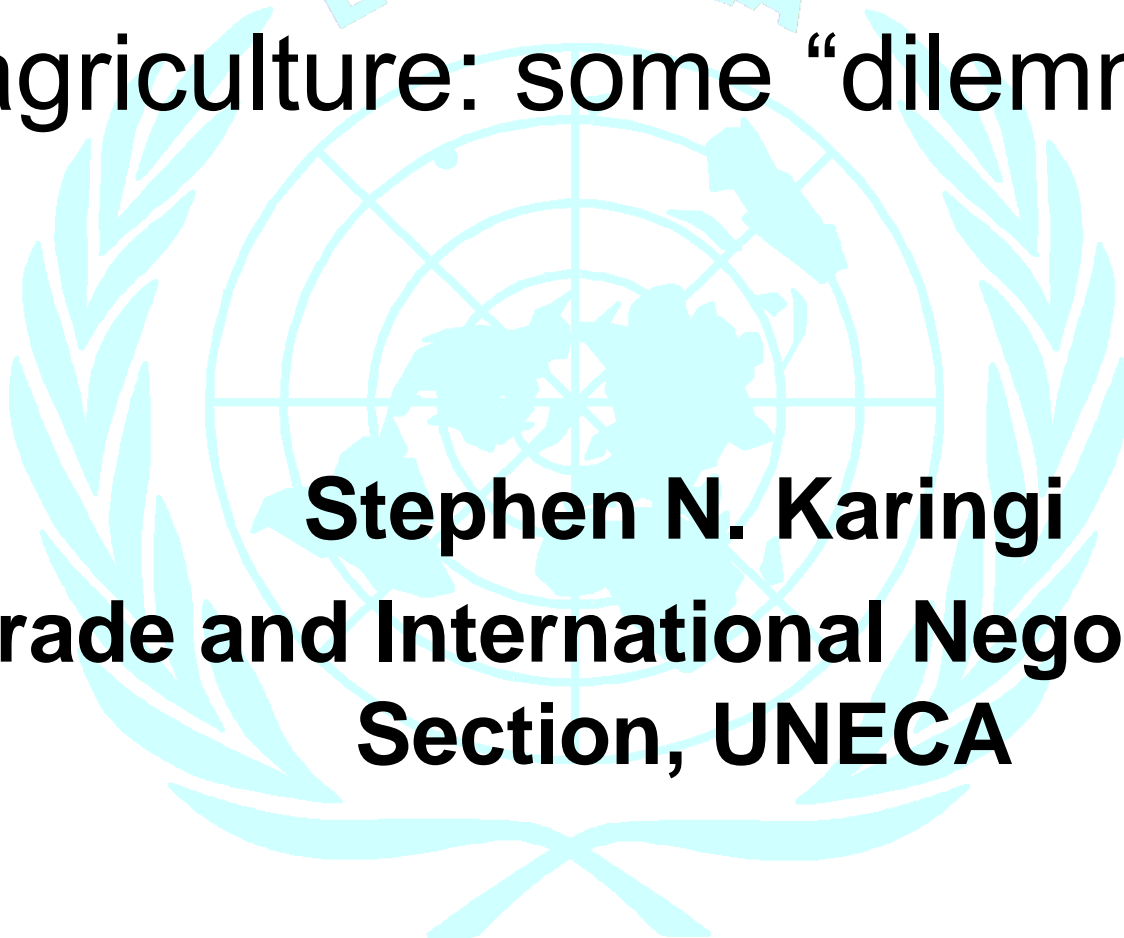


Trade liberalisation and African agriculture: some “dilemmas”

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Outline

- Why agriculture matters in tackling Africa's poverty.
- The acceleration of trade liberalisation and the questions regarding its impact on poverty.
- African agriculture protection a policy space concern.
- The challenge of retaining this space as liberalisation likely to continue.
- A Doha Round “paradox”
- Aid for Trade might help.
- Conclusion

Introduction – Why agriculture matters in tackling poverty

- Agriculture in MDGs achievement
 - Food security and poverty reduction
 - Inter-sectoral linkages, growth and employment creation
 - Environmental stewardship
- Past neglect of agriculture
 - Policy/strategy inconsistencies
 - Under-capitalisation and poor performance
- Revival of the agricultural development agenda
 - AU Summits (Maputo, Sirte, Abuja)
 - WDR 2008; NEPAD-CAADP

Acceleration of trade liberalisation

- 1980s-90s, saw an acceleration of trade liberalisation:
 - Unilateral.
 - Multilateral negotiations (the Uruguay Round).
 - Regional integration process.
 - Bilateral negotiations (e.g. Cotonou Agreement).
- Questions raised on relevance of trade liberalisation:
 - No improvements in Africa's situation in the global economy.
 - Strong fiscal consequences for developing countries.
 - Legitimate risks of de-industrialisation.
 - High tariff; subsidies; tariff peaks; tariff escalation remain.

