

Agriculture and Development in the EPA Negotiations


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Agriculture and Development in the EPA Negotiations

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Author:
Jonas Kasteng

Contents

| | |
|---|-----------|
| SUMMARY..... | 3 |
| 1. INTRODUCTION..... | 5 |
| 1.1 BACKGROUND..... | 5 |
| 1.2 PROBLEM..... | 6 |
| 1.3 PURPOSE..... | 6 |
| 1.4 LIMITS..... | 7 |
| 1.5 METHOD..... | 8 |
| 1.6 DISCLAIMER..... | 9 |
| 2. BACKGROUND TO THE EPA NEGOTIATIONS..... | 11 |
| 2.1 INTRODUCTION TO THE ACP COUNTRIES..... | 11 |
| 2.2 THE COTONOU AGREEMENT AND ITS PREDECESSORS..... | 13 |
| 2.3 THE COTONOU AGREEMENT AND THE WTO..... | 14 |
| 2.3.1 <i>WTO rules on free trade agreements and developing country arrangements</i> | 15 |
| 2.3.2 <i>The Cotonou Agreement and the EPA negotiations</i> | 18 |
| 2.4 THE EPAS IN CONTEXT..... | 19 |
| 2.4.1 <i>What options do the ACP countries have to the EPAs?</i> | 19 |
| 2.4.2 <i>Rules of origin in preferential and free trade agreements</i> | 21 |
| 2.5 THE ACP COUNTRIES AND THE TRADE WITH THE EU..... | 22 |
| 2.5.1 <i>Commodity dependency and preferences in ACP countries</i> | 22 |
| 2.5.2 <i>EU tariff structure and agricultural support</i> | 25 |
| 2.5.3 <i>The Commodity Protocols in the Cotonou Agreement</i> | 28 |
| 2.6 THE ACP COUNTRIES AND THE SOUTH-SOUTH TRADE..... | 30 |
| 2.6.1 <i>General trends in intra-ACP trade</i> | 30 |
| 2.6.2 <i>Regional integration schemes and the EPA regions</i> | 31 |
| 2.7 THE MANDATE FOR THE EPA NEGOTIATIONS..... | 33 |
| 3 AGRICULTURE AND DEVELOPMENT IN THE EPA REGIONS..... | 35 |
| 3.1 TRADE PATTERNS OF THE EU AND THE EPA REGIONS..... | 36 |
| 3.1.1 <i>The EPA regions' exports to the EU at the aggregate level</i> | 37 |
| 3.1.2 <i>EU exports to the EPA regions at the aggregate level</i> | 37 |
| 3.1.3 <i>EU-ACP trade in its context</i> | 37 |
| 3.2 WEST AFRICAN OFFENSIVE AND DEFENSIVE INTERESTS..... | 38 |
| 3.2.1 <i>West African export interests in the EPA negotiations</i> | 38 |

| | | |
|----------|---|-----------|
| 3.2.2 | <i>EU export interests in the EPA negotiations with West Africa</i> | 41 |
| 3.3 | EASTERN AND SOUTHERN AFRICAN OFFENSIVE AND DEFENSIVE INTERESTS | 43 |
| 3.3.1 | <i>Eastern and Southern African export interests in the EPA negotiations</i> | 43 |
| 3.3.2 | <i>EU export interest in the EPA negotiations with Eastern and Southern Africa</i> | 47 |
| 3.4 | SOUTHERN AFRICAN OFFENSIVE AND DEFENSIVE INTERESTS | 49 |
| 3.4.1 | <i>Southern African export interests in the EPA negotiations</i> | 49 |
| 3.4.2 | <i>EU export interest in EPA negotiations with Southern Africa</i> | 52 |
| 3.5 | CENTRAL AFRICAN OFFENSIVE AND DEFENSIVE INTERESTS | 54 |
| 3.5.1 | <i>Central African export interests in the EPA negotiations</i> | 54 |
| 3.5.2 | <i>EU export interest in EPA negotiations with Central Africa</i> | 56 |
| 3.6 | CARIBBEAN OFFENSIVE AND DEFENSIVE INTERESTS | 58 |
| 3.6.1 | <i>Caribbean export interests in the EPA negotiations</i> | 58 |
| 3.6.2 | <i>EU export interest in EPA negotiations with the Caribbean</i> | 62 |
| 3.7 | PACIFIC OFFENSIVE AND DEFENSIVE INTERESTS | 64 |
| 3.7.1 | <i>Pacific export interests in the EPA negotiations</i> | 64 |
| 3.7.2 | <i>EU export interest in EPA negotiations with the Pacific</i> | 67 |
| 3.8 | MORE IN-DEPTH REASONING ABOUT THE DEFENSIVE INTERESTS OF THE EPA REGIONS IN THE ONGOING NEGOTIATIONS | 69 |
| 3.8.1 | <i>The link between defensive interests and Special Products in the WTO</i> | 70 |
| 3.8.2 | <i>How can the EPA regions' defensive interests be identified?</i> | 71 |
| 4 | CONCLUDING REMARKS | 73 |
| | BIBLIOGRAPHY | 75 |
| | ANNEXES | 79 |
| | ANNEX 1: LIST OF AGRICULTURAL PRODUCTS..... | 79 |
| | ANNEX 2: EPA REGIONS AND DEVELOPING COUNTRY CLASSIFICATIONS | 80 |
| | ANNEX 3A: STATISTICS OF THE EXPORTS OF THE EPA REGIONS TO EU | 83 |
| | ANNEX 3B: STATISTICS OF EU EXPORTS TO THE EPA REGIONS | 89 |
| | ANNEX 4: LEADING SECTORS OF THE EPA INTRA-REGIONAL TRADE | 95 |
| | <i>Intra-regional trade in West Africa</i> | 95 |
| | <i>Intra-regional trade in Eastern and Southern Africa</i> | 96 |
| | <i>Intra-regional trade in Southern Africa</i> | 98 |
| | <i>Intra-regional trade in Central Africa</i> | 99 |
| | <i>Intra-regional trade in the Caribbean</i> | 101 |
| | <i>Intra-regional trade in the Pacific</i> | 102 |
| | ANNEX 5: GLOSSARY | 104 |

Summary

The EU and its partner countries in Africa, the Caribbean and the Pacific (ACP countries) are currently negotiating Economic Partnership Agreements (EPA). These agreements will comprise several areas of cooperation, but trade and development issues are of particular importance. The ACP countries have agreed to divide the negotiations into six geographical regions – four in Africa and one each in the Caribbean and the Pacific – that will each conclude a separate free trade agreements or form a customs union with the EU at the end of the negotiations. The negotiations began in September 2002. In the second half of 2006, they entered into the phase of substantive negotiations in several areas, including agriculture. The EPAs are scheduled to enter into force on 1 January 2008.

At present, the EU's trade with the ACP countries is governed by the Cotonou Agreement, which grants the ACP countries preferential access to the EU common market. However, the Cotonou Agreement does not fulfil the WTO requirements on free trade agreements, since the agreement involves unilateral tariff reductions on the EU's part. The WTO requirement is that both parties to a free trade agreement must reduce tariffs on "substantially all trade". Since the EU waiver regarding the agreement ends on 31 December 2007, this agreement must be replaced by some form of WTO compatible agreement in order for the preferences to remain in force. The mutual EPAs are intended to replace the current unilateral agreement. In this context, the EU emphasises that the EPAs will be important instruments for development in the ACP countries, particularly in combination with development aid from the EU.

The EU is a very important trading partner for the ACP countries today, particularly in agricultural products. Agriculture is an important source of foreign exchange for most ACP countries, and the majority of their population (40-90 per cent) depend on agriculture for employment and food security. In many cases, the ACP countries also have their comparative advantage in trade in agriculture. At the same time, agriculture is the very field in which the EU has the highest and most complex tariffs, often in combination with non-tariff barriers like rules of origin and various standards, and this limits the chances of many developing countries for trade and development. However, the preferential market access the agreement provides gives the developing countries comprised by the Cotonou Agreement an advantage over competing developing countries.

