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**THE IMPACT OF INTERNATIONAL TRADE REFORMS ON
AGRICULTURAL EXPORTS IN SUB-SAHARAN AFRICA
(CASE STUDY: CAMEROON, GHANA AND BURKINA FASO)**

*Mini Thesis submitted in partial fulfillment of the requirements of Master's Degree
(MPhil) in the University of Western Cape Law Faculty*



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DECLARATION

I, **Lovertte Esambe**, do hereby declare that this research entitled ‘The Impact of International Trade Reforms on Agricultural Exports in Africa (Case Study: Ghana Cameroon and Burkina Faso)’ is my original work and that to the best of my knowledge and belief, it has not previously been submitted to any other university for a degree or diploma. Where other people’s works have been used, references have been provided and are accordingly acknowledged.

Signed:.....

Date:.....

This research paper has been submitted for examination with my approval as University supervisor.

Signed:.....

Patricia Lenaghan

Date:.....



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DEDICATION

To GOD, the Father, the Son and the Holy Spirit,

To my parents Vincent and Valentina Esambe and my sister Belinda, for their endless love, encouragement and advice.

For everything you've done for me I thank you.



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I would like to express my heart-felt gratitude to all my loving friends, and classmates whom I could not mention due to the constraint of space, I am truly grateful.

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In addition, I would like to extend my thanks to the staff of the student administration as well as the Law faculty for their assistance in resolving all the administrative matters that I encountered during my curriculum.

LIST OF ABBREVIATIONS:

AOA: Agreement on Agriculture

AFZ: Africa Franc Zone

ANOR: *L'Agence de Normes et de la Qualite*, National Agency for Standards and Quality,

AMS: Aggregate measure support

CFA: Central African Franc

CODEX: Codex Alimentarius Commission

EU: European Union

FAO: Food and Agricultural Organisation

GATT: General Agreement on Trade and Tariffs

IMF: International Monetary Fund

ITO: International Trade Organisation

IPPC: International Plant Protection Convention

LDC: Least Developed

MFN: Most Favoured Nations

NT: National Treatment

NTMs: Non-Tariffs Measure

OECD: Organisation for Economic Co-operation and Development

OIE: International Office of Epizootics

R&D Research and development

SAPs: Structural Adjustment Programs

SSA: Saharan African

S&D: Special and differential



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SPS: Sanitary and Phytosanitary Measures

STEs: State Trading Enterprises

TBT: Agreement on Technical Barriers to Trade

TRIPS: Trade-Related Aspects of Intellectual Property Rights

UNCTAD: United Nations Conference on Trade and Development

USA: United State of America

UR: Uruguay Round

URAA: Uruguay Round Agreement on Agriculture

WTO: World Trade Organisation



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KEYWORDS:

Agriculture

Exports

Trade reforms

Ghana

Cameroon

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Agreement on Agriculture



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ABSTRACT

Sub-Saharan African countries in general with particular reference to Ghana, Cameroon and Burkina Faso depend mostly on agriculture which is seen as the main source of income. Agriculture provides income for a large percentage of the rural population, and employs about 70 per cent of its labour force with a Gross Domestic Product (GDP) of about 30 per cent. Ghana, Cameroon and Burkina Faso as well as a large majority of African countries depend on subsistence farming and the cultivation of subsistence crops helps provide food and ensures food security for the people. Although they mostly depend on subsistence crops, they also produce primary export crops such as cocoa for Ghana, coffee for Cameroon, and cotton for Burkina Faso which represent a major source of foreign exchange.

Due to the significant importance of agriculture in the above countries Ghana, Cameroon and Burkina Faso, gave great importance to agriculture by part taking in international trade negotiations or agreements on agriculture. These countries were involved more vigorously in the Uruguay Round where agricultural products were fully covered by multilateral trade rules for the first time.

Farmers from Ghana, Cameroon and Burkina Faso are faced with so many challenges in exporting their agricultural products to world markets despite their participation in the agricultural trade reforms. They have restricted access to rich countries agricultural markets and they also face unfair competition in their own domestic markets from subsidised imports of food staples from wealthy countries. Other challenges such as: trade barriers, inadequate trade

infrastructure (logistics and transportation), and inadequate institution serving farmers and agriculture and lack of technology to transform traditional agriculture are also of great importance.

With regard to the above challenges faced by Ghana, Cameroon and Burkina Faso this research is to examine or analyse the impacts that international trade reforms have on the agricultural exports focusing on primary products (cash crops), such as cocoa, coffee and cotton which are a major source of export revenue for these countries and the livelihood basis for millions of rural households who grow these crops. The research will also look at the challenges faced by Ghana, Cameroon and Burkina Faso in exporting their agricultural products to developed countries' markets despite their participation in the international trade agreements on agriculture.

Taking a look at the international trade reforms it can be seen that while the Uruguay Round will have a significant impact on global trade and economic welfare, its effect on the above countries' agricultural exports is expected to be much smaller, and if anything maybe negative. Ghana, Cameroon, Burkina Faso and most African countries are likely to gain slightly from tariff cuts and the elimination of non-tariff barriers on manufactured products. These countries will find themselves slightly worse off as a result of cuts to developed countries' subsidies to their agricultural exports, which tends to increase world food prices.

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CHAPTER 1: INTRODUCTION

1.1 HISTORICAL BACKGROUND

Agriculture is the key source of income for most African countries, about 30 per cent of the continent's Gross Domestic Product (GDP) comes from agriculture and the sector represents the major source of employment.¹ The agricultural sector in Africa employs about 70 per cent of the labour force, represents a major source of foreign exchange, supplies bulk of basic food and provides income for a large percentage of the rural population and apart from employment; agriculture continues to play a major role in Africa's economic growth profiles.² A large majority of African countries depend on subsistence farming and the cultivation of subsistence crops helps provide food and ensures food security for the people. Although they mostly depend on subsistence crops, they also produce primary export crops (mostly cash crops)³ such as tea, coffee, cocoa, cotton, rubber, sugar, banana and fruits which account for a substantial section of export revenues in many African countries.⁴ Agriculture plays a vital role in poverty reduction strategies because the majority of poor people live in the rural areas, making African countries to give great importance to agriculture in the context of international trade negotiations.⁵

¹Mamaty I 'African Countries and the Agreement on Agriculture: What scope for Sustainable Development?' in

²Mamaty I (2002) 1.

³ Cash crop a crop produced for its commercial value rather than for use by the grower.

⁴ Chauvin ND & Porto GG *Market Competition in Export Cash crops and farm income in Africa* (2011) 2. (Hereafter : Chauvin ND & Porto GG 2011)

⁵ Hammouda BH *et al* 'Can Market Access Help African Agriculture?' in *African Trade Policy Centre (ATPC) Work in Progress* No.42 (2006) 1. (Hereafter: Hammouda BH et al 2006)

According to estimates, about 40 per cent of Sub – Saharan African (SSA) is living under the poverty threshold of US\$1 per day and more than 30 per cent are undernourished.⁶ Poverty and food security are serious challenges, both essentially related to agriculture since 70 per cent of the population work in agriculture and agriculture underpins the livelihoods of even a higher share of the poor in the poorest countries such as Burkina Faso, Burundi, Ethiopia, Malawi, Tanzania or Togo.⁷ Although agricultural exports, mostly in cash crops, are vital sources of income for developing countries however; their input to total world trade is very little contributing over 27 per cent of the value of total merchandise exports in developing countries.⁸ Ghana, Cameroon, Burkina Faso as well as most SSA countries are still marginal in global trade accounting for less than 1 per cent of the world trade.⁹ Many African countries are more incorporated in world trade in terms of export ratio of GDP, than western countries. For instance, Zambia, DRC, Ivory Coast exports account for almost 30 per cent of GDP.

Farmers from Ghana, Cameroon and Burkina Faso are faced with many challenges; they have restricted access to rich countries agricultural markets and they also face unfair competition in their own domestic markets from subsidised imports of food staples from wealthy countries, trade barriers, inadequate trade infrastructure (logistics and transportation), and inadequate institution serving farmers and agriculture and lack of technology to transform traditional agriculture.¹⁰

⁶ Anderson K ‘Agriculture, Trade Reform and Poverty Reduction: Implication for SSA’ in *Policy issues in international trade and commodities* No 22 (2004) 1. (Hereafter Anderson K 2004).

⁷Douillet M *et al Trade policies and agriculture in Sub-Saharan Africa: Comparative analysis in a Computable General Equilibrium framework* (2012) 6. (Hereafter: Douillet M et al 2012).

⁸Amani HKR. ‘Critical Issues in Agricultural Trade–WTO: What does Africa want from Agriculture Negotiations?’ in *Tralac conference* presented in Stellenbosch South Africa (2004) 30 2. (Hereafter: Amani HKR 2004).

⁹Amani HKR. (2004) 30 1.

¹⁰Mamaty I (2002) 1.

With the new challenges from radically changed marketing chains, African farmers are required to compete in markets that are more demanding in terms of product quality and food safety.¹¹ Due to the above concerns, Ghana, Cameroon, Burkina Faso as well as most SSA countries thought it wise to part take in international trade negotiations or agreements on agriculture. The first step was taken towards the incorporation of agriculture into the general rules governing international trade at the Uruguay Round (UR) of General Agreement on Trade and Tariffs (GATT) negotiations (1986-94). Although it was decided to bring agriculture within the general World Trade Organisation (WTO) framework at the UR the negotiations did not lead to full integration of agricultural trade into the broader international trading system.¹² Agriculture was instead allowed a period of transition which length was not specified.¹³

The UR changed the world trading system, through a sequence of far reaching measures which brought agricultural trade under multilateral disciplines for the first time, where tariffs; were placed on non-tariff barriers in agriculture, bounded and the levels reduced. Export and production subsidies in agriculture were reduced or eliminated. The Uruguay Round Agreement on Agriculture (URAA) was really a major step towards the reform of the trade system for agricultural products, where agriculture was fully covered by multilateral trade rules for the first time.¹⁴ Undoubtedly, the multilateral negotiations during the Uruguay Round of GATT that led to the establishment of WTO in 1995 resulted in African countries making commitments to open

¹¹Diao X & Hazell P 'Exploring Market Opportunities for African Smallholders' in *African conference* Brief 6 (2002) 1. (Hereafter: Diao X Hazell P 2002).

¹²Gaisford DJ & Kerr WA *Economic Analysis for International Trade Negotiations: The WTO and Agricultural Trade* (2001) 12. (Hereafter : Gaisford DJ & Kerr 2002).

¹³Gaisford DJ & Kerr (2002) 12.

¹⁴ The International Food & Agricultural Trade Policy Council (IPC), an international group of food and agricultural trade experts from around the world, was founded in 1987 initially to encourage a constructive outcome of the Uruguay Round.

trade policies and declaring their bound tariffs (typically at levels above applied tariffs¹⁵. Hitherto the agricultural sector remains comparatively much more distorted than the industrial sector, and a great deal of further reform is required.¹⁶ During the past two decades trade regimes have been liberalised by most African countries and most of these trade reforms are unilateral. However, various agreements with trading partners have ‘locked in’ the reform efforts.

Despite preferential schemes from the international trade reforms, and the participation of the above countries many SSA exports are still faced with many challenges such as; highly protected products from developed countries and negative preferential margins. Thus increased market access to develop their agricultural exports is a common stake in trade negotiations.¹⁷ Given the sensitivities over agricultural liberalisation, a multilateral approach – which offers countries trade-offs outside of agriculture – has always been considered crucial for further reforms in the international food and agricultural trade system.¹⁸ It is therefore seen that if current conditions of international markets in agriculture are improved, and more attention is given to their worries, it could enhance integration of their economies in the global market place and promote economic growth.

¹⁵ There exist many regional trading agreements, some which are more important than others, whereby African countries have agreed to more open trade with other African countries. There are also special agreements relating to trade between groups of African countries and developed countries, especially the European Union (EU) (notably arrangements with the African, Caribbean and Pacific (ACP) Group of States) and the United States (US) (notably the African Growth and Opportunity Act (AGOA)). Trade and openness are now high on the policy agenda in African countries.

¹⁶ The International Food & Agricultural Trade Policy Council (IPC), an international group of food and agricultural trade experts from around the world, was founded in 1987 initially to encourage a constructive outcome of the Uruguay Round.

¹⁷ Breton P & Ikezuki T ‘The impact of Agricultural Trade Preferences with particular attention to the Least Developed Countries’ in Akosy A & Beghin JC (eds) *Global Agricultural Trade and Developing Countries* (2005) 56. (Hereafter: Breton P & Ikezuki 2005).

¹⁸ Douillet M *et al* (2012) 6.

Looking in terms of better access to markets of African producers and manufacturers in industrial countries, trade liberalisation in Africa has not been reciprocated.¹⁹ Substantial subsidies given to agricultural producers in some developed countries and other forms of protection have slowed down these countries' efforts to upgrade capacities and alleviate poverty. Increasing agricultural exports in the context of oversupply and correlative lower prices in world markets is not rewarding for African countries.²⁰ Despite the participation of African countries in the international trading system they have drawn insignificant benefits.²¹

1.2 PROBLEM STATEMENT

Ghana, Cameroon and Burkina Faso as well as other SSA countries have lost their position in the global marketplace for their agricultural exports over the past two decades even though they had modest gains in the 1990s, the region's share of total world agricultural exports has fallen from about 6 percent in the 1970s to 3 percent today.²² Limited market demand for agricultural products within poor African countries has hampered economic development of the above countries and the countries therefore needed to rely on exports markets to urge economic growth. African countries like Ghana, Cameroon and Burkina Faso have been marginalised from global trade despite benefiting from preferential agreements.²³ Therefore the main concern of this research is to examine or analyse the impacts that international trade reforms have on the agricultural exports focusing on primary products like cash crops, such as cocoa, coffee and cotton, for, Ghana, Cameroon and Burkina Faso and others like; tobacco, tea, rubber, sugar,

¹⁹ Food and Agricultural Organisation (FAO) 'Trade and economic reforms in Africa' in *Trade Reforms and Food Security: Conceptualizing the Linkages* (2003) 166. (Hereafter : FAO 2003)

²⁰FAO (2003).

²¹FAO (2003).

²² Diao X Hazell P (2002) 2.

²³Josling T & Hebebrand C 'Doha and Beyond: Continuing the Reform of the International Trade System for Food and Agricultural Products' (2011) 5. (Hereafter: Josling T & Hebebrand C 2011).

banana, groundnuts, which are a major source of export revenue for a large number of Sub-Saharan African countries and the livelihood basis for millions of rural households who grow those crops.²⁴

The research will also focus on how these international trade reforms enhance agricultural exports for Ghana, Cameroon and Burkina Faso as well as SSA agricultural products. The foregoing makes it imperative to analyse whether the SSA as a whole besides the above countries' economies have gained from multilateral trade reform in the presence of trade preferences and to see if these trade policies have helped enlarge markets for African farmers. Also the challenges faced by Ghana, Cameroon and Burkina Faso in exporting their agricultural products to developed countries despite their participation in the international trade agreements on agriculture will be discussed.

1.3 OBJECTIVE OF THE RESEARCH

Taking a look at the international trade reforms it can be seen that while the UR may have a significant impact on global trade and economic welfare, its effect on the above countries' agricultural exports is expected to be much smaller, and if anything maybe negative.²⁵ Ghana, Cameroon, Burkina Faso and most African countries are likely to gain slightly from tariff cuts and the elimination of non-tariff barriers on manufactured products. These countries will find

²⁴Chauvin ND & Porto GG (2011) 2.

²⁵Yeo S 'Trade Policy in Sub-Saharan Africa: Lessons from the Uruguay Round Experience' in Oyejide AT & Lyakurwa WM (eds) *Africa and the World Trading System, Volume 1* (2005) 13. (Hereafter: Yeo S 2005).

themselves slightly worse off as a result of cuts to developed countries' subsidies to their agricultural exports, which tends to increase world food prices.²⁶

The general objective of this study will be to review the international trade reforms on agricultural export products with focus mostly on those that apply to the agricultural sector of Ghana, Cameroon and Burkina Faso. From the above outlined general objective, the specific objectives will be as follows:

- The research will focus on reviewing the international trade reforms or agreements on agriculture and their objectives as agreed upon in; the WTO/GATT, Uruguay Round, Doha Round, Agreement on Agriculture (AOA), and Food and Agricultural Organisation (FAO). Focusing on the key elements on agriculture i.e. the negotiations to substantially reduce domestic support for agriculture and eliminate all forms of agricultural export subsidies and to discipline all export measures, to reduce trade distorting domestic subsidies for agricultural products, to implement duty and quota-free market access of imports from Least Developed (LDC) Countries, and to introduce simplified and transparent rules of origins to facilitate LDC exports.
- The research will also focus on reviewing the significance of these agreements on the agricultural sectors of Ghana, Cameroon and Burkina Faso , looking at the impacts of these agricultural trade agreements on agricultural products; market access, domestic support, export competition and other issues.

²⁶Yeo S (2005) 13.

The research will also look into which markets and products offer the greatest potential for raising incomes and food consumption for SSA as whole and the above countries in particular, and lastly give recommendations to what can be done to enhance market opportunities so that agriculture can become a more powerful engine of growth for the continent

1.4 RESEARCH QUESTION

The following shall be used as research questions in exploring relevant information in meeting the objectives of the study:

1. What are the international trade reforms on agriculture?
2. What impact do these international trade reforms have on the agricultural exports and market access conditions of SSA as a whole and Ghana, Cameroon and Burkina Faso in particular?
3. Do these reforms through trade preferences help to improve the agricultural exports and external market access condition for the above countries?
4. Do these agricultural reforms help to promote economic growth of SSA as a whole and the above countries in particular?

What are the challenges faced by SSA as a whole in exporting their agricultural products?

1.5 SIGNIFICANCE OF THE RESEARCH

Looking at the participation of African countries from the previous trade agreements, it is shown that African countries were involved more vigorously in the UR than in previous negotiations, although their participation seemed to have achieved very little²⁷. Other measures agreed in the

²⁷Yeo S (2005) 12.

UR may benefit the continent in the longer term, but there seems little evidence that the Round has a significant impact on Africa at large and Ghana, Cameroon and Burkina Faso in particular.²⁸

The significance of the research through its objectives will review the fact that despite the agricultural trade reforms that were agreed upon in the GATT/WTO, the UR, the AOA and FAO; to substantially reduce domestic support for agriculture and eliminate all forms of agricultural export subsidies, reduce trade distorting domestic subsidies, implement duty and quota-free market access for imports from LDC, agricultural products of Ghana, Cameroon and Burkina Faso are still faced with highly protected and subsidised products and negative preferential margins in the global market from the developed countries despite their participation in the international trade reforms and preferential trade schemes.

The research will also point out the positives and negatives impacts these international trade reforms have on the exportation of agricultural products of these countries and how they have helped to the economic growth of the region since the agricultural sector is still a major source of employment, an essential part of export earnings for many governments.

1.6 RESEARCH METHODOLOGY

The research method shall be a qualitative type which will involve primary and secondary sources, a literature study of books, electronic/internet sources, journal articles, theses and dissertations, newspapers, working papers, decided cases and legislation, WTO/GATT, AOA

²⁸Yeo S (2005) 12.

(GATT's legal text, the AoA, articles) URAA, DOHA, and the Bali Ministerial conference trade policies and agreements on agriculture, World Bank reports, electronic sources, especially from the WTO, FAO and UNCTAD websites, and other research materials. The study would predominantly be scrutinising and evaluating the literature relevant to the international trade reforms on agriculture, exports and market access conditions of agricultural products, which are cocoa, coffee and cotton, for Ghana, Cameroon and Burkina Faso.

The analysis will be done by looking at the impacts that international trade reforms have on the exports of cocoa, coffee and cotton which are mainly the countries' export crops, and to see how these trade reforms have led to the economic growth of the countries. This will be done by examining three case studies, Ghana, Cameroon and Burkina Faso. The case of Ghana will be examined due to the fact that the country is one of the largest suppliers of cocoa in the world market and cocoa is the principal export crop that generates about 30 per cent in export revenue and employs millions of people. For Cameroon, the country is the fifth largest producer of cocoa and the eighth largest producer of coffee (producing both Robusta and Arabica coffee) in the world. Coffee accounts for about 50 per cent of its total revenue and employs about 75 per cent of its population. Burkina Faso will also be examined because the country is the largest producer of cotton in the SSA region. Cotton remains the core of Burkina's economy today with about 35 per cent of its GDP coming from the cotton sector, and about 18 per cent of the people living from cotton growing. Cotton is often the only source of cash income for many families in Burkina Faso.

Although the research will mostly focus on the above case studies, it will not be limited to the countries. Cocoa, coffee, and cotton are major export revenue to other SSA countries as well as in Asia, Europe, US and the Americas. Brazil, Vietnam and Colombia are known as countries that are major producers and exporters of coffee, Ivory Coast, Indonesia, Nigeria among others are world producers and exporters of cocoa, and for cotton the Africa Franc Zone (AFZ), the US, China, India are among the countries that produce and export cotton to the world market.

1.7 CHAPTER OUTLINE

Chapter 1: Introduction: This chapter will highlight the background of the problem, research question, the aims of the study and the rationale behind the research thesis. It will further outline the research procedures, including the research design and methodology and how data were gathered and interpreted. This chapter will give an introduction to the study.

Chapter 2: This chapter will look at the various international trade reforms on agriculture in general and SSA in particular (multilateral and bilateral trade policies). Focussing on the trade policies and agreements on agricultural products that were negotiated and agreed upon in the GATT/WTO, UR AOA, FAO and the, DOHA Round

Chapter 3: This chapter will deal with challenges faced by SSA at large and Ghana, Cameroon and Burkina Faso in particular in exporting their agricultural products (market access conditions). These challenges will be looked at in the domestic point of view. On the domestic side one can say the above countries are been held back by poor or inadequate trade infrastructure (logistics and transportation system), poor micro/macroeconomic policies,

inadequate institution serving farmers, limited access to market information, lack of technology to transform traditional agriculture, among others. Although these countries participated in the international trade reforms, they are still faced with many domestics' problems which greatly hinder them in exporting their cash crops to international markets.

