting sectors and the privatization of main agriculture-based SOEs-SAPH and SOGB in the rubber sector, PALMINDUSTRIE and PHCI in the palm oil sector, and ABATTOIRE DE FERKE in livestock. Domestic and external marketing of most agricultural products (cocoa, coffee, cotton, palm oil, rubber) were Liberalized through the restructuring and the dismantling of Caistab, the marketing board that handled the trading of these products formerly.

Given the crucial role of infrastructures in the development of agriculture and agriculture-based processing activities, policies in this area play a paramount role in agricultural performance. In this area a greater involvement of the private sector is sought through the partial privatization of the telecommunication public company in 1997, following the full privatization of the water and energy supply companies since 1992. The new strategy also relies on contracting out the provision of infrastructures under the BOT scheme (rebuilt of the Abidjan airport, the Abidjan third bridge project, road repairing, etc) and commercialization of the two ports (PAA, in Abidjan and PASP, in San-Pedro).

In the industrial sector, recent policies relate to the development of mining activities (oil, gas and precious metals) and of primary products processing industries (cocoa, coffee, cotton, palm oil, rubber, etc.). The strategy adopted by Côte d'Ivoire is an accelerated privatization of SOEs, a better organized investment institutional framework (adoption of a mining code, a new investment code and the setting up of the investment promotion center-CEPICI-) in order to attract foreign investors, and an active infrastructural development policy. Côte d'Ivoire has also updated its strategic industrial plan ("schéma directeur") with the support of UNIDO. The new industrial policy is a reflection of the current policy stance based on an acceleration of the processing rate of most agricultural products, accompanied by an active promotion of the private sector, the liberalization of the marketing of exporting agricultural goods, the boosting of infrastructural developments. Since these reforms try to enhance the supply of infrastructures and of goods and services in Côte d'Ivoire they are likely to help the country to conform with the WTO rules and discipline.

It is also worth to note the strengthening of professional associations such as OCAB (producers and exporters of bananas and pineapple), UPHCI (producers and exporters of flowers), (Apramac and APPH) (producers and exporters of rubber products) and (SPIB) (exporters of wood products) and PPDEA, etc.. OCAB, which operates as a marketing agency, searching for new markets, tracing the move of competitors from Africa and other regions, organizing the contacts between Ivorian exporters with potential foreign importers and financing structures, helped to increase the average yield (+180%) and the quality of the products. PPDEA is a World Bank funded project aiming at the diversification of agricultural exports. The project evolves around an association for the export of non traditional agricultural products (PROMEXA) which provides technical assistance in production, marketing activities as well as R&D and information diffusion.

In fact, Côte revamped its export promotion strategy. A public/private joint export promotion agency, APEX-CI replaced CCIA the former public agency, which failed to mobilize the private sector and accelerate trade expansion of the country. APEX-CI's board is dominated by private firms and professional associations and operates on a market basis.

2.2. Market access for Ivorian products

The products of interest for Côte d'Ivoire listed above can be classified into five categories regarding their market access situation: - export of raw materials and tropical fruits; - export of agriculture-based processed products; - import of cereals; - import of livestock and meat; - import of fertilizers, pesticides and light agricultural materials, used as inputs in agricultural productions.

The following table reports internationally traded volumes of the main products of these categories.

Table 3: Main agriculture-based exporting and importing products of Côte d'Ivoire

(1000 t)	1961	1970	1980	1990	1997
Export					
Cocoa	75	200	370	700	1010
Processed cocoa	0	30	55	70	100
Coffee	150	200	250	200	125
Cotton	0	18	40	90	65
Pineapple	0	40	155	125	190
Processed pineapple	10	35	65	2	2,5
Import					
Wheat	55	90	190	247	250
Rice	20	6.5	105	490	475

Source: Nathan Associates (1999) from FAO data base

From table 3 one can see that export of cocoa and derived products and of rough pineapple boomed over the post-devaluation (also the post WTO) period, whereas coffee, cotton and processed pineapple collapsed. Rice import fell slightly, wheat import kept on increasing. Obviously the grain import bill of Côte d'Ivoire increased over the second half of 1990s, moving from USD 202.6 in 1990 to USD 220.7 in 1997 (+9%). This is certainly true for the other items of food import of the country. But this evolution did not compromise the food security of the country given the good level of its export. Still, on the long run there might be some problems

According to Kouassy and Diomandé (1998) the destination Côte d'Ivoire's exports of raw materials, including glycerin and tropical fruits is Europe, the Middle East, North America and a few Asian countries (Japan, China and India). Export of processed coffee and cocoa, rubber, tinned fish, shaped timber is directed toward the EU and North American markets. The export of oil seeds, rough timber, cashew is directed toward East Europe, Asian markets. The export of refined palm oil and other derived products, products of food industries and of petroleum products are destined to the regional markets (mainly WAEMU, Ghana, Guinea and Liberia). These products face different market access problems on their destination markets.

The products that suffer the most from the WTO type changes are tropical fruits (bananas and pineapple). Indeed, as a consequence of preference erosion on the EU market these products faced fierce competition from Latin American non ACP countries. Particularly, the EU-ACP bananas protocol has been attacked successfully before the WTO dispute settlement scheme by the USA and some Latin American countries. The export conditions of tropical fruits should be among specific questions of interest for Côte d'Ivoire.