Acceleration of trade liberalisation

– the aftermath (?)

- Major debate with two issues being debated on causal relationships between:
 - Trade liberalisation and growth; and
 - Trade liberalisation and poverty reduction.
- Controversies persists:
 - Sachs & Warner (1995); Summers & Heston (1991); Dollar & Kraay (2004): trade liberalisation good for growth.
 - Rodrik and Rodriguez (2000) challenged these results.
 - Hanson (2003) and Abarche, Dickenson and Green (2004) argue that there is a negative impact of trade liberalisation on poverty.

Trade and Poverty: The Link

- Trade liberalization is expected to have an impact on stakeholders through various transmission channels: employment, prices (production, consumption, and wages), assets and transfers.
- Thus, trade will affect both income and expenditures and, directly or indirectly, welfare measures.
- Trade liberalization affects sectoral demand for labor, particularly in those sectors that employ the poor.
- Trade liberalization affects poverty through its effects on economic growth on the one hand and through the distributional effects on the other.

Trade and Poverty: The Link (Cont.)

According to Anderson (2003), poverty effects depend on:

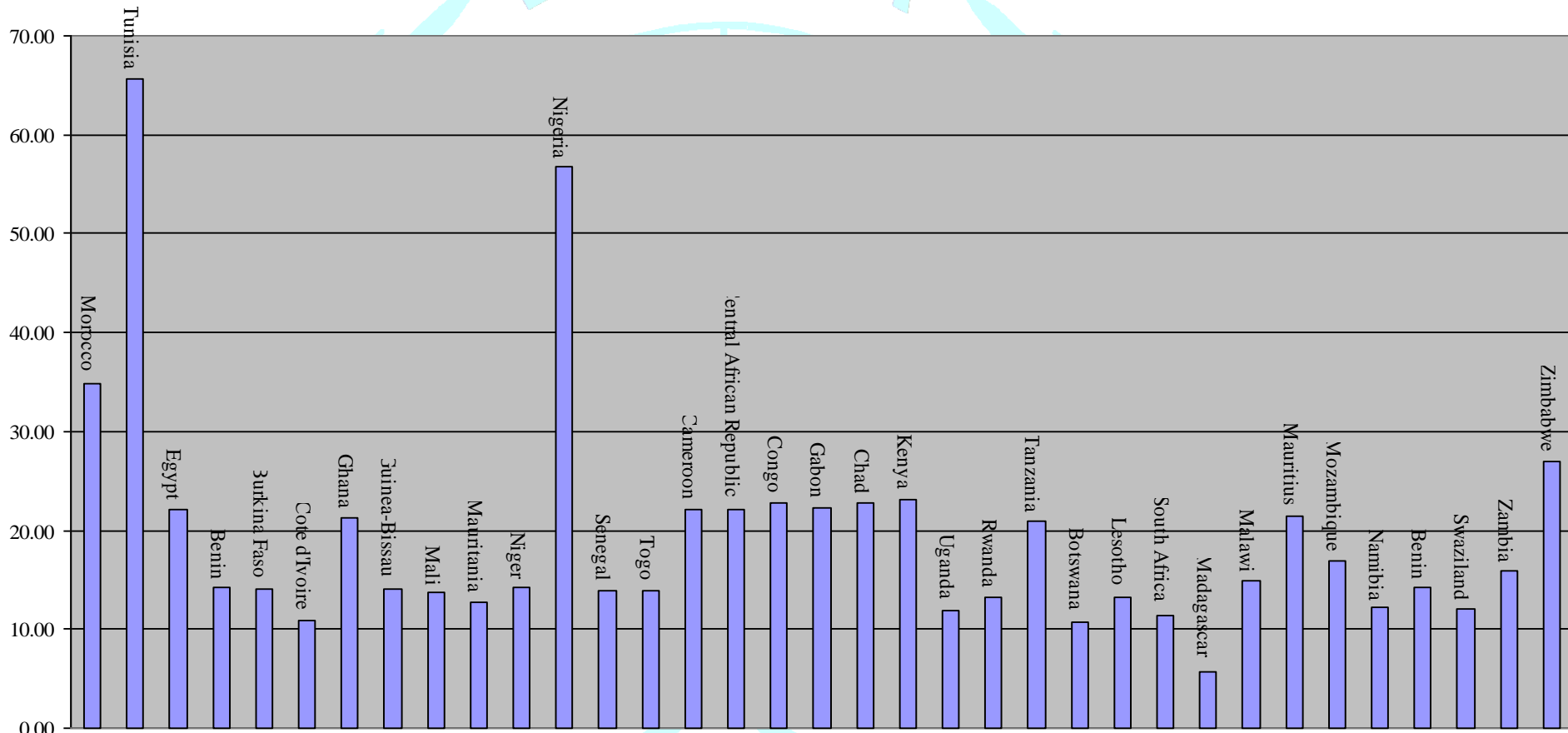
- (a) Shares of households' income from different productive factors whose prices will have changed .
- (b) their expenditure shares on different products and
- (c) any changes in net transfers to them .