Chapter 4: Here we will be looking at the challenges at the international level that were brought forth by the trade policies, how the international trade reforms or policies have impacted the performance in the exportation of cash crops which are cocoa, coffee and cotton from Ghana, Cameroon and Burkina Faso in the world market, since these cash crops, such as cocoa, cotton, coffee amongst others are a major source of export revenue for a large number of Sub-Saharan African countries and the livelihood basis for millions of rural households who grow those crops.

Chapter 5: Conclusion and recommendations: This will be the concluding chapter which will sum up the main arguments and findings of the previous chapters. This chapter will also provide recommendations on how to improve agricultural productivity in order to meet up with the global standard in agriculture.



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CHAPTER 2: INTERNATIONAL TRADE REFORMS ON AGRICULTURE

2.1 INTRODUCTION

The concern to maintain a reasonable balance between the global demand for food and its supply, led to continuous expansion of international trade in agricultural products in the early part of the 21st century. There is a general agreement that the rapid growth in population and consequently the high demand in food will surpass the ability to increase food production and to meet up with the high demand, hence limited food supply in many developing and least developed countries.²⁹

The background to Agricultural trade policies was created by major political and economic developments such as:

'The 1930s' Global Depression and the collapse in agricultural prices; the Second World War and the regulation of agric-food sector with the price control, production planning, and the food rationing; the 1958 adoption of the protectionist and inward-looking Common Agricultural Policy; and the increase in the number of countries becoming members of General Agreement on Trade and Tariffs (GATT).³⁰

The primary goal of these agricultural trade policies has been to slow down the pace of the technologically induce exit from farming that has been going on for at least a century. Developed

²⁹ Gaisford DJ & Keer WA *Economic Analysis for International Trade Negotiations: the WTO and Agricultural Trade* (2001) 1. (Hereafter: Gaisford DJ & Keer WA 2001).

³⁰ Ingco MD *et al* (eds) 'Trade Agreements: Achievements and issues ahead' in *Agriculture and the WTO. Creating a Trading system for Development* (2003) 25. (Hereafter: Ingco MD *et al* 2003).

countries have always seen trade policy for agricultural commodities as an attachment to their domestic agricultural policies.³¹

Trade in agricultural commodities has been largely outside the GATT rules since its commencement, thereby making it difficult for firms to enjoy the same level of security for their investments in international activities, although trade in agricultural commodities has been increasing agribusiness.³²

The sequence of multilateral negotiations that commenced soon after the World War II shaped modern trade policy at the international level. The success of the negotiations can be seen from the factors such as: the extent to which trade-distorting policies were eliminated, the length of time these trade-liberalising efforts have taken, the extent to which nations have refrained from protectionist policies in the periods between multilateral negotiations, and the extent to which some nations have expressed dissatisfaction with the outcomes of the negotiations.³³ One of the major reasons why consent was finally reached to bring agricultural trade into the regulatory framework of GATT was the need to reduce frequent friction between the United State of America (USA) and the European Union (EU) over agricultural trade.³⁴ One of the first multilateral trade negotiations was the GATT.

³¹ Gaisford DJ & Keer WA (2001) 6.

³² Gaisford DJ & Keer WA (2001) 5.

³³ Baldwin RE 'Trade negotiations within the GATT/WTO framework: A survey of successes and failures' (2009) 13 *Journal of Policy Modeling* 515 available online at <http://www.sciencedirect.com/science/article/pii/S0161893809000398#> [accessed on 24/07/2013]. (Hereafter: Baldwin RE 2009).

³⁴ Healy S *et al The implications of the Uruguay Round Agreement on Agriculture for developing countries* (1998) 6-7. (Hereafter: Healy S *et al* 1998).

2.1.1 World Trade Organisation/General Agreement on Trade and Tariffs Agreement on Agriculture

The GATT agreement was entered into in Geneva in 1947 to form a structure that would legalise international trade and motivate international commerce. The World Bank and the International Monetary Fund (IMF), which were established at Breton Woods in 1944 in order to deal with matters of international finance, were linked initiatives. Policy makers also envisaged the formation of an International Trade Organisation (ITO) that would supervise international trade and enforce a framework of rules.³⁵ The main objectives and principles of the GATT agreement were to set up an organised and transparent structure within which barriers to trade could be gradually reduced, and international trade expanded. The principle of Non-discrimination made up of the Most Favoured Nations (MFN) and National Treatment (NT) policy is the fundamental of the GATT principles which applied to all its members and to both agricultural and manufacturing sectors.

The principle of Non-discrimination (MFN and NT) is the cornerstone of GATT and it specifies that countries cannot discriminate between their trading partners. The MFN rule requires that, each contracting party is required to treat all contracting parties in the same way that it treats its 'most favoured nation', important tariffs on any product are the same for all foreign suppliers.³⁶ The benefits of any bilateral agreements between contracting parties regarding tariff reductions and market access are extended concurrently to all other contracting parties. With this principle import restrictions on both agricultural and manufactured goods are imposed on all trading

³⁵ Cheong D *et al* *Legal aspect of trade in agriculture: WTO agreements on agriculture and preferential trade agreements* (2013) 2. (Hereafter: Cheong D *et al* 2013).

³⁶ Cheong D *et al* (2013) 75.

partners equally. This principle requires most efficient and low-cost producers to be treated in the same way as less efficient producers, hence, improving the efficiency of international trade in the allocation of resources.

The NT principle was also one of the fundamental principles of GATT which are applicable to agriculture. This principle grants that, once a good has cleared customs, the same rights are accorded to foreign suppliers as to nationals. There should be no discrimination between domestic and foreign suppliers after customs whether on agricultural or manufactured goods.³⁷

The NT principle requires that no internal taxes and regulations be used as substitutes for tariffs to discriminate against imported goods and no contracting party should apply internal quotas in a way that will affect the NT of imports.

The GATT agreements which are mainly applicable to agriculture comprise of ; the Agreement on the application of Phytosanitary and Sanitary (SPS) Measures, the Agreement on Technical Barriers to Trade (TBT), the Agreement on Subsidies and Countervailing Measures, and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). The multilateral trade system also allows numerous trade defense instruments, such as antidumping, countervailing duties and safeguards conditions in exceptional cases.³⁸

It was imperative to bring agriculture within the GATT framework. The economic rationale for bringing agriculture within the framework of the GATT revolves around: comparative advantage, world market instability and the effects of protectionism. The effect was to distort

³⁷ Healy S *et al* (1998) 4-5.

³⁸ Cheong D *et al* (2013) 75.

international model of production away from those uttered by comparative advantage since government interference in agriculture distorted agricultural production in many countries. This led to high levels of inefficiency, large surpluses due to high levels of support to farmers through subsidies in developed countries, which significantly depressed the world price of many agricultural commodities.³⁹ The rules and regulations of GATT which are generally applied to agricultural as well as to manufacturing sectors have several significant exceptions. Only four articles out of the 38 articles of GATT contain special provision for agriculture. These articles are as follows: (VI, XI, XVI and XX).⁴⁰ Article VI: Antidumping and Countervailing Duties⁴¹, XI (General Elimination of Quantitative Restrictions)⁴², XVI (Subsidies)⁴³ and XX (General Exception).⁴⁴

³⁹ Healy S *et al* (1998) 5.

⁴⁰ Legal Texts: GATT 1947. Available online at http://www.wto.org/english/docs_e/legal_e/gatt47_01_e.htm [accessed 23/12/2013].

⁴¹ Article VI. Antidumping and Countervailing Duties: This article gives contracting parties the right to protect themselves from dumping and subsidization, which cause or threaten material injury to a domestic industry, or hinder the establishment of a domestic industry. Contracting parties are allowed to impose these duties only if goods of one country are dumped into the commerce of another country; that is if products are sold for export at a price lower than the price at which they are sold at the domestic markets in the exporting country, or the price at which they are sold to the third countries. And when this is done the antidumping duty may not be greater than such a price differential. The GATT Antidumping Code further provides that 'injury' is to be determined by the volume of dumped goods, their effect on prices, and their impact on domestic producers. Countervailing duties may be imposed only to offset subsidies on production or export; they may not exceed the amount of the subsidies.

⁴² Article XI. General Elimination of Quantitative Restrictions: This article clearly states that no prohibitions or restrictions other than duties, taxes or other charges, whether made effective through quotas, import or export licenses or other measures, shall be instituted or maintained by any contracting party on the importation of any product of the territory of any other contracting party or on the exportation or sale for export of any product destined for the territory of any other contracting party. However, Article 11.2(c) permits quantitative restrictions in support of certain domestic agricultural programs particularly those which, by raising domestic prices above the world market price, tend to create an incentive for importation provided that domestic production or marketing is similarly limited. Other exceptions to the general prohibition of quantitative restrictions are made in Articles 12, 18, and 19.

⁴³ Article XVI Subsidies: This article requires that if any contracting party grants or maintains any subsidy, including any form of income or price support, which operates directly or indirectly to increase exports of any product from, or to reduce imports of any product into, its territory, it shall notify the contracting parties in writing of the extent and nature of the subsidization, of the estimated effect of the subsidization on the quantity of the affected product or products imported into or exported from its territory and of the circumstances making the subsidization necessary. In any case in which it is determined that serious prejudice to the interests of any other

From the above articles one can say that Article XI of the GATT has specific concern to agricultural trade. Its significance comes from its exemption of primary goods; agricultural and fishery products under certain circumstances from the general prohibition of quantitative import and export restrictions established in the General Agreement. Agriculture has become one of the most antagonistic areas of international trade because of the legal exemptions granted to it in Article XI and XVI of the General Agreement. Due to these legal exemptions agriculture stands out on: average, tariff protection in this sector is higher than in most other sectors with many tariffs still unbound and at levels that discourage trade; tariff escalation is common place and serious. The number of non-tariff barriers is high compared with the manufacturing average; and export subsidies are used on a large scale distorting trade flows and sparking frequent trade dispute.⁴⁵

The GATT paved the way for agricultural negotiations, and at the Uruguay Round (UR) of GATT negotiations (1986-94), a first step was taken towards the integration of agriculture into the

contracting party is caused or threatened by any such subsidization, the contracting party granting the subsidy shall, upon request, discuss with the other contracting party or parties concerned, or with the contracting parties, the possibility of limiting the subsidization. Article XVI further calls for elimination of export subsidies on non- primary products, and states that all subsidies on the exportation of primary products should be avoided. [The GATT Subsidies Code extended Article XVI by prohibiting export subsidies on non-primary products, and by providing an illustrative list of prohibited export subsidies on manufactured products. The Code also expanded and clarified procedures for consultation on subsidy issues, and established procedural requirements for countervailing duty actions against imports of subsidized products.]

⁴⁴ Article XX General Exception: General exceptions to GATT rules are established for measures necessary for protection of public morals, or for health and safety measures. However, such measures are not to be used as disguised trade restrictions and are not to discriminate arbitrarily between countries.

⁴⁵ Ziets J & Valdes A 'Agriculture in the GATT: An Analysis of Alternatives Approaches to Reform' (1988) *Research Reports No 70 (13) International Food Policy Research Institute (IFPRI)* (Hereafter Ziets J & Valdes A 1998).

general rules governing international trade.⁴⁶ Agriculture finally became included in the negotiating agenda in 1986 with the opening of the UR.

2.1.2 Uruguay Round Agreement on Agriculture from 1986 To 1994

The Uruguay Round⁴⁷ Agreement on Agriculture (URAA) was launched in 1986 in Punta del Este, Uruguay, followed by negotiations in Geneva, Brussels, Washington DC, and Tokyo with the 20 agreements finally being signed in Marrakesh – the Marrakesh Agreement—in April 1994. Here the negotiating objectives of the Round were laid out. The objectives with regard to agriculture were described as follows:

‘[t]o achieve greater liberalisation of trade in agriculture and bring all measures affecting import access and export competition under strengthened and more operationally effective GATT rules and disciplines’.⁴⁸

The UR was the eighth round of multilateral trade negotiations conducted within the framework of GATT, from 1986 to 1994 with 123 countries as ‘contracting parties’. The Round led to the creation of the WTO with GATT remaining as an integral part of the WTO agreements. The main concern of the UR had been to extend GATT trade policies to areas previously exempted as too difficult to liberalise such as agriculture and textiles and increasing important new areas previously not included like trade in services, intellectual property, and investment policy trade

⁴⁶ Gaisford DJ & Keer WA (2001) 5.

⁴⁷ WTO/GATT Rounds are a series of multilateral trade agreement. That means WTO members negotiate on several trade-related issues simultaneously in a certain period of time. The agreements, which constitute the WTO rules, are typically reached by consensus among all members. Such a period of negotiations forms a WTO trade round. A new trade round is often launched when WTO members realize limits of existing rules in protecting their rights and facilitating trade.

⁴⁸ Mutti J *et al* ‘The Effects of the Uruguay Round: Empirical Evidence from US Industry’ (2000) 8 *Contemporary Economic Policy* 1 3. (Hereafter: Mutti J *et al* 2000).

distortions. The UR came into effect in 1995 with deadlines ending in 2000 and (2004) in the case of developing country contracting parties under the administrative direction of the newly created WTO.⁴⁹

The main objectives of the UR were:

- to reduce agricultural subsidies
- to put restrictions on foreign investment
- to begin the process of opening trade in services like banking and insurance
- they also wanted to draft a code to deal with copyright violation and other forms of intellectual property rights

The 1994 URAA aimed to address the distortions in the sector by promoting liberalisation in three areas: market access, export subsidies and domestic support. A significant aspect of the declaration was its explicit recognition of the effects that domestic agricultural policies have on trade. The UR would concentrate not only on the issue of border controls and export subsidies, but also on a broad range of domestic agricultural policy issues. Policies that subsidised producers would be subject to close scrutiny and negotiation.⁵⁰

The URAA is a result of numerous compromises and as in any product of negotiation its basic principles have a number of exceptions, and in some cases its wording is somewhat ambiguous.⁵¹

The URAA contains 21 articles and five annexes. It applies to all agricultural products as defined

⁴⁹ Mutti J et al (2000) 3.

⁵⁰ Healy S et al (1998) 8.

⁵¹ Ingco MD et al (2003)26.

by Annex1⁵² of the agreements. The URAA compromise was to limit the use of export subsidies and somewhat reduce aggregate expenditures.⁵³

Essentially what was agreed in the URAA was that, while the principle of full integration of agriculture into the WTO was accepted, there would be a transition period. The URAA was ambitious in scope, converting all agricultural protection to tariffs, and limiting increases in nearly all tariffs through tariff bindings. Unfortunately, the process of converting nontariff barriers into tariffs (inelegantly termed ‘tariffication’) provided several opportunities for relapse that greatly reduced the effectiveness of the agreed disciplines.⁵⁴

The URAA of 1986-1994 was the most successful multilateral trade negotiations after World War II as seen by its depth and scope of liberalisation. A special effort was made that brought agriculture and textiles/apparel under GATT discipline.⁵⁵ Traditional topics such as: tariff liberalisation, government procurement, subsidies, technical barriers to trade, dumping, dispute settlement and institutional reform that concerned agriculture as well as manufacture was also covered by the negotiations.⁵⁶ The URAA significantly reinforced the disciplines and rules applying to the agricultural trade and domestic support policies of WTO Members. Furthermore, Article XX of the Agreement committed members one year before the end of its implementation period, i.e. by 1 January 2000, to start negotiations to continue the reform process designed to

⁵² In Annex 1 a list of products is outlined covered by the Uruguay Agreement, hereinafter referred to as agricultural products. The foregoing shall not limit the product coverage of the Agreement on the Application of Sanitary and Phytosanitary Measures.

⁵³ Ingco MD et al (2003) 26.

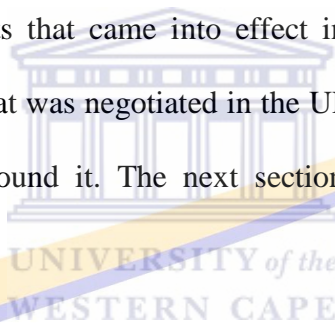
⁵⁴ Anderson K & Martin WJ (eds) *Agricultural Trade Reform and the Doha Development Agenda* (2006) 6. (Hereafter: Anderson K & Martin WJ 2006).

⁵⁵ Baldwin RE (2009) 518.

⁵⁶ Baldwin RE (2009) 518.

achieve the long-term objective of substantial progressive reductions in support and protection, resulting in fundamental reform.⁵⁷

The URAA signifies a major accomplishment in agricultural trade negotiations because for the first time a comprehensive set of principles was placed on trade distorting measures affecting agricultural products.⁵⁸ It was agreed at the negotiations to apply limits to and cuts in both exports subsidies and market barriers, while recognising that domestic support measures can also distort trade.⁵⁹ The Agreement on Agriculture (AoA) was one of the main sectoral agreements in the UR which provides the specific rules in the liberalisation of agricultural products. Like all the other multilateral trade agreements that came into effect in 1995, the AoA is binding to all members of the WTO. The AoA that was negotiated in the UR serves to both define the problem and place some loose bounds around it. The next section of this work will deal with the principles and rules of the AoA.



2.1.3 Agreement on Agriculture 1995

A place of quality, a place to grow, from hope to action through knowledge

The AoA is an international agreement of the WTO which was concluded at the end of the URAA multilateral negotiations of the GATT, and entered into force with the establishment of the WTO on January 1, 1995. The general idea of the AoA, as of all agreements under WTO, is to open up trade as far as possible. This was the first international accord of its kind and it was therefore of special significance.

⁵⁷Matthews A 'Developing Countries' Position in the WTO Agricultural trade Negotiations' (2008) *Development Policy Review* 20 (1): 75. (Hereafter: Alan Mathews 2008).

⁵⁸Anderson K & Morris P 'Elusive Goal of Agricultural Trade Reform' (2000) in *the CATO Journal* (2000) 19 3:385-396 (Hereafter: Anderson K & Morris P 2000).

⁵⁹Anderson K & Morris P (2000) 385.

Agriculture plays a vital, if not fundamental role, in developing countries, especially least developed countries. ‘The objective of the Agriculture Agreement is to reform trade in the sector and to make policies more market-oriented to improve predictability and security for importing and exporting countries alike’.⁶⁰ The long-term objective of the AoA as stated in the preamble is to establish a fair and market-oriented agricultural trading system.⁶¹ The prelude also takes into account food security and protection of the environment. All the agreements of WTO and understandings on trade in goods also apply to agriculture, but, whenever there is a conflict, the provisions of the AoA prevail.⁶²

The primary objective of the Agreement is to reform the principles of, and disciplines on, agricultural policy as well as to reduce the distortions in agricultural trade caused by agricultural protectionism and domestic support. These forces have become very strong in recent decades, as developed countries; in particular, have sought means of protecting their agricultural sectors from the implications of loose markets.⁶³ The rationale of the Agreement, then, is to restrain the policies that have, on a global level, created distortion in agricultural production and trade.

More than that, the AoA altered the climate of farm policymaking in both advanced and developing countries and raised the consciousness of policymakers on the international implications of their actions. The AoA applies a set of rules and disciplines that are different

⁶⁰ Understanding the WTO: The Agreements Agriculture: Fairer Markets For Farmers available online at http://www.wto.org/english/thewto_e/whatise/tif_e/agrm3_e.htm [accessed on 21/05/2014]. (Hereafter: Understanding the WTO: The Agreements Agriculture: Fairer Markets For Farmers).

⁶¹ WTO Analytical Index: Agreement on Agriculture. Preamble available online at http://www.wto.org/english/res_e/booksp_e/analytic_index_e/agriculture_01_e.htm [accessed on 21/05/2014].

⁶² Cheong *et al* (2013) 74.

⁶³ Healy S *et al* (1998) 15-16.

from those applied to trade in other goods and have resulted in the contribution of much higher levels of assistance for agriculture.⁶⁴

With the advent of international trade reforms on agriculture and the agricultural trade policies put in place in the GATT/WTO, URAA, Doha and the AoA, SSA agricultural concerns were taken into consideration. SSA was exempted from some of the trade policies and was granted reduced terms in others, and it was also agreed that SSA like other developing countries would be given special and differential treatment.

SSA countries rely greatly on world markets for their food consumption as well as their agricultural exports. Most SSA countries went through unilateral liberalization under adjustment programmes that brought major changes in their agricultural policies, before the UR. There have been negative effects in the performance of SSA domestic production leading to food insecurity due to protectionist policies and market fluctuations in developed countries.⁶⁵ The AoA presents requirements for the so-called ‘three pillars of agriculture’⁶⁶ which are; market access, export competition and domestic support⁶⁷ as explained below

⁶⁴ Anderson K & Morris P (2000) 386.

⁶⁵ Amani HKR (2004) 3.

⁶⁶ The AoA contains three main categories of commitments ‘three pillars’ of support. In the WTO Agreement on Agriculture that was concluded in 1994 under the Uruguay Round, separate provisions were agreed for three categories of support — namely market access, domestic support and export subsidies. For convenience these categories are termed the ‘three pillars’ of support. The idea was that all measures that reduce economic benefits through restricting and distorting markets would be subject to agreed reductions and limitations, as all measures would fall within at least one of these categories.

