WTO Public Forum 2017

ROPPA-SEATINI Uganda-SOL

Addressing the imbalances in the WTO rules to promote local food systems in West and Eastern Africa in line with the Sustainable Development Goals (SDGs)

The need to change the WTO rules to promote local food markets in West Africa and East Africa (EAC)

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The objectives assigned to agriculture by the African Union's Heads of State

As agriculture employs more than 50% of the African population, and more than 60% in sub-Saharan Africa (SSA), the AU Heads of State have assigned agriculture in June 2014 to be the pillar of African development, through the Comprehensive Africa Agriculture Development Programme (CAADP), which is in line with the Sustainable Development Goal n°2.

The WTO was created to promote international trade as its rules were designed mainly between the US and EU which had agricultural surpluses to export but most SSA countries, especially of West Africa (WA) and East Africa (EAC), must first strengthen their local, national and regional food trade to become competitive enough before confronting world trade or even continental trade. Staying at the lowest level of the global value chains is not the path to follow.

The following slides show that the share of intra-RECs (Regional Economic Communities) trade (exports + imports) for all products was of only 11% of its world trade in 2016 for WA and of 14.4% for the EAC against 61.7% for the EU.

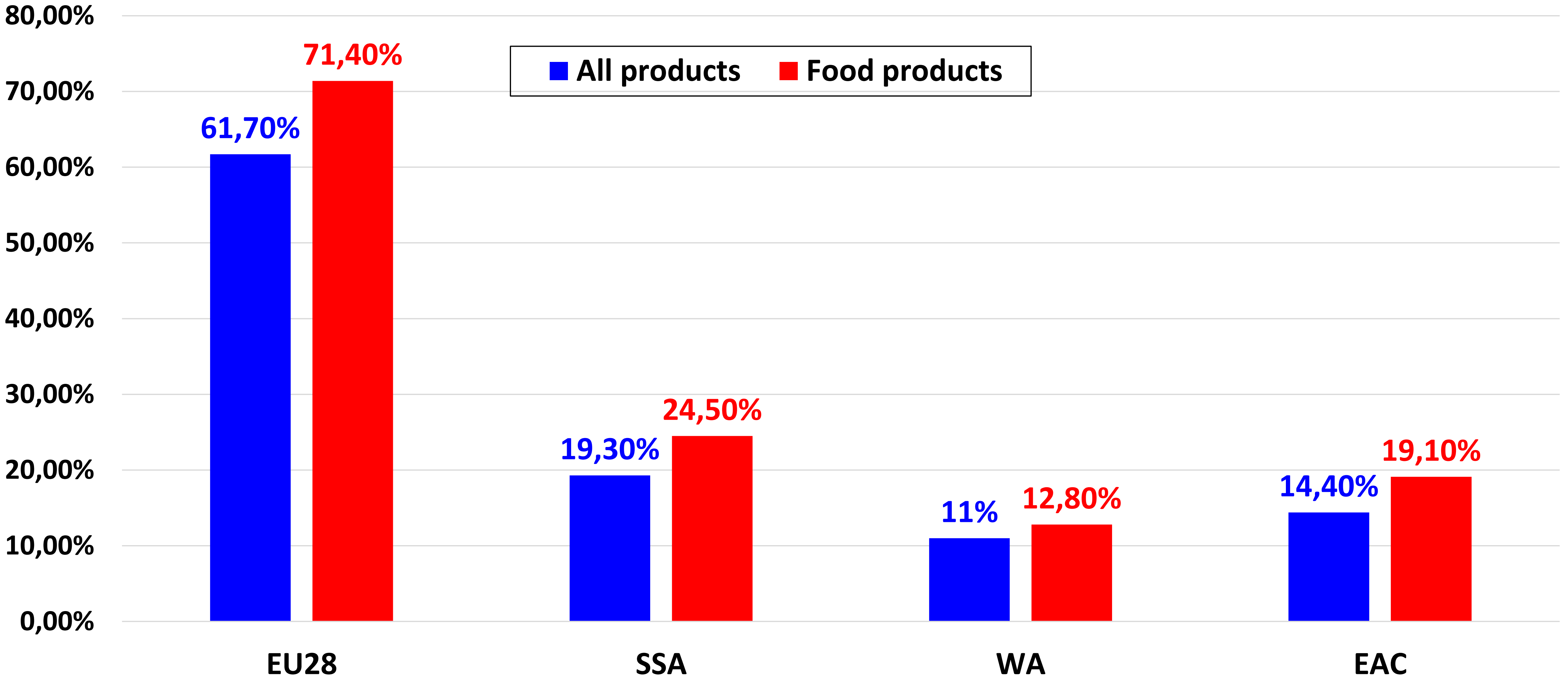
The objectives assigned to agriculture by the African Union's Heads of State

If it is estimated that only 23% of the food produced for human consumption in the world transits through the global market, the figure is much lower for SSA. Indeed the share of intra-RECs trade in food products was only of 12.6% of its world trade for WA, 19.1% for EAC against 71.4% for the EU28.

