

African Business and the Agriculture and Cotton Negotiations

JITAP Workshop on Agriculture
Dakar, June 14th-17th, 2005

Presentation by Thomas Lines
Consultant to the International Trade Centre
13.00 - 14.30, Thursday, June 16th

Business-related sessions

- African Business and the Agriculture and Cotton Negotiations
- Business Implications of the Cotton Negotiations
- Business Implications of the Agriculture Negotiations

African Business and the Agriculture and Cotton Negotiations

- What businesses are affected by WTO?
- Major business issues for African agriculture
- Some agricultural products affected by WTO
- What elements of the negotiations apply to what?

Business Implications of the Cotton Negotiations

A case study of the cotton sector

Business Implications of the Agriculture Negotiations

An overview of business implications for the agriculture negotiations in key import and export sectors of the 16 countries represented here.

What businesses are affected?

- Commercial farms and plantations
- Traders - on domestic markets, exporters, importers
- Food retailers and markets
- Small traders and shopkeepers
- Coffee/tea houses, restaurants, bars...
- Food processors
- Processors of agricultural raw materials
 - including textile and clothing manufacturers

- And, of course, small farmers
 - as main producers of cotton and most other agricultural products

Major international business issues concerning African agriculture

- Integration of export supply chains
- Technical and quality requirements for foreign market access
- Growing domestic appearance of agricultural processing and trading TNCs
- Growing role of international supermarket chains in some countries
- European Partnership Agreement negotiations

- Current WTO talks have few direct implications for these

Some more major business issues...

- Secular decline in prices of cash crops
 - including most participant countries' leading exports
 - coffee, cocoa, cotton, tobacco, tea...
- Import penetration of domestic food markets (and neighbours' markets)
- Access to export markets

- WTO rules have an impact here
- Not just the AoA/cotton negotiations
 - e.g. Technical Barriers to Trade (TBT)
 - Sanitary & Phytosanitary Measures (SPS)
 - Intellectual Property Rights (TRIPs)
 - Services (GATS)
 - Subsidies & Countervailing Measures (SCM)
- And WTO disputes

- Very complex set of issues
 - Need to pick out the most important and work hard on them
 - in this case, key parts of the Agreement on Agriculture, and cotton

Types of WTO impact

- on export opportunities
 - there may be gains
 - e.g. lower tariffs and subsidies
 - there may be losses
 - e.g. erosion of preferences
- on import competition
 - e.g. export subsidies
- on agricultural prices
 - e.g. via higher or lower subsidies (Domestic Support)

Some agricultural products affected

- Exports to world markets, e.g.:
 - Cotton
 - Coffee
 - Cocoa
 - Tea
 - Tobacco
 - Groundnuts
 - Meat
 - Bananas

- Regional exports, e.g.:
 - Staple foods such as cassava and millet
 - Sugar

- Imported foodstuffs, e.g.:
 - Rice
 - Dairy products

What characterises the 16 countries represented here?

- All import more food than they export
 - either "low-income food-deficit countries" (FAO) or
 - "net food-importing developing countries" (WTO)
- This has to be paid for!
- 13 depend heavily on agriculture for export revenues
 - Benin, Mali, Burkina Faso: > 50% from cotton alone
 - Uganda: > 50% from coffee alone
 - Malawi: > 50% from tobacco alone
- Important to maintain *volumes* and *prices* of these products

What elements of the negotiations apply to what?

	Export opportunities	Import competition	Prices
Market access:			
• Reduction in other countries' tariffs	Should expand. But: • Tariff peaks • Tariff escalation • Preference erosion		
• Reduction in domestic tariffs		Likely to expand	Domestic prices could fall
• Sensitive products		impact could be reduced	
• Special products		import expansion delayed, food security protected	
• Special safeguard mechanism		Protection from import surges	

What elements of the negotiations apply to what?

	Export opportunities	Import competition	Prices
Domestic support Any reduction could reduce supplies on world markets	Should expand	Should reduce	Could increase
Export subsidies etc	Could expand	Should reduce	Should increase sometimes substantially
African cotton initiative	Should expand		Could increase substantially
African commodities initiative	Earnings should increase		Should improve over long term Compensation for commodity shocks