Regarding the export of raw materials it suffers from a sharp decline in international prices (coffee, cocoa, palm oil, cotton, rubber). This happens in the context of an active privatization of the SOEs of the sectors and a rapid liberalization. The liberalization process took place through the dismantling of NTBs, a revision of export taxes (DUS on coffee, cocoa, cotton and timber), and an accelerated liberalization of producer prices and of marketing systems. Market determined producer prices and strategies of the new private actors of these sectors do not take into account the preoccupations of non organized small producers, that might suffer from low prices and stringent trading conditions. As a consequence these changes might result in an increase in rural poverty while creating some difficulties in the supply of raw materials to local processing industries and exporters. To some extent appropriate support should be granted to small producers, that have to be WAEMU and WTO compatible.

Agriculture-based processing goods toward extra-regional markets, namely European and American markets face tariff escalation and stringent standards and SPS measures combined to true technological and quality gaps. Nathan and Associates (1999) showed intolerable biases against processed coffee in Japan (with tariffs moving from 0% on rough coffee to 20% on roasted coffee and 35% on coffee product with sugar, milk and other ingredients), in the USA (with tariffs moving from 0% on rough and pure coffee to 3.3 cents/kg on products containing coffee) and in the EU (with tariffs moving from 5% on non roasted coffee up to 18% on decaffeinated coffee). Tariffs escalation was also found by Kouassy and Diomandé (1998) with the highest tariffs applied on processed coffee, chocolate, tinned fish and processed pineapple on EU markets. For the time being these obstacles are not too much penalizing since the regional market is in excess of demand. Still, external competition on the regional market and the need to put pressures on manufacturers in order to adopt competitive production and marketing methods, should push them toward extra-regional markets. Appropriate actions should be taken toward this end. These two last issues are more general problems facing some WAEMU and ECOWAS countries.

On the import front, products of interest are food products (rice, wheat and flour, livestock and meat, and sugar) and agricultural materials and inputs (fertilizers and pesticides). Most food products were subject to import restrictions before 1994, they were produced or marketed by SOEs. Changes concern the privatization of SOEs of the sectors, price liberalization, dismantling of NTBs and price liberalization accompanied by the institution of low tariffs. Frequently private firms that took over SOEs sought for additional protection (increasing tariffs) and incentives (tax exemptions). Regarding agricultural materials and inputs, they were tax exempted before the recent changes. Under the WTO commitment the country brought under ordinary regime these products that were subject to domestic indirect taxes under WAEMU regulation. These changes create additional problems to the realization of the agricultural intensification and modernization.

Overall despite some significant obstacles on extra-regional markets (EU and American markets) the main problems that face Ivorian agricultural and agriculture-based processed

products lie rather on supply weaknesses. This in turn raises the issue of WTO compatible domestic support in the view of an active modernization of the Ivorian agriculture. In the short run food security is not at risk in the country.

2.3. Status of UR implementation, institutional arrangements and priority issues for next WTO negotiations in Côte d'Ivoire

According to Côte d'Ivoire's WTO list for agricultural products the country commits itself to :

- *bind customs duties on all agricultural products at a ceiling rate of 15 %, excluding a list of 29 tariff positions whose respective tariffs are to be bound at rates varying between 5 and 75 % initially, then between 4 and 64 % in 2004 ;*
- *on the original list there was a ceiling of other additional taxes of 200%. According to the officials this additional tax has been dropped from the working list of commitment of Côte d'Ivoire;*
- *based on the belief that there is not any support falling under the WTO scheme the country did not make any commitment on the AMS rules*

Overall Côte d'Ivoire adopted low tariff bounds and few exceptions. Only 29 product lines are subject to exception to the generic commitment of a maximum tariff of 15%. This represents 1% of the 2700 product lines of the sector. As to the implementation of the URA, Côte d'Ivoire failed to make use of safeguard measures by introducing a reference prices on sugar after the privatization and liberalization of the sector. The country was also attacked for an anti dumping preventive action against jute bags imported from Asia (Bangladesh).

Like Burkina Faso Côte d'Ivoire claims that it does not subsidize exports and does not grant non WTO compatible support to agricultural products. However, the country ran a number of support programs to the agricultural sector that are not necessarily out of the field of WTO support rules. This in the case of : - extension services that remain important despite the recent reforms; -social funds, launched as part of the CFA franc devaluation accompanying measures. A substantial share of these funds with an initial provision of 1 billion in 1995, increased to 3 billion in 1996/97, went to agricultural activities; -many donors funded agricultural projects are underway aiming at the strengthening of productions capacities and professional associations. Unfortunately these support programs are not aggregated in such a way as to allow the computation of AMS or of ratios along the line of the de minimis rule. This deficiency should be corrected during the next negotiations.

In order to coordinate and handle WTO related issues Côte d'Ivoire set up an inter-institutional committee that started operating the late 1996. The secretariat of the committee was located at the ministry of trade.

...
...

It comprises a sub-committee devoted to URA for agriculture. Unfortunately the subcommittee suffered from a weak participation of the ministry of agriculture, which did not allow the proper handling of WTO agricultural related issues. In particular, Côte d'Ivoire has not comply with its notification obligations regarding notably the agricultural issues. And

most of the issues raised above were not precisely documented and incorporated in positions to be defended by Côte d'Ivoire during the Seattle Ministerial Conference.

Efforts have been done recently to improve and strengthen the work of the committee with the support of the ITC/UNCTAD/WTO joint assistance program to Developing countries (JITAP). Four sub committees defined along the line of the working groups set up during the Seattle Ministerial Conference are now operational. Agricultural issues are still handled by a specific sub committee. An active participation of the ministry of agriculture to the meetings and activities of the inter institutional committee is still to be secured.