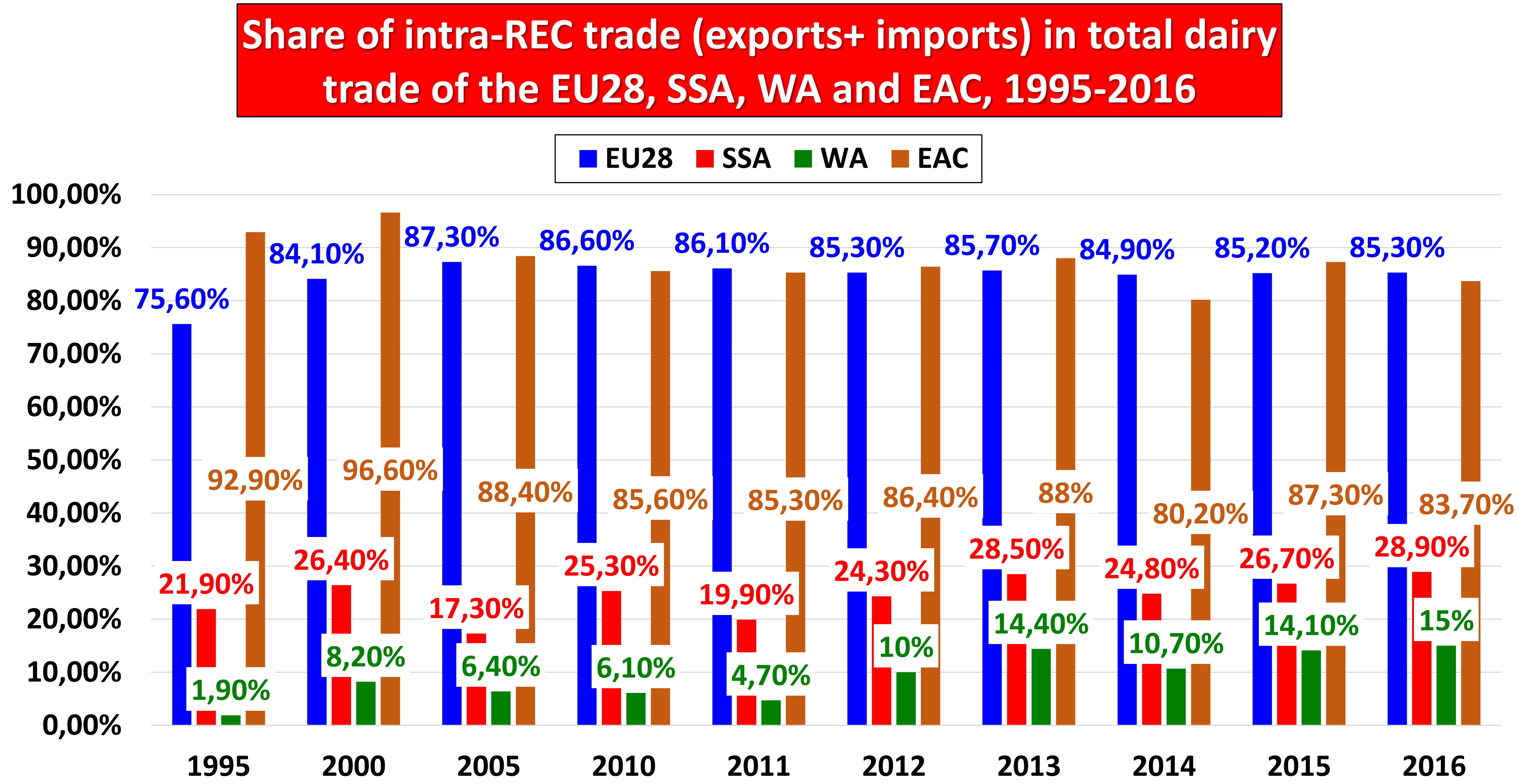
In SSA about 94% of per capita glucidic food consumed in 2016 – base diet of the poor – was produced by small farmers of which 80% of cereals – 129,7 kg against net imports of 35.2 kg (12.7 of rice, 21.7 of wheat and 0.8 of maize) – plus about 14% of roots (cassava, yam, taro, potatoe, sweet potatoe) and plantain, potatoe imports being only 2.4% of production. All this basic food was traded at the local level or at most at national level or REC's level.

For dairy there is a huge contrast between WA and EAC where the share of intra-REC trade was of 83.7% and about the same as in EU (85.1%) against 15% in WA. Because of EAC deterrent tariffs (60% on milk and concentrated milk).

Share of intra-REC trade in world trade of EU28, SSA, WA and EAC for all products and food products in 2016



Source: UNCTAD


Share of intra-REC trade (exports+ imports) in total dairy trade of the EU28, SSA, WA and EAC, 1995-2016
EU28
SSA
WA
EAC
100,00%
90,00%
80,00%
70,00%
60,00%
50,00%
40,00%
30,00%
20,00%
10,00%
0,00%
75,60%
84,10%
87,30%
86,60%
86,10%
85,30%
85,70%
84,90%
85,20%
85,30%
92,90%
96,60%
88,40%
85,60%
85,30%
86,40%
88%
80,20%
87,30%
83,70%
21,90%
26,40%
17,30%
25,30%
19,90%
24,30%
28,50%
24,80%
26,70%
28,90%
1,90%
8,20%
6,40%
6,10%
4,70%
10%
14,40%
10,70%
14,10%
15%
1995
2000
2005
2010
2011
2012
2013
2014
2015
2016

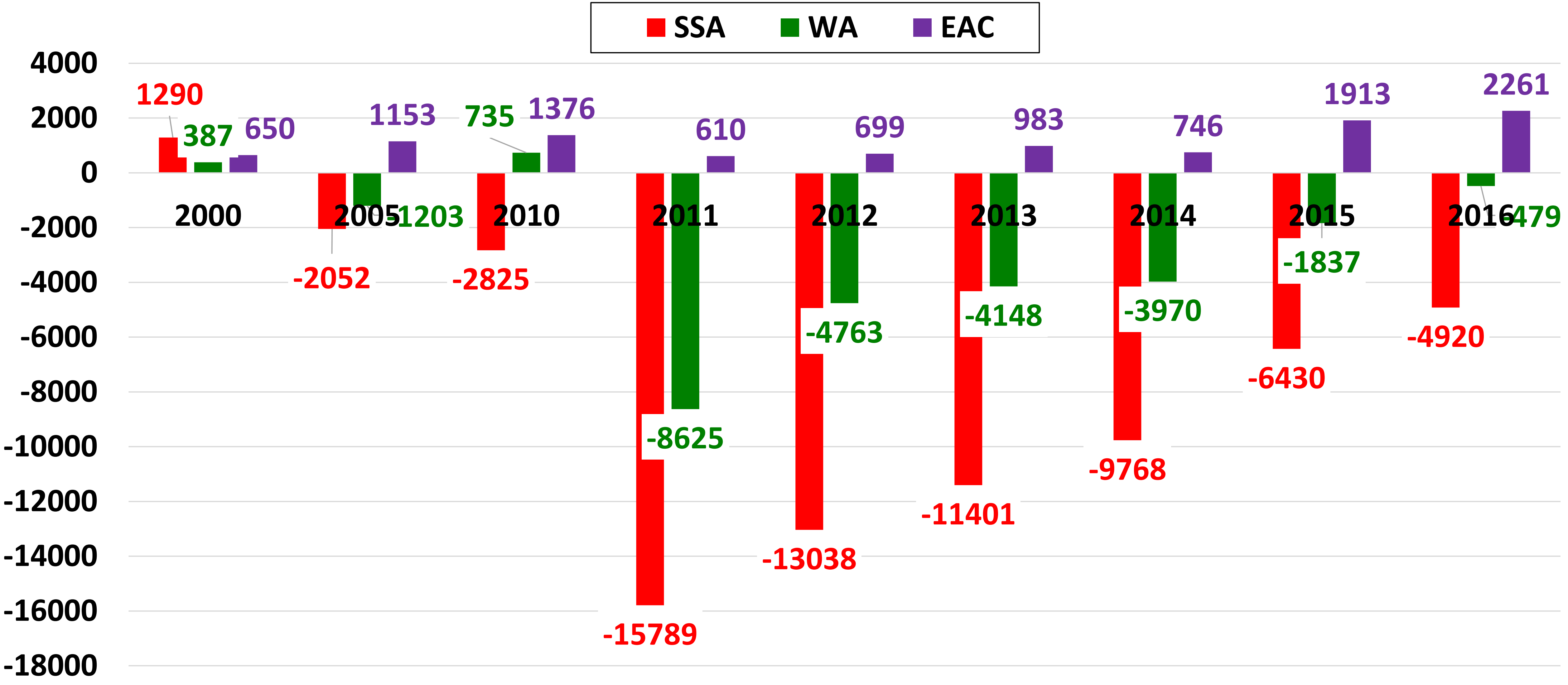
SSA food deficit is rising fast, especially without trade in cocoa, coffee, tea and spices which are not basic staples