⁶⁷ Each of these categories of policy making are dealt with in turn by different Articles and Annexes within the Agreement, such as: Market Access (Article 4); Domestic Support Commitments (Article 6); and Export Subsidy Commitments (Article 9). These Articles and other connected Articles and Annexes describe which policies belong to which category, and put in place rules concerning policy making in these areas. It is imperative to highlight that the Agreement is a legal document, and that as such the definitions within it are of an objective nature. They are the

2.1.3.1 Market Access

Market Access as clearly explained in articles 4 and 5, and annex 5 is one of the three pillars of the AoA. Market access is seen as one of the most controversial and crucial agenda under the AoA, which simply refers to the terms and conditions under which agricultural products (goods and services) could be imported within WTO member countries.⁶⁸ WTO member countries could do this by either relaxing their borders by phasing out or reducing non-tariff barriers (NTBs) or tariffs, respectively against foreign products. It was agreed that: developed and developing countries were to convert all non-tariff barriers into simple tariffs (a process known as tariffication)⁶⁹. All tariffs were not to be increased above a certain limit, developed countries were to reduce import tariffs by 36 per cent (across the board) over a six year period with a minimum 15 per cent tariff reduction for any one product, developing countries were to reduce import tariffs by 24 per cent (across the board) over a ten year period with a minimum 10 per cent tariff reduction for any one product and Least Developed Countries (LDC) do not have to reduce their tariff but also commit not to raise their bound rates.⁷⁰ In as much as the leverage is brought down by a minimum of 15 per cent, developed countries will maintain the advantage of protecting their sensitive products from tariff reduction.

As concerns market access, the agreement specified mainly, allowed trade barriers (normally, tariffs under a certain ceiling level), minimum access to agricultural markets, and a special

legally binding consensus that was reached as a result of a lengthy negotiating process, in which many different definitions competed for recognition.

⁶⁸ Goode W *Dictionary of Trade Policy Terms* 4ed (2003) 232.

⁶⁹ Uruguay Round Agreement: Agreement on Agriculture; Articles 4 and 5 and annex 5: Market Access WTO available at http://www.wto.org/english/docs_e/legal_e/14-ag_01_e.htm [accessed on 21/05/2014].

⁷⁰ The Agreements Agriculture: Fairer Markets for Farmers.

safeguard provision that can protect markets from import surges or price declines (bound rates for all products, tariff reduction, tariff quota access, special safeguard).⁷¹

The AoA has been criticised by civil society groups for being bias especially with the developing countries, by reducing tariff protections for small farmers which is a key source of income for developing countries. There is an imbalance in the operation of the ‘special safeguard’ provision; whereby countries that had been using non-tariff measures or quantitative limits on imports were forced to eliminate them and convert them into equivalent tariffs, giving them special safeguard provision, which allowed them to protect their farmers when imports rise above some particular limits or prices fall below some particular levels.⁷² This special facility was not given to LDC members as they were required to bind all agricultural tariffs, but not to undertake tariff reductions. It is worth noting that the issue of converting non-tariff barriers into their tariff equivalence during the process of ‘tariffication’⁷³ has always been challenging. This has evidently been unfair for developing and LDC countries which, with few exceptions, did not have any non-tariff measures and thus did not have to tariffify them. The result is that developed countries, which were engaging in trade-distorting methods, have been allowed to protect their

⁷¹ Cheong *et al* (2013) 75.

⁷² Khor M *The WTO Agriculture Agreement: Features, Effects, Negotiations, and what is at Stake* (2002) 2. Available online at <https://www.google.co.za/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&ved=0CCcQFjAB&url=http%3A%2F%2Fwww.twn.my%2Ftitle2%2Flatestwto%2FAOFAO.doc&ei=iCfiVLKBJsnyUpO7gIgE&usg=AFQjCNGJ5Ji-53tUBwMCanWC0FC72MmJA> [accessed on 25/08/2013]. (Here after Khor M 2002).

⁷³ ‘tariffication’ is seen as procedures relating to the agricultural market-access provision in which all non-tariff measures are converted into tariffs. With the aim of removing barriers a “tariffication” package was agreed which, amongst other things, provided for the replacement of agriculture-specific non-tariff measures with a tariff which afforded an equivalent level of protection.

farmers, whereas developing countries, which were not engaging in such practices, cannot provide special protection to their farmers.⁷⁴

At the negotiations in the AoA it was agreed that developing countries (including LDCs) have to eliminate non-tariff controls on agricultural products and convert these to tariffs. Developing countries are then required to gradually reduce these tariffs, while LDCs are exempted from this requirement. In many developing countries this has endangered the viability of small farms that are unable to compete with cheaper imports. Many millions of small LDC farmers could be affected.⁷⁵ The process has also increased uncertainties of greater food insecurity, in that the developing countries will become less self-sufficient in food. For many, food imports may not be an option due to shortage of foreign exchange.

The process of tariffication has been criticised for its weaknesses due to the fact that some goods were given tariff ceilings that has given way for higher protection than the actual protection they had before tariffication. This process didn't help developing and LDCs since many of the goods for developed countries applied tariff peaks, were developing countries' main exports.

It was worth noting that if the recommended market access modalities are applied as stated on paper, there will be a great increase in market opportunities for developing countries into the developed countries' markets.

2.1.3.2 Export Competition

⁷⁴ The Agreements Agriculture: Fairer Markets For Farmers.

⁷⁵ Khor M (2002) 12.

Export Competition as seen in articles 8, 9, 10, and 11 is also one of the three pillars of the AoA.⁷⁶ It was agreed in these articles that: for developed countries, the value and volume of export subsidies be reduced by 36 and 24 per cent respectively from the base period 1986-1990 over a period of 6 years, for developing countries, the value and volume of export subsidies be reduced by 24 and 10 per cent respectively from the base period 1986-1990 over a 10 year period.

As for export subsidies, the agreement also specifies the disciplines and the commitments to reduction (reduction commitments, prohibition of new subsidies, anti-circumvention (international food aid). In the 2005 WTO Hong Kong meeting, countries accepted to eliminate export subsidy and equivalent payments by 2013. Although export subsidies for cotton in US were announced to be removed, it just represented 10 per cent of the total spending. This percentage does not address the main issue of domestic payments that have been to distort trade and facilitate dumping.⁷⁷

As concerns export subsidies, the developed countries have to maintain 64 per cent of their budget allocations and 79 per cent of their subsidy coverage after six years. Meanwhile developing countries, had generally not been using export subsidies, except in a very few cases, and those that have not used them before are now prohibited from using them, while those that have subsidies of little value have also to reduce the level.⁷⁸

⁷⁶ WTO Analytical Index: Agreement on Agriculture Articles 8,9,10 and 11. Available online at http://www.wto.org/english/res_e/booksp_e/analytic_index_e/agriculture_01_e.htm [accessed on 25/08/2013].

⁷⁷ Meléndez-Ortiz R *et al* (eds) *Agricultural Subsidies in the WTO Green Box: Ensuring Coherence with Sustainable Development Goals* (2009) 5. (Hereafter: Meléndez-Ortiz R *et al* 2009).

⁷⁸ Khor M (2002) 3.

There are disparities in the treatment of subsidies. Some subsidies mainly used by developed countries have been made non-actionable (immune from counter-action) especially those used for research and development and for environmental adaptation. Meanwhile subsidies usually used by developing countries for industrial improvement, variation, technological development etc. have been put under actionable restraints. The ban of these subsidies is seen as a means of limiting developing countries' industrial development. These types of subsidies used by developing countries should be considered as a tool for development rather than one for trade distortion, and should be excluded from countervailing duty and other forms of counter-action.⁷⁹

2.1.3.3 Domestic Support

Domestic Support is also one of the pillars of the AoA where it was agreed in article 6 and annexes 2, 3 and 4 that all forms of domestic support are subject to rules.⁸⁰ The WTO classifies domestic subsidies into three categories known as:

(a) The Amber Box, these are measures that are taken to be trade-distorting and have effect on production, such as input subsidies and price support; Only the amber box is subject to reduction commitments as follows;

(i) for developed countries a 20 per cent reduction in Total AMS (amber box) over six years commencing 1995 from a base period 1986-1988

(ii) for developing countries a 31 per cent reduction in Total AMS (amber box) over ten years commencing 1995 from a base period 1986-88 and

⁷⁹ Serra N & Stiglitz JE. *The Washington Consensus Reconsidered: Towards a New Global Governance* (2008) 278.

⁸⁰ Uruguay Round Agreement: Agreement on Agriculture, Article 6 and annexes 2, 3 and 4 http://www.wto.org/english/docs_e/legal_e/14-ag_01_e.htm [accessed on 21/05/2014].

(iii) LDCs are exempted from these reduction commitments; however they have also committed not to raise the level of support beyond the de minimis level

(b)The Green Box or measures that are assumed not to have effects on production, such as support for research, marketing assistance;

(c)The Blue Box or measures such as direct payments to farmers to compensate them for programmes to limit their production.

On the subject of domestic support, support measures are categorised according to how much they distort trade. Restricting certain domestic policies that distort trade and production of agricultural goods is an important component of the AoA and other WTO agreements (aggregate measure of support commitment, green box, blue box, special and differential (S&D) box).⁸¹

Although it was agreed to reduce or eliminate subsidies in the AoA, the agreement has been criticised for classifying subsidies into distorting and non-distorting trade subsidies. The amber box which is seen as a trade distorting subsidy was to be reduced or eliminated and the blue and green boxes seen as non-distorting trade subsidies escaped discipline and hence can be increased.

This has allowed developed countries to continue giving farmers enormous subsidies which developing as well as LDCs cannot afford.

Research has shown that the green box subsidy which is seen as a non-distorting trade subsidy actually distorts trade, this affect developing country farmers and can also harm the

⁸¹ Cheong *et al* (2013) 75.

environment.⁸² Although some green box payments possibly have little effect on production and trade, others have a significant impact. US increased its Green Box subsidies from USD 46 billion in 1995 to USD 120 billion in 2010; while EU's increased its subsidies from € 9.2 billion to € 68 billion⁸³. All these will definitely have significant impacts on production and trade.

This issue of green and blue boxes has permitted the rich countries to continue or raise their very high subsidies by changing from one kind of subsidy to another. It is also said that the total amount of subsidies in Organisation for Economic Co-operation and Development (OECD) countries has gone up instead of going down since after the UR despite the seeming promise that rich countries' subsidies will be reduced.⁸⁴ Due to subsidised exports from developed countries, developing as well as LDCs, agriculture has suffered unfair competition.

The unfairness of the above international trade reforms on agriculture as seen in the various agreements on agriculture⁸⁵ was evident in the domestic support. The major form of disparity was seen in the area of domestic support. Although subsidies were the main focus in the AoA, developed countries with the high level of subsidies were still allowed to continue the use of these subsidies up to 80 per cent after the six-year period. Meanwhile most developing countries with LDC inclusive (with a very few exceptions) have had very little or no subsidies with the case of LDC due to their lack of resources.⁸⁶ SSA countries were only allowed to use input

⁸²Meléndez-Ortiz R, *et al* (2009) 7.

⁸³ Banga R 'Impact of Green Box Subsidies on Agricultural Productivity, Production and International Trade' (2014) 3 *Working Paper Centre for WTO Studies (CWS) Indian Institute of Foreign Trade.*

⁸⁴Meléndez-Ortiz R, *et al* (2009) 7-8.

⁸⁵ Uruguay Round, Agreement on Agriculture, and the Doha Round

⁸⁶ Khor M (2002) 3.

subsidies.⁸⁷ They cannot use subsidies for credits, water supply and electricity unless there are under the *de minimis* level like the developed countries. To raise domestic production (for tradable and non-tradable products), poor farmers should be protected from negative external shocks (market fluctuations). Despite of that, they are now prohibited from having subsidies beyond the *de minimis* level (10 per cent of total agriculture value) except in a limited way.⁸⁸

Also of note is the fact that many types of domestic subsidies used by developed countries were exempted from reduction; reason being that they do not distort trade. Nevertheless, such subsidies clearly enable the farmers to sell their products at lower prices than would have been possible without the subsidy.⁸⁹ These subsidies are therefore trade-distorting in a way. Although these countries (the developed countries) reduced their reducible subsidies to 80 per cent, they at the same time raised the exempted subsidies significantly which resulted to high levels of domestic subsidies in developed countries.⁹⁰

World market prices have become depressed and unstable due to the massive use of export subsidies by US and EU.⁹¹ This has caused negative effects for the rest of the world producers and exporters of these products. For most developing and LDCs which are non-subsidising countries, agricultural protectionism impose implicit taxes to their farmers. The artificial low world prices cause by subsidies usually create a downward pressure on domestic prices which

⁸⁷ These inputs subsidies are fertilisers and improved seeds.

⁸⁸ Khor M (2002) 3.

⁸⁹ Khor M (2002) 3.

⁹⁰ The exemption from reduction applicable to developing countries is limited to four items: input subsidy given to poor farmers; land improvement subsidy; diversion of land from production of illicit narcotic crops; and provision of food subsidy to the poor. The scope is very limited and hardly half a dozen of the developing countries use these subsidies. Furthermore, subsidies exempted from reduction and used mostly by developed countries (Annex 2 subsidies) are immune from counteraction in the WTO; they cannot be subjected to the countervailing-duty process or the normal dispute settlement process. But those exempted from reduction and used by developing countries do not have such immunity.

⁹¹ Meléndez-Ortiz R, *et al* (2009) 9.

often compromise agricultural production thereby threatening the livelihoods of the greater part of the population which mainly depend on agriculture. This also increases the dependent of developing countries on cheap food imports.⁹²

Though the AoA as discussed in the above agreement aimed at protecting the interest of the developed, developing as well as the LDC (SSA), there were some imbalances. The AoA had a number of disparities that were favourable to the developed countries and unfavourable to the developing as well as LDC countries.⁹³

The heart of the inequality is the following:

‘The WTO Agreement on Agriculture has permitted the developed countries to increase their domestic subsidies (instead of reducing them), substantially continue with their export subsidies and provide special protection to their farmers in times of increased imports and diminished domestic prices. The developing countries, on the other hand, cannot use domestic subsidies beyond a *de minimis* level (except for very limited purposes), export subsidies and the special protection measures for their farmers. In essence, developed countries are allowed to continue with the distortion of agricultural trade to a substantial extent and even to enhance the distortion; whereas developing countries that had not been engaging in such distortion are not allowed to use subsidies (except in a limited way) and special protection’.⁹⁴

⁹² Meléndez-Ortiz R, *et al* (2009) 9.

⁹³ Khor M (2002) 2.

⁹⁴ Khor M (2002) 2.

As explained above the unfairness and the imbalances that existed in the AoA as regards export subsidies are clearly brought out by Martin in the above quotation. In his quotation he clearly says that the unfairness is due to the fact the developed countries that have been distorting the markets with the use of export subsidies in the past, are still given the opportunity to continue distorting them in a considerable degree. Meanwhile those developing and LDCs who never had the opportunity to use it in the past are banned from using it now.

In addition to the three pillars, the AoA defines special and differential treatment for least developed and developing countries, relations to other agreements, such as the Marrakesh Decision on Net Food-Importing Developing Countries, and provisions on export prohibitions and restrictions. A Committee on Agriculture was established, and ministers agreed to continue the reform process, this gave way to the launch of a new round in Doha in Qatar known as the Doha Round.

2.1.4 The Doha Round November 2001

After the breakdown of the WTO Fourth Ministerial Conference⁹⁵ a new Round was launched in Doha in Qatar in 2001. The significant acknowledgment made by EU which facilitated the start of these negotiations was the undertaking to discontinue all export subsidies by 2013.⁹⁶ Issues such as: trade related investment, competition policy, government procurement policy and trade facilitation known as Singapore issues were included in the work program laid out in the

⁹⁵ The Ministerial Conference is the top decision making body of the World Trade Organisation (WTO)

⁹⁶ Briefing Notes, Agriculture: negotiating modalities. Available online at http://www.wto.org/english/tratop_e/dda_e/status_e/agric_e.htm [accessed on the 27/05/2014].

Ministerial Declaration, but negotiations on them were to begin only after ‘explicit consensus’ by the participants.⁹⁷ Agricultural issues such as: market access: substantial reductions, exports subsidies: reductions of, with a view to phasing out all forms of these domestic support: substantial reductions for supports that distort trade were included in the Doha declaration in para 13 and 14.

The Doha ‘Development Round’ of trade negotiation also featured agricultural trade liberalisation as one of its key aims. It was seen at the beginning of the round that developing countries were frustrated with both the process and the content of agricultural agreement negotiations. With this dissatisfaction, developing countries were prompted through a number of groupings like the G-20⁹⁸ and others to call for changes in the talks to ensure that their voices and concerns were heard.⁹⁹

There was the determination by the Doha Declaration to continue the reform process in agricultural trade aiming at reducing all forms of export subsidies as well as disciplining further trade distorting domestic subsidies and market access barriers.¹⁰⁰ The Declaration also gave way for improvements in the current special and differential treatment provisions and or the enclosure of all new ones in all negotiating areas. The continuing negotiations presented an opportunity to meet the needs of developing countries by shaping the multilateral rules governing agricultural

⁹⁷ Para 13,14 of the Doha Declaration of Nov 2001

⁹⁸ G-20 is a Group of Twenty Countries which was established in 1999, to bring together systemically important industrialized and developing economies to discuss key issues in the global economy. ‘G-20’ is made up of the finance ministers and central bank governors of 19 countries:

⁹⁹ Clapp J ‘WTO Agriculture Negotiations: implications for the Global South’ (2006) 27 *Third World Quarterly* 4 563.

¹⁰⁰ Para 13, 14 of the Doha Declaration of Nov 2001.

products.¹⁰¹ Even though negotiations took longer with so many challenges a significant progress on agriculture was realised through December 2008, leaving a few unresolved and controversial issues.

The main issues discussed in the Doha Round known as the Doha Mandate on Agriculture were a continuation of issues discussed in the previous Rounds. Issues such as:

- Substantial improvements in market access
- Reductions of , with a view to phasing out all forms of exports subsidies
- Substantial reductions in trade-distorting domestic support
- Special and differential treatment provisions as an integral part of all elements.

Also of note is the fact that a cotton¹⁰² initiative was started at the Doha Round by four West Africa countries: Benin, Burkina Faso, Chad and Mali,¹⁰³ who depend mainly on cotton as their main export crop, in the Doha Round, they described the damage that cotton subsidies by richer countries (US, EU) has caused them, they also proposed the ultimate abolition of all trade-distorting cotton subsidies and financial compensation until the subsidies are completely removed.¹⁰⁴ With this, the issue of cotton was given much attention and has been dealt with in WTO and United Nations Conference on Trade and Development (UNCTAD) among others.

2.1.5 The Bali Round December 2013

¹⁰¹Cheong *et al* (2013) 82.

¹⁰² Cotton being one of the main export crops of these countries and Sub-Saharan African.

¹⁰³Anderson K & Valenzuela E 'WTO's DOHA Cotton Initiative : how will it affect developing countries? (2006). Available online at http://www.worldbank.org/en/country/mali/research/all?docty_exact=Newsletter&qterm=&lang_exact=English&te_ratopic_exact=Macroeconomics+and+Economic+Growth [accessed on 28/05/2014].

¹⁰⁴ Cheong *et al* (2013) 84.

The Bali round also known as the Bali package took place in Indonesia in December 2013. This was the ninth WTO Ministerial Conference—the fifth Ministerial Conference since the launch of the Doha Round of trade negotiation in 2001. The Bali package was a selection of issues that were not resolved in the Doha Round negotiations, the aim of the conference was to look for ways to finalise some key elements of the Doha round.¹⁰⁵ Trade facilitation, export competition, agriculture and duty-free quota market access for LDCs (allowing LDC exports easier access to rich-country markets) were some of the main issues among others that needed to be finalised at the Bali WTO Ministerial conference.¹⁰⁶ The Bali package also centred on development related issues, including food security, improving market access for cotton products from least developed countries, a political pledge to reduce export subsidies in agriculture and keep them at low levels, reduce hurdles to trade when agricultural products are been imported through quotas and a number of other necessities in developing and LDCs.¹⁰⁷

Trade facilitation was one of the main results of the Bali Round. It is seen as a legally binding agreement and is one of the biggest reforms of the WTO since its establishment in 1995.¹⁰⁸ It is a multilateral deal with the following objectives: to streamline customs procedures by reducing costs and improving their speed and efficiency, hasten cross-border trade by increasing

¹⁰⁵ WTO: 2013 NEWS ITEMS ‘Ninth WTO Ministerial Conference Days 3, 4 and 5: Round-the-clock consultations produce ‘Bali Package’ 5-7 December 2013 available online at http://www.wto.org/english/news_e/news13_e/mc9sum_07dec13_e.htm [accessed 30/09/2014]. (Hereafter: WTO: 2013 News Items)

¹⁰⁶ Ninth WTO MINISTERIAL CONFERENCE, BALI, 2013 available online at http://wto.org/english/thewto_e/minist_e/mc9_e/balipackage_e.htm [accessed 17/09/2014]

¹⁰⁷ Meltzer J ‘The 2013 WTO Bali Ministerial: Prospects and New Horizons’ November 25, 2013. available online at <http://www.brookings.edu/blogs/up-front/posts/2013/11/25-wto-bali-ministerial-meltzer> [accessed on 02/10/2014]

¹⁰⁸ WTO: 2013 News Items.

transparency, foster customs cooperation and reduced red-tape and redundancies in order to accelerate trade flow.¹⁰⁹ It was also agreed that assistance will be given to developing and LDC to update their infrastructure, train customs officials in order to meet the new trade facilitation commitments.

Export competition was also one of the deliverables of the Bali package a proposal by the G33¹¹⁰ group of developing countries allowing developing country members to purchase and stock unrestricted food at government set prices for food security purposes without been regarded as trade-distorting domestic support in contravention of WTO disciplines.¹¹¹

If trade facilitation is fully implemented it will produce the most significant economic benefits for all WTO members. It is also seen that the benefits from the outcome of trade facilitation could increase world GDP by about \$1 trillion yearly with the greater part going to developing and LDCs. Also of note is the fact that this agreement will increase the efficiency and reduce the costs of moving goods through customs.¹¹² If the WTO member countries agree on even a small package at the Bali conference, the trade effects of the three main deliverables no matter how small would provide a solid motivation to continue negotiations of the key parts of the DDA.

¹⁰⁹ Braga CAP 'THE WTO BALI PACKAGE: The Doha Development Agenda (DDA) Is [Still] Alive December (2013). Available online at <http://www.imd.org/research/challenges/TC095-13-wto-bali-package-carlos-braga.cfm> [accessed on 01/10/2014]. (Hereafter: BRAGA CAP 2013)

¹¹⁰ The G33 is a group of developing countries that manage trade and economic issues of member countries, created to help countries facing similar issues. It was led by Indonesia and it concentrated on proposals for special and differential treatment and special products.