From the presentation above it comes that priority issues for the next WTO negotiations are the following:

- *food security: secure provisions for a better coverage of food needs by domestic production and for the financing of food security stocks. Manage to benefit from the food aid and from international assistance program for net food importers (food early warning system--FEWS--for instance) ;*
- *increase and ease market for Ivorian agricultural and agriculture-based products to the EU and other developed countries markets. In particular seek for technical assistance in the areas of quality and industrial standards and SPS;*
- *ensure a renewal and an' extension of S&D and safeguards measures for developing countries and seek for technical assistance in the view of a better use of these facilities with respect to development and poverty alleviation programs. The areas of interest here should be BNTs, AMS, de minimis rule and allowed export subsidies;*
- *develop collective positions within WAEMU;*
- *better articulate EU-ACP agreement and WTO positions*
- *benefit from food net importer international assistance programs
benefit from technical assistance in order to strengthen the institutional capacity for a proper handling of WTO related issues.*

Most of these issues were reflected in the speech of the Ivorian Minister of Trade at the Seattle Ministerial Conference. Unfortunately, as stated above the elements were not fully documented and discussed within the CNS, the national Committee and in the delegation. As a result the 12 members of the delegation could not participate fully in the group discussions and defend there the Ivorian positions. The Minister was obliged to move from group to group to ensure a wide expression of the Ivorian positions in the working groups. In order to avoid such a situation during the next negotiation Côte d'Ivoire should better prepare issues and train negotiators.

3. WTO and agricultural issues in two other WAEMU countries

3.1. URA in agriculture and Senegal

The Uruguay Round Agreement on Agriculture (URAA) is in effect since January 1995; the signing of the WTO agreement by Senegal confirms the commitment of the Senegalese government to open up widely to the external trade and markets. The URAA intervenes in a context where the Senegalese agriculture is not in a brilliant situation; in 1998-99, agriculture contributed 20% of GDP and employed 60% of active population, showing no change from 1995. The overall lack of progress is accounted for by supply constraints that limited the

growth rate of agricultural production in 1997-98 to 1,4% for rice, 2,5% for maize, 0,5% and 9,1% for peanut and cotton, respectively. During the same period, agricultural exports fell by an average of 0,7% whereas agricultural imports increased by an average of 4%. The supply constraints mentioned are recurrent and severe, namely, lack of intensification, traditional implements and production techniques, inability to control water and environmental degradation

Put in the context of these supply constraints, it is justified that Senegal does not feel comfortable with the new rules spelled out by URAA about the following items: market access, domestic support and export subsidies; additional areas of concern will also be taken up.

3.1.1. Market access for most products Senegalese of interest

Senegal exports vegetable oils, cotton fiber, fruit and vegetables. Peanut production is a major activity in Senegal, providing a significant share of income, employment and foreign exchange earnings. Since the 1990s, this activity suffers a crisis with declining yields, production and exports. The production of industrial peanut is controlled by a state owned enterprise (SONACOS) while a private enterprise, NOVASEN, is in charge of the different steps of the production (including extension services, provision of fertilizers) and export of mouth peanut. The cotton production is constrained by the instability of world market and is badly hit by the high cost of imported intermediate inputs; 20% of the production of cotton fiber are used as raw material by local industry and 80% are exported. The production of fruit and vegetables is responsive to economic incentives and its potential for diversification and export is high.

These exports are shipped to the Economic Union market with preferential access granted by the Agreement of the Lomé Convention. Therefore, for an extra 10 to 15 years after the renewal of the Lomé Convention, these preferences will still be in force; but there comes a time when Senegalese exports will have to face more competition from other countries in the context of WTO ; the country has to get prepared for that competition.

For the time being, exports of peanut oil suffer from several problems induced by the competition of vegetable oils extracted from raw materials other than peanuts. These European oils benefit from internal supports and export subsidies in the context of European common agricultural policies. The second problem faced by Senegalese exports relates to the non trade barrier of quality, sanitary and phytosanitary norms that have become more stringent and will eventually contribute to reduce the volume of exports and increase the costs incurred to comply with the new norms. The problems ahead are those of the lack of expertise within the country to evaluate and control quality and technical norms on one hand, and to guarantee the adequate certification of these norms, on the other hand.

3.1.2. Export subsidies and domestic support

Senegal implements a zero export subsidy strategy. This policy stance contrasts with the existence of export subsidies in foreign countries for products that compete with Senegalese exports. However, this must be balanced against the indirect benefits that Senegalese consumers get from these subsidies through lower prices; sometimes, some Senegalese

producers benefit too through the reimbursement of some of the differentials earned on cheap imports sold at higher local prices on the domestic market.

Since mid 1980s Senegal is engaged in structural adjustment programs(SAPs); in the context of the *Nouvelle Politique Agricole* (New agricultural policy) launched in 1984, there was a sweeping liberalization of the entire agricultural system. Virtually all subsidies to fertilizers, agricultural implements, seeds and rural credit were discontinued; ever since, farmers have to pay all crucial inputs in cash or by borrowing, at market prices and interest rates.

With the reforms implemented under SAPs, Senegal has overshot the limits set for the ten years transition period of URAA, thus the country cannot take advantage of the possibilities offered by the agreement of supporting its agricultural production. Hence, there is a strong risk of time inconsistency of agricultural policies if SAPs come to an end during the transition period; this policy stance would not be unjustified given the fact that, for example, the EU products that compete with Senegalese exports benefit from these internal supports.

3.1.3. Agricultural policies and food security

As mentioned earlier, SAPs molded agricultural policies over the last two decades. Policy actions are still needed in three areas : (i) consolidation of the positive results of liberalization, privatization and restructuring of agricultural institutions mainly through appropriate pricing of agricultural inputs and implements; (ii) support of private investment in agricultural production by permanent efforts at improving the legal and regulatory environment to make agricultural production less risky and more productive; (iii) structural changes to remove the supply constraints, in the following areas: transfer of more responsibility to agricultural professional organizations; provision of good quality basic infrastructural services (rural communications, education and health); adaptation of rural credit institutions to the real needs of peasants; water control techniques and services; quality control of export crops.