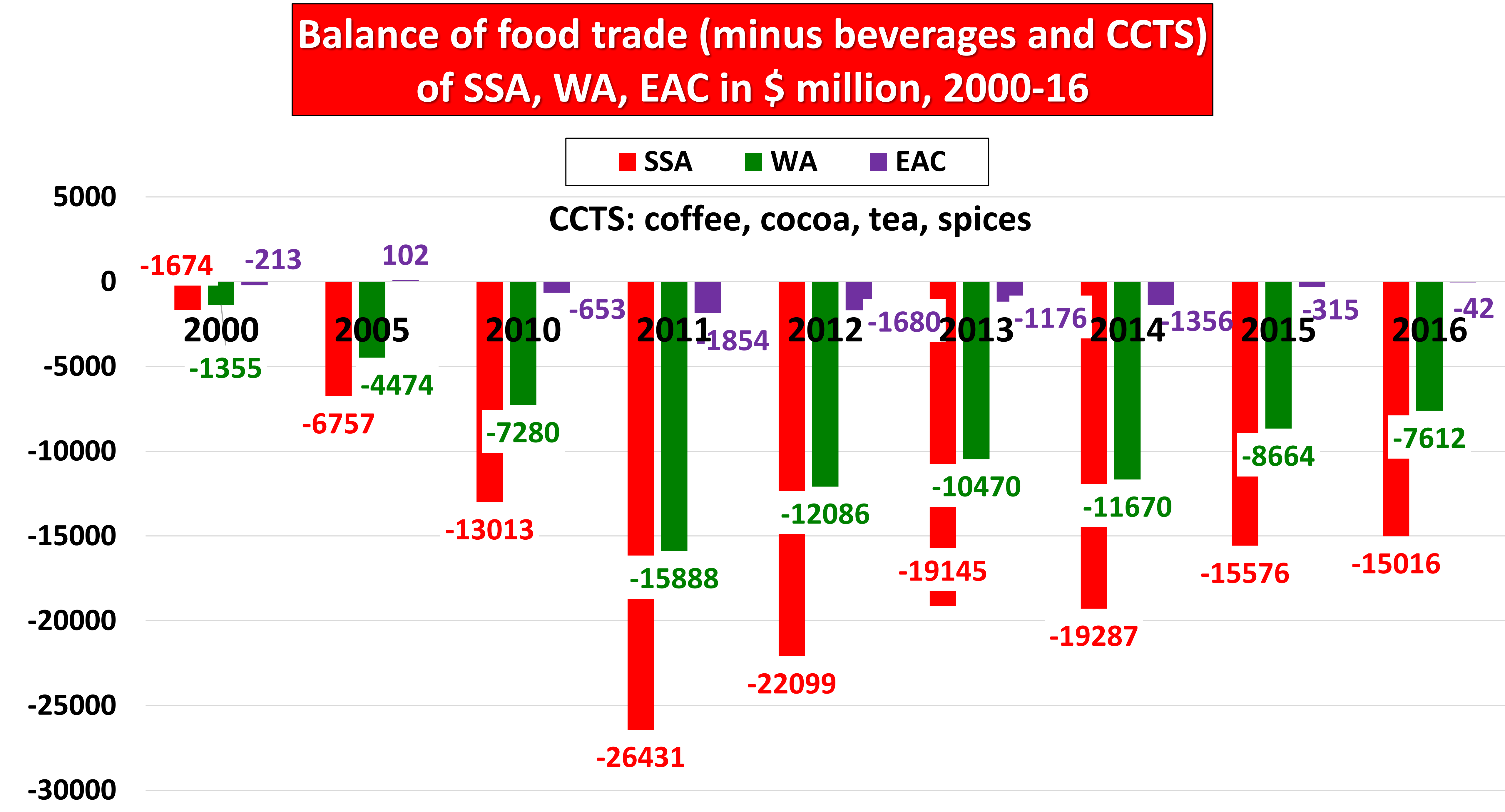
Nevertheless the following graphs show SSA and WA are facing a large food deficit even if it has decreased from 2011 owing to the lower prices of food imports – especially for cereals, dairy, sugar and meats – and the rise in the prices of exports of cocoa, coffee, tea and spices (CCTS).

The second graph shows that, without considering the trade in CCTS – which are not basic staples in SSA –, the food deficit would have been higher in 2016 by about $10 billion in SSA and by $7 billion in WA.

The EAC is a special case as it has maintained a food trade surplus from 2000 to 2016 and its deficit remains insignificant even without exports of CCTS as it has higher tariffs, especially on dairy and meats, than in SSA and WA.

