

ROSA Focus

This Month's Highlight: Food security in international trade negotiations

The African, Caribbean and Pacific (ACP) countries are involved in two negotiation processes that are of crucial importance for their trade and agricultural policies. The negotiations are taking place in parallel in two different contexts, the multilateral World Trade Organisation (WTO) for the Agricultural Agreement and the context of bilateral relations between the European Union (EU) and the ACP countries organised according to their regional integration areas for the Economic Partnership Agreements (EPAs). The challenge for the ACP countries is to define a negotiating strategy that coordinates both negotiations in order to obtain the most favourable results in the area of trade and agricultural policies. Moreover, these negotiations are taking place in a context of increased prices in international markets. In the light of food security issues, it seems to be essential to link trade liberalization with goals of poverty reduction, increasing production and reinforcing competitiveness at national and regional levels.


This article presents the major issues of the current negotiations and raises questions about the leeway that ACP countries have to protect their agriculture, and particularly the most sensitive products.

The main issues of agricultural negotiations for ACP countries

There are two major issues for agricultural trade in ACP countries, and these are also the major issues for the negotiations: i) market access to developed countries, and the EU in particular; ii) competition from imports on the national markets as well as the dynamics of regional.

Substantial progress has been made on access to markets in developed countries through successive tariff reductions. The residual tariff barriers that are an obstacle to exports from ACP countries are now far more limited, although non tariff barriers such as sanitary and phytosanitary standards, and rules on product origin, etc. are tending to increase. The difficulty of the ACP countries is also their ability to position themselves on export markets due to structural constraints on supply, particularly for the least developed countries (LDCs). So the challenge is to build capacity for production, processing and marketing, which will improve competitiveness. This in turn depends on the possibility of setting up sufficiently strong and effective agricultural policies.

Furthermore, the problem of the competition from imports from the developed countries on ACP markets is particularly serious. This depends on market access conditions of ACP countries and thus the measures that these countries can set up to protect their markets from competition. The present article will be mainly focused on this question.

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Low protection possibilities

Many ACP countries suffer from competition from imports to their local production, which affects the development of local and regional markets. The competition from imports can come from highly competitive imported products, based on level of productivity and comparative advantages superior to those of the ACP countries. Also, ACP countries' tariff protections from imports have proved to be inadequate. Many ACP countries had low tariffs at the time of the 1995 agriculture agreement. That Agreement provided for tariff reductions for developing countries (except for the LDCs¹) based on tariff lists defined after the Uruguay Round. But most ACP countries that had not consolidated their tariffs chose the option of ceiling rates (maximum protection level that cannot be exceeded). In most African countries, tariffs were consolidated fairly evenly and at high levels. This option gave the most flexibility: the possibility of consolidating their tariffs at ceiling levels gave them the option of increasing their tariffs up to this limit. However, the tariffs usually applied are lower than the cap levels. Furthermore, some ACP countries such as West African countries greatly reduced tariffs when they applied the Common External Tariff (CET) defined as part of their regional integration process.

Box No. 1: WTO consolidated tariffs and the application of the CET - Burkina Faso

When acceding to the WTO, Burkina Faso chose to bind its tariffs at ceiling rates. Agricultural customs duties were set at 100% plus other duties and taxes (50%). This country committed to apply customs duties not exceeding 150%.

The implementation of the West Africa Economic and Monetary Union (WAEMU) common external tariff (CET) signified a reduction of customs duties. For agricultural products, the average of tariffs was reduced from 29% in 1997 to 15% in 2003. Furthermore, clustering tariffs in four bands has considerably reduced the dispersion of tariffs. More than 80% of tariff lines range between 5% and 20%

Limiting competition from imports on domestic and regional markets

As part of the WTO and EPA negotiations, the ACP countries must agree to lower their custom barriers in order to liberalise trade. But in parallel, they have the possibility of excluding a certain number of products from the liberalisation, as part of the Special and Differential Treatment (SDT) granted to developing countries at the WTO, on the one hand, and as part of asymmetrical reciprocity – authorised at the WTO by Article XXIV² – in free trade agreements as EPAs on the other hand.

Designating special products

As well as sensitive products which concern all the WTO member countries (see Box No. 2), developing countries have the flexibility of defining special products for which they request special treatment in order to deal with food security needs, livelihood security and rural development. The modalities for identifying these products, their number and treatment (less reduction of exemption from tariff reduction commitments) are still being negotiated.

Box No. 2: Special Products and Sensitive Products

The concept of **special products** is used for negotiations in the WTO. These are products that the developing countries can protect for reasons of food security, livelihood security and rural development.