The ACP countries – and thus also the EPA regions – often rely heavily on the exports of a few agricultural products. These products are often exported in a fairly unprocessed form, among other reasons because the EU tariffs tend to be higher on more processed products. Agricultural products that do not compete with EU domestic production tend to face lower tariffs than products that are produced within the EU as well. However, the ACP countries have better market access than other developing countries. Several ACP countries also have access to special protocols for sugar, bananas and beef/veal, comprising zero-tariff quotas (sugar and bananas) and guaranteed prices (sugar) on the EU common market. These sectors are currently the subject of substantial reform within the EU, and the protocols will probably not be a part of the EPAs, since they are not WTO compatible. This may cause costs for structural adjustment in the ACP countries most affected.

An overview of the EPA regions' exports to the EU shows that it is easy to identify some leading export products and exporting countries. On the other hand, EU exports to the EPA regions are more diversified and comprise more processed products. The leading export products of the regions are cocoa beans, fruits, berries and nuts, raw tobacco, coffee, tea, bananas and sugar, or simple processed products like cocoa mass, cocoa butter, cut flowers, meat and other edible offal, as well as wine and spirits. It is also evident that a few leading exporting countries like Cameroon, the Ivory Coast, Kenya, Papua New Guinea and South Africa often dominate exports from their regions. This affects the export structure of other countries, as well as their ability to identify with the leading export products as defined at the regional level.

The ACP countries are concerned that the EU agricultural exports – where almost all the leading products are supported by export subsidies and trade-distorting domestic support – will have negative effects on the EPA regions' domestic production of the same or like products when tariffs are reduced or removed altogether. The leading EU export products are dairy products, poultry meat and edible offal, processed food, wheat flour, spirits, as well as cigars and cigarettes.

At present, the ACP countries can, at least in theory, apply fairly high tariffs to protect themselves from EU exports. However, this opportunity may be severely restricted in the EPAs. This may have an effect on domestic production, even though the ACP countries are to get some flexibility to exclude a certain part of total trade from tariff reductions (perhaps 20 per cent of all trade) and/or to implement the tariff reductions over a longer period (perhaps ten years). At the moment, developing countries cannot be given special treatment within the framework of the WTO rules, but this issue may be subject to discussion in coming negotiations in that area. Some argue that the EPA regions should link their defensive interests to the WTO negotiations on Special Products of importance to food safety, food security and rural development. Since all sectors are negotiated together in the EPA negotiations, however, there may be a conflict between the need to protect either agriculture or the industrial sector. This is particularly true since tariffs on non-agricultural products often generate higher tariff revenue.

Finally, the EPA negotiations need to take into account the increasingly significant trade between ACP countries, since their tariff protection in some cases can be a limiting factor for any long-term development of South-South trade. The EPA regions' defensive interests versus the EU are not always the same as their offensive and defensive interests in the intra-regional trade. This means that the ACP countries need to take third-country trade into account when they define their interests. At the same time, it is important to remember that some of the EPA regions are political constructs consisting of ACP countries with different opportunities, interests and needs, and that one or a few countries may have a dominating influence. This means that it is important to ascertain that the emergence of four separate free trade areas in Africa does not limit the regional trade between EPA regions where trade and development are likely to arise, either under present conditions or at a later point in time.

1. Introduction

1.1 Background

The EU and the ACP countries¹ are currently negotiating Economic Partnership Agreements (EPAs) comprising several areas of cooperation. Issues of trade and development are components of particular importance². The ACP countries have in this context agreed to form six geographical regions (EPA regions) for the negotiations with the EU. These regions will establish separate free trade agreements or form separate customs unions with the EU at the end of the negotiations³. The EU-ACP negotiations began in September 2002, and in the second half of 2006 they entered into a phase of substantive negotiations in various areas, including agriculture⁴. The EPAs are scheduled to enter into force on 1 January 2008.

The EU-ACP trade is currently governed by the unilateral and non-WTO-compatible Cotonou Agreement. This agreement grants the ACP countries trade preferences for exports to the EU⁵. Since the EU's WTO waiver expires on 31 December 2007, this agreement must be replaced by some form of WTO compatible deal in order for the preferences to remain in force. The EPAs are intended to fill this need. In this context, the EU emphasises that the EPAs will also be important for ACP development, in combination with development aid from the EU.

The EU is a very important trading partner for the ACP countries today, particularly in agriculture. Agriculture is an important source of foreign currency for most ACP countries, and the majority of their population depend on that sector for employment and livelihood security. In addition, most ACP countries have comparative advantage in agriculture, and they often rely heavily on exports on a handful of agricultural products for their economic development. At the same time, it is in agriculture that the EU applies its highest and most complex tariffs, often in combination with non-tariff barriers (particularly rules of origin and various standards). This limits the chances of many developing countries to trade and develop. However, the developing countries comprised by the Cotonou Agreement get an advantage over competing developing countries from the preferential market access the agreement provides⁶.

¹ The ACP Group of States comprises 79 developing countries in Africa, the Caribbean and the Pacific. More than 704 million people live in the ACP countries, including South Africa (European Commission website). However, only 76 ACP countries take part in the negotiations. Cuba, East Timor and Somalia are not involved.

² The EPA negotiations are expected to comprise also trade and trade related areas like competition policy, property rights, standardisation and certification, sanitary and phytosanitary measures, trade and the environment, trade and labour standards, consumer policy, and food safety. It has also been suggested that detailed rules on trade in services, investment and public procurement be included (Council of the European Union, 2002).

³ The six EPA regions are: West Africa (16 countries), Eastern and Southern Africa (15 countries), Southern Africa (8 countries), Central Africa (8 countries), the Caribbean (15 countries) and the Pacific (14 countries). The ACP countries have themselves chosen the negotiating group to which they belong, as stated in the Cotonou Agreement.

⁴ The EPA negotiations have three phases: (i) the horizontal phase, (ii) the regional phase, and (iii) the substantive phase, involving actual negotiations (Council of the European Union, 2002).

⁵ The Cotonou Agreement does not fulfil the WTO rules on free trade agreements, since the EU is the only part that has to do any tariff reductions. Under WTO rules, both parties to a free trade agreement must reduce tariffs on "substantially all trade".

⁶ In other words, for most ACP countries preferential access to the EU market is a great advantage. This access may also be improved, since the EPA negotiations will build on and reinforce the market access rules in the Cotonou Agreement (Council of the European Union, 2002). In addition, the preferences would be unlimited in time, and more legally certain, since the EPAs are to be WTO consistent.

1.2 Problem

The primary purpose of the EPA negotiations is, according to the Cotonou Agreement, to promote a flexible and gradual integration of the ACP countries into the world economy, and thereby to further sustainable development in these countries and contribute to eradicating their poverty. Furthermore, the agreement emphasises that the trade cooperation shall be based on the ACP countries initiative for regional integration, since regional integration is one of the most important instruments for achieving integration of the ACP countries into the world economy.

In other words, integrating the ACP countries is believed to be one of the best ways to promote long-term sustainable development in these countries. However, most of the countries concerned need to improve their production and supply capacity considerably. Experience from international development cooperation shows that efforts aimed at enhancing production only are most often not enough, unless they are complemented by investment in infrastructure and institutions in order to make long-distance transport possible, and to better respond to the world market's demand for safe food of known origin. At the same time, it is of vital importance for the long-term development that the ACP countries get better and more secure market access to the EU for their most important export products. This is particularly true for processed agri-food products.