Senegal is a net rice importer; the rate of cereal self-sufficiency declined from 70% in 1970 to 52% in 1995. The rising demand for food products is due to a high rate of demographic growth (2,6%) whereas food production declines because of the supply constraints mentioned earlier; as a consequence, food imports increases over the years. The Senegalese consumers will suffer from the price increases expected to result from the reduction of internal supports and export subsidies in net export countries when the URAA is fully implemented. For the time being, the country is concerned about the security of its consumers which can be ensured by controlling the quality of rice imports and by using anti-dumping measures.

The new WTO rules tend to increase the price of technologies, increase the barrier to entry with SPS measures and other technical obstacles such as the rules concerning the certification of norms; as a result, there is a big risk that, with its limited technological capacities, Senegal will be crowded out of the international market. There is an additional threat linked with the patenting of agricultural seeds (GMO). The only way out of these threats is training as well as access to large flows of effective technical assistance.

3.1.4. Status of UR implementation and priority issues for next negotiations in Senegal

The first issue to settle relates to the actual translation of the WTO rules endorsed by Senegal into Senegalese law so that there is a complete internalization of these rules. Besides, Senegal

committed itself for a rate of protection of 180% made of two elements: a consolidated ceiling rate of 30% of the tariff applicable in 1995 and a rate of 150% for other taxes.

Priority issues for Senegal for the next WTO negotiations are the following:

3.2. UR and agricultural issues in Burkina Faso

3.2.1. Recent agricultural performance in Burkina Faso

Burkina Faso did not make specific commitment relative to agriculture during the UR. Being a less developed country, the Marrakech agreement left reasonable room for maneuver to Burkina in terms of compulsory obligations in the agricultural area. In addition the transition period for a full compliance any UR commitment of Burkina Faso is above 10 years.

Impact of UR in agriculture on Burkina Faso comes through market access for its products (cotton and derived products, sugar, livestock and derived products, fresh and dried fruits and vegetables). It comes also from UEMOA regional commitment (especially, common external tariff). Finally it comes as a consequence of the dismantling of subsidies granted by developed countries to their food export that may result in increasing food import bill.

These different channels of the impact of URA on Burkina Faso are investigated now, as well as recent and current agricultural policies aiming at a preparation for WTO 2000 negotiations and help to accommodate to the potential adverse effects of URA on the country.

The following table summarizes the recent agricultural performance of Burkina Faso.

Table 4: Agricultural performance in Burkina Faso

%	1991	1992	1993	1994	1995	1996
Agricultural VA/total VA	36	38.70	39.30	40.80	38.50	38.40
Agricultural Export/Total export	40	44.10	38.90	33.10	42.60	42
Agricultural Growth rate	20.70	1.10	4.50	1	3.20	5.60
Agri.public invest/Total public invest	23.30	18.50	21.90	20.80	-	-

Source : PASA

Agricultural VA accounts for a substantial share of total VA (above 36%). This picked to more than 40% in 1994 the year of the CFA devaluation. Agricultural export represents a higher share of total export (above 40% on average except in 1993 and 1994). The agricultural sector provides most of employment (86% of total employment). But, agricultural growth rate is very unstable (merely 21% in 1991, 1% in 1992 and 1994 and between 3 and 5.5% the other years). The instability of Burkina Faso agriculture is mostly explained by its extreme dependency to the weather and natural factors.

3.2.2. The main agricultural products in Burkina Faso

The main agricultural products in Burkina Faso are the following

Table 5: Main agricultural products of interest in Burkina Faso

1997/98 production (metric tons)		
cereals	millet	603932
	sorghum	942885
	rice	37602
	maize	366467
cotton		343106
livestock*	poultry	21133100
	cattle	4611900
tropical fruits and vegetables (fresh and dried)		
sugar		
fish (fish breeding)		
skin and leather		

Burkina Faso has put the emphasis on food production, including livestock, fruits and vegetables for both the domestic and export markets. Its main export markets are the regional markets except for cotton, tropical fruits, leather, vegetable oil and fats. In particular, cattle and meat are exported to Côte d'Ivoire, Mali, Niger, Togo and Benin. Between 1992 and 1996 cotton represented on average 40.6% of total export, cattle, meat and leather amounted to 30.8% of total export, vegetable and tropical fruits represented 12% of total export.

3.2.3. Food import constraints and market access of Burkina Faso's main products

Regarding food import, URA rules affects particularly the rice sector. Indeed, measures adopted under SAPs comprise a liberalization of rice import, trading systems and prices. URA, while reinforcing rice import, has resulted in increasing import bill of Burkina Faso as can be seen on the following table

Table 6: Profile of rice demand, production and import

Year	Demand	Supply	Production	Import	% of supply	CGP*	% of Import
1994	60342	65869	25776	40093	60.66	40093	100
1995	78492	108133	35501	72632	67.17	72632	100
1996	123362	132108	47239	84869	64.24	84869	100
1997	126750	131757	37820	93937	71.29	53943	57.42
1998	129773	167851	37602	130249	77.57	76008	58.37

* CGP = public import marketing board

CIF prices of rice fell continuously since 1996 : January 96 = 160 CFA/kg ; January 97 = 148 CFA/kg ; January 98 = 141 CFA/kg ; December 98 = 146 F.CFA/kg. Extent of rice market liberalization in developed countries and Asian countries

Compliance and implementation of URA in cereals. Maybe a weak implementation of URA for cereals maintained some subsidies and specific aid programs. The CIF price of Burkina Faso import of rice declined from 1996 to January 1998, and turned to an increase at the end of 1998.