The term **sensitive product** is a slightly different concept in WTO negotiations from what it means in EPA negotiations, which can be confusing.

In the WTO context, the notion of sensitive products is used to identify products that are sensitive to trade liberalisation in all countries, including developed countries. These products, which are fewer than special products, have some flexibility and countries can limit tariff reduction.

¹ The least developed countries are exempted from any tariff reduction commitment.

² This article derogates to the Most Favoured Nation (MFN) principle, i.e. non discrimination. It stipulates that a country or group of countries can give preferential trade treatment to another country or group of countries, as long as the relations between the countries are regulated by free trade or a custom union, i.e. that trade preferences are reciprocal.

In the **EPA** context, the concept of sensitive products is used when drawing up the market access offer and the trade liberalisation regime. They are products that are subject to competition from imports from the EU and which may be threatened by trade liberalisation. The threat can be on the country's national market or on the regional market.

Excluding products from the EPA

The EPAs, as free trade zones between an ACP region and the EU, introduce the principle of reciprocity for the first time in the trade relations between two parties. This reciprocity can be asymmetric, with less liberalisation efforts for ACP countries. Signing an EPA has the potential effect of accentuating the impact of competition from EU exports on local and regional markets. It implies that ACP countries open their borders even more to European imports by substantially decreasing the custom duty they apply to these imports. The negotiation concerns products in two categories: those that are to be excluded from liberalisation; and those for which total or partial market opening will be postponed (timeframe for dismantling tariffs).

Box No. 3: The process for defining sensitive products in the West Africa region

As part of the preparatory work for negotiating the EPA, the ECOWAS and WAEMU Commissions began a process of preparing the West African market access offer, including identifying sensitive products, drawing up a liberalisation regime and defining propositions for the safeguard clause.

For **sensitive products**, a methodology for drawing up national lists has been created. It is based on the assessment of the sensitivity of agricultural products based on four criteria: i) food security, ii) livelihood security in rural areas, iii) rural development and natural resource management and iv) the trade dimensions including the problem of substitution products, the role of products in the process of regional integration and the impact on tax revenues.

Having special safeguard measures

The current WTO Agriculture Agreement has a safeguard measure that makes it possible to increase, for a limited period, the level of production of a particular agricultural product that faces an upsurge of quantities imported or a plunge in prices of imported products. The aim is to limit the negative effects of opening agricultural markets. Existing mechanisms are however cumbersome and difficult to apply. Moreover, the clause is only applicable to countries that have not consolidated at a cap level, which is most of the least developed countries. The issue of current negotiations is to create a Special Safeguard Mechanism (SSM) that the developing countries can use, and that will allow for more flexible protection. In the context of EPAs, the market access offer also includes safeguard clauses which must be defined in a common framework. The two negotiation processes need to be interlinked. Multilateral and bilateral safeguard mechanisms must be complementary and ambitious enough to limit the negative impacts of a surge of imports, or a sudden drop in product prices.

Appropriate commercial policies that are consistent with development goals

The EPA and WTO negotiations are crucially important for the agriculture in the ACP countries since they will have major implications for producers and other value chain actors. The sharp rise in food prices has highlighted the need of investment in agriculture and implementing appropriate policies to develop national and regional agriculture. Nevertheless, the current negotiations allow for a slight room for manoeuvre to protect the development of agricultural markets. In this context, it seems essential to take into account the necessary articulation between trade rules and development objectives of ACP countries.

This article was written with the collaboration of Roger Blein (bureau Issala)

For further information:

Arlène Alpha et al, WTO and EPA negotiations: For an enhanced coordination of ACP positions on agriculture, December 2005

ECOWAS/WAEMU, Regional report on defining sensitive products and drawing up trade partnership offers for the development of West Africa by the European Union, September 2008

Current food security situation

Great Lakes - Rwanda

A rapid and sustained economic growth, but food insecurity remains a significant threat in Rwanda

Rwanda has made remarkable economic progress since 1994. In the aftermath of the genocide and associated conflicts (1996-2000), real GDP grew at over 10% per year as the economy recovered from a low base. This was followed by a period of stabilisation (2001-2007) during which real growth fell to an annual rate of 6%. However, economic growth has not been strong enough to make a significant impact on poverty reduction.

The population remains vulnerable to food insecurity and malnutrition. **Structural causes of food insecurity** need to be addressed, including: 1) low productivity of the agricultural sector (per capita production is still below 1990 levels); 2) population pressure on land, resulting in suboptimal plot size and cultivation of marginal land; 3) soil erosion, loss of soil fertility and subsequent declines in productivity; 4) malfunctioning markets and lack of economic opportunities, especially in the rural areas; 5) long-term consequences of the conflict such as displacement, family separation and social disruption, which increase the number of vulnerable people and the depth of their vulnerability (CFSVA, 2006).