The aim of the EPA negotiations is to facilitate integration of the ACP countries into the world economy, through coordinated efforts in areas like trade, investment and development aid. However, a complicating factor is that the 76 ACP countries do not form a homogenous negotiating group. They are at very different levels of development, and have different interests, options and needs in the areas of production, trade and investment. This makes it more difficult to reach a uniform agreement for sustainable development with all ACP countries.

In order for the negotiations to produce a result leading to increased integration of the ACP countries into the world economy, emphasising sustainable development, it is important to understand the EPA regions' specific needs and interests, as well as their development potential. It is also important to analyse whether the needs and interests of the EPA regions are in conflict with those of the EU producers. Another issue is, could the EPAs come into conflict with the existing efforts towards regional integration among the ACP countries? Furthermore, it is important to establish whether the EPAs are a complement to other efforts aimed at promoting sustainable development in the countries concerned.

1.3 Purpose

This study aims to shed light on various issues related to the EPA regions' and the EU's export and import interests in the agro-food sector. The reason is to offer a comprehensive overview and create some basic understanding of the actors' positions in the EPA negotiations. In this context, both the EPA-EU trade, as well as the EPA intra-regional trade (but the latter only to a limited extent), are studied in order to identify important products and countries, as well as sensitive sectors. The overall ambition is that this study may be useful as a relevant background and reference for the EPA negotiations in the agro-food area.

In order to identify the needs and interests of the ACP countries, the study looks at the current preferences in the Cotonou Agreement and, to a certain extent, compares the utilisation rate of this agreement with other relevant preferential arrangements like the GSP, GSP+ and the EBA. In this context, the reforms of the protocols for bananas, sugar and beef/veal, and their potential effects on ACP countries considered.

Furthermore, the study will take into account the problem of development, in order to show how the EPA agreements can be used to promote an increased integration of the ACP countries into the world economy as regards agro-food trade and production. The EPA intra-regional trade will also

be looked at against a background of development, in order to see whether the discussion about promoting regional integration has relevance in the area of agriculture.

The following questions are of central importance to the study:

- **What are the offensive interests of the EPA regions in the negotiations?** Which are the regions' leading export products in the area of agriculture? Which are the most prominent agro-food exporters in each region? How dependent are the ACP countries on a few agricultural products? Can offensive interests be identified in the EPA regions?
- **What are the defensive interests of the EU in the negotiations?** What is the EU's current tariff structure within the Cotonou Agreement concerning the EPA regions' leading export products? Which sectors or products are protected against ACP exports? Which products entitle to domestic support and/or export subsidies? What will changes in the protocols mean?
- **What are the offensive interests of the EU in the negotiations?** Which are the leading EU export products in the area of agriculture? Does the EU have offensive interests in the EPA negotiations?
- **What are the defensive interests of the EPA regions in the negotiations?** Which are the leading agricultural import products of the regions? Which are the leading agro-food importers in each region? How dependent are the EPA regions on agriculture for their food and livelihood security? How can the ACP countries protect themselves against waves of imports and other import competition?
- **What sectors and products are prominent in the intra-regional EPA trade?** What are the leading export products of the regions? What is the relationship between intra-regional trade and trade with the EU?
- **What agricultural trade interests should be emphasised in the negotiations to promote the development dimension of the negotiations?** Do the EPA regions' offensive interests conflict with the EU's defensive interests (and the reverse)? How can offensive and defensive interests affect the EPA regions' negotiating positions and proposals in the negotiations? Which offensive and defensive interests can best be combined with sustainable development?

1.4 Limits

This study only looks at EPA negotiations in the area of agriculture, and at agriculture's role in development. The study focuses on describing and analysing the current agro-food trade of the EPA regions and the EU, as well as the intra-regional trade of the EPA regions, and their development over time⁷. Due to lack of data, the study of intra-regional trade is more limited than the one of trade with the EU.

The focus of this study is to identify and analyse leading export products and exporting countries as well as export destinations in trade between the EU and the EPA regions during the period 2000-2004. In this context, it is important to underline that a study at this aggregate level does not take full account neither of the interests of small exporting countries, nor of potential export interests. This matters in particular when analysing EPA regions that consist of many small actors that depend to a large extent on agriculture. It is also important to bear in mind that a study like this primarily reflects current and, to a certain extent, historical conditions of the Common Agricultural Policy (CAP) of the EU. This means that the study also disregards export interests that may arise as

⁷ The analysis is made at the two-digit level, comprising HS chapters 1-2, 4-15 and 17-24. This means that fish (HS 3 and 16) is excluded. An analysis at the four-digit level can in some cases allow a greater flexibility in product selection.

a result of any future CAP reform. Furthermore, this study does not consider possible consequences of the EPAs, and therefore takes no position as regards their significance to the EPA regions.

The study will only provide an overview of the following areas: other areas of negotiation in the EPAs; the ACP Agreements (Yaoundé/Lomé/Cotonou) and their history; WTO and Cotonou rules; pros and cons regarding the Cotonou Agreement; the EU's Generalized System of Preferences (GSP/GSP+/EBA); the utilisation of preferences and problems of preference erosion; the problems of commodity-dependent developing countries; pros and cons regarding free trade agreements in relation to the WTO; the problems related to SPS issues and other non-tariff barriers; and the ACP countries as a groups or the relationship between various EPA regions. In addition, the study does not go into possible consequences of the EPAs except at a very general level, and therefore also does not discuss pros and cons of the EPAs.

1.5 Method

This study is mostly based on trade statistics and studies that are relevant to the EPA negotiations in agriculture. For reasons of comparability, the trade statistics comprise all 25 member states of the EU (as of December 2006), even though the ten new member states did not join the Cotonou Agreement until their EU membership in 2004. However, the ACP countries' trade with the new EU member states is rather small and does not affect the analysis to any large extent. The statistics used for the EU-EPA trade is the average for the period 2000-2004, expressed in US\$ 1.000.

The trade statistics is mostly based on EU data for the various EPA regions. The reason for this is that EU statistics is more complete for the countries and years comprised by the study, and it also makes the product definitions more consistent and comparable between the EPA regions. One should therefore bear in mind that whenever this study mentions EPA exports to the EU, the statistics used is really EU imports.

Since not all countries in the EPA regions have presented export data for all relevant years – and some countries have reported no data at all – only exports from countries that have reported export data for two comparable years are included in the analysis of EPA intra-regional trade⁸. Furthermore, the analysis takes into account only exports to these countries; in other words, countries that have reported no export data for the years in question are completely excluded from the analysis of the intra-regional trade.

This study defines agro-food products as HS chapter 1-2, 4-15, and 17-24 (see Annex 1). That means that some products are excluded from the analysis even though they are of great significance for many EPA regions⁹. Some of the excluded products are HS 3 (fish and crustaceans, molluscs and other aquatic invertebrates) and HS 16 (preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates). However, in the analysis at the more detailed HS four-digit level, processed meat products (i.e., HS 1601 and HS 1602) are included. This may in some cases result in a certain discrepancy in the data presented.

The analysis of the EU's applied tariffs in the Cotonou Agreement is based on aggregate average *ad valorem* tariffs and *ad valorem* equivalents at the HS four-digit and HS two-digit levels. These tariff

⁸ In order to reduce the effect of year-to-year fluctuations in the exports, an average of at least two comparable years is given. The years used are not the same for all EPA regions in the study.

⁹ Several products are excluded from the study even though they are defined as agricultural products in the WTO. To be more specific, the missing products are the following: HS 2905.43 (mannitol), HS 2905.44 (sorbitol), HS 3301 (essential oils), HS 3501-3505 (albuminoidal substances; modified starches; glues), HS 3809.10 (certain finishing agents), HS 3823.60 (sorbitol n.e.p.), HS 4101-4103 (hides and skins), HS 4301 (raw furskins), HS 5001-5003 (raw silk and silk waste), HS 5101-5103 (wool and animal hair), HS 5201-5203 (cotton and cotton waste), HS 5301 (flax), HS 5302 (hemp). It should be pointed out that cotton is an important product for most African ACP countries, but it is not subject to tariffs when exported to the EU.

levels are thus only to be regarded as approximates, presented in order to give the reader an idea of the level of tariff protection. The real tariff protection for individual products at the detailed HS eight-digit level can be very different.