Trade liberalisation and agriculture

- We can reasonably say that we are not sure and are likely to have different results
 - Poor households lose if they are net-buyers (Chaherli 2002).
 - Poor benefit from liberalisation depending on relative product prices, which affect factor prices (Anderson 2003).

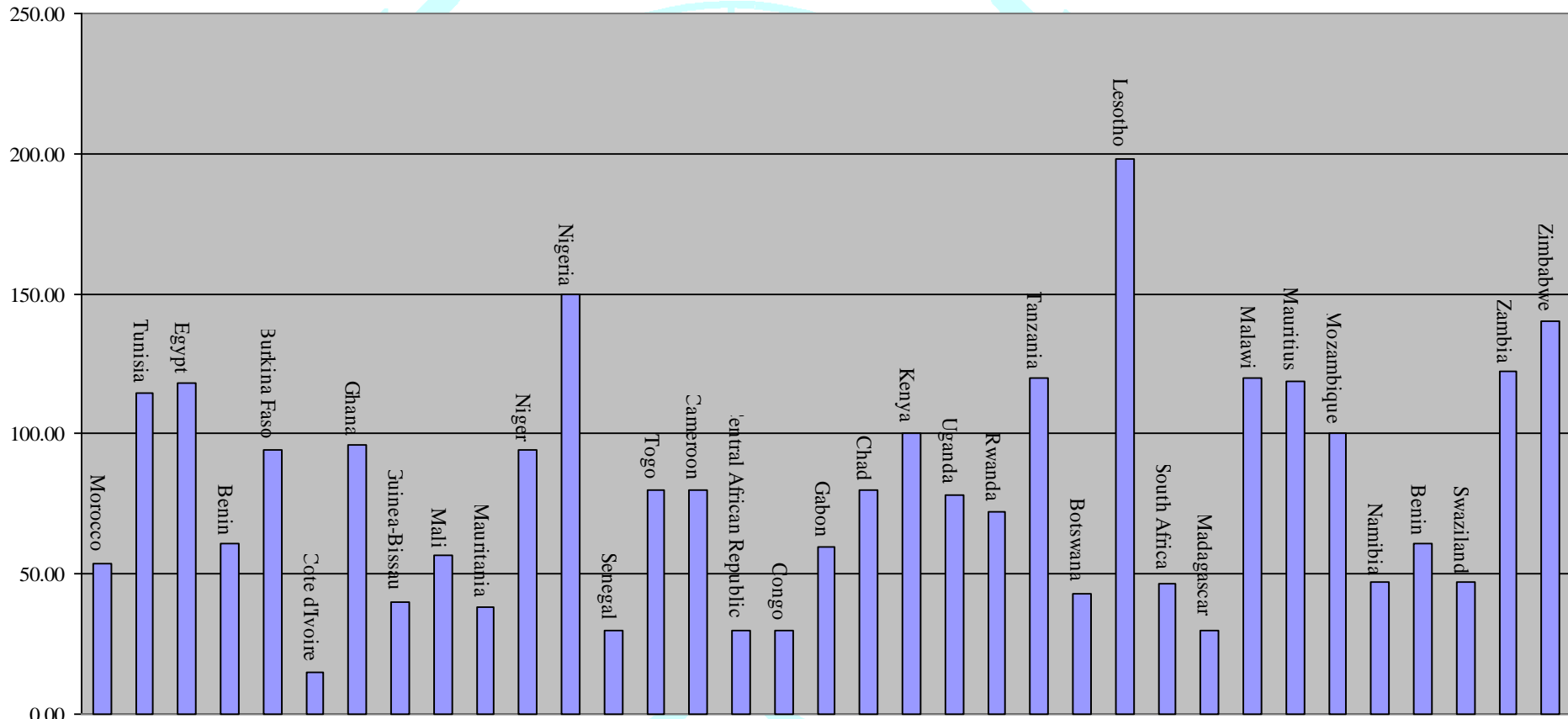
Africa: Average initial applied tariffs

Initial average applied tariffs (%)

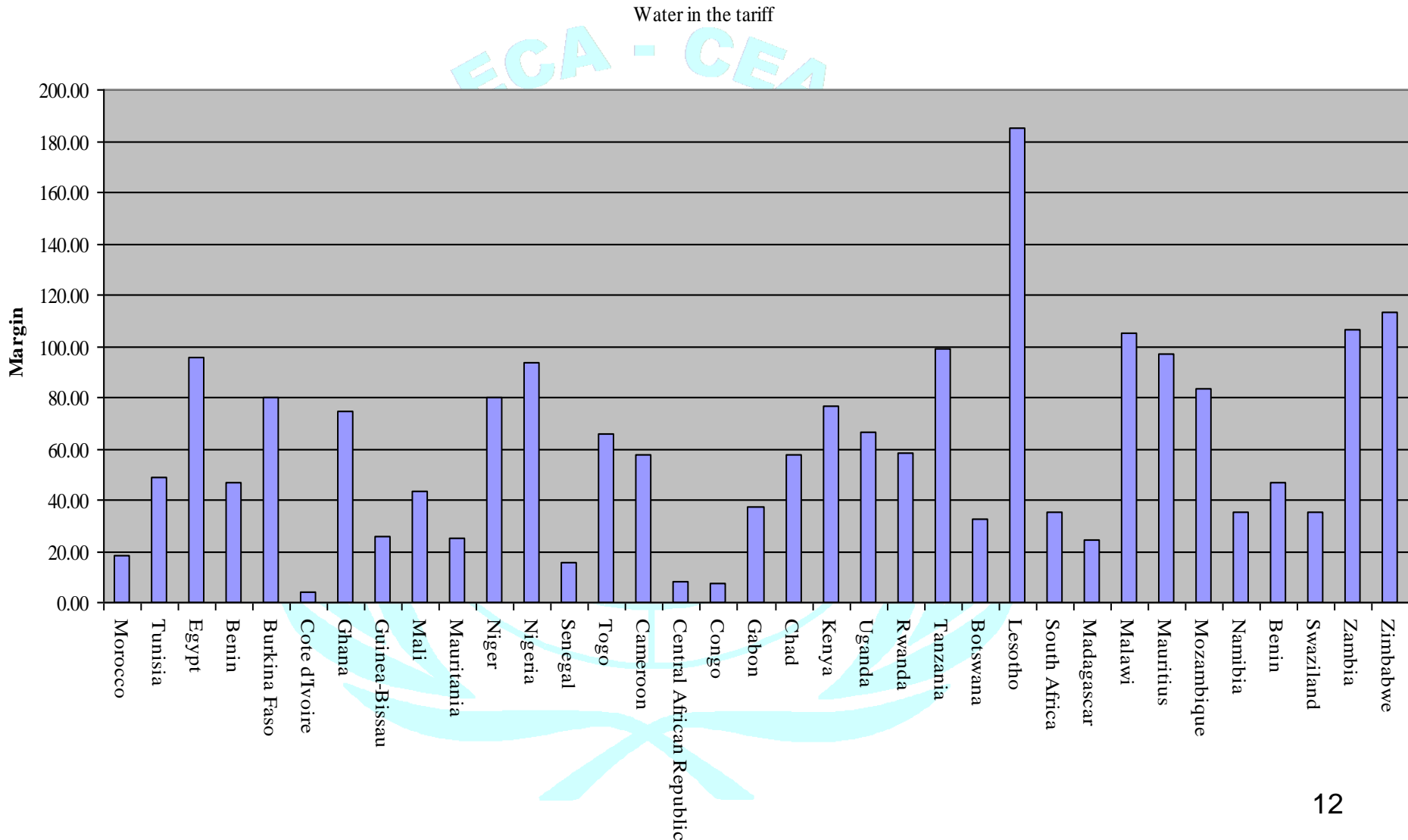


Average initial bound tariffs

Initial average bound tariffs (%)