Agriculture remains the backbone and most important sector of the Rwandan economy

Rwanda's economy is based largely on agriculture. This sector remains a major component of GDP and provides most employment. It accounts for over 90% of employment (mostly in subsistence agriculture), far more than the regional and income group average. Food crops hold a very dominant position. Beans and bananas are by far the dominant crops in terms of area planted by farmers, followed by sorghum and Irish potatoes and then sweet potatoes, cassava and maize. Agricultural exports represent over 70% of the total value; coffee and tea are the two main export crops and the most widely cultivated cash crops.

However, the agricultural sector has undergone minimal structural transformation over the years resulting in **low productivity**. The production increase is partly supported by the extension of cultivated area, including to unsuitable land.

There is a serious problem of availability of arable land that, because of the high population density, is exploited to the very limits of agricultural possibilities, and the small size of the country does not offer any alternative for increasing the amount of arable land. The use of scarce land resources is constrained by the absence of a well-defined land administration system and poor settlement patterns in rural areas.

Landholdings are very small with more than 60% of households cultivating less than 0.7 ha. This constraint is aggravated by the fact that most farms have multiple, scattered plots, many of them tiny. The less demanding crops, usually cassava, tend to occupy the most marginal zones.

Despite structural obstacles, there has been some significant effort in increasing the use of improved agricultural inputs and supporting commodity chain development. The threat that this poses for food security is obvious and efforts will therefore be continued and scaled up.

The incidence of poverty has fallen since 2000/01, but it remains high

According to a preliminary poverty update report, poverty has declined from 60.4 to 56.9% over the period 2000/01-2005/06 (see Table No. 1). Nevertheless, uneven distribution moderated the impact on poverty reduction. The Gini coefficient, which measures inequality, has increased from 0.47 to 0.51, suggesting that growth was unequally distributed.

Table 1: Poverty Headcount by Province, EICV1 and EICV2 (%)

Region	EICV1 ³	EICV2
City of Kigali	24.4	20.2
Southern province	65.8	67.3
Western province	63.1	62.0
Northern province	66.9	62.7
Eastern province	61.8	50.4
National	60.4	56.9

Source: Andy McKay, Mary Strode, Clare O'Brien and Geoffrey Greenwell, 2007

³ EICV: Integral Survey on Households Living Conditions (Enquête Intégrale sur les Conditions de Vie des Ménages)

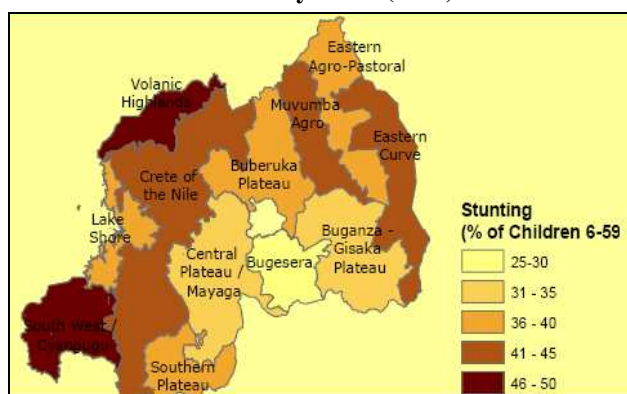
Poverty declined most in urban areas in proportional terms. Progress in rural areas is critical to having an overall impact on poverty since 90% of the poor inhabit the rural areas. It is important to note that the rise in **population density**⁴ has put pressure on the physical environment and induced, in recent years, labour migration between rural areas as well as from the countryside to the towns.

Rural households vulnerable to food insecurity and malnutrition

According to the Comprehensive Food Security and Vulnerability Analysis (CFSVA, 2006)⁵, 28% of the rural population is food insecure, 24% is highly vulnerable, and 26% is moderately vulnerable. However, it is important to note that these results may reflect the poor 2005-2006 harvest.

Results from the 2001 EICV indicate a prevalence of stunting of 45% among young children 3 to 59 months old. Severe stunting was also high, at 20%. The CFSVA suggest similar trend, with stunting estimated at 41% (22% severe). The preliminary results of the 2005 DHS show values within the same range. The following figure presents an indicative (i.e. not statistically representative) geographic distribution of stunting.