The study presents the information mentioned above in graphs incorporated into the main body of the text, and as more detailed tables in annexes to the report. These tables are intended to serve as reference and background material and as input for further analysis in this area.

1.6 Disclaimer

The Swedish Board of Agriculture is an independent governmental agency and the Swedish expert authority in the field of agriculture and food policy. The Swedish Board of Agriculture, which has the Swedish Ministry of Agriculture as its principal, provides the Swedish Government with independent analyses and recommendations on agriculture and food policy. This analytical study represents the ideas and opinions of the author/s/ and is not meant to represent the official position or opinions of neither the Swedish Board of Agriculture nor the Swedish Government on this issue.

2. Background to the EPA negotiations

2.1 Introduction to the ACP countries

The ACP countries were established as a group in 1975 through the Georgetown Agreement. Today the group consists of 79 countries in Africa, the Caribbean and the Pacific, countries with very different economic and development-related situations. 76 of these countries take part in the EPA negotiations in some way¹⁰.

Of the 79 ACP countries, 48 are located in Africa, 16 in the Caribbean and 15 in the Pacific. 56 of the countries are members of the WTO and another 9 are observers; consequently 14 ACP countries are neither members nor observers of the WTO¹¹. Little more than half of the ACP countries, 41 to be more precise, are classified by the UN as Least Developed Countries (LDCs), which implies special conditions in the WTO as well as in the EU¹². A more detailed analysis of the ACP countries shows that 38 countries are Low Income Economies, 35 are Middle Income Economies (of which more than half, 21 countries, are Lower Middle Income Economies) and two countries are High Income Economies (see Annex 2)¹³.

A total of 704 million people live in the ACP countries (including South Africa). 674 million of these people (i.e., 95.7 per cent) live in Africa, 23 million in the Caribbean and seven million in the Pacific (European Commission website)¹⁴. The five largest ACP countries (Nigeria, the Dominican Republic, Sudan, Kenya and the Ivory Coast) represented 36.7 per cent of the ACP countries' total GDP in 2001. The corresponding figure for the ten largest ACP countries was 54.7 per cent (Swedish National Board of Trade, 2003). It is interesting to note the economic differences between

¹⁰ Countries not taking part in the EPA negotiations are Cuba (which has not ratified the Cotonou agreement) Somalia (which has withdrawn from cooperation within the ACP group due to the current political situation in the country) and East Timor (a recent member of the ACP Group who has not yet joined any negotiating group). South Africa (which has already joined a free trade agreement called the Trade, Development and Cooperation Agreement, TDCA, with the EU) was not initially to take part in the EPA negotiations, but the EPA region for Southern Africa has repeatedly requested that South Africa take part in the negotiations as a member of the region. Botswana, Lesotho, Namibia and Swaziland are automatically comprised by the TDCA by being part of the customs union SACU (Southern African Customs Union). At present, South Africa's formal status in the EPA negotiations is as an observer. In this study, South Africa has been included in the EPA region for Southern Africa, despite the ongoing negotiations on South Africa's formal role in the EPA negotiations. Joining the EPA, South Africa could get a trade regime somewhat different from the remaining EPA region, for example stricter rules of origin and not complete exemption from duty in all areas.

¹¹ ACP countries that are currently observers in the WTO are Bahamas, Cape Verde, Equatorial Guinea, Ethiopia, Samoa, Sao Tomé & Príncipe, the Seychelles, Sudan, Tonga and Vanuatu. However, in the list above Tonga is included as a member of the WTO, since the only thing that is left for the country's membership is the national ratification process. The ACP countries that are neither members nor observers of the WTO are: the Comoros, Congo-Kinshasa, the Cook Islands, East Timor, Eritrea, Kiribati, Liberia, the Marshall Islands, Micronesia, Nauru, Niue, Palau, Somalia and Tuvalu (WTO website).

¹² The Least Developed Countries (LDCs) are defined on the basis of three criteria: (i) a low-income criterion, based on a three-year GDP per capita between US\$ 900-1035; (ii) a human weakness criterion, based on the indicators of (a) nutrition; (b) health; (c) education; and (d) adult literacy; (iii) an economic vulnerability criterion, based on indicators of (a) the instability of agricultural production; (b) the instability of exports of goods and services; (c) the share of manufacturing and modern services in GDP; (d) the merchandise export concentration; and (e) the handicap of economic smallness. In addition, ever since 2000 a county does not qualify to be added to the list if it has a population greater than 75 million (OHRLLS website).

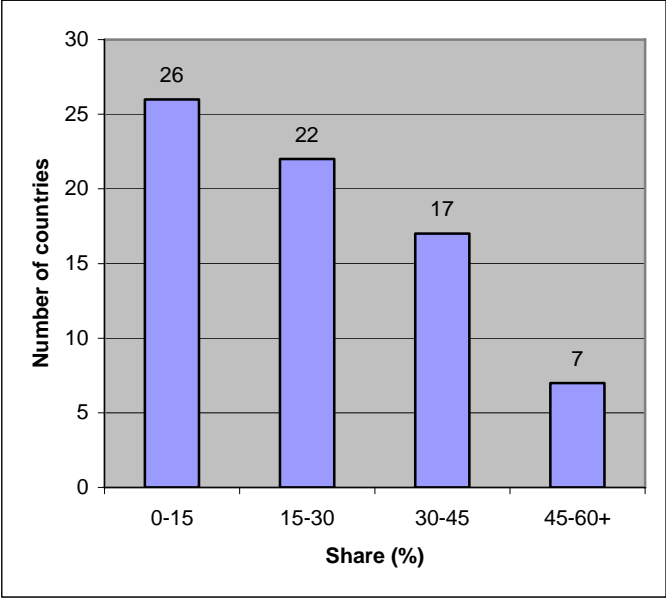
¹³ The following ACP countries are not members of the World Bank and are not included in the list: the Cook Islands, Nauru, Niue and Tuvalu (World Bank website).

¹⁴ The African ACP countries having the largest populations are Nigeria (132 million), Ethiopia (75 million), Congo-Kinshasa (63 million), South Africa (44 million), Sudan (41 million), Tanzania (37 million), and Kenya (36 million). The largest non-African ACP countries are Cuba (11 million), the Dominican Republic (9 million), Haiti (8 million) and Papua New Guinea (6 million) (US Census Bureau website).

the ACP countries, for example the fact that Nigeria’s GDP is almost a thousand times that of Kiribati.

A special analysis of the agricultural sector in the ACP countries shows that agriculture’s share of GDP (2000-2004) varies from 1.2 per cent in Trinidad & Tobago to 60.7 per cent in Congo-Kinshasa. In the ACP countries that have reported data for the period in question, agriculture’s share of GDP is 0-15 per cent in 26 countries, 15-30 per cent in 22 countries, 30-45 per cent in 17 countries and 45-60+ per cent in seven countries¹⁵ (see figure 1).