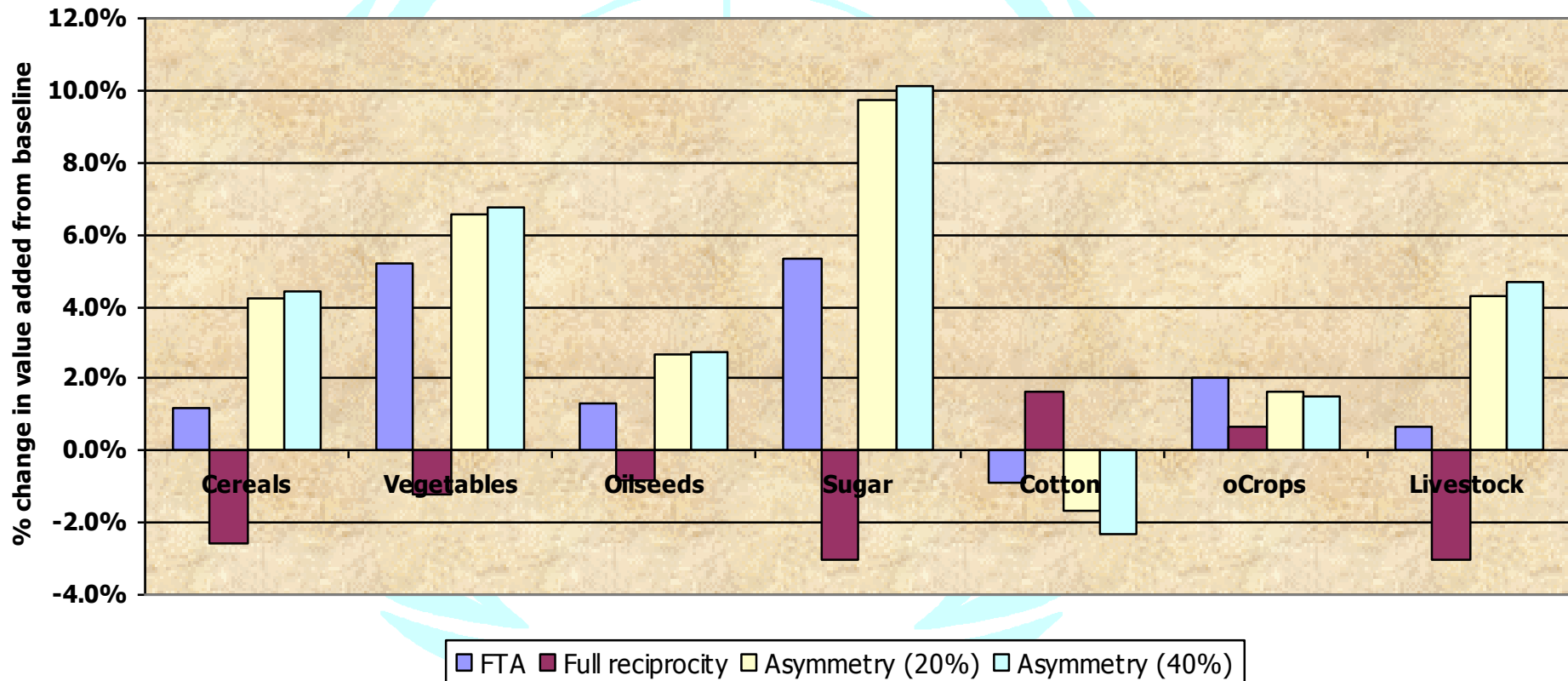


Africa: Policy space for agriculture

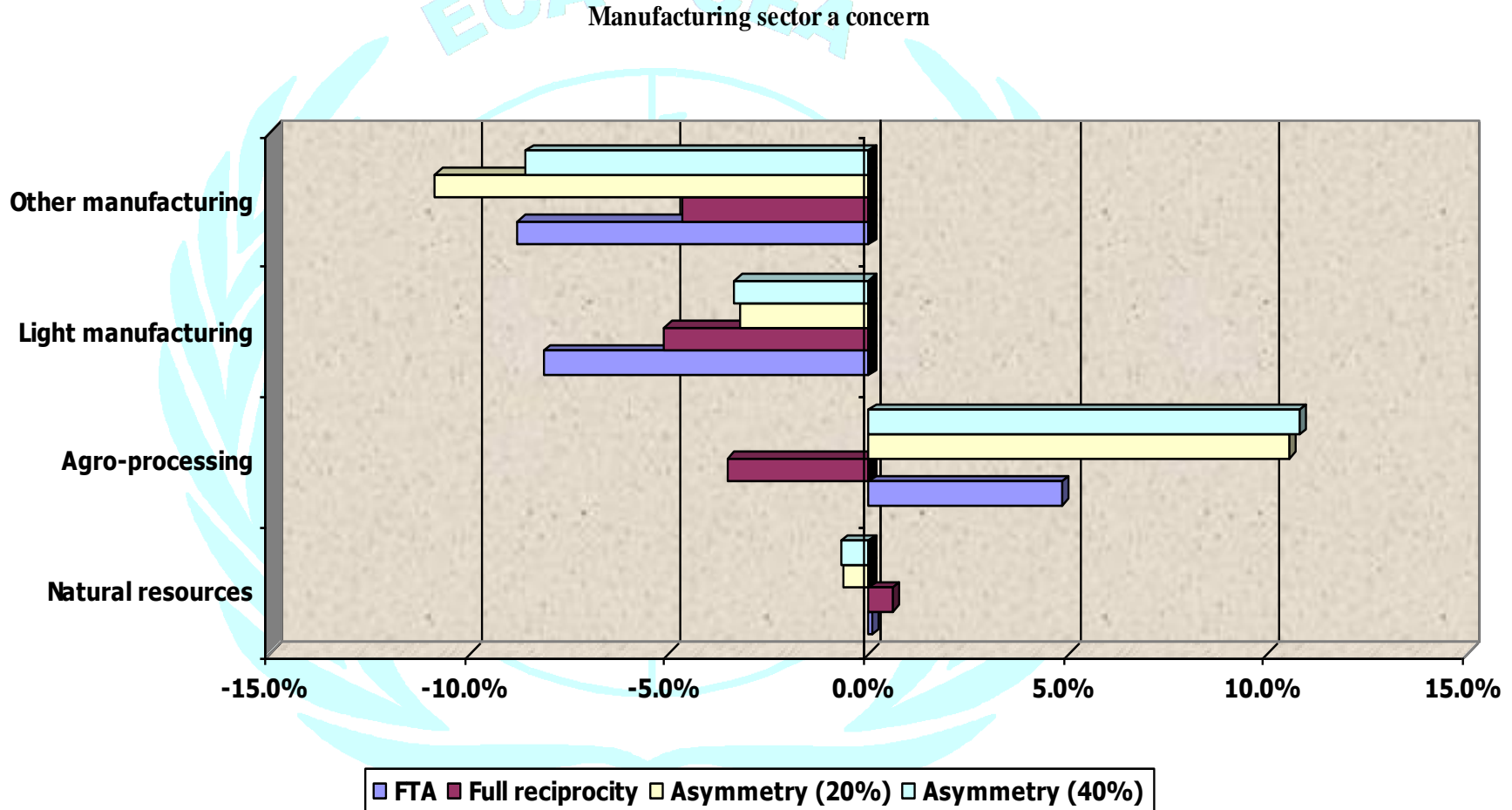


Challenge of primary commodity specialisation: EPAs case

SSA to specialise in primary commodities

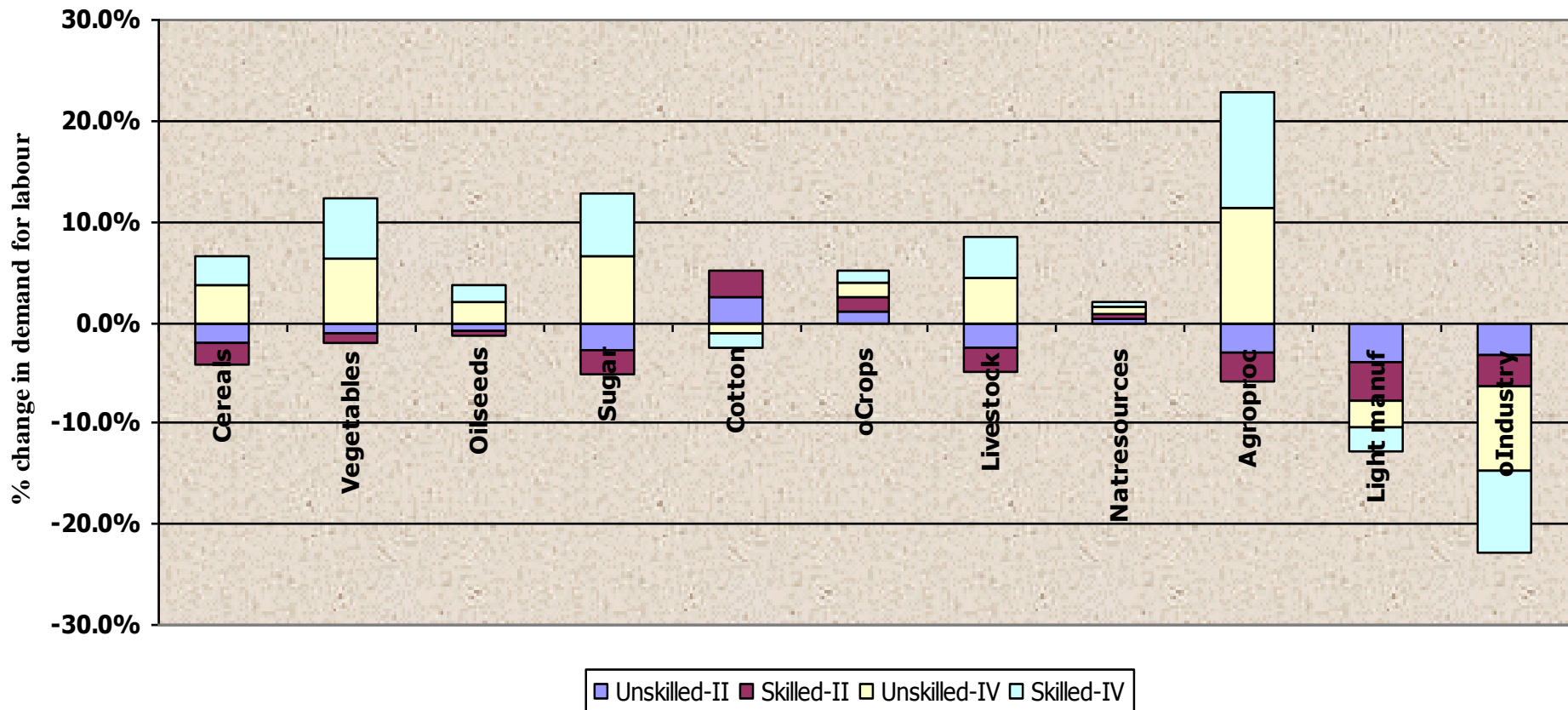


Agriculture and industry link under pressure: EPAs results



Associated with significant adjustments in labour market

Adjustments in labour market



Doha Round “paradox”: policy space for Africa crucial despite ...

- Large part of Doha gains in agriculture negotiations to come from market access pillar
- Benefits increase with the depth of reforms and without sensitive products.
- Evident vulnerability of African countries to partial trade reforms and the possible trade off between market access liberalisation and sensitive products.

And also Aid for Trade can catalyze intra-African Trade

REC	Intra-community	Rest of Africa	EU	US	Others
CEMAC	1.9	2.2	41.2	30.5	24.2
COMESA	6.0	8.2	39.3	20.8	25.7
EAC	18.1	12.4	40.5	3.6	25.4
ECCAS	1.9	2.5	45.2	27.7	22.8
ECOWAS	10.3	2.9	39.0	26.1	21.8
SADC	12.8	4.6	26.6	14.0	42.0
Africa	6.8	5.8	49.7	15.1	22.7

In conclusion

- Agriculture remains a way out of poverty for Africa.
- The current protection structure is more to safeguard policy space.
- But this is under pressure from bilateral and multilateral liberalisation.
- In spite of the link between liberalisation and poverty reduction being still unclear.
- Africa can benefit from liberalisation if Doha spirit is realized and AFT works.