¹¹¹ BRAGA CAP (2013)

¹¹² Helble M & Wignaraja G 'Bali Ministerial a turning point for the WTO?' (2013) in *Economics, Politics and Public Policy in East Asia and the Pacific*. Available online at <http://www.eastasiaforum.org/2013/11/03/bali-ministerial-a-turning-point-for-the-wto> [accessed on 27/09/10/2014]. (Hereafter: Helble M & Wignaraja G 2013).

Although the Bali Round proved to be successful there were some uncertainties of the Bali proposals such as:

Despite the benefits mentioned above there is however some uncertainties. The main issues that were discussed at the conference; reform of the quota administration and trade facilitation which aimed at enabling trade in Asia, nevertheless, only a small part of trade in this area is subject to quotas hence the agreement will simply make their administration more transparent.¹¹³

Also according to the Logistics Performance Index of 2012, many developing countries in Asia have competent customs existing already; therefore trade facilitation might be more important for lower-income countries in Asia. Despite the anticipated benefits the positive effects on trade will perhaps not occur instantly but rather in near future.¹¹⁴

With regards to the third deliverable on export competition, the trade effects are very ambiguous. If developing country members are allowed to purchase and stock unrestricted food at government set prices for food security purposes, and if they apply the newly granted flexibilities, this might greatly distort markets.¹¹⁵

2.2 CONCLUSION

With regards to the above multilateral trade agreements, the requirements of the WTO agreements were intended at obligating WTO members particularly developed countries to

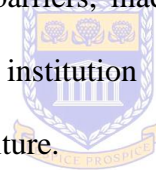
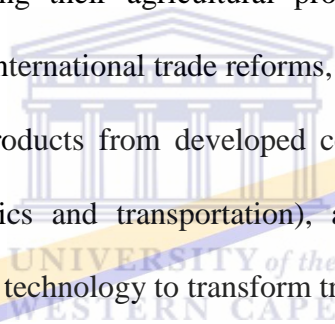
¹¹³ Helble M & Wignaraja G (2013) 1.

¹¹⁴ Logistics Performance Index of 2012.

¹¹⁵ Helble M & Wignaraja G (2013) 1.

implement measures to increase trade opportunities for developing countries and mainly LDCs. This was put in place with a series of trade policies and agreements on international trade and market access especially on agricultural products which is our main concern. These trade policies and agreements were negotiated and agreed upon in the WTO, UR, AoA, DDA, and the Bali conference. The major objective of the agricultural reforms has been to slow down the pace of technologically induce exit from farming that has been going on for over a century.

The next section of the mini thesis deals with challenges faced by Ghana, Cameroon and Burkina Faso (SSA countries) in exporting their agricultural products (market access conditions). Although SSA participated in the international trade reforms, they are still faced with many other challenges, such as: subsidised products from developed countries, trade barriers, inadequate trade infrastructural crisis (logistics and transportation), and inadequate institution serving farmers and agriculture and lack of technology to transform traditional agriculture.



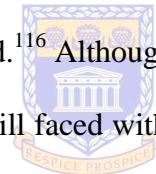
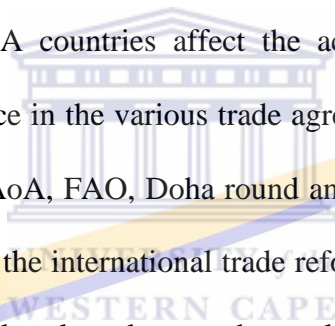
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CHAPTER 3: DOMESTIC FACTORS AFFECTING GHANA, CAMEROON AND BURKINA FASO'S AGRICULTURAL EXPORTS

3.1 INTRODUCTION

This chapter looks at the issues faced by Ghana, Cameroon and Burkina Faso in exporting their agricultural products to developed countries' markets. The chapter will mostly focus on how domestic challenges faced by SSA countries affect the access to international market with regards to trade reforms put in place in the various trade agreements and especially those which concern agriculture such as: UR, AoA, FAO, Doha round and the Bali round.¹¹⁶ Although these countries are contracting parties in the international trade reforms, they are still faced with many challenges in exporting their agricultural products to the world markets.



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On the domestic side one can say the above countries are been held back by poor or inadequate trade infrastructure (logistics and transportation system), poor microeconomic policies, inadequate institution serving farmers, limited access to market information, lack of technology to transform traditional agriculture, among others.

¹¹⁶ 'WTO Agriculture-gateway'. Available online at http://www.wto.org/english/tratop_e/agric_e/agric_e.htm [accessed on 20/01/2014].

From the research done it can be said that the distortion in the macro environment is a major hindrance to African exports¹¹⁷ as explained in 3.3.2. At the micro level African farmers would need more access to market information, improved farming techniques by using modern scientific farming methods and inputs to increase productivity, easier road access to markets for both their output and inputs in order for them to benefit from the opening up of the international markets.¹¹⁸

Agricultural markets especially of the SSA countries are among the most severely biased in the world.¹¹⁹ Africa is more affected due to the fact that the level of agricultural protection applied by industrial countries to SSA exports is generally higher than that applied to other developing countries.¹²⁰ Agriculture subsidies used by developed countries weaken the exports of developing countries by discouraging international prices and obstructing markets.¹²¹

Agriculture is seen as one of the biggest asset by its role it plays in the economy of most African countries including; Ghana, Cameroon and Burkina Faso. Agriculture in Africa is one of the major mechanisms of sustainable development strategy with the attention on safeguarding food security.¹²² Most African countries as well as Ghana, Cameroon and Burkina Faso depend greatly on international markets for their food consumption as well as their agricultural exports.

¹¹⁷ IMF (International Monetary Fund) 'Market Access for Developing Countries' Exports' (2002) 5. (Hereafter IMF & World Bank 2002).

¹¹⁸ African Development Review/Revue *Africaine de Developpement* 'Agricultural Exports: Important Issues for Sub-Saharan' (2004) 16, *issue 1* 1-34.

¹¹⁹ Anderson K & Masters WA (eds.) 'Distortions to Agricultural Incentives in Africa' *Working Paper* Nos. 36-47 and 50-55 2007 1-2.

¹²⁰ IMF & World Bank (2002) 5.

¹²¹ IMF & World Bank (2002) 5.

¹²² Diao X *et al* 'The Role of Agriculture in Development Implications for Sub-Saharan Africa' (2007) 3-4 *Research Report 153 International Food Policy Research institute*

Most African countries before the UR agreement went through unilateral liberalization in adjustment programs that conveyed main changes in their agricultural policies. Agricultural exports such as cocoa; coffee and cotton have long been important sources of government revenue in Ghana, Cameroon and Burkina Faso.

In the next section of the mini thesis we will be looking at three case studies which are: Ghana, Cameroon and Burkina Faso, these countries are the main producers of cocoa, coffee and cotton respectively in their various regions. The chapter will also discuss the domestic factors (challenges) that affect these countries' exportation of their agricultural products to the world market as mentioned in the first paragraph.

3.2 COCOA, COFFEE AND COTTON PRODUCTION AS THE MAIN EXPORT REVENUES IN GHANA, CAMEROON AND BURKINA FASO

Looking at Ghana, Ghana is one of the largest suppliers of cocoa in the world market, cocoa is Ghana's main export crop which generates about 30 per cent in export revenue, and its cocoa sector employs millions of people.¹²³

Cameroon is the fifth largest producer of cocoa and the eighth largest producer of coffee (producing both Robusta and Arabica coffee) in the world. Agriculture is the mainstay of

¹²³ ICCO (International Cocoa Organisation), 2008: Assessment of the Movement of Global Supply and Demand. Executive Committee, 136th meeting. Ref. nr: EX/136/6. <http://www.icco.org> [accessed on 12/30/2013]

Cameroon's economy with about 75 per cent of its active population involving in agricultural production which accounts for 50 per cent of total exports.¹²⁴

Burkina Faso is one of the largest producers of cotton in the SSA region. Cotton remains the core of Burkina's economy today with about 35 per cent of its GDP coming from the cotton sector, and about 18 per cent of the people living from cotton growing.¹²⁵ Cotton is often the only source of cash income for many families in Burkina Faso.

3.2.1 GHANA

Description of Ghana

The Republic of Ghana, formerly known as the Gold Coast,¹²⁶ is one of the countries of West Africa along the Gulf of Guinea. It shares boundaries with; to the North, Burkina Faso, to the West, Côte d'Ivoire and to the East Togo. The Gold Coast was a British colony of the Gulf of Guinea in West Africa and in 1957 it got its independence under the name of Ghana with its capital Accra located along the southeastern coast.¹²⁷

The climate of Ghana is tropical climate, warm and comparatively dry along the southeast coast, hot and humid in the southwest, and hot and dry in the north. Although Ghana has a tropical

¹²⁴ ICCO (2009) 20.

¹²⁵ Foreign Office; World Development Indicators. *Human Development Report* (2009) 20.

¹²⁶ Before March 1957 Ghana was called the Gold Coast. The Portuguese who came to Ghana in the 15th Century found so much gold between the rivers Ankobra and the Volta that they named the place Mina - meaning Mine. The Gold Coast was later adopted to by the English colonisers.

¹²⁷ Encyclopaedia of the Nations: 'Ghana' available at <http://www.nationsencyclopedia.com/economies/Africa/Ghana.html#ixzz31PTRNp> [accessed on 02/02/2014].

(Hereafter : Encyclopedia of the Nations: Ghana)

climate but temperatures vary with season and elevation. The North has two seasons that is from April to July and from September to November, the rainy season starts in April until September. Annual rainfall ranges from about 1,100 mm (about 43 in) in the north to about 2,100 mm (about 83 in) in the southeast.¹²⁸

Its terrain is mostly low plains with a plateau in the south-central area. Its highest point is Mount Afadjato, which rises to 880 meters. Lake Volta, its largest lake, is the world's largest artificial lake. Ghana has 10 regions: the Northern, Upper West, Upper East, Volta, Ashanti, Western, Eastern, Central, Brong-Ahafo, and Greater Accra.¹²⁹

The population of Ghana was estimated at 24,652,402 in the 2012 census, an estimate that takes into account the impact of HIV/AIDS. Ghana has a young population, with more than 42 percent of the people below 15 years of age and 55 percent in the 15-65 year bracket. The population is predominantly of African origin, with the Akan tribe comprising 44 percent of the population, the Moshi-Dagomba 16 percent, the Ewe 13 percent, the Ga-Adangbe 8 percent, the Yoruba 1.3 percent, and European and other nationalities less than 1 percent.¹³⁰ About 37 percent of the population lives in urban areas and 10 percent in urban agglomerations of more than a million people. The cedi is the main currency used in Ghana, the main exports are: Gold, cocoa, timber, tuna, bauxite, aluminum, manganese ore, diamonds and the main imports are: Capital equipment, petroleum, foodstuffs.¹³¹

¹²⁸ 'The Country Ghana'. Available at http://www.ghanaweb.com/GhanaHomePage/country_information/ [accessed 06/02/2014] (Hereafter: The Country Ghana).

¹²⁹Encyclopedia of the Nations: Ghana.

¹³⁰ Ghana People 2013, CIA World Factbook-Geographic .org. Available online at http://www.geographic.org/world_fact_book_2013/ghana/ghana_people.html [accessed 06/02/2014].

¹³¹ The Country Ghana

Agriculture is Ghana's most important economic sector, employing more than half the population on a formal and informal basis and accounting for almost half of GDP and export earnings. Cocoa is the paramount agricultural export of Ghana and the country's main cash crop.¹³² The importance of cocoa production in Ghana is seen by the common saying that 'cocoa is Ghana and Ghana is cocoa'. During the greater part of the 20th century Ghana was seen as the main producer of cocoa and today it is the second largest after Ivory Coast.¹³³ Cocoa sector in Ghana employs millions of people, the small scale farmers as well as the government of Ghana depends on earnings from cocoa.

Ghana is one of the largest suppliers of cocoa beans in the world market exporting about 90 per cent of its cocoa beans to USA, Canada, the EU (Holland, UK, Germany, Belgium, France, Spain), Asia (Japan, Thailand, China, India etc.), Brazil and South Africa.¹³⁴ Most of Ghana's cocoa exports are directed to Europe which is both the biggest processor and consumer of cocoa. Cocoa bean is the main agricultural trade product in the OECD countries and it enters these countries tariff free regardless of the source.

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Most of the cocoa production in Ghana is done on small family farms and the income that comes from the cocoa harvest constitutes the livelihood of farmers. The cocoa industry has been the core of the Ghanaian economy and provides the second largest source of export earnings about

¹³² ICCO (2009) 20.

¹³³ Bartholdson, Ö & Valentin MC *En rapport om arbetsvillkoren på kakaodlingarna i Västafrika*. SwedWatch, Report number 12 2006 14 (Hereafter Bartholdson & Valentin 2006).

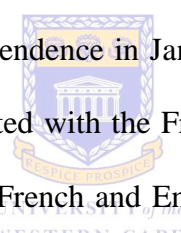
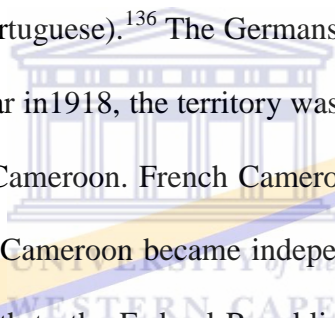
¹³⁴ Bartholdson & Valentin, (2006) 13.

30 per cent of Ghana's total export earnings. About 40 per cent of Ghana's foreign exchange earnings are from Cocoa providing the second largest source of export dollars.¹³⁵

3.2.2 CAMEROON

Description of Cameroon

The name Cameroon was derived from Portuguese Explorers who reached the coast of Cameroon in the 15th century. In 1472 a Portuguese sailor Ferdinando Poo arrived at the River Wouri in Douala and discovered so many shrimps in the river that he decided to call it Rio Dos Camaroos (River of shrimps, in Portuguese).¹³⁶ The Germans colonized the territory in 1884 and after the end of the First World War in 1918, the territory was partitioned, Britain taking over the West Cameroon and France East Cameroon. French Cameroon got its independence in January 1960 and in October 1961 British Cameroon became independent and reunited with the French Cameroon in May 1972 giving birth to the Federal Republic of Cameroon. French and English are the official languages used in Cameroon.¹³⁷



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The country Cameroon, known as The Republic of Cameroon (*Republique du Cameroun*) is at the west of Central Africa region, bordering Nigeria to the west; Chad to the northeast; Central African Republic to the east; and Equatorial Guinea, Gabon and the Republic of Congo to the South. Her coastline lies on the Bight of Biafra which is part of the Gulf of Guinea and the

¹³⁵ USDA Foreign Agricultural Service. Global Agricultural Information Network. *Gain Report Number GH1202 15/3/2012 3* (Hereafter: USDA GH1202 15/3/2013 3).

¹³⁶ Cutter HC *Africa, 2005* (World today series Africa) 4. *Paperback*

¹³⁷ Ngoh JV *Cameroon since 1800* (1999) 317. (Hereafter: Ngoh JV 1999)

Atlantic Ocean. Cameroon is always referred to as 'Africa miniature' due to its geological and cultural diversity.¹³⁸

Cameroon is made up of 10 regions, comprising eight French-speaking and two English-speaking regions having 475,442 square kilometres making it the world's 53rd-largest country.¹³⁹

The climate of Cameroon differs from topography, the country experiences three types of climate namely; equatorial climate in the south, tropical in the center and sahelian climate in the north, from tropical along the coast to semi-arid and hot in the north. Exceedingly hot and humid, the coastal belt includes some of the wettest places on earth. For example, Debundscha, at the base of Mt. Cameroon, has an average annual rainfall of 405 inches (10,287 mm. Cameroon has a population of about 21.70 million.¹⁴⁰

The agricultural sector is one of the most important sectors to Cameroon's economy being the main source of economic growth and foreign exchange. It contributes about 20 per cent GDP and employs about 70 per cent of the workforce. It is seen as one of the sectors which generate most foreign exchange receipts (up to 55 per cent of export receipts)¹⁴¹. Cameroon is gifted with wealth in natural resources such as: coffee, cocoa beans, rubber, banana amongst others.¹⁴² Coffee and cocoa are chief exports, and their production and sale have contributed to

¹³⁸ Ngoh JV (1999) 112

¹³⁹ Country Profile / Thirasara. Available at <https://thirasaramagazine.wordpress.com/country-profile/> [accessed on 10/02/2014].

¹⁴⁰ Cameroon/ Data .Available at <http://data.worldbank.org/country/cameroon> [accessed on 10/02/2014].

¹⁴¹ Amadou N *Analysis of Factors Affecting Technical Efficiency of Arabica Coffee Producer in Cameroon*. (2007)1. (Hereafter : Amadou N 2007).

¹⁴² Amadou N (2007).

poverty reduction in rural areas in Cameroon. Central African Franc (CFA) is the currency used in Cameroon.

Furthermore, agricultural activity stimulates most of the spread effects on other sectors of the economy, hence contributing to export diversification, job creation, and poverty reduction.¹⁴³ Coffee and cocoa represents about 40 per cent in the primary sector of total exports as a whole.

Cameroon produces two types of coffee, Arabica and Robusta coffee. Coffee production in Cameroon especially Arabica coffee is very significant in rural development. It ensures that the income in the rural areas is redistributed, constituting an important source of income for most people and contributes greatly to the fight against poverty and the maintenance of social balance in the rural areas. Coffee production in Cameroon earns a share of the foreign exchange required to finance the imports of industrial goods as well as interest payment on the national debt.¹⁴⁴

Cameroon has been involved in international trade especially in the exportation of agricultural goods like coffee, cocoa amongst others. Export trade in Cameroon has been fluctuating and the performance of Cameroon's export has been poor due to unfavourable domestic terms of trade and declining output. There has been a negative response of export supply to exchange rate or inflation.¹⁴⁵

¹⁴³ INS 'Évolution de la pauvreté au Cameroun entre 1996 et 2001' *L'Institut national de la statistique, République du Cameroun* (2002) 1 . (Hereafter: INS 2002).

¹⁴⁴ Amadou N (2007) 5.

¹⁴⁵ Ngouhou I 'Analyzing the Determinants of Export Trade in Cameroon (1970 – 2008)' (2013) 599 in *Mediterranean Journal of Social Sciences Vol. 4 (1)* (Hereafter: Ngouhou I 2013).

3.2.3 BURKINA FASO

Description of Burkina Faso

Burkina Faso also known as Burkina is a landlocked country in the West of Africa, bordered by six countries being; Mali to the north; Niger to the east; Benin to the south east; Togo and Ghana to the south and Ivory Coast to the southwest. The capital of Burkina is Ouagadougou.¹⁴⁶ In August 1984, the country which was formerly called Republic of Upper Volta adopted the name of Burkina Faso from the two major native languages Moore and Dioula. Burkina comes from the word Moore which means ‘men of integrity and Faso from Dioula, which means ‘fatherland’.¹⁴⁷ Residents of Burkina Faso are known as Burkinabe. Burkina Faso gained its independence from France in August 1960. The country is divided into thirteen regions and forty-five provinces with an estimated population of 16.46 million people with French as the official language used.¹⁴⁸

The climate of Burkina is primarily tropical climate with two very distinct seasons, the rainy and dry seasons. In the rainy season the country receives between 600 and 900 mm of rainfall and the rainy season starts from May/June until September, it lasts for about four months. In the dry season the hot dry wind from Sahara known as harmattan blows throughout the territory. The country has three climatic zones which are; the Sahel, the Sudan Sahel and the Sudan- Guinea.¹⁴⁹

¹⁴⁶ Philip G & Oxford S *Encyclopedia World Atlas* (2002) 62.

¹⁴⁷ Burkina Faso. US Department of State June 2008. Bureau of African Affairs. Fact Sheet November (2005).

¹⁴⁸ Institute national de la statistique et de la demographie. Available online at <http://www.insd.bf/n> [accessed on 20/02/2014].

¹⁴⁹ SIM country profile Burkina Faso. Available Online at <http://www.sim.org/index.php/country/BF> [accessed on 21/02/2014].

Burkina Faso is one of the poorest countries in the world; it was rated by the UN as the world's third poorest country,¹⁵⁰ a landlocked country that depends mostly on cotton exports for revenue earning over 200 million dollars in revenue each year. More than 80 per cent of its population depends on subsistence agriculture which suffers periodic drought. Burkina Faso's other natural resources include manganese, limestone, marble, phosphate, pumice, salt and small deposits of gold.¹⁵¹

Cotton locally known as white gold is one of the cash crops cultivated in Burkina Faso mainly for export purposes. Burkina Faso is one of Africa's largest producers of cotton. In 2005 Burkina Faso became the leading West African cotton producer and in 2006 and 2007 it was the leading producer and exporter among all African countries.¹⁵² Cotton has been the main export crop in this country since the colonial times in the 1920s. Export cotton has become the most grown crop for market in recent years. Cotton is a major mainstay of Burkinabe's economy representing between 5-8 per cent of the country's GDP and employing millions of people mostly subsistence farmers whose income depends on cotton production.¹⁵³

Burkina Faso exports its cotton fibre to Swiss Paul Reinhart or the French Louis Dreyfus. It is mainly sent to South East Asia (China, Thailand, India, Indonesia, Singapore, Vietnam, and Taiwan) and Europe (Germany, Switzerland, Italy, France and Portugal); the cotton production

¹⁵⁰ BBC News Africa 'Burkina Faso Profile' 21 March 2014 available online on <http://www.bbc.com/news/world-africa-13072774> [accessed on 28/04/2014]

¹⁵¹ 'Burkina Faso Economy Profile 2013' available online at http://www.indexmundi.com/burkina_faso/#Demographics [accessed 28/02/2013]

¹⁵² Ngouhouo I (2013)599.