Figure 1: Share of GDP in agriculture in the ACP countries (2000-2004)



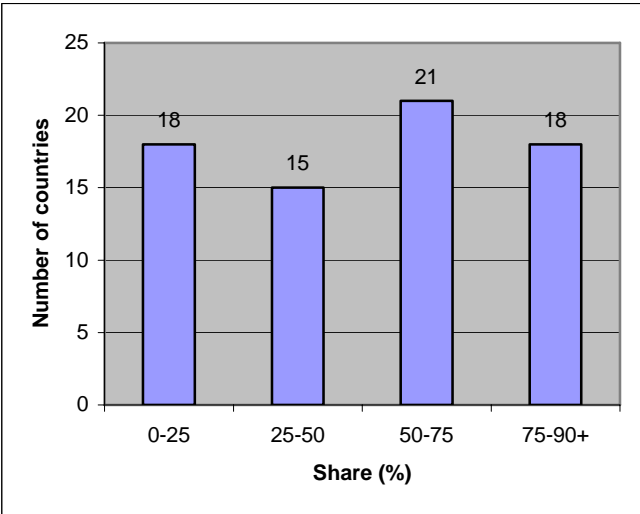
Source: *EarthTrends Database and Baritto (2006)*

As far as the share of people employed in agriculture (2000-2004) is concerned, there are large variations between the ACP countries. In the ACP countries that have reported data for the period in question, the share of people employed in agriculture is 0-25 per cent in 18 countries, 25-50 per cent in 15 countries, 50-75 per cent in 21 countries and 75-90+ per cent in 18 countries¹⁶. The share of people employed in agriculture varies from 3.6 per cent in Bahamas to 92.3 per cent in Burkina Faso (see figure 2).

¹⁵ The following ACP countries have not been included in the calculations due to lack of data: Bahamas, the Cook Islands, Micronesia, Nauru, Niue, the Solomon Islands, St. Vincent & the Grenadines, South Africa and Tuvalu (EarthTrends Database and Baritto, 2006).

¹⁶ The following ACP countries have not been included in the calculations due to lack of data: Micronesia, Niue, Palau, the Solomon Islands and Tuvalu (EarthTrends Database and Baritto, 2006).

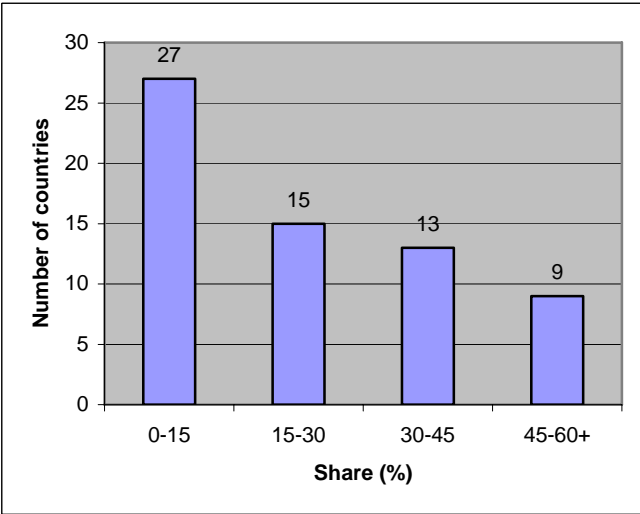
Figure 2: Share of people employed in agriculture in the ACP countries (2000-2004)



Source: *EarthTrends Database and Baritto (2006)*

Also the share of undernourished people differs a lot among the ACP countries (2001-2003). The largest share of undernourished people is in Eritrea (73.0 per cent) and the lowest share in Barbados (2.5 per cent). In the ACP countries that have reported data for the period in question, the share of undernourished people is 0-15 per cent in 27 countries, 15-30 per cent in 15 countries, 30-45 per cent in 13 countries and 45-60+ in 9 countries¹⁷ (see figure 3).

Figure 3: The share of undernourished people in the ACP countries (2001-2003)



Source: *Millennium Development Goals Indicators, UNSTATS*

2.2 The Cotonou Agreement and its predecessors

The cooperation between the EU and the ACP countries goes back to the Treaty of Rome in 1957 when European integration began. In the Treaty, solidarity with the European colonies and territories of that time was expressed, as well as the will to contribute to their well-being.

¹⁷ Due to lack of data, the following ACP countries are not included in the calculations: Antigua & Barbuda, the Cook Islands, Equatorial Guinea, Cape Verde, the Marshall Islands, Micronesia, Nauru, Niue, Palau, South Africa, Tonga and Tuvalu (UNSTATS).

The first **Yaoundé Agreement**, which regulated trade and aid, was concluded in the early 1960s when several European colonies were demanding their independence (1963-69). This agreement was followed by the second Yaoundé Agreement (1969-75). Both agreements were mainly focused on the former French colonies.

The first **Lomé Convention**, comprising trade, aid and political aspects, was signed in 1975 as the United Kingdom entered the EC. In this agreement, the United Kingdom's special trade preferences for bananas and sugar were included in the form of separate protocols for primary products. In total, four Lomé conventions were signed (and one was revised) in the period 1975-2000.

The Cotonou Agreement was signed in June 2000 and it comprises the three areas of cooperation, trade and financial cooperation, as well as developmental aid¹⁸ (OJ, 2000). The agreement emphasizes (Article 34:1) that “[e]conomic and trade cooperation shall aim at fostering the smooth and gradual integration of the ACP States into the world economy /.../ thereby promoting their sustainable development and contributing to poverty eradication in the ACP countries.” It follows (Article 34:2) that “[t]he ultimate objective of economic and trade cooperation is to enable the ACP States to play full part in international trade.”

In order to reach the goals above, “economic and trade cooperation shall aim at enhancing the production, supply and trading capacity of the ACP countries as well as their capacity to attract investment” (Article 34:3). At the same time, it is emphasized (Article 34:4) that “[e]conomic and trade cooperation shall be implemented in full conformity with the provisions of the WTO, including special and differential treatment, taking account of the Parties’ mutual interests and their respective levels of development.”

It is further emphasized (Article 35:2) that “[e]conomic and trade cooperation shall build on regional integration initiatives of ACP States bearing in mind that regional integration is a key instrument for the integration of ACP countries into the world economy.”

Finally, it is stated (Article 35:3) that “[e]conomic and trade cooperation shall take account of the different needs and levels of development of the ACP countries and regions. In this context, the Parties reaffirm their attachment to ensuring special and differential treatment for all ACP countries and to maintaining special treatment for ACP LDCs and to taking due account of the vulnerability of small, landlocked and island countries.”

Within the Cotonou Agreement, a large number of agricultural products are exempted from duties and/or given other preferential treatment on the EU common market. An important factor in this regard is that the protocols for primary products (except beef/veal) only offer tariff free quotas for traditional exporters. Due to the unilaterality of the agreement, the ACP countries do not need to give the EU special import preferences and may in theory apply the WTO bound MFN tariffs, unless they belong to any bilateral or regional integration arrangements (for example a customs union) or structural adjustment programmes prescribing other terms.

2.3 The Cotonou Agreement and the WTO

The Cotonou Agreement, as well as the previous Lomé Conventions, has meant that the ACP countries have been granted special preferences from the EU. This arrangement contravenes the WTO rules as regards the so-called Most Favoured Nation (MFN) principle (Article I and II in

¹⁸ The Cotonou Agreement is in force until 2020. The Cotonou Agreement was slightly revised in 2005, but these changes were more of a political nature (for example statements against terrorism) and did not substantially affect the agreement. Already when the agreement was signed in 2000, it was decided that the trade section of the agreement was to be renegotiated into Economic Partnership Agreements (EPAs) before 2008 in order to become WTO compatible.

GATT)¹⁹. Neither does the Cotonou Agreement fulfil the WTO rules on free trade agreements (Article XXIV in GATT), which is an accepted exemption from the MFN principle²⁰ (WTO, 1999).

The EU has so far been granted a special exemption (waiver) in the WTO for this type of special (and not mutual) preference agreements with developing countries²¹. Since the latest (and most likely the last) waiver expires on 31 December 2007, the reason for negotiating EPAs is to make the preferential trade cooperation between the EU and the ACP countries compatible with the WTO rules from 1 January 2008.

In this regard it is important to consider what changes the WTO rules may have seen at the end of EPA negotiations, given the parallel WTO negotiations, and be flexible when interpreting the GATT. The Cotonou Agreement explicitly refers to the “conformity with WTO rules then prevailing” (Article 37:7).