It appears that there is an excess supply due to excessive import. This resulted into an increasing proportion of non sold domestic production. Priorities of agricultural policies in Burkina Faso are the following:

- *food security ;*
- *agriculture intensification ;*
- *promotion and diversification of exporting agricultural products ;*
- *reforms of agricultural trading systems (liberalization and privatization), but necessity to ensure guaranteed producer prices;*
- *support to peasants associations in order to strengthen producers' level of organization*

Since URA is likely to affect food import prices it may affect adversely food security objective of Burkina Faso. To this regard the country is particularly interested in the assistance programs envisaged for net food importing countries. But, so far there has not been effective in Burkina Faso. The external common tariff in place between UEMOA countries since January 2000 set different categories for traded goods. Fertilizers and pesticides fall under taxed categories (category 1 and 2). Their import is subjected to a tariff comprised between 5 and 10%. To which statistical tax, PCS (community solidarity fees) and VAT are added. This provision on fertilizer and pesticides clearly impedes the intensification program of Burkina Faso, requiring substantial import of these products. In fact the need for intensification and the diversification objective require additional support programs.

Another problem facing Burkina Faso in trying to cope with the new WTS is the instability of the structure of its external trade. Some products appear a few years then disappear. This is the case of gold, which came close to the second highest export of the country over the early 1990, but is merely disappearing today. Another example is cashew and other nuts which are cash crops, that depend entirely upon the weather and the willingness of peasant to harvest them. During bad years and when there is no motivation the export of these products may fall drastically.

Above all, the agriculture intensification programs, and the promotion and diversification policies include various support programs. Indeed, within the current agricultural development program, supported by a World Bank sectoral adjustment loan, the repayment of cotton producers' debt to the cotton factories amounted to 3-4 billion of CFA (between 25 and 40% of the World Bank total sectoral loan). Under the same program a support fund of 8 billion of CFA was set up to help cotton producers. In other sectors support effort were also done. In the livestock sector support measures were of three types. Aid tending to facilitate compliance to export regulation through aid to sanitary controls, training of exporters for a better understanding of papers required for export and the dismantling of restrictions on the export of leather ; privatization or aid to the restructuring of firms of the sector ; building wholesale markets for cattle, particularly at the borders.

Despite these obvious domestic support to agricultural activities Burkina Faso did not make any commitment to the WTO on domestic support. The reasons invoked for this is the length of the transition period and the status of Burkina Faso, a less developed country. However, officials think that there is a need to identify and exploit the favorable provisions of the WTO relating to domestic support and articulate them with the sectoral and macroeconomic adjustment programs, supported by the IMF, the World Bank and other donors.

3.2.4 Status of UR implementation and priority issues for the next WTO negotiations in Burkina Faso

As stated above the UR agreement in agriculture has three major components : dismantling of NTBs and their replacement by tariffs and tariff binding; eliminate export subsidies, measure and reduce domestic support ; comply with SPS provisions.

Though Burkina did not make specific commitment in these areas given its status of less developed country the evolution of the agricultural sector and policies might help to assess the extent to which the country is prepared to face the WTO rules in the future when the transition period expires. Toward this end and in order to prepare the Seattle Ministerial Conference Burkina Faso set up an inter-institutional committee in order to deal with WTO related issues. The committee, which benefited also from the ITC/UNCTAD/WTO JITAP program, had a specific sub-committee devoted to the notification of Burkina Faso WTO related measures to the Secretariat. The sub-committee met once every week in order to clear the backlog and ensure the timely communication of any relevant measure. Thus, the country has notified regularly new measures adopted in the agricultural sectors.

In fact, given the very slim specific commitment on the WTO list related to agricultural issues, very little was done. Burkina Faso claim that the country does not subsidize its agricultural exports and does not have any non WTO compatible domestic support without having presented a comprehensive picture of the existing support. For example the country has not provided for a set of information allowing for the computation of its AMS level, nor an attempt of de minimis calculation was done for any agricultural product. These issues should be taken into account in the next negotiations.

As shown above the country has embarked in a comprehensive reform of the trading system of its major exporting goods within the IMF/World Bank types programs. Again, WTO implications of these far reaching liberalization efforts are not drawn, at least for getting credit from them regarding the WTO commitments. In addition, the country did not make any specific effort to take advantage of the accompanying measures in the areas of net importing countries support programs, of LDCs technical assistance programs, of other S&D provisions of the URA. In the future efforts should be directed toward a better use of S & D provisions of the UR agreement in agriculture and of other specific advantages granted to LDCs.

Priority issues of Burkina Faso for the next negotiation round :

- *right of developing countries to resort to some export subsidies ;*
- *increase the de minimis level granted to developing countries ;*
- *allow developing countries to compute AMS level and make sensible commitment at this level ;*

- *include in green box measures subsidies to investment and to agricultural inputs ;*
- *introduce compulsory S&D and compensation of negative impacts of the UR in agriculture on developing countries ;*
- *reinforce international technical assistance to development countries in order to increase agricultural productivity and food security in developing countries. Burkina Faso also expresses the opinion that poverty alleviation policies deserve explicit provision in the next WTO agreement on agricultural issues*

Unfortunately these issues were not articulated and incorporated in the Burkina Faso positions at the Seattle Ministerial Conference partly because of a weak involvement of the ministry of agriculture in preparatory exercises. This should be corrected for the coming negotiations.