¹⁵³ Kaminski J 'Cotton Dependence in Burkina Faso: Constraints and Opportunities for Balanced Growth' in Punam C P & Manka A (eds) *Yes Africa Can: Success Stories from a Dynamic Continent* (2011) 109. (Hereafter: Kaminski J 2011).

revenue represents between 55 and 75 per cent of Burkina Faso export values.¹⁵⁴ The currency use in Burkina is the West African CFA franc.

3.3 DOMESTIC CHALLENGES FACING GHANA, CAMEROON AND BURKINA FASO IN EXPORTING THEIR AGRICULTURAL PRODUCTS IN THE WORLD MARKET (MARKET ACCESS CONDITIONS)

Market access challenges that face farmers from Ghana, Cameroon and Burkina Faso at the domestic level in exporting their agricultural products are generally associated with:

- poor or inadequate trade infrastructure such as logistics and transportation system
- poor microeconomic policies
- limited access to market information
- low level of Agricultural productivity i.e. access to inputs (such as fertilizers, credit, improved seeds to boost production),
- lack of credit facilities
- lack of technology to transform traditional agriculture

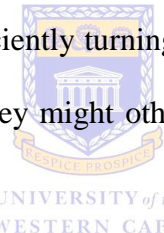
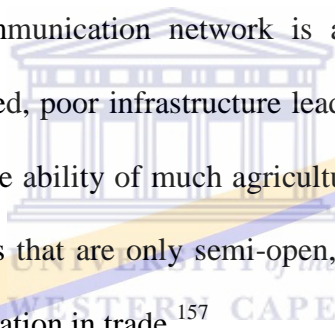
Each of these challenges will be further explained below.

3.3.1 Poor or Inadequate Trade Infrastructure such as Transportation System

¹⁵⁴ Hauchart V 'Burkina Faso, A Cotton Producer In The Face Of Globalisation And Economic Dependence' (2010) 56-63 (Hereafter: Hauchart V 2010).

Poor infrastructure is one of the biggest challenges faced by Ghana, Cameroon and Burkina Faso's producers or farmers of agricultural exports; hence the farmers' access to output market and their use of inputs is limited.¹⁵⁵ The poor roads or lack of roads in some areas restrain the farmers from having their products or their output to reach the market in time. Poor infrastructure has an adverse effect on rural success due to the fact that it affects fertilizers and other inputs used by farmers, increases producer price elasticity and impedes market integration.¹⁵⁶

The above countries' producers face comparatively high cost of transactions in the international market than their competitors from other regions due to poor infrastructure. The high transportation cost and poor communication network is a major constraint on agricultural productivity. As Delgado mentioned, poor infrastructure leads to high transport costs especially in the rural areas reducing the trade ability of much agricultural output, efficiently turning parts of the rural economy into schemes that are only semi-open, even though they might otherwise likely gain heavily through participation in trade.¹⁵⁷



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The fundamental challenge facing importers and exporters in Ghana, Cameroon and Burkina Faso is the high cost of freight. This high transport costs is caused by a number of factors such as; inefficient and undependable transport services, coordination issues, border delays, geographic and economic circumstances, poor and badly maintained roads and trucks,

¹⁵⁵ IFAD 'Promoting Market Access for the Rural Poor in Order to Achieve the Millennium Development Goals' *.Discussion Paper* (2003) 4-5 available online at <http://www.ifad.org/gbdocs/gc/26/e/markets.pdf> [accessed 09/06/2014]. (Here after IFAD 2003).

¹⁵⁶ Kandiero T & Randa J *Agricultural Exports: Important Issues for Sub-Saharan Africa* (2004)12. (Hereafter: Kandiero T and Randa J 2004)

¹⁵⁷ Delgado CL 'Agricultural Diversification and Export Promotion in Sub Sahara Africa'(1995) 231 *Food Policy*, Vol. 20 . (Hereafter: Delgado CL 1995).

burdensome administrative measures, excessive controls, poor management information systems and port costs. These have greatly hampered the effectiveness of these countries, resulting to less competitive imports and more expensive exports, thus greatly limiting Ghana, Cameroon and Burkina Faso's participation in international trade.¹⁵⁸

In Ghana, Cameroon and Burkina Faso, road transport is the principal means of freight transport alongside the landlocked corridors. More than 15 per cent of all major tarred roads are left to deteriorate due to lack of normal maintenance.¹⁵⁹ Due to these poor roads and poor storage facilities 15 per cent of the production is lost between the farm gate and the consumer,¹⁶⁰ thereby reducing farmers' income and increasing costs to urban consumers. Most farmers in these countries or regions are situated in rural areas where it is difficult to find all weather roads. During the rainy seasons, it is difficult for agricultural inputs to get to the farmers and for farmers' output to get to the nearest market not to talk of the national and international markets. Due to lack of all-weather roads or access roads there is a high cost in the transportation of agricultural products to and from the rural areas. The transporters of agricultural products especially to and from rural areas usually charge higher prices to ship agricultural products to the markets and to deliver inputs to framers.¹⁶¹ These high transportation cost is mostly seen as a production tax thereby increasing production to farmers making agricultural exports less competitive in the international markets.

¹⁵⁸ ILEAP 'Transportation And Trade In Sub-Saharan Africa: What Direction Should Countries Take In Doha?' *Workshop Paper* (2004) 4.

¹⁵⁹ Zawdie G & Langford DA *Influence of construction-based infrastructure on the development process in Sub-Saharan Africa* (2010) 163 (Hereafter Zawdie G & Langford 2010).

¹⁶⁰ Zawdie G & Langford (2010) 163.

¹⁶¹ Kandiero T & Randa J (2004) 25.

The rail systems that exist in Ghana Cameroon and Burkina Faso are also a big transportation challenge. Most of the rail tracks in use today are those that were built during the colonial periods which had low-weight rails and the design standards are inadequate for today's traffic, these rails have worsened today due to poor maintenance and poor rolling stocks adding to the fact that they are being controlled and poorly managed by the government.¹⁶² These have made the rail transportation system to be the secondary means of transportation with the roads being the primary.

There is no doubt that air transport is another big challenge. Africa has the poorest air transport infrastructure in the world with the countries having very few and small airports with limited facilities of international standards; it is seen as the smallest region for air services reflecting its low income.¹⁶³ There is an underdeveloped intra-regional trade outline and insufficiencies in air infrastructure as seen from the low level of both absolute and relative terms of the intra-Africa cargo traffic.

As discussed in the previous sections high transaction costs greatly impede developing as well as LDCs' export potential. Apart from Ghana, Cameroon and Burkina Faso, transport cost in other parts of SSA regions like East Africa is on average of about 80 per cent higher than in the US and Europe.¹⁶⁴ Also of note are developing countries in Asia. The cost of transporting a container from Mombasa to Kampala is as much as from Mombasa to Shanghai. In a country like Chad it

¹⁶² ILEAP (2004) 5.

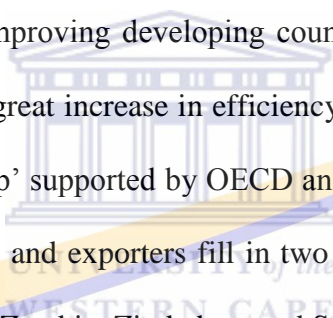
¹⁶³ ILEAP (2004) 5.

¹⁶⁴ European Commission Memo: Ninth WTO Ministerial Conference, Bali, Indonesia (2013) 3. Available online at http://europa.eu/rapid/press-release_MEMO-13-1076_en.htm [accessed 05/10/2014] (Hereafter : European commission Memo 2013)

takes 100 days to import goods meanwhile it takes just five days for an importer in EU to receive goods. Traders in landlocked developing as well as LDCs are confronted with bad infrastructure or long distances and very high cost due to inadequate transit procedures.

Despite the challenges discussed above, with a number of trade reforms put in place and with the idea of trade facilitation as discussed in chapter two there has been a lot of improvement. In a country like Morocco for example, releasing a container from the port of Casablanca used to take 18 to 20 days, but today with the number of reforms it takes just two hours on average due to an increase in processing capacity equivalent to a very significant expansion of port facilities.

Trade facility is a key factor in improving developing countries' export capabilities. If border delays are reduced there will be a great increase in efficiency. With the help of trade investment facility in Lesotho a 'One stop shop' supported by OECD and EU now processes applications in 15 minutes rather than seven days, and exporters fill in two pages of form instead of 23 pages. Others examples are Mozambique, Zambia, Zimbabwe and South Africa.¹⁶⁵



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For landlocked countries in SSA particularly countries like Chad, Malawi and Uganda it is still very challenging, lengthy and very costly to transport goods across the region than transporting to Europe. Trade facility could help in increasing such services as customs transit warehouse in ports of entry as it has been useful for some countries in West Africa like Niger, Burkina Faso , to name a few.

¹⁶⁵ European commission Memo (2013).

It is clear that an increase in infrastructure will lead to an increase in agricultural market share. An increase in roads (access roads), railways, air transport, to farming communities will certainly encourage farmers to grow more export crops knowing that their produce will reach the markets in time and at a lower cost. The improvement in infrastructure i.e. more investment in infrastructure in these countries will have major forward relation in the agricultural sector and will help African countries to increase the share of agricultural exports in the world market

3.3.2 Poor Micro/Macroeconomic Policies

Poor domestic policies as well as restrictive policies in developed countries are also one of the biggest challenges that Ghana, Cameroon and Burkina Faso face in their agricultural sector. Some of the domestic policies that contributed to the decline in agricultural export performance in the 1980s were exchange rate appreciation and anti-agricultural industrial policies. The domestic conditions in recent years such as; the persistence of State Trading Enterprises (STEs)¹⁶⁶, high transportation costs, low productivity, among others, have badly obstructed the agricultural sector.¹⁶⁷

One of the biggest challenges that most SSA countries like Ghana, Cameroon and Burkina Faso face in their agricultural sector is poor domestic policies as well as restrictive policies in developed countries. It has also been seen that the source of African marginalization is due to

¹⁶⁶State Trading Enterprises (STEs): Special privileges granted to enterprises (not necessarily monopolies) by governments have the potential to distort trade. Such privileges include the underwriting of losses, antitrust exemption provisions, tax provisions (e.g. tax exemptions/ minimisation), interest rate concessions and preferential access to foreign exchange.

¹⁶⁷ Kandiero T and Randa J (2004) 6.

restrictive market access policies from developed countries and the decline in the region's share of global exports due to its domestic policies.¹⁶⁸

Another major challenge in these regions is their agricultural sector policies. Many of their policies in agriculture tend to tax agriculture extremely, making farmers to receive only an insignificant portion of the world market price as a result farmers do not have enough resources to improve and increase production.¹⁶⁹ The severity of the agricultural price distortion is also emphasized by Schiff and Valdés who confirmed that SSA levied the highest level of taxation both explicit and implicit on agriculture, among all developing regions.¹⁷⁰ Taxation was heaviest on cash crops such as: cocoa, coffee, cotton, tobacco while import-competing agricultural products received slight protection; most staple crops were neither supported nor taxed.¹⁷¹

Schiff and Valdés go further to say that the direct tax on agriculture in most SSA countries is comparable to the implicit tax resulting from industrial protection and macroeconomic policies which differs significantly from other developing countries where the implicit cost is nearly three times that of the direct tax.¹⁷² Many policies in these regions have a tendency to tax agricultural products extremely making farmers to receive only a fraction of the world price, thus leaving farmers with fewer resources to improve their farms. These policies are mostly biased against agriculture as they are mostly excessive on export crops.¹⁷³

¹⁶⁸ Hoekman *et al.* (2001).

¹⁶⁹ Kandiero T and Randa J (2004) 9.

¹⁷⁰ Schiff M & Valdes A 'The Plundering of Agriculture in Developing Countries' (1992) 4. (Hereafter Schiff M & Valde A 1992).

¹⁷¹ UNDP 'Persistent Challenges and Emerging Threats to Food Security' *Africa Human Development REPORT* 2012 51 Towards a Food Secure Future. Available online at <http://www.afhdr.org/the-report/> [accessed 05/08/2014].

¹⁷² Schiff M & Valde A (1992) 10.

¹⁷³ Schiff M & Valdes A (1992) 10.

The restrictions that Africa's export commodities face at the borders of industrialised countries are seen as a major challenge facing agricultural exports. One of the biggest problem is the environment in Africa where these products are produced before they are exported which is mostly in the rural areas. There exist enormous factors preventing the rural poor from responding as they may wish to emerge market opportunities to intensify competition.¹⁷⁴ The bottlenecks that exist in market access in African countries restrict the farmers from taking the potential advantages of OECD markets for their products.¹⁷⁵

3.3.3 Lack of institutions serving farmers and agriculture

Ghana, Cameroon, Burkina Faso as well as many other Africa countries have failed to accomplish the anticipated increase in the total agricultural output in this region due to weaknesses in the structure and capacities of the rural institutions.¹⁷⁶ These agricultural institutions have been in transition for a very long time. In order for these countries to determine institutional transformation, and for the allocation and distribution of public resources to influence agricultural sector, smallholders in these countries should be put at the center of agricultural development.

There is also the absence of sustainable and voluntary farmer associations to represent these small farm holders. Therefore in order for them to request accountability from the state and the state bureaucracy, these small farmer holders need to organize themselves. For farmers to be able

¹⁷⁴ Kandiero T and Randa J (2004) 9.

¹⁷⁵ Kandiero T and Randa J (2004) 9.

¹⁷⁶ Amani HKR (2004) 14.

to defend their interest they need to develop the ability to organize on special interest basis, such as commodity-based associations, co-operatives or unions which may at the same time enable them to become foundations for broader social and economic development institutions.¹⁷⁷

The government policies of Ghana, Cameroon, and Burkina Faso as well as most African countries on agriculture are unclear in terms of commitment to small farm holders. Most government policies, institutions and resource allocations turn to favour non-agricultural sectors and larger farms than small farm holders. The public sector organisations which need to be more demand determined, responsive and accountable to farmers and rural institutions, do not feel obligated to build effective alliances with smallholder farmers.

3.3.4 Lack of technology to transform traditional agriculture

Technology to transform traditional agriculture to modern agriculture in order to increase productivity and market share is one of the major challenges Ghana, Cameroon and Burkina Faso face. These countries lack the technology, knowledge, research and development (R&D), techniques, management practices, machinery, seeds, fertilizers, chemicals and material to increase productivity.¹⁷⁸ In agriculture, machinery, seeds, fertilizer, chemicals and techniques used to cultivate crops all influence yields and productivity. There is the absence of technological endowments and financial and economic capacities in these countries.

¹⁷⁷ IFAD (2003)

¹⁷⁸Jiberto FAE & Hogenboom B (eds) *Big Business and Economic Development: Conglomerates and Economic groups in Developing Countries and Transition Economics under Globalisation* (2007) 333 .

It is obvious that the average farm yields and income of small farm holders will increase significantly through technology. Even if this technology is available small farm holders will need to acquire it at the cost that will compensate their productivity gains. Moreover, these small farm holders need to have timely access to complementary inputs such as: varieties of improved seeds, agrochemicals, information and also be assured of markets for their products and high producer prices to cover costs and make profits.¹⁷⁹

In order for Ghana, Cameroon and Burkina Faso, to be able to increase agricultural productivity and the quality of their export products to gain market share, they will need technology to improve new agricultural products, low cost soils nutrient improvement, soil and water conservation on farms, improved multi-cropping systems, improved seed varieties, integrated pest management, improved hand tools, increased fertilizer use.¹⁸⁰

3.3.5 Limited access to market information

Access to market information is also one of the challenges Ghana, Cameroon and Burkina Faso are facing with their agricultural exports. Access to market information endows farmers with valuable information relating to prices and agricultural services. Due to poor road situations in SSA, it is often difficult for extension workers to reach farmers in the inland. This extension

¹⁷⁹ Amani HKR (2004) 15.

¹⁸⁰ Cleaver KM *A Strategy to Develop Agriculture in Sub-Saharan African and a Focus for the World Bank* (1993) 19.

services and manpower were greatly reduced with the efforts to reduce government expenditure under the structural reforms.¹⁸¹

The government uses radios which have proven to be the most effective means of communication to channel information to farmers regarding the new farming techniques to enhance productivity and information on market prices. Hence one can say that increase access to information with the use of radios can led to increase in agricultural exports.¹⁸²

Although the use of radio is seen as the most effective means of communication, there is no doubt that the literacy rate in these countries is very low as compared to other regions like EU and USA. One will acknowledge the fact that poor farmers in the interior or the rural areas are mostly uneducated, thereby making it very difficult for them who mainly grow the export crops to have important market information of their output price, input prices, requirements for exports and new markets.¹⁸³

Access to market information is very vital, principally to improve market incorporation at the national as well as international levels. It also plays a key role in conveying the price signals to farmers and business community to recognize and take advantage of market opportunities.¹⁸⁴

¹⁸¹ Kandiero T and Randa J (2004) 11.

¹⁸² Kandiero T and Randa J (2004) 11.

¹⁸³ Killick, T 'Economic Change and the Welfare of the Rural Poor' (2000) 17 *IFAD Rural Poverty Report*. (Hereafter: Killick 2000).

¹⁸⁴ Killick (2000) 17.

In these countries market information access to knowledge on market conditions and opportunities is mostly poor leading to large differences for identical products within quite curbed regions. This big challenge that is lack of access to market information is attributed to the subdued situation response of African agriculture to price liberalisation.¹⁸⁵

Farmers are well empowered with important information as concerns prices and agricultural services when there exist access to market information. Therefore improved access to market information is likely to lead to an increase in agricultural exports, productivity, higher output and larger surpluses for exports.¹⁸⁶ Access to market information is consequently one of the most significant determinants of what determines export share.

3.3.6 Lack of Credit

Farmers and agriculture-related small and medium enterprises in Ghana, Cameroon and Burkina Faso are faced with serious challenges in acquiring credit. Official financial intermediation is generally weak and in some cases it doesn't even exist.¹⁸⁷ In the rural areas where the bulk of the farmers or producers are found, banks and other credit institutions hardly go there because they don't want to go outside provincial towns. The small farm holders in the rural areas do not have neither proper devices for savings mobilization, nor systems that provide credit and other bank services to them.

¹⁸⁵ Killick (2000) 17.

¹⁸⁶ Kandiero T and Randa J (2004) 24.

¹⁸⁷ Amani HKR (2004) 17.

There is lack of institutional mechanisms for encouraging farmers to save. As a result, there are no formal structures for channelling rural savings to finance farm-level, and other broader rural investment projects or programs. For farmers from Ghana, Cameroon and Burkina Faso to meet up with the export demands in world market, they need access to long term credit in order to improve their land and for capital expenditure as well as to meet short- term seasonal needs.¹⁸⁸

3.3.7 Low agricultural productivity

Fertilizers are the predominant agricultural inputs which are mostly used in Ghana, Cameroon and Burkina Faso. The usage largely depends on the prices (of fertilisers), trade restrictions and regulations. Although most farmers in these countries depend on fertilisers the increase in prices due to the removal of subsidies, the burden of import controls and the liberalisation of higher prices have greatly reduced the usage among most small farmers in order to cut costs.¹⁸⁹

Productivity is seen as one of the major challenges in the universal context of growth of coffee consumption. For example in Cameroon a coffee farmer produces approximately 300kg of green coffee (Robusta and Arabica) per hectare meanwhile the average per hectare in Vietnam is 2.500kg and for Brazil 6.000kg for Robusta and 1.150kg for Arabica.¹⁹⁰ This low productivity is due to the following; scarcity and high cost of inputs; debatable quality of imported inputs; insufficient reliable production and seedling multiplication services; no steps taken to regenerate old plantations; reduced size and low productivity of plantations; little diversification of producer

¹⁸⁸ Amani HKR (2004) 17.

¹⁸⁹ Kandiero T and Randa J (2004) 16.

¹⁹⁰ The International Trade Centre (ITC) 'Cameroon Coffee Sector Development Strategy 2010-2015' (2009) 16 *Work shop paper* (Hereafter ITC 2009).

income; ageing growers and the lack of incentives in favour of young growers; the absence of strong and structured producer organizations: lack of technical equipment at all levels of the value chain, and in particular of the washing and pulping stations; insufficient, and in some cases, no infrastructure (stores); insufficient extension of the best growing methods and use of chemical inputs.¹⁹¹

In a country like Cameroon, if the level of production is not improved there is a high probability that coffee farmers who suffer from current market speculation will withdraw from the production of coffee in favour of more profitable products crops.¹⁹² Cameroon exports two kinds of coffee beans, Robusta and Arabica. In 2010/ 2011 it was estimated that Cameroon produced 43,560 tons and 12,094 respectively,¹⁹³ and in 2013 it produced about 16,000 tons each both Arabica and Robusta.¹⁹⁴

Ghana on the other hand produces only 400kg of cocoa beans from a hectare of cocoa farm meanwhile, Cote d'Ivoire produces 600 kg per hectare, and Indonesia produces 1,000 kg per hectare. The cause of Ghana's low productivity is as a result of: diminished soil nutrients, deforestation, low income for smallholder cocoa farmers amongst others,¹⁹⁵ high prevalence of pest (mirids, swollen shoot), limited forest reserve ageing cocoa farms and farmers, inconsistent rainfall pattern in recent years, limited /no use of chemical inputs, better planting materials, high

¹⁹¹ ITC (2009) 9.

¹⁹² ITC (2009) 16.

¹⁹³ USDA GH1202 (14/3/2013) 2.

¹⁹⁴ Info News Cameroon Radio and Television (CRTV) 09/04/2014

¹⁹⁵ Appiah MR *et al* 'Cocoa Variety and fertiliser Trial (K6-O2)' 2000 3 *Annual Report of the Cocoa Research Institute of Ghana*. (Hereafter Appiah MR 2003).

shade trees density, inadequate innovative systems to increase productivity per unit area,¹⁹⁶ diseases and pests have damaged the declining soil fertility, poor agronomic practices, use of low yielding varieties, limited access to credit as well as inadequate infrastructure, low or inadequate use of fertiliser have been identified as major sources of constraints to productivity.¹⁹⁷

In addition the worldwide market in coffee is increasingly dependent on three producing countries in Latin America: Brazil produces 33 per cent, Vietnam 10 per cent, and Colombia 10 per cent.¹⁹⁸ These three producers represent more than 60 per cent of the total market. If a serious problem occurred in one of these 3 countries, effects on the market would be immediate. This was the case in 2009 for washed Arabica, due to the reduction of the production volume in Colombia. This created a distortion in the price of all gourmet washed Arabica during the first six-months of 2009.