Balance of food trade (minus beverages) of SSA, WA, EAC in $ million, 2000-16





Balance of food trade (minus beverages and CCTS) of SSA, WA, EAC in $ million, 2000-16
SSA
WA
EAC
CCTS: coffee, cocoa, tea, spices
5000
0
-5000
-10000
-15000
-20000
-25000
-30000
2000
2005
2010
2011
2012
2013
2014
2015
2016
-1674
-1355
-213
-6757
-4474
102
-13013
-7280
-653
-26431
-15888
-1854
-22099
-12086
-1680
-19145
-10470
-1176
-19287
-11670
-1356
-15576
-8664
-315
-15016
-7612
-42

At the same time the EU has a structural food deficit

The EU is boasting that its agri-trade reached its highest surplus in 2016: €17.2 bn

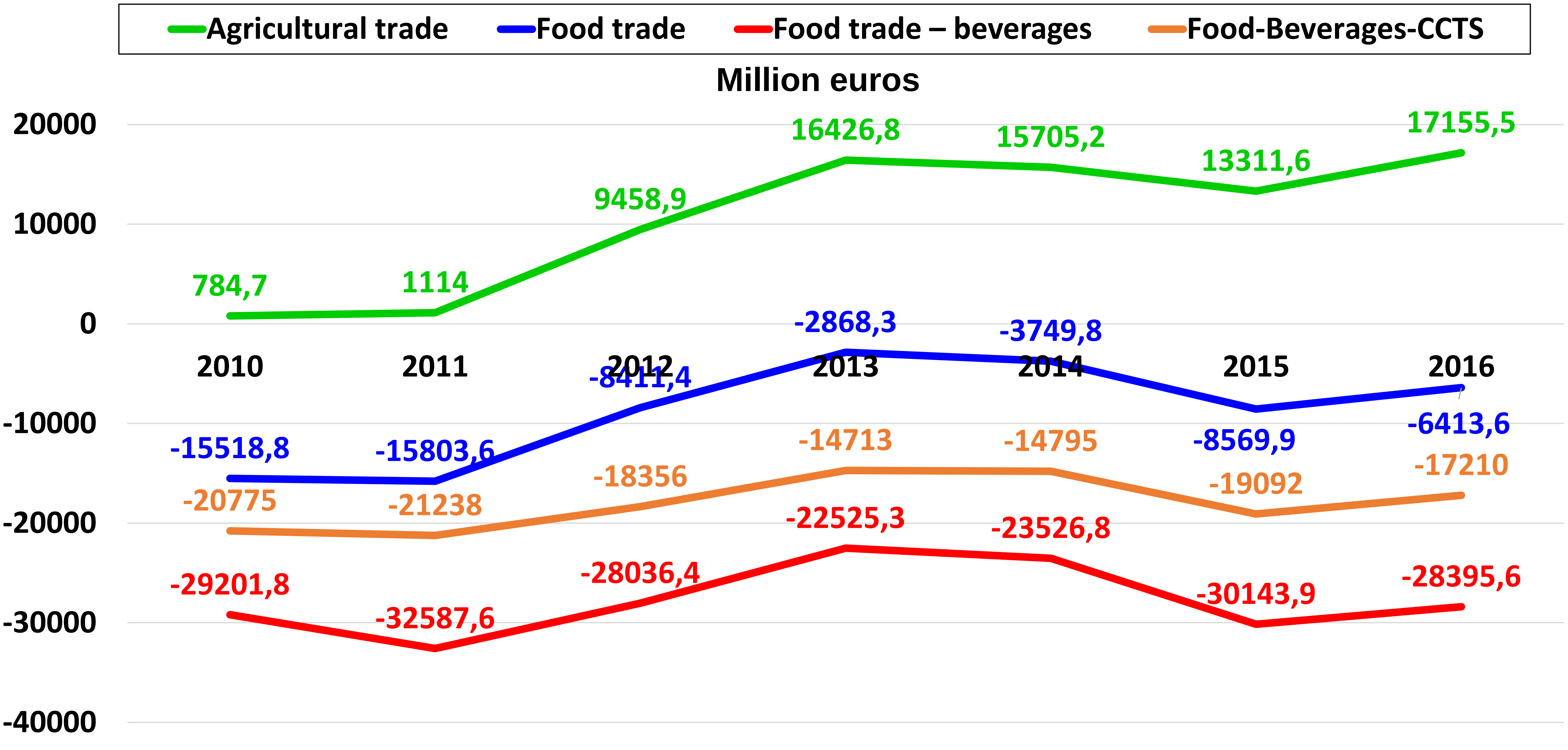
But its food trade has faced a structural deficit (€6.4 bn in 2016), because of fish

Without beverages – not basic food, but its major food surplus – EU food deficit was much larger, at €28.4 bn in 2016.

As the EU has a structural surplus with developed countries, its food deficit with DCs is even larger, at €22.6 bn in 2016 and at €28 bn without beverages

It is why the EU is struggling to open markets in DCs, through EPAs and FTAs

EU agricultural trade surplus but huge food trade deficit



But SSA food deficit is largely due to the highly subsidized imported food, especially from the EU, combined with low agricultural tariffs