2.3.1 WTO rules on free trade agreements and developing country arrangements

A central rule in the WTO is the prohibition against discrimination between member countries. This manifests itself in the Most Favoured Nation (MFN) principle (Article I and II in GATT). However, the WTO rules allow exceptions from the MFN principle in certain cases, for example regarding free trade agreements and customs unions (Article XXIV in GATT) and for “special and differential treatment” of developing countries as a group. To get an overview of differences and similarities between Article XXIV and the “Enabling Clause”, see table 1.

¹⁹ The MFN principle is a basic principle of trade policy. It means that any advantage (for instance reduced tariffs on a certain good) granted by one WTO member to another member should immediately and unconditionally be granted all WTO members. Exceptions to the MFN principle can be made for free trade areas and customs unions, and for special and differential treatment of developing countries as a group (or for the least-developed countries only).

²⁰ The preferences in the Cotonou Agreement are also not comprised by Part IV of the GATT or by the “Enabling Clause” and its special rules on integration arrangements aimed at developing countries. The reason is that the Cotonou preferences comprise only the ACP countries and thus discriminate against other developing countries (WTO, 1999).

²¹ Other exceptions to this kind of special preferential arrangements by developed countries are the US initiatives for Africa (Africa Growth and Opportunity Act, AGOA) and the Caribbean (Caribbean Basin Initiative, CBI); Canada’s preferential system for Caribbean countries (Caribbean-Canada Trade Agreement, CARIBCAN); and Australia’s and New Zealand’s non-mutual trade agreement with the countries in the Pacific (South Pacific Regional Trade and Economic Agreement, SPARTECA) (Swedish National Board of Trade, 2003).

Table 1: Comparison between GATT Article XXIV and the “Enabling Clause”

| | GATT Article XXIV | “Enabling Clause” |
|---|---|---|
| Purpose | To facilitate trade between members and not to raise barriers to the trade of third countries. | To facilitate and promote the trade of developing countries and not to raise barriers to or create undue difficulties of trade of third country. To respond positively to the development, financial and trade needs of developing countries in the case of preferences given by developed countries. |
| Trade coverage | Duties and other restrictive regulations of commerce should be eliminated on “substantially all trade” among parties. | Not applicable. |
| Level of barriers to third countries | Duties and other restrictive regulations of commerce shall not on the whole be higher or more restrictive than those applicable prior to the formulation of the regional trade agreement. | Not applicable. (Not to constitute an impediment to tariff reduction or elimination on a MFN basis.) |
| Transitional period | Interim agreement should include a plan and schedule for the formation of a free trade agreement or customs union, and should exceed 10 years only in “exceptional cases”. | Not applicable. |
| Compensation to third countries | Article XXVIII procedure is required for modification of schedule in the case of customs unions. | Not applicable. |
| Notification | Any change in an interim agreement is to be notified to the Council for Trade in Goods. | Notification to the Committee on Trade and Development when created, modified or withdrawn. |
| Examination and recommendation | Examination by the Committee on Regional Trade Agreements that would report to the Council for Trade in Goods (which may make recommendations). | The Committee on Trade and Development may establish a working party to examine a regional trade agreement notified thereunder. |
| Periodical reporting | Biennial reporting is required. | Not applicable. |
| Dispute settlement | The Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU) is applicable | Prompt consultations are to be afforded at the request of any country. |

Source: Based on Onguglo & Ito (2003)

GATT Article XXIV

GATT Article XXIV establishes several conditions that have to be met in order for WTO members to be allowed to establish a free trade area or a customs union: (i) tariffs and other restrictive trade regimes vis-à-vis other WTO members may not increase as a whole; (ii) the establishment of a free trade area and/or a customs union must take place within a “reasonable amount of time”; and (iii) tariffs and other restrictive trade regimes between the parties shall be abolished for “substantially all trade” (WTO, 1999).

As far as the time period is concerned, and according to the previous agreement in the Uruguay Round (“Understanding of the Interpretation of Article XXIV”), a reasonable implementation

period may not exceed 10 years (WTO, 1999). The notion of “substantially all trade” has not yet been defined within the WTO. However, the EU guideline is that 90 per cent of existing trade between the EU and the other party must be included²². In this context, it is important to observe that the EU’s regional agreements often are asymmetric (Stevens & Kennan, 2005b).

Part IV of the GATT and the “Enabling Clause”

Part IV of the GATT contains general phrases on the need to further development in developing countries. The “Enabling Clause” is a clause on special treatment in the decision on special and differential treatment of developing countries. It also entails a permanent exception from the MFN principle for certain developing country arrangements that comprise all such countries.

The “Enabling Clause” provides that: (i) developing countries can grant each other preferential treatment within the framework of regional and/or multilateral arrangements; (ii) developed countries can grant developing countries tariff preferences within the framework of general systems of preferences (GSP); and (iii) least-developed countries (LDCs) can be granted a more preferential treatment than other developing countries (WTO, 1999).

Negotiation proposals on special treatment of developing countries in GATT Article XXIV

At present, it is hard to say in what way the EPA negotiations will result in trade agreements that are WTO compatible, since the substantive phase of the negotiations has just begun, particularly as regards product coverage and implementation periods. In addition, the WTO rules may come to change due to the current WTO negotiations, which means that the EPA negotiations are aiming for a moving target (depending on what flexibility the WTO members may agree on at the end of the negotiations).

The WTO negotiations might result in more flexible rules for developing countries, and/or a more flexible interpretation of Article XXIV. At present, there are no rules on special flexibility in case developing and developed countries enter into free trade agreements with each other. Instead, Article XXIV applies in this case as well. Free trade agreements that comprise only less developed countries are regulated by the “Enabling Clause” (see table 2).

Table 2: Preferential trading schemes and their coverage under WTO provisions

| | Non-reciprocal | Reciprocal | | |
|------------------------|-------------------|--|-----------------|-------------------|
| Generalized | “Enabling Clause” | MFG (GATT I:1), GATT XXVIII <i>bis</i> | | |
| Non-generalized | “Waiver” | | Developed | Developing |
| | | Developed | GATT XXIV | GATT XXIV (EPA) |
| | | Developing | GATT XXIV (EPA) | “Enabling Clause” |

Source: Based on Onguglo & Ito (2003)

The ACP countries’ proposal to add new conditions for “special and differential treatment” of developing countries in the rules on free trade agreements must, however, be weighed against the

²² The free trade agreement between the EU and South Africa comprises 90 per cent of the trade between the parties. To be more precise, the EU grants 94 per cent of South Africa’s exports tariff free access to the EU market, whereas South Africa grants 86 per cent of the EU’s exports to South Africa tariff free access (Stevens, 2002). In theory, the ACP countries could propose that the EPAs should give them tariff-free access to the EU market (a 100 per cent tariff reduction), while the EU would only get an 80 per cent tariff reduction with regard to the ACP countries. In this context, it is relevant to observe that, at present, only 20 per cent of the EU’s exports to the ACP countries are tariff-free (European Commission, 2006d).

negative effects this could have on third countries²³. In any case, it is obvious that the current rules on free trade agreements are not directly adapted to free trade agreements between parties at different levels of development (Onguglo & Ito, 2003). Considering that developing countries are at a lower development level, a general dismantling of tariffs and other trade regimes for “substantially all trade” in agriculture could have several negative effects on poor farmers and the rural population in these countries (Epinosa *et al.*, 2006)

In the WTO, developing countries have the right to make less far-reaching commitments than developed countries, as a result of the rules on “special and differential treatment” of developing countries. However, their ability to use this flexibility is limited by the GATT rules on free trade agreements²⁴, which have not really changed since 1947 (Onguglo & Ito, 2003). However, there may be some room for interpretation in the current WTO legislation regarding asymmetry and flexibility for developing countries, even though this opportunity is often political (Onguglo & Ito, 2003).