The principal growing regions of cocoa are Africa, Asia, and Latin America. The greater part of the world's cocoa comes from SSA especially from West Africa which provides 70 per cent of total output, with Ivory Coast being the largest producer by volume, it produces 33 per cent with 1.49 million tons of cocoa beans in 2011/2012 of the world supply.¹⁹⁹ Ghana is seen as the second largest with 1.025 million tons of cocoa beans in 2011/2012 and Indonesia the third

¹⁹⁶ 'Sustainable Tree Crops Program International Institute of Tropical Agriculture' 7th Regional Executive Committee Meeting Accra, Ghana October 25-to 28, 2009.

¹⁹⁷ Appiah MR (2003) 4.

¹⁹⁸ Baffes J *et al* 'Coffee: market setting and policies' in Aksoy M A & Beghin C *Global Agricultural trade and developing countries* (2005) 297.

¹⁹⁹ A BCCCA case study. 'The world market for cocoa - Creating a sustainable chocolate industry - BCCCA | BCCCA case studies and information Business Case Studies 1995-2014' (2014) 1. Available online at <http://businesscasestudies.co.uk/bccca/creating-a-sustainable-chocolate-industry/the-world-market-for-cocoa.html#axzz3S632> [accessed 08/10/2011]

450,000 tons in 2011/2012.²⁰⁰ In West Africa farmers grow around three million tons of cocoa beans each year mostly on small family farms sizes. 700,000 tons of this production goes to the USA. UK manufacturers import about 215,000 tons.

In terms of international exports on cocoa, Ivory Coast is the largest with total export of 3 billion US\$, followed by Ghana with 2.07 billion US\$, Nigeria with 959 million and Indonesia 614 million US\$ in 2011.²⁰¹

There has been an exist competition among the four major exporters of cocoa beans in the world market seen from the fluctuation of export value. The Indonesia cocoa beans have had fair advantage in recent years. Cocoa beans from Ghana and Indonesia are complementary in the world market, hence collaboration with one another is recommended. An increase in the demand of cocoa beans in the market will mostly benefit Indonesia.

Cotton production in Africa is not limited to Burkina Faso but Burkina is seen as one of the biggest producers of cotton in SSA as discussed above. The production of cotton can be seen in other parts of SSA as well as the world in general. The African Franc Zone (AFZ) which is made up of countries from West and Central Africa is the second largest exporter of cotton on the world market after the U.S. Production of cotton in this area is labour intensive, using manual or ox-drawn implements and capital intensive in US.²⁰² Cotton is produced in eleven countries of

²⁰⁰ Amzul R 'Competitiveness of Indonesia's Cocoa Beans Export in the World Market' (2013) 4 *International Journal of Trade, Economics and Finance*, No.5 279. (Hereafter Amzul R 2013)

²⁰¹ Amzul R (2013) 280.

²⁰² Estur G IS WEST AFRICAN COTTON COMPETITIVE WITH THE U.S. ON THE WORLD COTTON MARKET? Paper presented at the Beltwide Cotton Conferences. (2005) 1. Available online at https://www.icac.org/cotton_info/speeches/estur/2005/beltwide_05.pdf [accessed on 01/10/2014]. (Hereafter Estur G 2005)

the African Franc Zone (Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal, Togo), sharing a common currency, the CFA.²⁰³

Cotton is one of the most significant and widely produced agricultural cash crops in the world and it is also a heavily traded agricultural commodity in the world market. The six major producing countries; China, the United States, India, Pakistan, Brazil and Turkey along with Africa accounted for over 90 per cent of the world output.²⁰⁴ In 2011-2012, China produced 7.4 million tons (27%), India 5.9 million tons (22%) and the United States 3.4 million tons (13%) of cotton. In the same year the largest African producers were Mali, Egypt and Burkina Faso with a total production of 519,000 tons altogether, accounting for 36% of total African production.²⁰⁵

SSA cotton is exported to Asian markets where it faces tough competition from India, the US, Australia and Brazil. These countries in 2011-2012 accounted for 82 per cent of cotton in the world market, and in SSA Burkina Faso came first accounting for less than two per cent. In 2011-2012 Africa exported one million tons that is like 11 per cent of its cotton to the world market, with Burkina Faso being the major exporter from the continent.²⁰⁶

Cotton that comes from AFZ is cost competitive with US cotton, in terms of price and quality. This is due to the fact that cotton production in the AFZ region does not benefit from any

²⁰³ The CFA Franc known as *Communaute Financiere Africaine* is an umbrella name for two separate yet interchangeable currencies widely used in Africa, namely: West African and Central African CFA Franc.

²⁰⁴ Shui S 'Cotton International Commodity Profile' in *Background paper for the Competitive Commercial Agriculture in Sub-Saharan Africa (CCAA) Study*. Available online at <http://siteresources.worldbank.org/INTAFRICA/Resources/257994-12> [accessed on 02/10/2014]

²⁰⁵ The International Trade Centre 'Improving Africa's Cotton Value Chain for Asian Markets'. *Technical Paper, (ITC)* (2013) 2.

²⁰⁶ Shui S

government support apart from occasional emergency price support in some countries. On the other hand US cotton production benefits from government through farm bill. The import and export of raw cotton is not taxed.²⁰⁷

It is therefore expected that the more farmers from these countries use farm inputs like fertilisers, credit facilities and improve technology the higher the production, the more goods to be exported thereby stimulating exports. An increase in agricultural productivity will increase the share of agricultural exports.

3.4 STRUCTURAL ADJUSTMENT PROGRAMMS SAPS

Ghana, Cameroon and Burkina Faso as well as most African countries depend largely on world markets for their food consumption as well as their agricultural exports. During the 1980s and 1990s most African countries went through unilateral liberalisation under the Structural Adjustment Programs (SAPs)²⁰⁸ that brought major challenges in their agricultural policies. Most countries in SSA implemented a series of economic reforms including market liberalisation. The aim of the economic reforms was to reduce the role of the government and increase the role of market in their economies. The World Bank and IMF introduced these agricultural reforms with the aim of reducing or eliminating the bias against agriculture and to open the sector to market forces.

²⁰⁷Estur G (2005) 1.

²⁰⁸ Structural adjustments are the economic policies implemented by the International Monetary Fund (IMF) and the World Bank in developing countries since the early 1980s by the provision of loans conditional on the adoption of such policies. They aim to achieve long-term or accelerated economic growth in poorer countries by restructuring the economy and reducing government intervention. SAPs policies include currency devaluation, managed balance of payments, reduction of government services through public spending cuts/budget deficit cuts, reducing tax on high earners, reducing inflation, wage suppression, privatization, lower tariffs on imports and tighter monetary policy, increased free trade, cuts in social spending, and business deregulation.

The agricultural market reforms occupied a vital place in these liberalisation efforts in Ghana, Cameroon and Burkina Faso because of the importance of the agricultural sector in these countries. The reforms were as follows: removal of price controls, deregulation of agricultural marketing, closure of state owned enterprises that monopolized agricultural trade, and changes in the foreign exchange market to provide greater incentives for exports. The idea was that improving price incentives for farmers and reducing the involvement of government in agricultural sector will help to generate a supply response and allow well-functioning markets to develop quickly.

These economic reform programs that were carried out in most countries in the SSA have not met expectations as seen from the fact that the average annual growth rates of per capita GDP and agricultural value-added has been negative.²⁰⁹

Although the aim of these agricultural reforms was to open markets for agricultural products, the reforms were not fully implemented, they were partial. Most governments were asked to liberate trade, but instead liberated internal trade and maintained state monopoly over external trade. Despite the elimination of fixed prices, some government imposed price bands for food crops to limit market price fluctuations and protect consumers and producers from private traders. In some countries especially in West Africa state owned companies are still very active in many commodity subsectors, like cotton.

²⁰⁹ Kherallah M *et al* 'The Road Half Traveled: Agricultural Market Reform In Sub-Saharan Africa' *Food Policy Report* (2000) 7 International Food Policy Research Institute.

In countries where liberalization took place, the agricultural reforms led to the decline of market margins in export crop sector. Small farmers in some countries saw these reform programs as the elimination of government input and credit subsidies - a damaged that has led to the reduction and stagnation of yields.

3.5 CONCLUSION

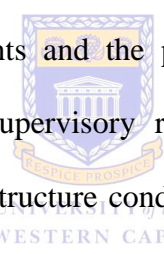
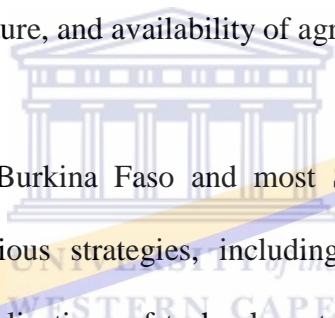
The domestic challenges that are mainly faced by Ghana, Cameroon, Burkina Faso as well as other countries of the continent in the exportation of their agricultural products are mostly inadequate infrastructure, human and capital resources as examined above. As seen above infrastructure conditions in SSA have major impacts on the ability of farmers and firms to produce and export their produce competitively, this place most countries of SSA at a competitive disadvantage in local and international export markets. This mostly leads to increasing costs and compromising product quality, leaving both merchandise and services exports less competitive vis-à-vis exporters that may not be also disadvantaged.

At the micro level it has been seen that farmers from the above countries are faced with numerous challenges such as: poor or inadequate trade infrastructure such as logistics and transportation system, poor microeconomic policies, lack of institutions serving farmers, lack of technology to transform traditional agriculture, limited access to market information, lack of access to credit facilities, low level of Agricultural productivity i.e. access to inputs (such as fertilizers, improved seeds to boost production).

Besides the issues discussed in the main chapter (three) these countries' small holder farmers also lack education, suffer poor health and nutrition; lack remunerative markets and access to yield-enhancing inputs. It can also be said that inadequacy and inefficiencies in the major infrastructure sectors such as: transport and financial services often add more costs to export agricultural products to developed countries.

At the micro level African farmers would need more access to market information, improved farming techniques by using modern scientific farming methods and inputs to increase productivity, easier road access to markets for both their output and inputs in order for them to benefit from the opening up of the international markets, structural and institution reforms to encourage investment in infrastructure, and availability of agricultural inputs.

Nevertheless Ghana, Cameroon, Burkina Faso and most SSA governments and the private sectors are putting in place various strategies, including government supervisory reform, increased investment, and new applications of technology to improve infrastructure conditions, and research and development within SSA.



A place of quality, a place to grow, from hope to action through knowledge

CHAPTER 4: INTERNATIONAL MARKET ACCESS CONDITIONS

4.1 INTRODUCTION

In chapter 4, the performance of SSA agricultural exports at large with particular attention to Ghana, Cameroon and Burkina Faso will be examined. Here we will be looking at the challenges at the international level that were brought forth by the trade policies and how the international trade reforms or policies have impacted the performance of these countries' agricultural exports. Cash crops such as: cocoa, coffee and cotton are a major source of revenue, a livelihood basis for millions of rural households for these countries as well as other SSA countries. Most SSA countries were part of the international trade reforms that were put in place in the trade rounds²¹⁰ but despite their participation in these rounds, Ghana, Cameroon and Burkina are still faced with many challenges as a result of these trade reforms in exporting their cash crops to the world market.

From researches carried out on agricultural export and markets, it shows that exports from SSA countries are less diversified with only five main exports products found in these countries which are; cocoa, coffee, cotton, tobacco and skin with EU, USA and Asia being their main markets.²¹¹ For a country like Cameroon the market share for their total export products to EU from the 2008 – 2009 data is like 80 per cent, making EU the largest trade partner of Cameroon.²¹² These trade

²¹⁰ Uruguay Round, Agreement on Agriculture, and the Doha round. Available online at <http://www.fao.org/docrep/004/w7814e/W7814E08.htm> [accessed on 12/05/2014].

²¹¹ Nyangito HO African Association of Agricultural Economists. *Shaping the Future of African Agriculture for Development: The Role of Social Scientists*. Proceedings of the Inaugural Symposium (2004) Nairobi, Kenya.

²¹² Economy Watch Content 'Cameroon Trade, Exports and Imports' 2010. Available online at http://www.economywatch.com/world_economy/cameroon/export-import.html [accessed on 20/04/2014]

links of most SSA countries to EU is due to the colonial ties and the preferential trade engagement under the Lome Conventions. The 1990-2000 performance in agricultural export products from SSA shows a mix trend across countries and commodities.

With the WTO trade liberalisation efforts especially the AoA, the agricultural exports of cocoa, coffee and cotton from Ghana, Cameroon and Burkina Faso is currently facing challenges in international trade with respect to external market access conditions and competition in world markets. Due to the level of primary commodity dependence, these countries have been exposed to the full force of adverse impacts in international trade which affects their primary commodities.²¹³ With the stable loss of SSA countries' market shares on their primary product over time, these countries have gradually fallen behind other regions of the world in the export of their agricultural products.

The universal agricultural sector is still greatly distorted due to massive agricultural subsidies in the OECD countries and highly protectionist trade structures, border barriers are the main instrument for protection and account for about 70 per cent of overall protection in OECD countries.²¹⁴ The consequences of these agricultural distortions will be seen from the challenges at the international level. On the international market, developed countries, in particular the EU and the USA, carry on with the use of subsidies; increase support to the farmers, and still maintain high tariffs on some agricultural products of interest to the region, Sanitary and

²¹³Nyangito HO 'Performance of African Agricultural Exports and External Market Access Conditions under International Trade Reforms' (2004) Institute for Public Policy Research and Analysis (KIPPRA) Kenya.

²¹⁴Aksoy AM 'Global Agricultural Trade Policy' in Aksoy AM & Beghin CJ (eds) *Global Agricultural Trade and Developing Countries* (2005) 39.

Phytosanitary Agreement to trade (SPS agreement)²¹⁵, the Technical Barriers to Trade (TBT)²¹⁶ and real exchange rate.²¹⁷ Most of these issues although addressed in the international trade negotiations, particularly agricultural negotiations, still pose a major threat to the exportation of agricultural products from SSA countries at large and specifically from Ghana, Cameroon and Burkina Faso to the world market. The next section will focus on these international market factors such as: subsidies used by developed countries, the issue of tariffs, the application of Sanitary and Phytosanitary agreement, technical barriers to trade and real exchange rate and how these factors affect Ghana, Cameroon and Burkina Faso's agricultural exports (market access conditions).



²¹⁵ The Agreement on the Application of Sanitary and Phytosanitary Measures (the SPS Agreement) was developed in the Final Act of the Uruguay Round of Multilateral Trade Negotiations signed in Marrakesh on 15 April 1994, to elaborate rules and measures for the application of the provisions of Article 20 of GATT which relate to the use of sanitary or phytosanitary measures. The SPS Agreement entered into force with the establishment of the World Trade Organization (WTO) on 1 January 1995. It concerns the application of food safety and animal and plant health regulations. The intention is to set up a multilateral framework of rules that discipline the development, adoption and enforcement of sanitary and phytosanitary measures with minimum negative effects on trade. Article 20 of the GATT 1994 allows governments to regulate trade in order to protect human, animal or plant life or health, provided such actions do not discriminate or are not used for disguised protection.

²¹⁶ The Agreement on Technical Barriers to Trade known as the TBT Agreement is an international treaty governed by the WTO. It was last renegotiated during the Uruguay Round of the GATT. The WTO TBT Agreement which entered into force in 1995, is the multilateral successor to the Standards Code, signed by 32 GATT contracting parties at the conclusion of the 1979 Tokyo Round of Trade Negotiations. The TBT Agreement has a much stronger implementation system, being subject to the WTO's Dispute Settlement Understanding (DSU). The TBT Agreement is related to 'technical regulations' 'standards', and 'conformity assessment procedures' pertinent to technical regulations and standards.

²¹⁷ The real exchange rate is the critical variable (along with the rate of interest) in determining the capital account, changes in the real exchange rate affect the competitiveness of traded goods. It is used to determine whether a currency is fundamentally undervalued or overvalued?

4.2 INTERNATIONAL MARKET FACTORS AFFECTING GHANA, CAMEROON AND BURKINA FASO'S AGRICULTURAL EXPORTS (MARKET ACCESS CONDITIONS)

The domestic factors and policies of SSA (Ghana, Cameroon and Burkina Faso) are indirect restraints in the exportation of their agricultural product as discussed in chapter 3.3 above. The WTO also poses a number of direct challenges to them in terms of market access and quality or standards that agricultural exports must meet in developed country markets. Furthermore, with the support and promotion of global trade liberalisation, WTO as an institution has set free competitive pressure in the international trading system for which most SSA countries are least prepared, making it difficult for them to explore effectively some of the trade opportunities opened up by international agricultural trade liberalisation.²¹⁸

4.2.1 Subsidies used by developed countries

Agricultural subsidies that benefit the OECD countries cause persistent distortions in international market which greatly hurt SSA countries. According to the global human development report 'Industrial countries are locked into a system that wastes money at home and destroys livelihoods abroad'.²¹⁹

²¹⁸ Gayi SK & Robson CM 'WTO and the Challenges for African Agriculture' (2009) 17 in *European Report on Development conference*. (Hereafter Gayi SK & Robson CM 2009)

²¹⁹ UNDP 'Africa Human Development Report' (2012) 54 *Towards a Food Secure Future*. Available online at <http://www.undp.org/content/undp/en/home/librarypage/hdr/africa-human-development-report-2012.html> [accessed on 25/05/2014].

The use of subsidies has been well discussed and addressed in the international trade agreements on agricultural products. In the URAA, AoA, and the Doha, rounds, the reduction or elimination of agricultural subsidies, the reduction of distortions in agricultural trade caused by agricultural protectionism and domestic support, were all addressed. This was seen as a way that developed countries were protecting their agricultural sectors from loose markets. Domestic support and subsidies is what has brought so much disparity in the exportation of agricultural products. Subsidies clearly hurt ‘other agricultural exporters’, by cutting their market shares and reducing export earnings.²²⁰

The issues of export competition and domestic support as discussed in chapter 2.1.3.2 and 2.1.3.3 show that the OECD price support and subsidies has greatly impacted the agricultural sectors of Ghana, Cameroon and Burkina Faso by reducing farm incomes.²²¹ The OECD agricultural support measure that has greatly harmed farmers in the SSA region is cotton subsidies. Burkina Faso’s farmers receive very low prices for their cotton because of subsidies given to cotton farmers in OECD countries, mainly in USA.²²² The OECD use of agricultural support systems encourage greater domestic production in their countries thereby limiting Ghana, Cameroon and Burkina Faso’s agricultural products to those markets.²²³ For Ghana, Cameroon and Burkina Faso to increase their market share, the industrialised countries or the OECD countries need to

²²⁰Pearce R & Sharma R ‘Export Subsidies’ in *Multilateral Trade Negotiations on Agriculture* (2000) 42.

²²¹ McMillan M et al ‘My policies or yours: does OECD support for agriculture increase poverty in developing countries?’ *Working Paper 11289, National Bureau of Economic Research* (2005) 2. (Hereafter: McMillan M et al 2005)

²²²Dewbre J & Battisti BA *Agricultural Progress in Cameroon, Ghana and Mali : Why It Happened And How To Sustain It* (2008) 8.

²²³Kandiero T and Randa J (2004) 17.

decrease the enormous agricultural funding given to their farmers to encourage greater production.²²⁴

The decline in the agricultural exports share from Ghana, Cameroon and Burkina Faso might be due to the drop of government subsidies in fertilisers and other inputs, and lack of credit facilities to their farmers. Before the economic reforms in the 1980s which forced most SSA governments to cut subsidies given to their farmers, the governments of Ghana, Cameroon and Burkina Faso used to subsidise the price of inputs like fertilizer and farm machinery which acted as a big incentive to farmers to increase their productivity.²²⁵

Agricultural markets especially of the SSA countries at large with Ghana, Cameroon and Burkina Faso inclusive are among the most severely biased in the world. Africa is more affected due to the fact that the level of agricultural protection applied by industrial countries' exports is generally higher than that applied to other developing countries.²²⁶ Agricultural subsidies used by developed countries weaken the exports of developing countries by discouraging global prices and pre-empting markets.²²⁷

Due to huge subsidies granted to farmers in the developed countries their exportation in agricultural products has increased thereby undermining their competitiveness in food production and depleting their agricultural production resulting to SSA countries becoming net food

²²⁴ McMillan M *et al* (2005) 2.

²²⁵ Kherallah M *et al* 'The Road Half Traveled Agricultural Market Reform in Sub-Saharan Africa'. *Food Policy Report. Brief Report* (2000) 2-4 International Food Policy Research Institute.

²²⁶ IMF (International Monetary Fund) 'Market Access for Developing Countries' Exports' (2002) 5 (Hereafter IMF 5).

²²⁷ IMF 5.

importers by reducing their food exports overtime.²²⁸ According to Tonia and John, if the agricultural support given to the OECD farmers is reduced by 10 per cent, the African share of exports to those markets will increase by about 6 per cent.²²⁹

As discussed above, agricultural subsidies and price support systems put in place by OECD countries permit them to sell agricultural products at prices that are below the cost of production in the world markets (dumping)²³⁰ turning exporters into importers, thereby imposing injury on LDC due to depressing world commodity prices.²³¹ Considering the fact that most SSA countries are net importers of food, they will be hurt by higher commodity prices. These depressed commodity prices which are as a result of domestic support from OECD countries could decrease the value of both the imported and exported products for these countries.²³² The OECD depressed commodity prices would make the poor countries like SSA worse off and the rich countries better off leaving average income unchanged. Hence competition from subsidised imports will harm net importers/net sellers of these products within the importing countries.