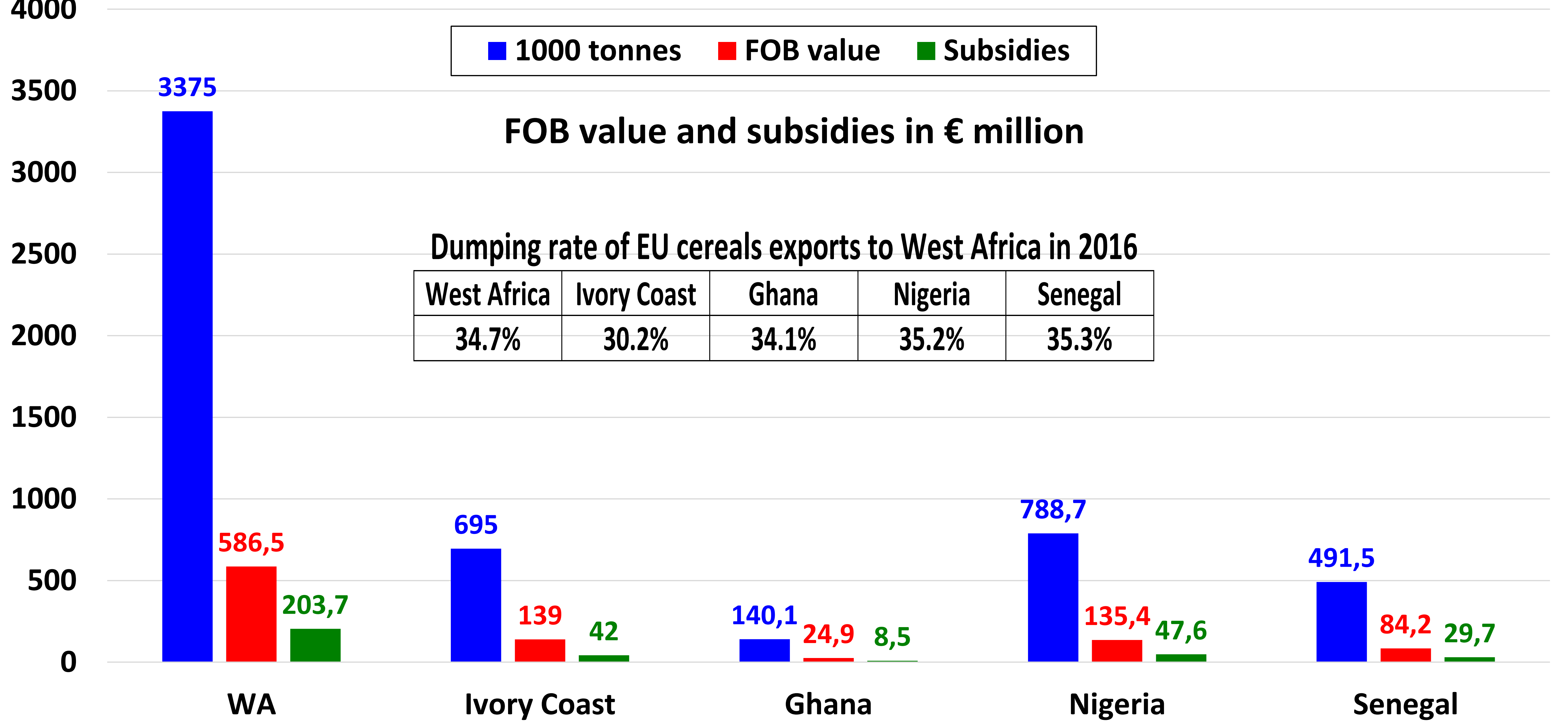
The EU28 subsidies to exports of cereals to WA were of € 214.6 M in 2016 for 3.375 M tonnes (Mt, of which 919,414 t in processed products)

Similarly, EU subsidies to exports of dairy products to the four RECs of WA, CEMAC, EAC and SADC were of € 216 M in 2016 for 3.220 Mt of milk equivalent, of which € 168.6 M to WA for 2.5 Mt of milk equivalent.

The EU28 subsidies to its exports of poultry meat and eggs to SADC in 2016 have reached € 41.4 M and those to cereals € 60.4 M

Furthermore the EU has refused to deal with domestic subsidies in the EPAs, claiming that this issue can only be debated at the WTO where it refuses to change the rules, claiming that, besides, its subsidies being decoupled from production and notified in the WTO green box, they have no dumping impact.

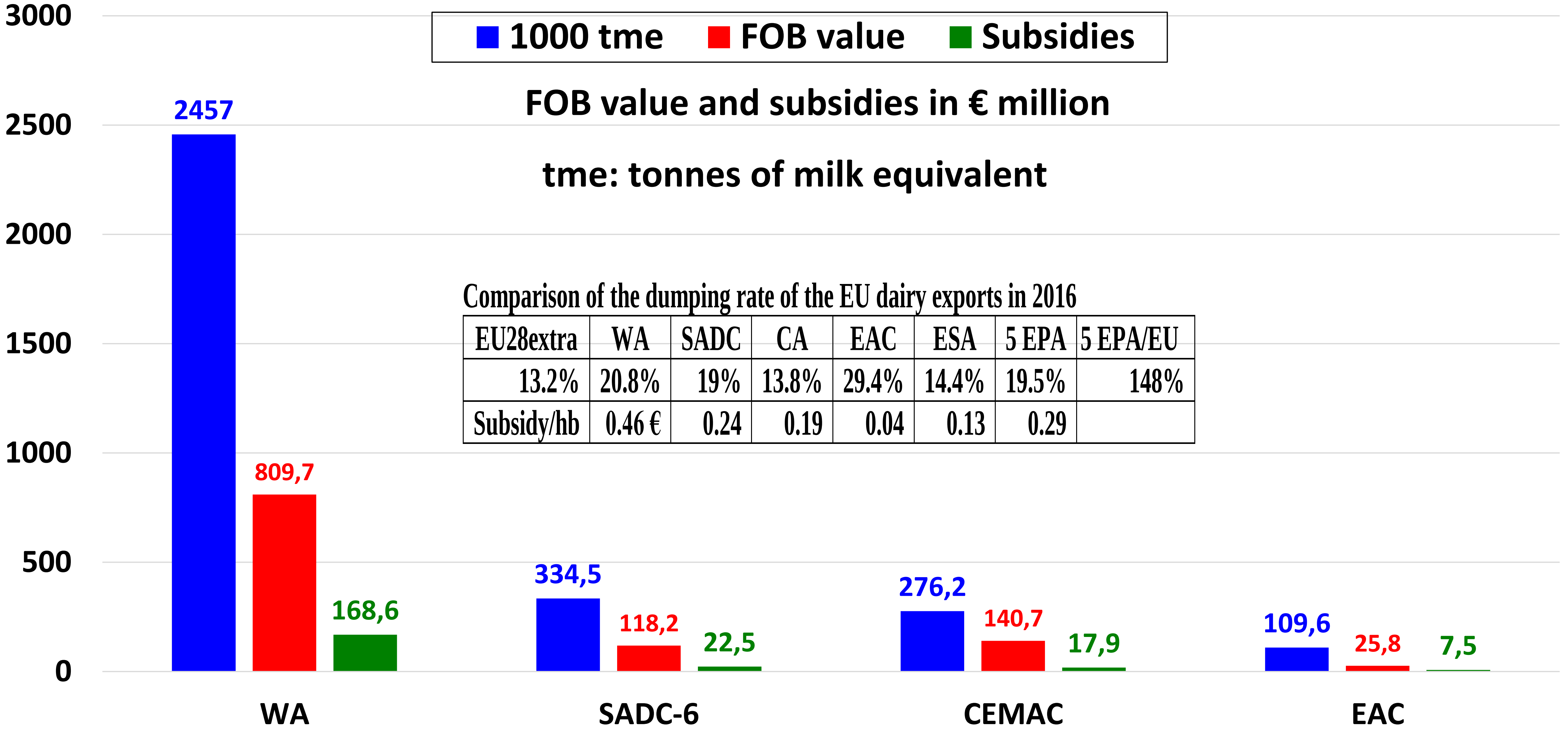
Dumping of EU cereals' exports to West Africa in 2016