4. WAEMU and URA in agriculture

4.1. A general presentation of WAEMU

Burkina Faso, Côte d'Ivoire and Senegal belong to the West African Economic and Monetary Union (WAEMU)¹. The WAEMU treaty, which prolonged and extended the West African Monetary Union (WAMU) by incorporating most of the West African Economic Community (CEAO) provisions, was signed just a year before the signatory of the WTO agreements. WAEMU appears as one of the most successful regional arrangements in Africa. It is built around a common currency (the CFA franc) combined with a custom union, thought to become quickly a common market.

A regional agreement is by definition discriminatory and violates the fundamental non-discrimination principle of GATT (generalization of the MFN principle). Nevertheless, article XXIV of the WTO general agreement provides that free-trade areas and customs unions are allowed to depart from the principle of non-discrimination on certain conditions: it should not adopt customs tariffs or other border restrictions that would be more restrictive on average than those previously applied; a plan or program should be prepared for the establishment of a customs union or free trade area; and, in the case of a free-trade area, they must cover essential trade between member States. Based on European and Asian experiences, regional trade agreements have been considered capable of inducing greater liberalization and helping developing countries fit more easily into the world trading system. Globalization does not appear therefore as an obstacle to the process of regional integration, and vice-versa. This is especially true for developing countries, which are weak when taken individually, and seek often for the benefits of the clause of non-reciprocity.

¹ The member countries of WAEMU are Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal, Togo

The WAEMU treaty was signed on January 10, 1994, at the same time as CFA franc devaluation. This treaty resorts to two fundamental principles: the primacy of community law over national laws, except for sectoral policies for which primacy is replaced by subsidiary², and a centralized approach in pursuing the objectives of the union. WAEMU envisions, as the European Union, to improve and coordinate the macro-economic policies of member States and to create a common market by gradually eliminating trade barriers between them, by establishing a common tariff toward non-member countries, common rules for competition and public support, and permitting the free movement of goods, services and persons.

Initially set on January 1, 1998, for the union to start operations, but likely adverse effects of the TEC on government revenue in most member countries and possible incompatibility with some aspects of URA, implementation of the TEC was delayed up to the year 2000. WAEMU institutions (the Commission, based in Ouagadougou; the Common Arbitrage Court and the Regional Stock Market, based in Abidjan) have been set up, and major non trade measures are in place (the common private accounting system, SYSCOA; the harmonized business regulation; the harmonized insurance regulation, the common public finance frame, etc.).

4.2. Trade related measures of WAEMU

The objective set to trade related measures is to lead WAEMU to a full common market within a reasonable period of time. The common market will be based on: (i) an elimination of tariffs and NTBs between the member countries; (ii) the adoption of a common competition regulation; (iii) the adoption of a common external tariff; (iv) the adoption of common trade policies and external multilateral relations. The ultimate goal is thus to constitute a common market of 67 millions people ensuring a free movement of persons, goods and services.

The first step of this process, realization of the customs union through the adoption of a common external tariff TEC and the abolition of tariffs on community trade is operational since January 2000. In accordance with WTO provisions, finalization of the customs union of WAEMU is conditional on the following constraints: (i) the average rate of the TEC must not be higher than the current average rate in all the member countries; (ii) the preferential scheme for intra-community exchanges must include all the products originating from member countries, a provision entailing the annulment of the procedure of prior approvals, applied by the now defunct CEAO, felt to be too selective; and (iii) if WAEMU failed to implement a full customs union by January 1, 1998, the timetable decided on, should allow the Union to attain a zero tariff rate within a reasonable period of time.

² The subsidiary principle means that community laws prevail in the areas where the community is likely to do better than countries taken individually.

Before the introduction of the TEC WAEMU member States made important efforts to bring their rates structure and levels closer. Table bellow shows tariff structure of individual countries in 1996.

Table 7 : Tariffs number and rates of WAEMU countries in 1996

Rate category	Benin	Burkina Faso	Côte d'Ivoire	Mali	Niger	Senegal	Togo
Customs duties	--	5%	5%	5%	---	10%	--
Number of fiscal duty	5	3	7	3	3	4	3
Rates of fiscal duty	0;5;10; 15;20	0;10;15	20;25;30	0;5;10;15;	0;10;25	5;10;30	0;20;30; 5;10;20
Statistical tax	2%	4%	2.5%	--	5%	--	3%
Customs stamp	--	--	--	--	--	5%	--
PCS	1%	1%	0.5%	1%	1%	0.5%	0.5%
Special tax	--	2%	--	--	--	--	--
Total charge range	3-23%	12-27%	7.5-37.5%	6-31%	9-39%	15.5-65.5%	8.5- 28.5%

Source: Kouassy and Diomandé (1998)

An examination of the tariffs structure of the member States of WAEMU shows that it has been greatly simplified since the creation of the new union in 1994. The range of customs taxes were reduced considerably up to 1996; four countries, Benin, Mali, Niger and Togo now have a simplified scheme consisting in three customs taxes including the community solidarity tax; Côte d'Ivoire and Senegal have four taxes, Burkina Faso five. Since then the TEC being in force the tariff structure, actually the TEC structure, is common to the member states. The following table shows the tariff structure in place in the WAEMU countries currently.