Export subsidies are no doubt one of the most distorting forms of subsidies. Although the red box is seen as banned subsidies, 25 countries of WTO have notifications, meaning they are allowed to use export subsidies at some level.²³³ Among the 25 countries South Africa is the only African country which was granted the 62 measures but which was never used. As concerns the

²²⁸ Gayi SK & Robson CM (2009) 17.

²²⁹ Kandiero T and Randa J (2004) 23.

²³⁰ In international trade dumping is when an exporter lowers the price of a product in a foreign market below the price charged in the domestic market and sometimes below the actual cost of production.

²³¹ McMillan M *et al* (2005) 1

²³² McMillan M *et al* (2005) 2

²³³ ILEAP The Future of 'The Boxes' under the WTO Agreement on Agriculture – Suggestions from an African Perspective. Background Brief No. 2 (2004) 3. (Hereafter ILEAP 2004).

right of reservation of distortive measures, it is so unfair for African countries that this distortive measures were reserved for the use of only a minority of the WTO membership with no export subsidies being provided by African countries.

Under the AoA, 34 countries notified and may use or reduce domestic subsidies (amber box) under the aggregate measure support (AMS), clearly indicating that the measure was limited to just a small group with only two African countries, Morocco and South Africa being the only SSA given the opportunity to do so.²³⁴ This shows that African position would not be very supportive of the continued use of this measure. African countries made a contingent recommendation in the Cancun ministerial meeting of 2003 in Mexico for the reductions in domestic support and even went further in asking for complete elimination of the amber box.²³⁵ The amber box which allows the EU to maintain its internal price structure highly above global market prices is known to be the home of domestic price support.

The Green Box – Domestic Support Exemptions which are regarded as safe subsidies or which are less harmful to trade escaped discipline and hence can be increased.²³⁶ It is also said that the total amount of subsidies in OECD countries has gone up instead of going down despite the seeming promise that rich countries' subsidies will be reduced. As discussed above, it can be seen that developed countries continue giving farmers enormous subsidies which developing as well as LDCs cannot afford. These types of subsidies are regarded by African countries as trade

²³⁴ Domestic support: Amber, Blue and Green Boxes. Available online at http://www.wto.org/english/tratop_e/agric_e/negs_bkgrnd13_boxes_e.htm [accessed on 20/04/2014].

²³⁵ Cancun WTO Ministerial 2003: Briefing Notes: Agriculture: *Where there's a will, there MUST be a way*. Available online at http://www.wto.org/english/thewto_e/minist_e/min03_e/brief_e/brief03_e.htm [accessed on 26/05/2014].

²³⁶ ILEAP (2004) 6.

distorting in one way or the other. Although some green box payments possibly have little effect on production and trade, others have a significant impact. In 2007 the US provided \$76 billion in green box payments and in 2005 the EU notified €48 billion (\$91 billion).²³⁷ All these will definitely have significant impacts on production and trade since the developing and LDCs farmers' do not have such opportunities.

4.2.2 Sanitary and Phytosanitary Agreement to trade

The WTO Agreement on the Application of Sanitary and Phytosanitary Measures also known as SPS Agreement is an international treaty negotiated during the UR of GATT and entered into force with the establishment of the WTO at the beginning of 1995. This SPS agreement had basic rights²³⁸ with SPS measures²³⁹ put in place. This agreement obliges member countries to: base their SPS measures on international standards, guidelines or recommendations developed by the following bodies: Codex Alimentarius Commission (CODEX); which deals with food safety (joint FAO/WTO) International Office of Epizootics (OIE); for animal health (World Organisation for Animal Health), relevant international and regional organizations operating within the framework of the International Plant Protection Convention (IPPC) for plant health (

²³⁷Meléndez-Ortiz R, *et al* (eds) *Agricultural Subsidies in the WTO Green Box: Ensuring Coherence with Sustainable Development Goals*. Information Note Number 16, (2009) 7-10 ICTSD.

²³⁸Article 2.1. Members have the right to take sanitary and phytosanitary measures necessary for the protection of human, animal or plant life or health, provided that such measures are not inconsistent with the provisions of this Agreement.

²³⁹Definition of a SPS Measure: Annex A of the SPS agreement defines SPS measure as any measure applied to:

- protect animal or plant life or health within the territory of the Member from risks arising from the entry, establishment or spread of pests, diseases, disease-carrying organisms or disease causing organisms;
- protect human or animal life or health within the territory of the Member from risks arising from additives, contaminants, toxins or disease-causing organisms in foods, beverages or feedstuffs;
- protect human life or health within the territory of the Member from risks arising from diseases carried by animals, plants or products thereof, or from the entry, establishment or spread of pests;
- prevent or limit other damage within the territory of the Member from the entry, establishment or spread of pests.

FAO) or any other international organization that may be designated by the WTO Committee on SPS²⁴⁰

Members were obligated to take into consideration the circumstances of developing and least developed countries when drawing up measures of SPS and to allow exemptions when and where necessary. Many developing countries have reported that developed countries are not willing to give additional time for compliance and transition and are also very reluctant to accept SPS measures for developing and LDCs as their equivalent.²⁴¹

The SPS Agreement supports the WTO's schedule in that it promotes global free trade among the WTO members in both developed and developing countries. The SPS Agreement acknowledges WTO members' rights to protect human, animal or plant life or health (to protect themselves from the risks posed by the entry of pests and diseases) provided that certain requirements of the agreement are met, which are: that SPS measures must be science-based; they must not be more trade-restrictive than required; they must not arbitrarily or unjustifiably discriminate; and they must not form a disguised constraint on international trade.²⁴² The overall goal is free and healthy trade. As a component of the WTO rules based global trading system, the SPS Agreement works to ensure that agricultural trade flows as smoothly, predictably and freely as possible. Most importantly, the SPS Agreement provides an objective basis for assessing

²⁴⁰ANNEX A The WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) available online at http://www.wto.org/english/res_e/booksp_e/analytic_index_e/sps_e.htm [accessed on 15/05/2014].

²⁴¹Henson S & Loader R 'Barriers to Agricultural Exports from Developing Countries: The Role of Sanitary and Phytosanitary Requirements' *World Development* (2001) 29, No. 1 98. (Hereafter Henson S & Loader R 2001).

²⁴²Article 2: Agreement on Sanitary and Phytosanitary Measures: Basic Rights and Obligation. Available online at http://www.wto.org/english/docs_e/legal_e/15sps_01_e.htm [accessed on 15/05/2014].

which SPS measures unjustifiably restrict trade. In addition, consumers benefit from the availability of safe and competitively priced food and agricultural commodities.²⁴³

With the principle of Equivalence, the SPS Agreement call for importing WTO members to admit the SPS measures of exporting WTO members as equivalent if the exporting country objectively show to the importing country that its measures achieve the importing country's ALOP (appropriate level of protection). The recognition of equivalence is usually achieved through bilateral consultations and the sharing of technical information.²⁴⁴

With the risk assessment principle,²⁴⁵ the SPS Agreement calls for WTO members to focus their SPS measures on a risk assessment as appropriate to the circumstances. In practical terms, a risk assessment is essentially the process of gathering scientific evidence and relevant economic factors on the risks involved in allowing a particular import to enter a country. In conducting such risk assessments, WTO members are required to take into account risk assessment techniques developed by relevant international organisations.

Regional conditions can affect the risk posed to human, animal or plant life or health.

Accordingly, the SPS Agreement obliges WTO members to adapt their SPS measures to the

²⁴³Aus AID 'The WTO Sanitary and Phytosanitary (SPS) Agreement' WHY DO YOU NEED TO KNOW ... Sanitary and Phytosanitary. *Capacity Building* (2010)16-18, Australian Government. Department of Agriculture Fisheries and Forestry.

²⁴⁴SPS Agreement Article 4.

²⁴⁵The risks to animal life or health come from: the entry, establishment or spread of pests (including weeds), diseases, disease carrying organisms or disease-causing organisms; or additives, contaminants (including pesticide and veterinary drug residues and extraneous matter), toxins or disease-causing organisms in feedstuffs. The risks to plant life or health may come from: the entry, establishment or spread of pests (including weeds), diseases, disease carrying organisms or disease-causing organisms. The risks to human life or health come from additives, contaminants, toxins or disease-causing organisms in foods or beverages; diseases carried by animals, plants or their products; or the entry, establishment or spread of pests.

regional conditions from which the product originated and to which the product is destined. In particular, WTO members are required to recognise the concepts of pest/disease-free areas and areas of low pest/disease prevalence.²⁴⁶

According to the information on US border inspections, the main challenges faced by African countries in the SPS Agreement are basic SPS problems, such as: microbiological contamination, filth and decomposition.²⁴⁷ Problems also arise due to the differences in SPS requirements and regulatory regimes in developing and developed countries. African countries do not prioritise SPS regulation as an area of government spending due to the fact that they are faced with more pressing health concerns and other competing development priorities.²⁴⁸

Despite the participation of SSA countries in the URAA where SPS agreements were agreed upon, it is but clear that countries from the region like Ghana, Cameroon and Burkina Faso are faced with difficulties to export their agricultural products to developed countries by the SPS requirements. In reality, the above mentioned countries believe that SPS requirements are one of the biggest hindrances to trade in agricultural and food products particularly in the case of EU and US. It is clear that developed countries apply stringent measures than developing countries and SPS control in developing countries are weak and excessively disjointed.²⁴⁹

²⁴⁶SPS Agreement Article 6.

²⁴⁷Prévost D 'The Japan-Apples Dispute: Implications for African Agricultural Trade' (2004) 1 *Tralac Trade Brief Agri Conference* (Hereafter Prévost D (2004) 1

²⁴⁸Prévost D (2004) 1.

²⁴⁹Henson SJ *et al* 'Impact of sanitary and phytosanitary measures on developing countries' (2000) 355-369, *Center Food Econ. 15, Issue 3* (Hereafter Henson SJ (2000) 355-369).

Developing and LDCs are faced with serious problems of SPS measures because developed countries when setting SPS measures do not take into account their needs and also the duration of time given to notify and implement the SPS requirements and the technical assistance given by developed countries is also a major issue. Studies have also shown that the negative effects of SPS measures on trade are mostly seen on developing and LDCs' exports to developed countries, as SPS measures applied by EU countries make it more difficult for developing and LDCs to export their agricultural products to European markets.²⁵⁰ Exports from one developed country to another are not impeded by these measures.

As explained above under the SPS agreement some researchers have confirmed that the SPS requirements greatly hinder the exports of agricultural and food products from African countries.²⁵¹ Mutasa and Nyamandi further confirm from the Codex Alimentarius survey done, that most exports products from African countries are mostly rejected at the boarders after inspection due to microbiological/spoilage, contamination and decomposition. Ghana, Cameroon and Burkina Faso as well as most African countries have challenges in meeting basic food hygiene requirements talk less of more sophisticated monitoring and testing requirements which entails costly procedures. The rejection of these products at the border is very costly to these countries which include loss of product value, transportation and other export costs.²⁵²

²⁵⁰ *Disdier A & et al* 'The Impact of Regulations on Agricultural Trade: Evidence From The SPS and TBT Agreements' *American Journal of Agricultural Economics*, (2008)90(2): 336-350 available online at http://www.cepii.fr/pdf_pub/wp/2007/wp2007-04.pdf [accessed 28/04/2014].

²⁵¹ Henson SJ *et al* (2000) 355-369.

²⁵² Henson S & Loader R (2001) 90-91.

The problem Ghana, Cameroon, and Burkina Faso have in complying with the SPS requirements is their lack of resources and infrastructure crisis that limit their ability to comply and to demonstrate compliance. The biggest problems being: lack of appropriate scientific and technical expertise, inability to participate effectively in the dispute settlement procedures, failure to demonstrate that domestic measures are equivalent to developed countries requirements due to poor scientific and technical infrastructure in their countries, lack of financial or technical resources to implement stringent requirements, lack of capacity to take a significant role in the standard setting process, weak position of developing countries to mitigate the application of unjustified SPS measures.²⁵³

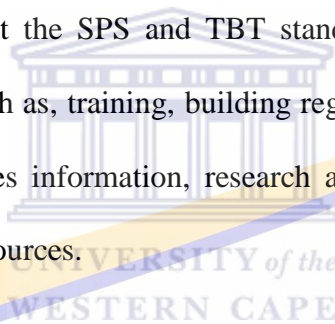
Ghana, Cameroon, and Burkina Faso are faced with difficulties in the implementation of SPS measures due to: lack of adequate information about health, sanitary and phytosanitary regulations/standards applicable to their products in target markets -information of SPS concern is poor, both within government and the food supply chain, and the skills required to assess SPS measures applied by developed countries are lacking, arbitrary and sometimes discriminatory application of SPS measures are used, use of measures to disguise trade restrictions, little efforts by developed countries to deal with negative trade effects of legitimate regulation, particularly at the multilateral level.²⁵⁴

In Cameroon, quality is a major problem affecting export marketing. In the case where there are no specified domestic norms or standards, the international CODEX

²⁵³Disdier A-C *et al* (2008) 10.

²⁵⁴Nyangito H 'Post-Doha African Challenges in the SPS and TRIPS Agreement' (2002) *KIPPRA Occasional Paper* No.4.

Alimentarious Committee standards are applied by *L'Agence de Normes et de la Qualite*, National Agency for Standards and Quality (*ANOR*).²⁵⁵ There is a widespread perception that buyers in Europe try to reduce the price on quality grounds due to quality problems – especially moisture content in the case of coffee. This company did appear to have an exhaustive testing system for their products. Cocoa is been inspected prior to shipping. Although lacking in proper procedures and equipment, the crop is usually tested for uric acid, bean size, smoky beans, slatey beans and black beans. Coffee is tested primarily for black beans and humidity.²⁵⁶ It was suggested that International norms (such as 12 per cent moisture) were well defined and well known. WTO members agreed to facilitate the provision of technical assistance to develop and LDCs in order to help them meet the SPS and TBT standards. Assistance such as capacity building mostly in the regions; such as, training, building regional capacity laboratories used for reference testing, pest and diseases information, research and development programs provide them with human and financial resources.



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4.2.3 Technical Barriers to Trade

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The TBT Agreement was another agreement that emerged from the UR which is applicable to technical regulations, standards and conformity assessment procedures²⁵⁷ other than sanitary or phytosanitary measures. This agreement and others contained in the Final Act, along with the (GATT 1994) as amended are part of the treaty of the WTO.

²⁵⁵USDA GH1202 14/3/2013 10.

²⁵⁶Henson SJ (2000) 355-369.

²⁵⁷ The terms: ‘technical regulation’ is used to cover standards with which compliance is mandatory(Article 2.11), ‘standard’ is used to cover standards used on a voluntary basis (Article 2.4) ‘Conformity Assessment’ is used to cover any procedure used, directly or indirectly, to determine that relevant requirements in technical regulations or standards are fulfilled (Article 6.1).

The TBT Agreement seeks to assure that: mandatory product regulations, voluntary product standards (packaging, marking and labeling requirements), and conformity assessment procedures (procedures designed to test a product's conformity with mandatory regulations or voluntary standards) do not become unnecessary obstacles to international trade and are not employed to obstruct trade.²⁵⁸ In all, the TBT exists to ensure that technical regulations, standards, testing, and certification procedures do not create unnecessary obstacles to trade; it prohibits technical requirements created in order to limit trade, as opposed to technical requirements created for legitimate purposes such as consumer or environmental protection.

Although the SPS and TBT agreements both require technical assistance²⁵⁹ and special and differential treatment²⁶⁰ to help developing and LDCs to implement and take advantage of the agreements, these countries are still faced with difficulties in doing so. Some of these difficulties stem from the fact that LDCs; do not have the ability to partake effectively in dispute settlement procedures, their inability to demonstrate that their (LDCs) domestic measures are not equivalent to developed countries' measures, inadequate scientific and technical infrastructure, lack of financial or technical resources to implement stringent requirements, lack of capability to take a major role in the standard setting process, among others. One of the major problems is the definition of standards which are largely designed by developed countries to protect their interest who are the major actors in the standard setting bodies.²⁶¹

²⁵⁸ Annex 1.

²⁵⁹ Article 9 in the SPS Agreement and Article 11 in the TBT Agreement.

²⁶⁰ Article 10 in the SPS Agreement and Article 12 in the TBT Agreement.

²⁶¹ Disdier, A-C *et al* 'Trade Effects of SPS and TBT Measures on Tropical and Diversification Products' (2008) 10 *ICTSD Project on Tropical Products, Issue Paper no.12*.

If agricultural barriers are removed by industrial countries, SSA countries might benefit greatly. If all trade barrier from SSA agricultural export to Quad are eliminated, if greater market access is granted to SSA's agricultural products, then real incomes in the area will increase thereby helping farmers to sell their products at higher prices and in great volume to those markets.²⁶²

Agricultural exports from SSA countries are still exposed to rigorous standards of the TBT requirements within the WTO agreements. Some SSA countries have suffered great losses on export revenues due to lack of technical capacity (human and capital) that can make sure that the required standards by developed countries for most of the products particularly agro-processed products are met and resources to conform to the numerous standards which have increased in recent years.²⁶³ The TBT measures or standards have become increasingly difficult and are always set with little involvement of African countries thereby imposing major constrain on the capacity of these countries' export products to meet the requirements.²⁶⁴

The developed countries may take advantage of the fact that these measures are flexible by always introducing higher and stricter technical standards and SPS measures which are more than those recognised by the appropriate international standard-setting organisations, on the basis of safety of life and health of plants, animal and people.²⁶⁵ These measures are great issues to

²⁶²World Bank 'Agriculture in Tanzania since 1986: Follower or Leader or growth?' (2000) 6

²⁶³Gayi SK & Robson CM (2009) 17.

²⁶⁴Nyangito HO (2004) 9

²⁶⁵However, the SPS agreement is flexible because countries are allowed to develop and adopt their own measures as long as they provide sufficient scientific-based proof of their measures. This means that it is possible for a country to develop more stringent measures than those recommended by the international standards setting bodies as long as they are scientifically justified by means of risk assessment.

African countries as they are gradually becoming main barriers to market access in developed countries.

‘For example, in Europe buyers (consumers) would like to know the status of production environment, use of child labour and human living conditions for products sold in their markets. These conditions create barriers for products from Sub Saharan Africa and other developing countries, which cannot be justified on scientific grounds’.²⁶⁶

These compliance costs involve tend to discourage exports from small-scale firms, which constitute the majority of African export producers.

Developed countries also use safeguard²⁶⁷ and anti-dumping²⁶⁸ measures to protect their domestic markets. They use these measures in other to protect important domestic products or because they feel that imports are dumped into that markets. These measures give developed countries the chance to create barriers to products from developing countries.²⁶⁹

4.2.4 The issue of tariffs on agricultural products

²⁶⁶Nyangito (2004) 9.

²⁶⁷ Article XIX of GATT 1994 sets forth the rules for application of safeguard measures. In the WTO system safeguard measures are defined as ‘emergency’ actions with respect to increased imports of particular products, where such imports have caused or threaten to cause serious injury to the importing member's domestic industry (Article 2). Safeguards measures are commonly regarded as economic development and trade procedures mostly used to oppose negative practices such as dumping and subsidies. According to WTO if a member restricts imports for safeguard purposes from one country it would have to restrict imports from all other countries.

²⁶⁸ See footnote 41 on 2.1.1 above

²⁶⁹Henson S & Loader R (2001) 90-91.

Non-Tariff Barriers (NTBs)²⁷⁰ is also one of the international factors that hinder most SSA countries including Ghana, Cameroon and Burkina Faso in exporting their products to the world markets. The NTBs were changed at the URAA of the WTO. Here, a number of changes were agreed which are currently important in the global trade of agricultural and food products. At the URAA many Non-Tariff Measures (NTMs)²⁷¹ were replaced with more transparent tariffs the process known as tariffication with the signing of the SPS agreement, and the TBT, allowing countries to set their own measures to prevent the entry of food and plant risks. Although countries are allowed to set their own measures they are recommended to adopt measures developed by the international standards bodies.²⁷² The SPS agreement offers integrated procedure to control the disingenuous use of these measures as an instrument of disguised protection.

One of the main aims of the URAA was to convert agricultural protection such as tariffs and to limit the increase of tariffs through tariffs bindings²⁷³. This was done with the use of the tariffication process which was meant to convert non-tariff barriers to tariffs by providing opportunities for many countries especially the developed countries to relapse, hence decreasing

²⁷⁰ Non-Tariff Barriers (NTBs) refer to restrictions that result from prohibitions, conditions, or specific market requirements that make importation or exportation of products difficult and/or costly. NTBs also include unjustified and/or unsuitable application of Non-Tariff Measures (NTMs) such as sanitary and phytosanitary (SPS) measures and other technical barriers to Trade (TBT).

²⁷¹ Non-Tariff Measures (NTMs) can take many different forms – quotas, taxes, subsidies, technical regulations etc. In 'core NTM' (defined as including price control measures, quantitative restrictions, monopolistic measures, antidumping and countervailing measures and technical regulations) or agricultural domestic support. Non-tariff measures (NTMs) are commonly defined as policy measures other than normal customs tariffs that can possibly have an economic effect on international trade in goods, changing quantities traded, or prices or both. NTMs may include any policy measures other than tariffs that can influence trade flows.

²⁷² See footnote 241 on 4.2.2

²⁷³ A tariff binding is a commitment by the WTO members not to increase a duty rate beyond an agreed level. It was agreed that, when a member country opens their markets through the removal of barriers to trade they bind their commitments.

the effectiveness of the agreed disciplines.²⁷⁴ In both rich and poor countries agricultural import tariffs are very high with bound rates as high as NTMs applied rates.

The issue of tariffication has been one of the key issues discussed at the negotiations in the AoA, it was agreed that developing countries have to eliminate non-tariff control measures on agricultural products and convert non-tariffs to tariffs. With these negotiations therefore developing countries are obliged to gradually reduce these tariffs; meanwhile LDCs are exempted from this requirement.²⁷⁵ In many developing countries this has endangered the viability of small farms that are unable to compete with cheaper imports. Many millions of small Third World farmers could be affected.²⁷⁶ The process has also increased uncertainties of greater food insecurity, in that the developing countries will become less self-sufficient in food. For many, food imports may not be an option due to shortage of foreign exchange.