Dumping rate of EU cereals exports to West Africa in 2016

West Africa	Ivory Coast	Ghana	Nigeria	Senegal
34.7%	30.2%	34.1%	35.2%	35.3%

Dumping of EU dairy exports to WA, SADC-6, CEMAC and EAC in 2016



Comparison of the dumping rate of the EU dairy exports in 2016

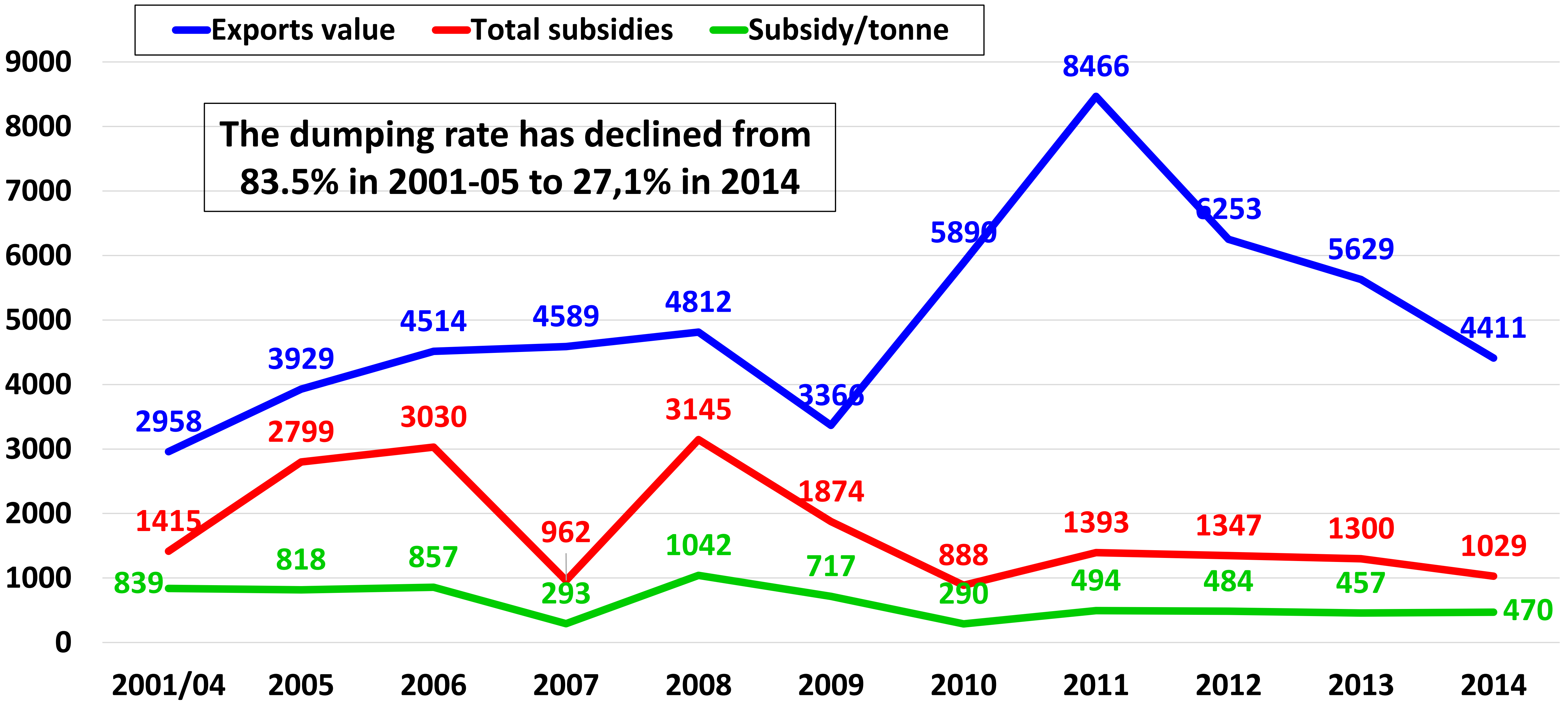
EU28extra	WA	SADC	CA	EAC	ESA	5 EPA	5 EPA/EU
13.2%	20.8%	19%	13.8%	29.4%	14.4%	19.5%	148%
Subsidy/hb	0.46 €	0.24	0.19	0.04	0.13	0.29	