Since the EPAs may enter into force before the conclusion of the current WTO negotiations, any progress in the EPA negotiations on “special and differential treatment” within the framework of Article XXIV could become a negotiating position supported in the WTO by both the ACP Group and the EU²⁵. The ACP countries requested a more flexible interpretation of Article XXIV as early as at the Ministerial Conference in Cancún in September 2003.

2.3.2 The Cotonou Agreement and the EPA negotiations

The Cotonou Agreement’s Chapter on “New Trading Arrangements” states in Article 36.1 that the parties “agree to conclude new World Trade Organisation (WTO) compatible trading arrangements, removing progressively barriers to trade between them and enhancing cooperation in all areas relevant to trade.” In this context, the parties (Article 36:2) “agree that the new trading arrangement shall be introduced gradually and recognize the need, therefore, for a preparatory period.”

Furthermore, the text notes that (Article 36:3) that “[i]n order to facilitate the transition to the new trading arrangements, the non-reciprocal trade preferences applied /.../ shall be maintained during the preparatory period for all ACP countries”. However, the parties “agree on the need to review them in the context of the new trading arrangements, in particular as regards their compatibility with WTO rules, with a view to safeguarding the benefits derived therefrom, bearing in mind the special legal status of the Sugar Protocol” (Article 36:4).

Regarding the approach, the Cotonou Agreement (Article 37:1) states that “[e]conomic partnership agreements shall be negotiated during the preparatory period which shall end by 31 December 2007 at the latest. Formal negotiations of the new trading arrangements shall start in September 2002 and the new trading arrangements shall enter into force by 1 January 2008, unless earlier dates are agreed between the Parties.” “The preparatory period shall also be used for the capacity-building in the public and private sectors of ACP countries” (Article 37:3)²⁶.

²³ It is important to consider that the WTO definition of developing countries is based on self-designation. For a more detailed reasoning, please see the Swedish Board of Agriculture’s report “Differentiation between Developing Countries in the WTO” (Report 2004:14 E).

²⁴ These rules mean that the ACP countries, within the framework of the EPAs, will not be able to take advantage of the flexibility granted developing countries as a result of the special and differential treatment agreed in the WTO. This applies both to the existing special and differential treatment and to the new proposals regarding Special Products (SPs) and the Special Safeguard Mechanism (SSM) for developing countries.

²⁵ The EU and the ACP Group together make up more than half of the WTO member countries.

²⁶ Several EU member states have stated that the efforts to develop “Aid for Trade” in the EPA negotiations should continue no matter what happens in the WTO. Aid to the ACP countries aimed at improving the supply-side capacity is in many cases necessary in order for liberalisation to have a positive effect (Corrales-Leal, 2005). It is also important to coordinate this aid with efforts from other donors and international organisations, and to make the aid from the EU and

In this context, it is also stated (Article 37:4) that “[t]he Parties will regularly review the progress of the preparations and negotiations and, will in 2006 carry out a formal and comprehensive review of the arrangements planned for all countries to ensure that no further time is needed for preparations or negotiations.”

Regarding negotiating parties, it was decided (Article 37:5) that “[n]egotiations of the economic partnership agreements will be undertaken with ACP countries which consider themselves in a position to do so, at the level they consider appropriate and in accordance with the procedures agreed by the ACP Group, taking into account regional integration process within the ACP.”

“[T]he Community will assess the situation of the non-LDC which, after consultations with the Community decide that they are not in a position to enter into economic partnership agreements and will examine all alternative possibilities, in order to provide these countries with a new framework for trade which is equivalent to their existing situation and in conformity with WTO rules” (Article 37:6).

Finally, it was decided that “[n]egotiations of the economic partnership agreements shall aim notably at establishing the timetable for the progressive removal of barriers to trade between the Parties, in accordance with the relevant WTO rules. On the Community side trade liberalisation shall build on the *acquis* and shall aim at improving current market access for the ACP countries through *inter alia*, a review of the rules of origin. Negotiations shall take account of the level of development and the socio-economic impact of trade measures on ACP countries, and their capacity to adapt and adjust their economies to the liberalisation process. Negotiations will therefore be as flexible as possible in establishing the duration of a sufficient transitional period, the final product coverage, taking into account sensitive sectors, and the degree of asymmetry in terms of timetable for tariff dismantlement, while remaining in conformity with WTO rules then prevailing” (Article 37:7).

The Cotonou Agreement (Article 37:8) also states that “the Parties shall closely cooperate and collaborate in the WTO with a view to defending the arrangements reached, in particular with regard to the degree of flexibility available.”

2.4 The EPAs in context

2.4.1 What options do the ACP countries have to the EPAs?

The basic idea behind GATT is that all members shall be treated equally. However, even when the agreement was formed in 1947, the European countries obtained the right to keep granting tariff preferences to their remaining or former colonies. The preferential systems can be divided into two main categories: general systems of preferences and special systems of preferences²⁷. Today, the alternative to the special preferential system of the Cotonou Agreement and the coming EPAs is one of the three general systems of preferences (i.e. GSP, GSP+ or EBA) in existence in the EU. These

its Member States visible. The provisions of development aid in the Cotonou Agreement will not be subject the EPA negotiations, but runs until 2020. It is administered by the European Development Fund (EDF) and is reviewed every fifth year. The current period (the ninth EDF 2002-2007) comprises 13.5 billion euro, but the next period (EDF 2008-2013) is expected to comprise 22.7 billion euro, and the regional grants to increase. The current focus on aid to the ACP countries is on transport (31 per cent), macro-economic support (21 per cent) and institutional support for capacity building (11 per cent) (Swedish National Board of Trade, 2003). However, it is important that the EU not only increases development aid but also facilitates market access for the EPA regions’ offensive export interests in agriculture, particularly regarding processed products. This would help the development cooperation to yield positive effects in the long run (Corrales-Leal, 2005).

²⁷ Many countries apply special preferential arrangements (like the Cotonou Agreement) in addition to the general systems of preference. Such special arrangements usually apply to fewer countries than the general ones, and offer larger preferences.

may constitute an alternative for developing countries or least-developed countries that do not wish to enter into an EPA with the EU (or chose not to join any EPA region at the initial stage).

The rules on the Generalised System of Preferences (GSP) were adopted, on UNCTAD's recommendation, by an agreement in 1968 at UNCTAD II. The system means that developed countries wholly or partly reduces their tariffs on selected products exported by the developing countries. In other words, the system is not mutual. The products and the preferences comprised are not necessarily the same in all developed countries. The "Enabling Clause" grants the GSP a permanent exception from the MFN principle, since it, in theory, includes all developing countries on a non-discriminatory basis.

The EU has applied its Generalised System of Preferences (GSP), since 1971. In principle, it comprises all developing countries (currently 179 countries) except those with high income per capita or substantial exports to the EU²⁸. In July 2005, the EU's GSP was revised. However, the list of tariff preferences that apply to all developing countries did not expand very much compared to the previous system. The trade preferences entered into force on 1 January 2006 and will remain so until 31 December 2008.

Like before, the EU classifies products as "sensitive" or "non-sensitive". Sensitive products get a tariff reduction of 3.5 per cent if it is an *ad valorem* tariff and of 30 per cent if it is a specific tariff. In case of combined tariffs, only the *ad valorem* part is reduced. For non-sensitive products, tariffs are eliminated. There is also an implicit category of "even more sensitive" products, that are not included in the GSP Regulation and thus do not receive any preferences at all. For these products, MFN tariffs apply unless the country has any bilateral or regional free trade agreement with the EU.