Despite the negotiations reached at in the AoA, tariffs on export goods are still a major challenge to the exportation of Ghana, Cameroon and Burkina Faso's agricultural products. The tariffs place on imports and other price-based border measures imposed by the OECD countries on agricultural goods have restricted market access for these countries agricultural products.²⁷⁷ The removal or reduction of tariffs on goods from the developed countries will reduce the prices of agricultural products on foreign markets hence making them competitive.

²⁷⁴Anderson K & Martin W (2006) 6.

²⁷⁵ Khor M (2002) 12.

²⁷⁶ Khor M (2002) 12.

²⁷⁷Kandiero T & Randa J (2004) 16.

At the negotiation of AoA the operation of the ‘special safeguard’ provision was also addressed. Here countries that had been using NTMs or quantitative limits on imports were forced to eliminate them and convert them into equivalent tariffs. All these countries were given special safeguard provision,²⁷⁸ which allowed them to protect their farmers when imports rise above some particular limits or prices fall below some particular levels.²⁷⁹ This has evidently been unfair for Ghana, Cameroon and Burkina Faso and other LDCs because this special facility was not given to them as they did not undertake tariffication, so with few exceptions, did not have any NTMs and thus did not have to tariffy them. The result is that developed countries, which were engaging in trade-distorting methods, have been allowed to protect their farmers, whereas developing as well as LDCs, which were not engaging in such practices, cannot provide special protection to their farmers,²⁸⁰ thereby reducing their export market share.

Despite the tariffication process NTMs still have a great effect on international trade. NTMs are like two times trade restrictive as tariffs and contribute much more than tariffs to the general level of trade restrictiveness.²⁸¹ Other trade literature from Hoekman and Nicita also show that NTMs in agriculture seem to be more restrictive and widespread than in manufacturing sector and mostly higher in developing than in OECD countries. But they go further to say those tariffs remain important in developing countries’ economies.²⁸²

²⁷⁸A WTO member may take “safeguard” actions to restrict imports of a product temporarily (if its domestic industry is hurt or endangered with injury caused by a surge in imports. Here, the injury has to be serious. Safeguard measures were always available under GATT (Article 19).

²⁷⁹Khor M (2002) 3.

²⁸⁰Khor M (2002) 4.

²⁸¹World Trade Report (2012) 136.Trade and public policies: A closer look at non-tariff measures in the 21st century.

²⁸²Hoekman B & Alessandro N ‘Trade Policy, Trade Costs and Developing Country Trade’ 2008 141 *Policy Research Working Paper Series* 4797.

Although the tariffication measures put in place, the agricultural export products from Ghana, Cameroon and Burkina Faso to OECD countries face tariffs that surpass those from typical inter-OECD exports of all products. The above countries like other SSA countries are hurt the most because the industrialised countries usually apply higher level of agricultural protection to SSA exports than they do in other developing countries.²⁸³

Another challenge is seen where, regardless of most-favoured nation (MFN) status and in some cases preferential tariffs treatment granted to WTO members, of which Ghana, Cameroon and Burkina Faso are members, many products of trade interest to these countries continue to be subjected to tariffs in excess of 100 per cent in developed countries.²⁸⁴ These tariff peaks and rise have discrepancies on exports from these countries and other developing countries. It is said that if Quad countries could completely open their markets to developing countries on products subject to tariff peaks and quotas, countries from SSA like Ghana, Cameroon and Burkina Faso's agricultural exports will increase.²⁸⁵

Ghana Cameroon and Burkina Faso's agricultural exports are faced with restricted market access due to very high import tariff and other priced based border measures levied by OECD countries on their agricultural products.²⁸⁶ If the OECD countries reduce or remove the high tariffs on goods especially from SSA countries, it would reduce the agricultural prices on those foreign markets thereby making their agricultural products competitive.

²⁸³IMF (2002) 5.

²⁸⁴Hoekman B *et al* 'Tariff Peaks in the Quad and Least Developed Country Exports' 2001 *Seminar presented at the World Bank, Washington DC.*

²⁸⁵Kandiero T & Randa J (2004)13.

²⁸⁶Kandiero T & Randa J (2004) 16.

4.2.5 Real Exchange Rate

Real exchange rate and terms of trade are seen as one of the most important elements when it comes to determining incentives to agriculture. In the late 1980s and 1990s during the economic reforms, the exchange rate policy implemented significantly depreciated most African currencies thus greatly reducing the parallel market exchange percentages.²⁸⁷ The prospective gains from exchange rate management and terms of trade have been offset due to other factors like agricultural productivity, infrastructure, access to market information just to name a few, although the terms of trade and exchange rate policy in SSA have been favourable in terms of increasing incentives to farmers to produce more exports.²⁸⁸

The nature of the real exchange rate management that countries use will either result to overvaluation or depreciation of exchange rate. When an exchange rate is undervalued it protects internal firms from imports and gives domestic firms greater spurs to export, this can be seen as equivalent to further protection from imports through tariffs, and can equally be compared to an export subsidy.²⁸⁹ This greatly determines the competitiveness of countries products in the international markets. Most African countries in the past witnessed overvaluation of the real exchange rate due to the real exchange rate management they use which led to gross distortion, thereby making their agricultural products less competitive.²⁹⁰

²⁸⁷Schiff M & Valde A (1992) 10.

²⁸⁸Kandiero T & Randa J (2004) 10.

²⁸⁹Drabek Z & Brada J 'Exchange Rate Regimes and the Stability of Trade Policy in Transition Economies' (1998) 3. *Staff working paper ERAD-98-07 WTO Economic Research and Analysis.*

²⁹⁰Kandiero T & Randa J (2004) 15.

An overvalued exchange rate greatly hurts the economy and growth of a country due to the fact that most of the costs of production are paid in local currency; this reduces the exporters' incentives and ability to compete in foreign markets, thereby obstructing foreign exchange receipts and reducing a country's ability to purchase imports.²⁹¹

4.3 CONCLUSION

As discussed above, it can be said that the distortion at the international level is a major hindrance to African exports. Agricultural exports from SSA is seen to be very sensitive to policies in foreign markets such as; tariff rates, farm subsidies, SPS standards, technical barriers and exchange rate. If developed countries could reduce some of these tariffs and subsidies and soften the measures there would be a great increase in the SSA agricultural export share.

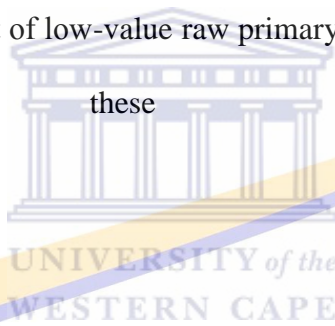
Besides the factors mentioned above, other challenges such as; inadequacy and inefficiencies in the major infrastructure sectors like telecommunication, financial services often add more costs than foreign trade barriers to export agricultural products to developed countries.

For Ghana, Cameroon and Burkina Faso to increase their export shares in the world markets, developed countries would need to apply the scheme proposed in the 2002 G8²⁹² by gradually reducing their level of subsidies and high tariffs which will give these countries more access to their markets.

²⁹¹Kandiero T & Randa J (2004) 15.

²⁹²At the 2002 G8 meeting in Canada, Prime Minister Jean Chretien of Canada was quoted as saying that the biggest favor that rich countries could do for Africa would be to lower the subsidies, as well as import quotas and tariffs.

Although the above factors and other market management factors may be the cause of poor performance for SSA countries in exporting their agricultural products in the world markets, there is an indication that trade policies from OECD countries in particular have had the effect of crowding-out exports from African countries even in products for which they are low cost producers. The severe decline in the world prices of most SSA commodity exports and reduction in their market share of these primary commodities is largely due to domestic support and export subsidies in the OECD countries. SSA's processed agricultural and food products have been prohibited from entering world markets because the OECD countries use certain SPS measures. The region's reliance on the export of low-value raw primary commodities is made worse by the use of these SPS measure.



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CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

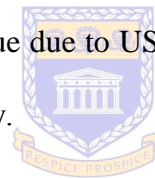
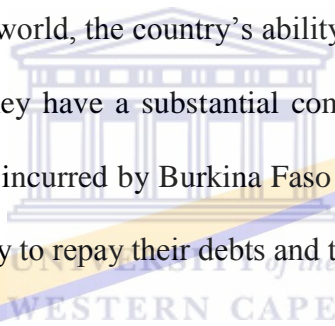
Agriculture became one of the greatest concerns of the WTO rounds/ negotiations in the UR of 1984. At the UR, there was a comprehensive negotiations with the aim of significantly improving market access, reducing of, with a view to phasing out, all forms of export subsidies; and considerably reducing trade-distorting domestic support as a means of creating fair and market oriented trading scheme and correct and prevent restrictions and distortions in world agricultural markets.

Most of the trade reforms put in place were focused on reducing trade-distorting subsidies and greater market access in developed countries. Also developing countries were asked to open their markets by lowering tariff barriers. The WTO negotiations of the DDA were concentrated on the need for developed countries to reduce trade-distorting domestic subsidies, eliminate subsidized export competition, open markets by reducing tariffs and increasing import quotas. African exporters will greatly benefit if distortions are reduced by agricultural products which are greatly protected by OECD countries.

The reform efforts of the 1980s and late 1990s have generated a positive response in agricultural sectors of Ghana, Cameroon and Burkina Faso. Despite the progress that has been made, however the results of agricultural market reform have generally not met expectations and much remains to be done.

Here lies the difficulty for African countries and for a unitary African position. It is well understood that world market distortions caused by agricultural subsidies in developed countries denies Ghana, Cameroon, and Burkina Faso's agriculture its rightful place in the agricultural trade arena.

The imbalances of the agricultural trade policies from the various rounds in the cotton sector are glaring in the plight of West African producers in the 'cotton 4'²⁹³ countries of Benin, Burkina Faso, Chad and Mali. Even though these countries especially Burkina Faso is given aid from US, the gains are dominated by losses in cotton trade due to trade policies. Given that Burkina Faso is one of the poorest countries in the world, the country's ability to compete in a world market with a product like cotton for which they have a substantial comparative advantage is essential for their economic growth. The losses incurred by Burkina Faso in export revenue due to US cotton subsidies affect the country's ability to repay their debts and to reduce poverty.



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As discussed in the previous chapters above, Ghana's cocoa sector faces a number of challenges such as low productivity levels, which are lower than its leading competitors such as ; Cote d'Ivoire and Indonesia. The environmental effects of current farming practices in Ghana are also a constrain for further production expansion. Ghana as well as other West African countries producing cocoa has faced unstable world markets for cocoa for decades

²⁹³ the four major cotton producing countries in the African continent; Benin, Burkina Faso, Chad and Mail

Feeble worldwide demand for traditional export commodities, particularly for coffee, is one of the reasons for the poor performance of Cameroon's agricultural exports. The decline in coffee production efficiency in Cameroon is one major reason for its loss of market share. However, coffee from Cameroon as well as from other African countries has to compete with Asian and Latin American coffee for opportunities in these markets. There is a slow demand for green coffee which is mostly produced by Cameroon in the world market as compared to roast coffee. There also remains a great potential for expanding the market for roast coffee. World export of roast coffee has been growing in terms of both volume and value. Since world prices for roast coffee are about twice those for green coffee, Cameroon as well as other African countries would be better off exploring market opportunities for roast coffee and increasing roast coffee exports. However, the potential depends mainly on how competitively African countries can roast their green coffee maintaining high quality compared with other countries that export roast coffee.

The purpose of this entire research was to examine or analyse the effects of the WTO international trade reforms on the agricultural exports mostly on primary products (cash crops), like; cocoa, coffee and cotton, for Ghana, Cameroon, and Burkina Faso and other SSA countries at large. These cash crops are a major source of export revenue for a large number of SSA countries and the livelihood basis for millions of rural households who grow those crops.

In order to come up with the conclusion that the world market distortions caused by agricultural subsidies in developed countries denies Ghana, Cameroon, and Burkina Faso's agriculture its rightful place in the agricultural trade arena, the research was divided into parts. The first part of

this research which is chapter two²⁹⁴ was devoted in looking at the various trade reforms/negotiations that were put in place in the WTO such as: the UR, AoA, DDA, and the unfairness of the negotiations to the LDCs. Chapter three²⁹⁵ examined the challenges faced by Ghana, Cameroon and Burkina Faso in exporting their agricultural products to developed countries despite their participation in the international trade agreements on agriculture, focusing mostly on domestic and international challenges. At the domestic level, the production of cocoa, coffee and cotton for Ghana, Cameroon and Burkina Faso were discussed as the main export crops and factors such as: poor or inadequate trade infrastructure (logistics and transportation system), poor micro/macroeconomic policies, limited access to market information, low level of agricultural productivity i.e. access to inputs (such as fertilizers, credit, improved seeds to boost production), lack of credit facilities and lack of technology to transform traditional agriculture were discussed. At the international level²⁹⁶ factors such as: subsidies used by developed countries, issues of sanitary and phytosanitary agreement to trade, technical Barriers to trade, non-tariff barriers (tariffication), and real exchange rate were also seen as challenges faced by Ghana , Cameroon and Burkina Faso in exporting their crops to international markets of developed countries.

From the above analysis the research has also come up with some findings which are explained below.

5.2 FINDINGS

²⁹⁴ See 2.1.1, 2.1.2,2.1.3,2.1.4 and 2.1.5

²⁹⁵ See 3.3

²⁹⁶ See 4.2

It has been seen that smallholder farmers from Ghana, Cameroon and Burkina Faso compete with subsidised products which are dumped into their markets. The OECD policies allow their producers to dump goods into international markets by depressing prices in the range of 5-20 per cent. Due to subsidies given to farmers in developed countries, the surpluses of their produce are dumped in the world markets at less than the production cost. This makes farmers in Ghana, Cameroon, and Burkina Faso as well as other SSA countries to lose export opportunities and revenues because their market access is blocked. They also lose their market share in their domestic markets due to inflow of imports that are subsidised.

It is also clear that AoA has been unfair and imbalanced, especially to LDCs because developed countries have been able to increase their subsidies and maintain high protection which has made SSA countries to be unable to compete with the subsidised products of their trading partners; meanwhile they have liberalised their imports to the disadvantage of the local farmers. Moreover, the agricultural trade reforms that were supposed to decrease domestic support in agriculture have instead increased; and, export subsidies are still high in OECD countries.

Also lack of good roads, ports, telecommunications, and marketing infrastructure amongst others has been seen as impeding the Ghana, Cameroon and Burkina's ability to participate in and benefit from international trade.

As discussed in chapter 2 under the AoA,²⁹⁷ the market access conditions issues identified for SSA countries at large and Ghana, Cameroon and Burkina Faso in particular in the exportation of their agricultural products make it obvious that the performance of the agricultural sector of these countries is greatly affected.

The agricultural trade reforms that were put in place in the WTO rounds, (UR, AoA, and DDA) brought progress in some areas and mixed results in others. Farmers from SSA countries saw these agricultural trade reforms as the elimination of the inputs and credit subsidies given to them by their government which brought a great loss to these farmers thereby making their yields stagnant or reduced.

Moreover private investors will invest more when markets are freed up; this is because with free markets they see greater opportunities, less uncertainty and fewer barriers that may restrict their business. This investment will bring intellectual capital, technology and social infrastructure in a positive way. Also financial service sectors are strengthened by open trade which will help mobilise resources for domestic and foreign direct investment.

Considering the fact that tariffs have an imbalanced negative effect on the rural poor, agricultural trade reforms in developing countries will improve the conditions of the poor through tariff reductions which will have a great impact on the farmers. The effects of tariff on LDCs are more harmful than the effects of subsidies. This is further confirmed by a study carried out by IMF which shows that if subsidies are completely wiped out without a balance in the elimination of

²⁹⁷ See 2.1.3 (2.1.3.1, 2.1.3.2, 2.1.3.3)

tariff developing exporters such as Brazil, Argentina and others will benefit meanwhile those (exporters) of LDCs will be harmed, i.e. SSA would suffer a \$420 million loss. On the other hand eliminating all agricultural imports tariffs will produce a total gain of about \$91 billion and no countries will be harmed. This will boost the incomes of LDCs.

Although reducing subsidies will help, reducing OECD tariffs and border measures will generate more benefits than reducing OECD domestic subsidies.

It is also seen that even though market reforms were put in place there has been a reduction in the food respond in SSA caused by structural and institutional issues.

It has also been clear that non price factors had also had a great impact on aggregate agricultural output such as infrastructure (roads, irrigation schemes, telecommunication networks) unavailability of market services, lack of modern inputs and credit facilities in rural areas), lack of government support market research and development, lack of human capital and physical factors such as weather and soil quality.

Furthermore a number of agricultural trade reforms have affected fertiliser prices. Fertiliser subsidies were eliminated, there was a depreciation of the real exchange rate and liberalisation of fertiliser imports and distribution, and the fertiliser crop price ratio increased greatly in Ghana and Burkina Faso.

5.3 RECOMMENDATIONS

For Ghana , Cameroon and Burkina Faso to be able to realise more gains on the exportation of the various cash crops they should be able to sacrifice some of the S&D treatment they had earlier asked for and instead focus on additional unilateral trade, harmonise domestic reforms and invest more in trade facilitation.²⁹⁸

These countries also need to provide more resources to develop their agricultural sectors and also seek financial support from developed countries to increase their ability to meet up with the challenges faced in international trade such as SPS and TBT measures.

Furthermore, other measures implemented by developed countries such as: complex tariff structures, peaks and increase use of production and export subsidies which mostly hinder SSA to access export markets easily and which lead to unfair competition should be brought forward during the multilateral trade negotiations and ways of mitigation should be implemented.

SSA countries should strive for complete abolition of agricultural export and domestic subsidies still in use by developed and developing countries, this will bring agriculture in line with the basic GATT rule and will help to limit or eliminate dumping and the encouragement of government in agricultural production.

Technical Assistance Programs should be provided to farmers and exporters from LDCs in areas such as processing technologies, research and development, infrastructure and training in order to help meet up with the standards, implementation and compliance of the SPS and TBT

²⁹⁸ See chapter 2 the Bali Ministerial conference (Bali Package).

requirements adopted by developed markets. WTO should make sure that SPS and TBT measures are not excessively implemented to the level of risk and that the conditions do not exceed the SPS and TBT agreements.

Also governments and unions of Ghana, Cameroon and Burkina Faso should help their small producers and exporters to implement public and private standards notified by importing countries.

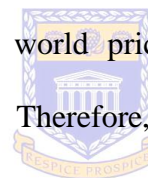
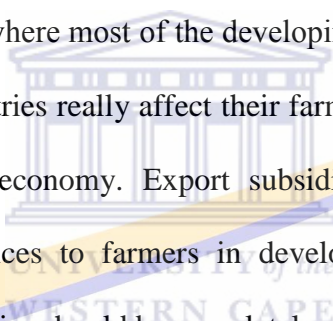
For Ghana, Cameroon and Burkina Faso to have a well-developed and well- functioning markets they will need more concentration effort to go beyond liberalisation. The states of these countries need to adopt a new supportive role as a market facilitator by strengthening investment in public goods such as infrastructure extension and public market information.

They also need to raise institution essential for the expansion of competitive and efficient markets by fully implementing all reforms. These states should come out with institutional solutions to provide their farmers with input credits which might be provided through some institutional innovations including contract farming credit associations, group lending and farmers organization.

They should also increase investment in infrastructure and institutions governing agriculture, increase productivity and efficient markets by investing in research extension access to market information and provide efficient transportation and communication networks.

In SSA support should be provided in cocoa, coffee and cotton sectors which are mostly affected by SPS and TBTs measures. Credit facilities and other economic resources should be made more available to poor farmers who are mostly affected by trade. The government should intervene to reorganise the agricultural sectors, implement anti-trust measures promoting local suppliers of goods and services. They should also bring out the reforms needed for the sustainable development of local industry, production and consumption. Measures should be implemented for local producers, which include strengthening their organisational and negotiating abilities and giving direct aid for production.

It should be noted that, in Africa, where most of the developing countries', export their products ,subsidies used by developed countries really affect their farmers by reducing the producer price and hence the national/regional economy. Export subsidies depress the world prices and eventually, lowering producer prices to farmers in developing countries. Therefore, export subsidies used by developed countries should be completely removed.



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Therefore, has the agricultural trade reforms brought more harm than good to the economy growth and the wellbeing of Ghana, Cameroon and Burkina Faso.

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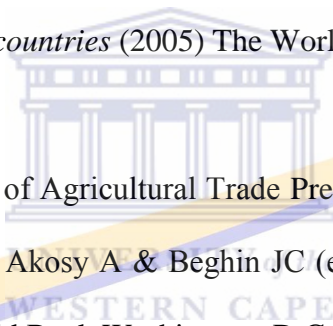
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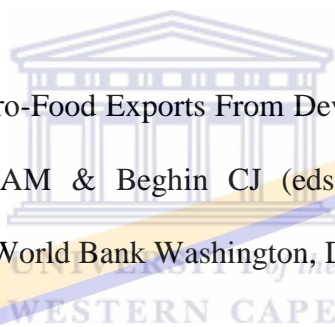
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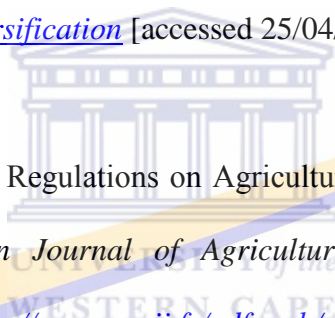
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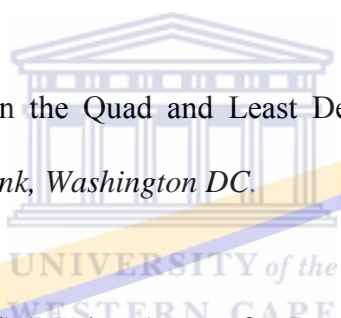
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