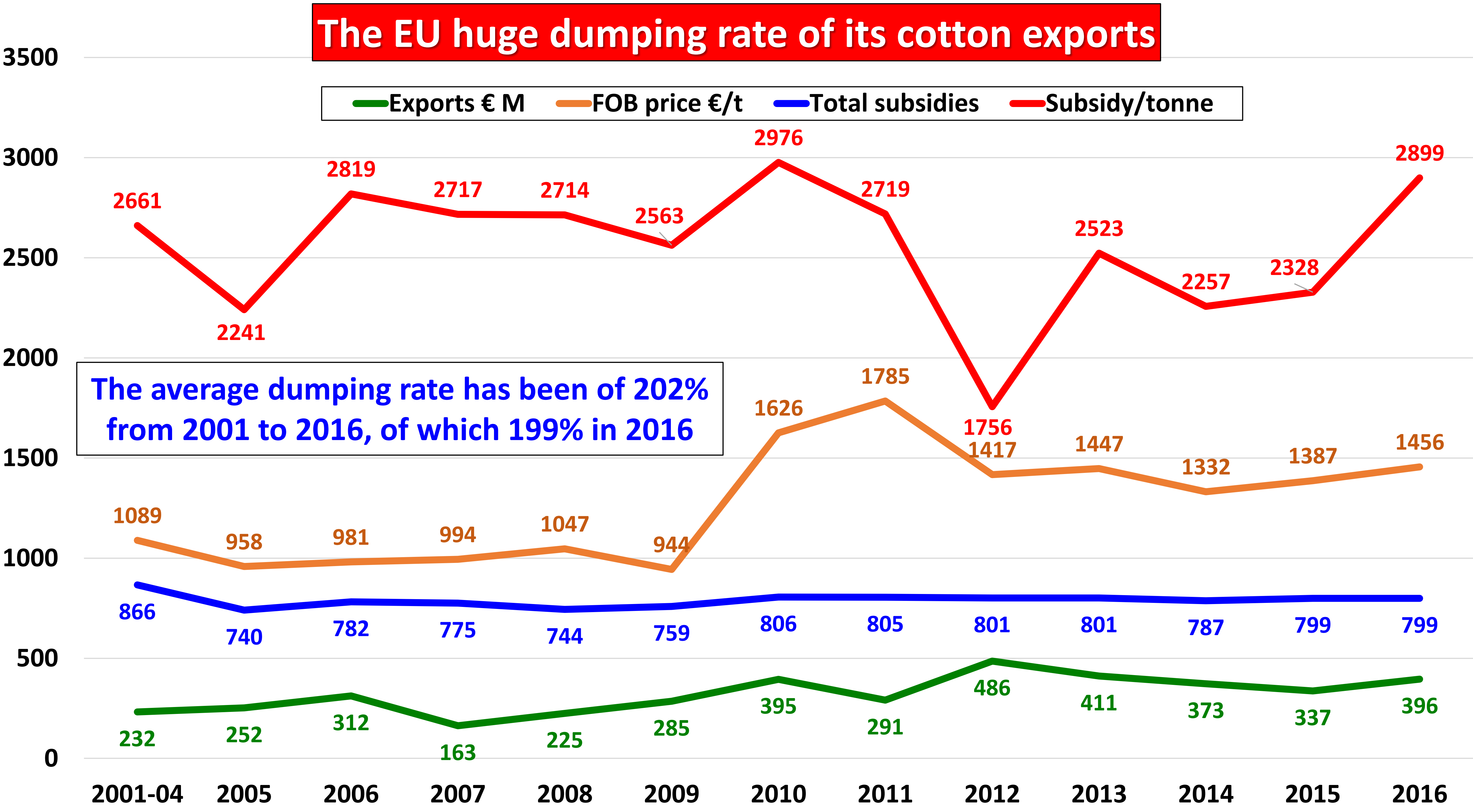
The huge US and EU cotton subsidies are killing African producers

What should be underlined, as almost unknown, is the huge dumping rate of the EU cotton. The EU has always played the role of the smart guy in the cotton debate as it did not impose tariffs on its imports nor use explicit export subsidies. But it does use huge domestic subsidies of which 2/3 have been hidden in the decoupled single farm payment (single base payment Since 2016) so that it notifies at the WTO only 1/3 of them in the blue box.

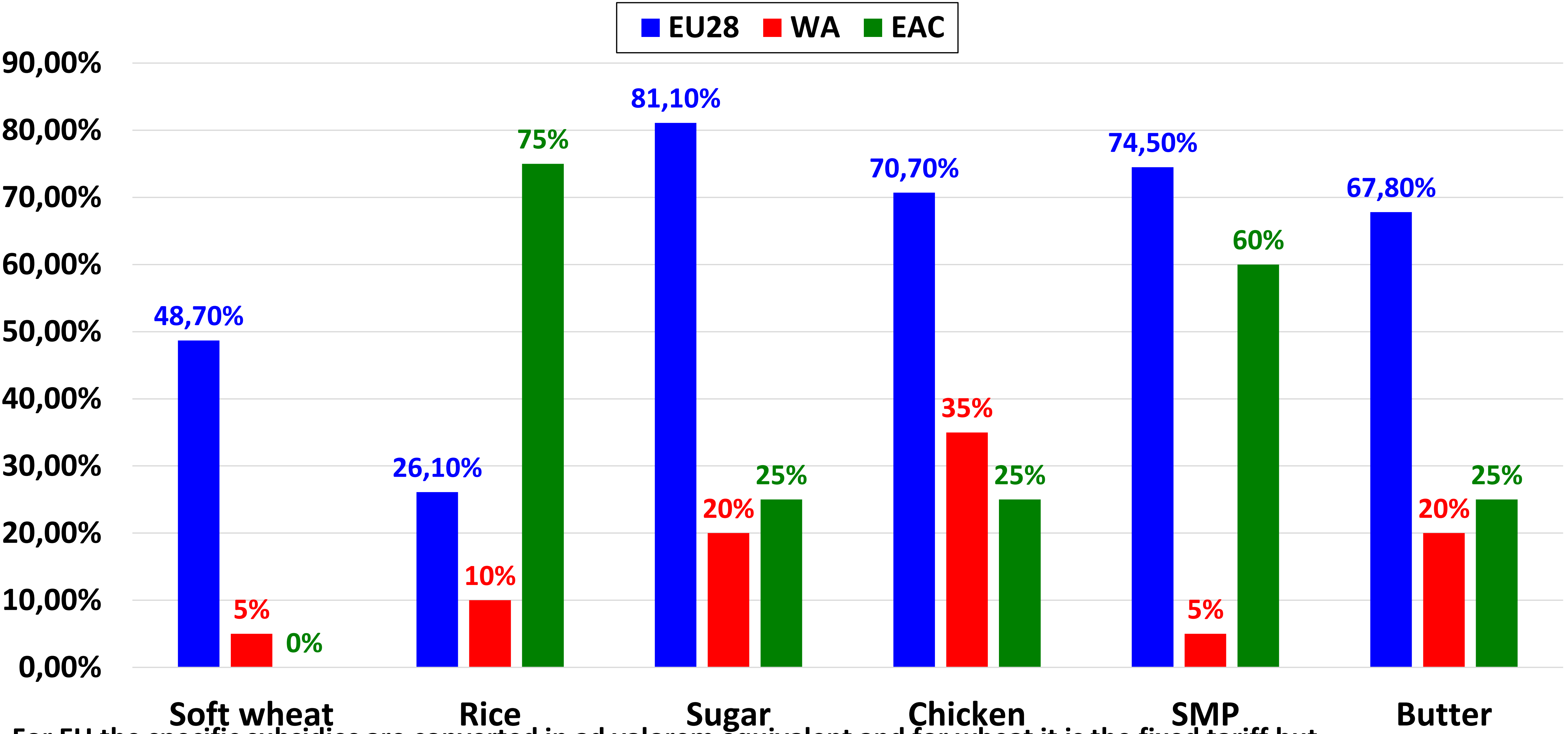
Indeed the EU average dumping rate has been of 202% from 2001 to 2016. And while the EU share of total US+EU production of cotton has been of 14.2% on average from 1995 to 2014, its share of their combined export subsidies has reached 42.7%, 3 times more (43.3% in 2014).