Figure 1: Prevalence of stunting across food economy zones (FEZ)



Source: Comprehensive Food Security and Vulnerability Analysis (2006)

An examination of trends in child nutrition reveals a mixed picture. The incidence of stunting

⁴ Rwanda's population increases at an annual growth rate of 2.6% and, in 2000, a record population density of 345 inhabitants/km, one of the highest in the world.

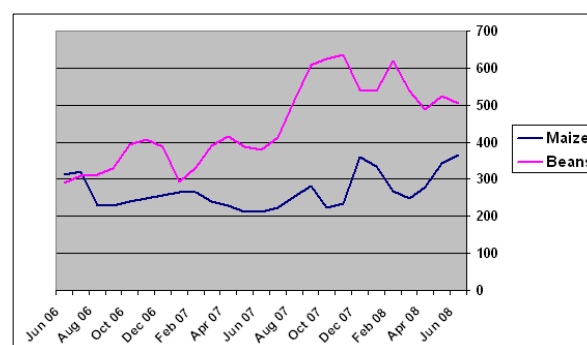
⁵ WFP, EC and NSIR, conducted in March and April 2006. A total of 2,786 households were selected through multiple stage cluster sampling to ensure that it was representative at the sub-provincial level. The zone of Kigali was not surveyed.

rose by 3% in 2000-2005. In contrast, nutritional indicators which are more sensitive to short term fluctuations (wasting and underweight) improved over the period.

Impacts of international price rises

In 2007-2008, prices have largely reflected and followed the changes of production, with beans peaking prices whereas prices for Irish potatoes and cassava have fallen slightly to reflect the increases in production.

Figure No. 2: Monthly food prices, Kigali, USD/MT



According to the Ministry of Agriculture and Animal Resources, Rwanda does not face serious food difficulties as reported in the other countries. However, for imported food crops such as rice, international price increases were indeed reflected. The international price rises furthermore spurred regional buyers to come into the market, buying large stocks. But, there are no records on the volume of trade on food across Rwandan borders. This implies that the efforts in storage may have to be increased and farmers should be encouraged to store and wait for prices to rise rather than sell to ensure food availability in the country. Overall future efforts in increasing productivity may therefore not be overlooked and will require sustained attention and investment.

Many thanks to the EC Delegation in Rwanda for inputs and feedback

For further information:

World Food Programme/European Commission/National Institute of Statistics Rwanda, Comprehensive Food Security and Vulnerability Analysis (CFSVA), 2006

Ministry for Agriculture and Animal Resources, Agricultural Sector Performance, first semester 2008, July 2008

Project Market Information System (MIS), Market Survey Report 2007

International News

EC food security seminar - West and Central Africa

The EC internal seminar in West and Central Africa was held from 22 to 26 September. It gathered about 25 participants involved in food security from EC delegations in eight countries (Burundi, Guinea Bissau, Mali, Mauritania, Niger, DRC, Senegal, Chad), AIDCO and ECHO. External resource persons also participated to contribute to the discussion and the reflection on different themes, in particular on child and maternal malnutrition, social transfers and food security indicators. ROSA's moderating team was invited to present the network and discuss on progress and prospects.

The next regional seminar in Southern and East Africa will be held from 3 to 7 November, in Maputo, Mozambique. It will look at the problem of raising prices on staple food and the main conclusions of the seminars organized by AIDCO on social transfer systems and addressing child and maternal malnutrition. It will also be an opportunity to discuss on different types of indicators in the field of food security, their role and the problem of collecting information. A working session will be devoted to discuss about governance in the area of food security. These subjects were also discussed at the regional seminar in Niamey. The provisional seminar programme is available on ROSA's website.

The Info Point Conference: Fighting against malnutrition

The External Cooperation Info Point (AIDCO) organises conferences that are aimed both at the general public and staff of the European institutions. On September 10, a lunch-time conference was organized to discuss on effective strategies and actions in the combat against malnutrition. It aims to obtain inputs that might be incorporated into the new EC approach, strategy, position and responses in tackling undernutrition and chronic malnutrition.

This debate addressed several important issues: the search for methods of maximising the impact of EC resources to reduce undernutrition; the growing awareness that structural malnutrition and chronic malnutrition in particular have been largely overlooked as a development priority; and the need to better articulate responses to malnutrition during emergencies and post-crisis actions.

On October 7, the lunch-time conference will discuss the link between relief, rehabilitation and development (LRRD). The presentations made by the speakers are available on ROSA's website.

This bulletin was written by the GRET team in charge of animating ROSA (Operational Food Security Network). It is an initiative of AIDCO E6 (thematic support for food security, rural development and environment) in collaboration with AIDCO G4 (Training and Knowledge Management). The viewpoints expressed do not in any case represent the official European Commission viewpoint