Table 8: The TEC structure across different good categories

In %	Maximum tariff rate	Statistical tax	PCS*	VAT	Other excise taxes
Category 0	0	1	1	16-20	Opened
Category 1	5	1	1	16-20	Opened
Category 2	10	1	1	16-20	Opened
Category 3	20	1	1	16-20	Opened

PCS = Prélèvement Communautaire de Solidarité (community solidarity tax)

The TEC is applied to products originating outside WAEMU classified into 4 categories:

- *category 0 = social goods listed on a limited basis (they concern mainly health, security, education and culture--books, notebooks and school materials--, etc.) ;*
- *category 1 : essential goods, raw materials and equipment goods, etc. (most agricultural goods) ;*
- *category 2 : inputs and intermediate goods ;*
- *category 3 : manufactured goods, final consumption goods non classified elsewhere*

TDP (“Taxe Degressive de Protection”) and TCI (“Taxe Conjoncturelle à l’Importation”) are two exceptions to the general tariff frame. TDP is an temporary ad valorem tax applied to major processed products that confront to a risk of disappearing due the implementation of the TEC. TCI is an instrument aiming at the protection of products facing price instability or sudden decline or to mitigate unfair import competition practices. WAEMU adopted additional provisions allowing countries to resort to reference prices in case of persisting decline in international prices of their major products. These exceptions are the first areas of possible conflict with URA. They should concern products that are of a great importance for the countries, and sudden import surge and the threat of dumping should be demonstrated. The problem could also arise from the lack of an antidumping regulation within the WAEMU legal framework.

Another area of possible conflict is the structure of the TEC itself. Indeed, given that the TEC rates are average of previous rates prevailing in WAEMU member countries, they might be above the pre-TEC rates of some countries; violating the WTO provision of non-increased tariffs for custom unions under article XXIV. In addition the budgetary loss compensation scheme necessary for the sustainability of the customs Union, should be WTO compatible. Indeed, in order to accommodate to the fiscal adverse effects of the TEC an initial provision of 12 billions CFA franc, increased to 15 billion in 1998, has been adopted (UEMOA). The allocation scheme to WAEMU member countries of the compensation funds is not publicized. Given that the compensation funds could be support provided to countries, they should be analyzed in the light of the WTO rules and discipline.

Goods originating from the community and conform to the rules of origin access tariff free the market of any of the member countries. The rules of origin that will regulate this process are being implemented. Are considered as community goods :

- *non processed natural goods appearing on the limited list of category 0 goods;*
- *traditional craftsman goods;*
- *and processed goods with 60% content of local raw materials or generating locally 40% VA.*

Tariffs are greatly simplified and their rates very low compared to previous levels. In addition given that the liberalization takes place within a regional grouping does not allow countries to reverse it as easily as in the past. Indeed, one of the most striking features of unilateral liberalization in African countries has been the frequent reversals (Bohoun, Kouassy and McKay,1996; Oyejide and Ndulu,1996).

WAEMU trade related measures do affect community agricultural policies and their compatibility with URA. Indeed, most agricultural goods move freely inside WAEMU and enter the community market with minimum restrictions. More broadly WAEMU agricultural policies should be examined in the light of URA in agriculture. Adoption of rules of origin implies the dismantling of the tax draw back on exports toward community markets. In addition to tariffs and rules of origin domestic tax harmonization might affect agricultural policies and performance.

Though agricultural products are not concerned, taxing agriculture based processed goods, fertilizers, pesticides and agricultural materials might affect adversely agricultural productions. This issue is particularly important in Côte d'Ivoire where food production and new agricultural exporting products (cotton, palm oil and rubber) are rather intensified. More generally, WAEMU trade and tax related measures seem to contradict to some extent sectoral policies.

4.3. WAEMU agricultural policies and URA

WAEMU is a built in process comprising macroeconomic and sectoral issues. So far this process has been dominated by macroeconomic issues. Sectoral issues and policies have been just introduced. A common industrial policy has been sketched en 1999. Common agricultural policy is being designed according to the following steps:

- *review of country individual agricultural policies in order to identify commonalties and differences in the view to better coordinate them;*
- *examine relevant policies and options and determine areas in which WAEMU might be most performing;*
- *elaborate and implement an action plan combining community and advised individual country policies.*

Regarding this agenda WAEMU common agricultural policy in preparation is unlikely to be in conflict with URA in agriculture since this policy can be tailored to the URA. However, given the priorities of member countries and WAEMU as an institutions, some possible conflicting areas with URA and the WTO rules and discipline are foreseeable.

From the review of member countries policies the following directions are being considered by WAEMU for the common agricultural policy :

- *agricultural intensification and productivity increase ;*
- *food security ; local processing of agricultural primary goods ;*
- *development of intra-community trade development ; protection of community agricultural production--through common external tariff structure, product categorization and rules of origin, community agricultural support programs-- ;*
- *pricing policies ;*
- *develop agricultural research and training ;*
- *development of community policies for infrastructures ;*
- *measures aiming at an increase in intra-WAEMU trade flows.*

Among these policy areas WAEMU emphasizes four main areas that have received most attention and resources.

- *a special regional food security program has been set up financed by a compulsory fiduciary funds ;*
- *another funds has been set up in order to facilitate the participation of member countries in the regional development “ Fonds d'Aide à l'Insertion Régional--FAIR--), which received the PCS and allocates it according to development needs of countries ;*
- *exceptions to the TEC (TDP, TCI and reference prices) are price type instruments for the protection of community products where needed ;*
- *agricultural research and training.*

Regarding food security, WAEMU has adopted a collective approach, that is at the Union level. To this regard an increase in trade flows is perceived as a means for the transfer of food production from surplus areas to deficit areas. Efforts toward increased intra WAEMU trade is justified given the low level of current trade flows between the member countries. According to Kouassy and Diomandé (1998) the share of export of most member countries to WAEMU is well below 10%, except Senegal (16.3%) and Côte d'Ivoire (9.7%), and the share of their import from WAEMU is also less than 10% on average except Mali (23%) and Burkina Faso (20%). An important share of the intra-WAEMU trade is consisted of agricultural and other food products, often non recorded (trans-boarder trade). This dimension of food security policy comprises efforts towards a strengthening of agricultural production and trade statistics services.