The US dumping of its cotton exports from 2001 to 2014

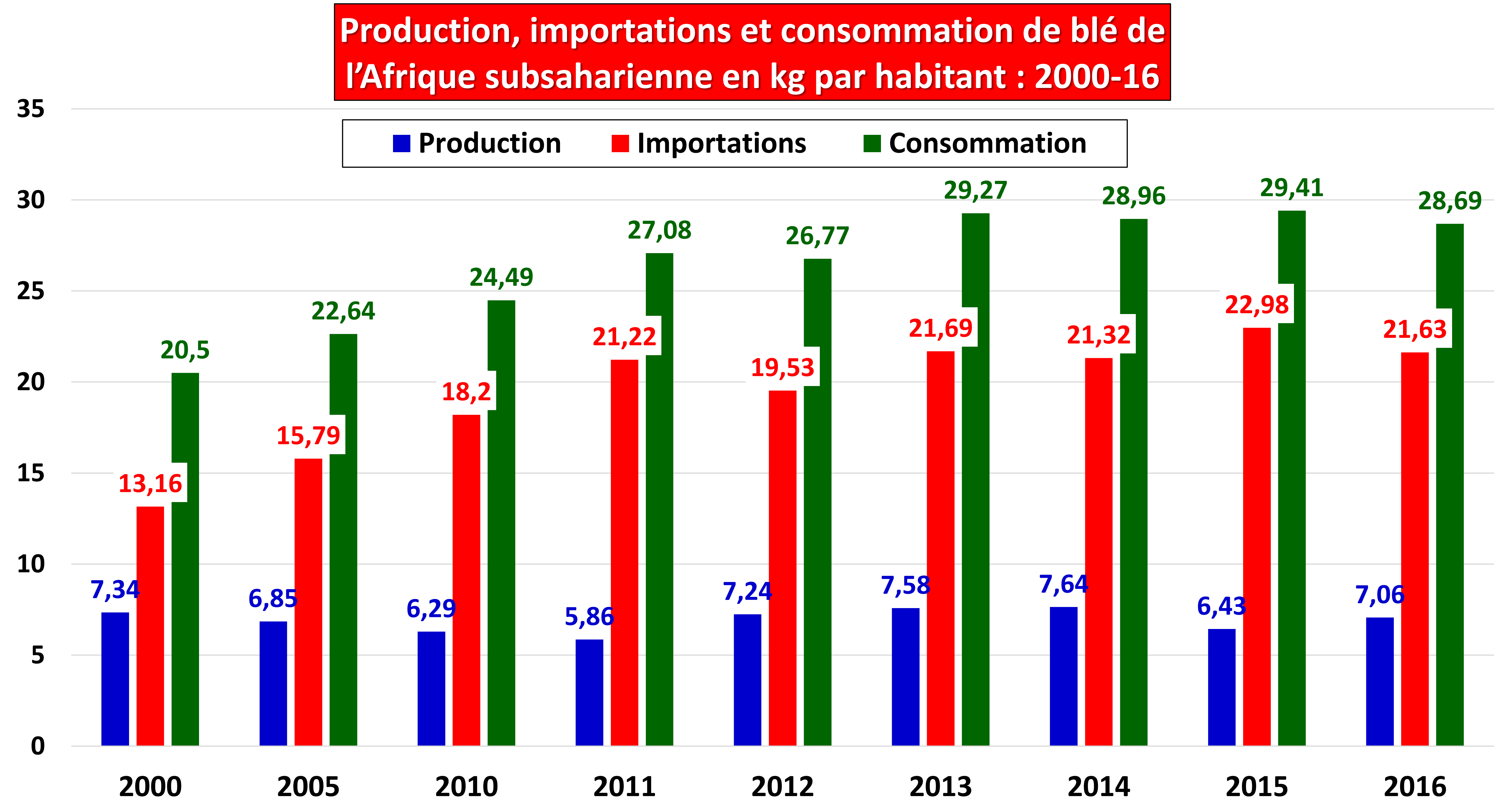



The EU huge dumping rate of its cotton exports
Exports € M
FOB price €/t
Total subsidies
Subsidy/tonne
The average dumping rate has been of 202% from 2001 to 2016, of which 199% in 2016
3500
3000
2500
2000
1500
1000
500
0
2661
2241
2819
2717
2714
2563
2976
2719
1756
2523
2257
2328
2899
1089
958
981
994
1047
944
1626
1785
1417
1447
1332
1387
1456
866
740
782
775
744
759
806
805
801
801
787
799
799
232
252
312
163
225
285
395
291
486
411
373
337
396
2001-04
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016

Applied tariffs of some stapple food in the EU28, WA and EAC in 2016



For EU the specific subsidies are converted in ad valorem equivalent and for wheat it is the fixed tariff but after deducting the reference price of 157.03 €/t it is presently at 0



Production, importations et consommation de blé de l'Afrique subsaharienne en kg par habitant : 2000-16
Production
Importations
Consommation
35
30
25
20
15
10
5
0
7,34
13,16
20,5
6,85
15,79
22,64
6,29
18,2
24,49
5,86
21,22
27,08
7,24
19,53
26,77
7,58
21,69
29,27
7,64
21,32
28,96
6,43
22,98
29,41
7,06
21,63
28,69
2000
2005
2010
2011
2012
2013
2014
2015
2016

SSA RECs should become full WTO Members

Whereas RECs' CET (Common External Tariff) have only fixed applied duties, they should become WTO Members to have a say in WTO negotiations and to get bound duties – at the average level of the bound duties of their Member States, weighted by the share of each in extra RECs' imports, i.e. at around 85% for ECOWAS – , allowing to change applied duties with economic conditions.

RECs could then use *variable levies* instead of *ad valorem* duties for most agricultural products, provided they would not exceed RECs' bound duties.

THANK YOU

For more more analyses and data go to SOL’ website: www.sol-asso.fr/analyses-politiques-agricoles-jacques-b-2/