WAEMU common agricultural policy takes place also within the new EU-ACP convention. This convention has renewed some provisions of the Lomé convention (Satbex and specific protocols --bananas, sugar and fishing--), which are not WTO compatible and projected to conclude a regional cooperation agreement (Regional Economic Partnership--REP--) in 2002 the latest. The REP will be fully WTO compatible. Meanwhile, the non compatible provisions

of the new EU-ACP convention should be dealt with properly in the course of the WAEMU common agricultural policy.

Stabex concerns primary exports such as coffee, cocoa, cotton, etc. which are of greatest interest for the WAEMU countries.

Areas of possible conflicts between WAEMU common agricultural policy and URA in agriculture are the following:

- *exceptions to the TEC (TDP and TCI) should be WTO compatible*
- *intensification program and the need to support agricultural productions might be conflicting with the WTO domestic support rules*
- *agricultural liberalization and intra-WAEMU trade development initiatives might be contradictory*
- *allocation of various WAEMU funds in support to food security and other agricultural objective*
- *WTO conflicting provisions of the new EU-ACP convention*

WAEMU should deal with these possible conflicting areas in the design of the final version of its common agricultural policy.

4.4. WAEMU institutional arrangement for URA in agriculture related issues

During the preparation of the Seattle Ministerial Conference WAEMU did not play a paramount role. Since the first semester of 2000 WAEMU Commission following a judgement of the Arbitrage Court has been empowered for international trade negotiations. This is a dramatic change. The thing is that the WAEMU Commission seems better prepared to handle strictly trade issues though a WTO delegation has been set.

Given the functioning of the Commission, with independent departments with few links, the mandate of trade negotiation assigned to the customs and trade department might result in institutional gaps and weaknesses. Indeed, though the setting up of a WTO related group, under the leadership of the customs and trade department, there might be a sluggish cooperation between departments like that observed in the WTO related inter-institutional committees in individual countries.

5. Conclusion

URA signed in Marrakech covers agriculture, services and textiles which will be object of progressive integration into WTO rules and of coming negotiations; the issues to be dealt with are: full liberalization, market access, domestic support and export subsidies. WTO rules are important to LDCs in general and to WAEMU countries in particular, because agricultural exports are their main suppliers of foreign exchange and these countries are net food

importers. The four case studies (WAEMU, Côte d'Ivoire, Senegal and Burkina Faso) show that these countries' trade practices may conflict with WTO rules.

Côte d'Ivoire exports tropical fruit (bananas, pineapple) and faces the issues of EU trade preferences and competition from Latin American similar products; the Ivorian peasants exporting agricultural raw materials (cocoa, coffee, palm oil, cotton and rubber) suffer from the full liberalization programs in terms of rising poverty and falling quality of their products; the country's exports of processed agricultural products to non regional countries face tariff escalation, stringent quality norms and SPS measures combined with other technological problems; the full liberalization of imports of agricultural materials and intermediary inputs limit the scope of agricultural modernization and intensification; as a major net rice importer the country faces rising import bills. Côte d'Ivoire adopted low tariff bounds and 1% of product items (29/2700) were subjected to exception to the commitment of maximum tariff of 15%. It failed to use safeguard measures by introducing reference prices on sugar after privatization and liberalization of the sector; it also took a preventive anti dumping action against jute bags imported from Bangladesh. The country also ran support programs to the agricultural sector; it did not comply with its notification obligations related to agriculture.

Senegalese agriculture suffers from severe supply constraints; full liberalization will increase existing competition pressures on peanut oil exports of vegetal oil imports extracted from raw materials other than peanut ; non trade barriers of quality and SPS norms will also limit exports; the country faces a lack of local expertise in quality control, technical norm setting and certification. The country ran a zero export subsidy while competing oils imports are subsidized; there is a risk of time inconsistency in agricultural support policies when the government decides to take advantage of the WTO provisions of the transition period and grant the support foregone during the implementation of SAPs. Priority issues are the translation of WTO rules into the Senegalese law and internalization of quality and SPS norms through access to training and technical assistance.

Burkina Faso's agriculture represents 36% of total value added, about 40% of total export value and 86% of total employment; its growth rate is very unstable because of its highly dependence on weather and other natural conditions. Its main export markets are located in the WAEMU region, except for cotton, tropical fruit, leather and vegetable oil and fats; it is a net food importer. As a less developed country Burkina Faso has a much longer delay before it complies with WTO rules; although the country did not make explicit commitments to WTO despite a number of agricultural support programs; but the officials are conscious that they could make a better use of the opportunities offered by the WTO rules.

WAEMU's TEC maximum tariff rate varies from 0 to 20% and is applicable to products originating outside the Union; there are two exceptions to this general tariff: TDP and TCI; there are also additional provisions allowing the resort to reference prices in case of persisting decline in international prices. These exceptions as well as the structure of the TEC itself (in case its level is above the pre-TEC average) may conflict with WTO rules. Besides, derogations and transitory tariffs meant to minimize or avoid fiscal revenue losses generated by the implementation of TEC may be incompatible with WTO rules which require that the post reform medium tax rate be lower than or equal to the pre reform rate.

WTO rules provide WAEMU countries for opportunities to curb the low intra-Union trade flows as well to increase trade flows between the Union and non regional countries; but

provisions to mitigate anticipated fiscal revenue losses to individual union member countries may conflict with WTO rules. Besides, these countries need technical assistance to seize all the opportunities offered by WTO on one hand, and to internalize new quality and SPS norms.

- EU-ACP convention compatibility
- Institutional gaps and weaknesses (both at the individual countries level and WAEMU level)



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