However, an important change compared to the previous system is that the EU grants better preferences to developing countries that apply a number of international conventions on sustainable development and good governance (mostly regarding human rights, labour rights and environmental protection), and that are considered vulnerable. "Vulnerable" in this case means that the country's exports to the EU must not be too large, and must be dominated by a handful of products. These preferences are better known as **GSP+** and involve zero tariffs on almost all "non-sensitive" and "sensitive" products.

The purpose of GSP+ is to replace the previous "drug regime" that offered better preferences to certain countries in Latin America and to Pakistan, in order to encourage production of other products than drugs. Almost the same countries are comprised by the new system, but Pakistan lost its extra preferences, whereas Georgia, Sri Lanka and Mongolia gained them.

The GSP also includes Everything But Arms (EBA) for the least-developed countries. An amendment to the GSP Regulation in 2001 offers tariff free access to all least-developed countries for all goods except arms and ammunition, and a period of transition for certain sensitive products (bananas, sugar and rice). As regards these latter products, tariffs were fully dismantled on 1 January 2006 for bananas, and shall be so on 1 September 2009 for rice, and on 1 July 2009 for sugar. Meanwhile, tariff-free quotas apply. However, the least-developed countries do not have access to the EU's favourable sugar prices, unlike the countries comprised by the Cotonou Agreement.

This means that the 50 least-developed countries, 41 of which are also ACP countries, have a right to better preferences than others without having to open up their markets to EU exports. However, the rules of origin are stricter in GSP/EBA than in the Cotonou Agreement, and this leads some least-developed countries to export under the Cotonou Agreement instead. However, the EBA is at

²⁸ These criteria have led to the exclusion of countries like Hong Kong, Singapore and South Korea (Swedish National Board of Trade, 2003). In 2006, it was also agreed to temporarily exclude Belarus, as well, due to its serious and systematic violations of certain central conventions on labour rights.

present only aimed at improved market access, and does not include any extra benefits in the form of development cooperation. Such benefits are included in the Cotonou Agreement, and are expected to be included also in the EPAs.

2.4.2 Rules of origin in preferential and free trade agreements

Rules of origin have become a more important component in various forms of preferential or free trade agreements, since it is important to determine where the products are produced. In order for a product to entitle to preferential treatment, it must fulfil certain requirements. To be more specific, they must be wholly obtained or sufficiently processed within the free trade area, and be accompanied by a certificate of origin that verifies this (Naumann, 2005). These rules ensure that the preferences granted to a certain market can only be used by countries that are entitled to these preferences.

Originating materials used for the manufacture of a product do not need to undergo sufficient processing in a certain country in order for the product to be said to originate in that country. This is because the rules on cumulation (depending on the rules of each individual agreement) lay down to what extent raw materials from different countries can be used in the manufacture of a certain good without loss of originating status. Only non-originating materials must be sufficiently processed. However, the rules of tolerance allow producers to use a certain percentage of non-originating materials (Naumann, 2005). This rule is an exception to the principle that all material shall originate in the right countries. The most common forms of cumulation are bilateral, diagonal, regional and full cumulation²⁹.

Rules of origin can in many cases be seen as a non-tariff barrier, since the rules can differ considerably between products, and in practice also between countries. The rules of origin can also be very technical and complex, which might result in under-utilisation of preferences and thus to a lower use of market access opportunities for more processed products and food³⁰. The rules of origin have not changed much since the 1970s, which cannot be said for the production structure of world trade (Naumann, 2005). The rules of origin can have the effect that the preferences in a trade agreement are smaller than it might first appear by looking at product coverage alone³¹.

As regards the EPA negotiations, they are to be based on the rules of origin and cooperation methods defined in Protocol 1 of the Cotonou Agreement, even though ACP suggestions for changes can be taken into account³² (Council of the European Union, 2002). In spite of their limits, the rules of origin of the Cotonou Agreement and in the GSP are more liberal than those in most of the EU's current trade agreements (Naumann, 2005). However, the rules of origin regarding

²⁹ In this case, bilateral cumulation implies that the countries can use EU material for production intended for the EU market. Diagonal cumulation allows a limited use of materials from third countries that are not party to any specific free trade agreement. Regional cumulation is in practice the same thing as diagonal cumulation for regions. Full cumulation means unlimited use of materials from certain countries specified in the agreement in question (Naumann, 2005).

³⁰ Sometimes the rules of origin require materials to be domestically produced (Naumann, 2005). If the country lacks the capacity to produce the material in question, this means that the finished product cannot receive the preference. If the country can produce the material but at a higher cost (by using expensive domestic raw materials), the product may be uncompetitive in spite of large tariff preferences.

³¹ The WTO has laid down principles on rules of origin, in the Agreement on Rules of Origin. This agreement presents basic principles rather than any detailed rules on how members should act. In addition, the WTO regulation only comprises rules of origin in non-preferential trade agreements, which means that it does not concern such rules in preferential and/or free trade agreements, etc. The WTO supports increased harmonisation of rules of origin in order to make them more predictable, objective, and comprehensible. In addition, the rules of origin should be of a positive nature, i.e. state what actions grant the status of originating product instead of what is insufficient, in order to avoid arbitrary interpretation (Naumann, 2005).

³² It has also been suggested that the rules of origin should be harmonised as much as possible between the different EPA regions (Swedish National Board of Trade, 2003).

cumulation and processing are stricter in the GSP/EBA than in the Cotonou Agreement (see table 3), and this means that the least-developed countries cannot always take advantage of the EBA preferences (Alpha *et al.*, 2005). However, in theory the least-developed countries can apply for exceptions to certain rules of origin if they have difficulty complying with them and if it is justified by growth and development needs.

Table 3: Comparison of rules of origin in the GSP and the Cotonou Agreement

| | GSP/GSP+/EBA | Cotonou Agreement |
|--------------------------------------|--|--|
| Bilateral cumulation | Yes, with the EU. | Yes, with the EU. |
| Diagonal cumulation | No | Yes, with South Africa three years after TDCA (in practice, not until 1 May 2007), subject to certain conditions). |
| Regional cumulation | Yes, with three predefined country groups (ASEAN, SAARC and the Andean Group). | Yes, with neighbouring developing countries (under limited and onerous conditions). |
| Full cumulation | No | Yes, with all ACP countries since technically they are considered as being one territory. |
| Tolerance (<i>de minimis</i>) | 10% | 15% |

Source: Based on Naumann (2005)

2.5 The ACP countries and the trade with the EU

2.5.1 Commodity dependency and preferences in ACP countries

The ACP countries are often very dependent on a handful of agricultural products in their total agro-food exports. In some cases, these agricultural products also make up a large share of their total exports. A study of the four leading agricultural products (at HS four-digit level) as a share of total agricultural exports and/or of total agricultural and non-agricultural exports is an approach to indicate the degree of commodity dependency of developing countries³³ (Kasteng, 2006).

In 21 of the 51 ACP countries that have presented data on the indicators above, the four largest export products make up more than 90 per cent of their total agricultural exports. In four of these countries (Sao Tomé & Príncipe, Cape Verde, the Cook Islands and the Central African Republic), exports of the four largest products – or in practice even fewer – make up 100 per cent of their total agricultural exports. Also in South Africa, who is the ACP country with the most diversified exports, the four largest products make up 39 per cent of total agricultural exports.

The ranking becomes somewhat different if agriculture's share of total exports is taken into account. In approximately 23 ACP countries, agricultural exports make up more than 25 per cent of their total exports of goods, and 10 ACP countries depend on agricultural exports for more than half of their total exports. In Sao Tomé & Príncipe, agricultural exports make up as much as 97 per cent of their total exports. On the other hand, the agricultural exports of Cape Verde only make up 0.2 per cent of their total exports. This means that it is necessary to see to a larger context than just agriculture in order to understand the ACP countries' actual dependence on a handful of agricultural products.

³³ For a more detailed presentation of dependence on the four leading agricultural products (at the HS four-digit level) in relation both to total agricultural exports and total exports of goods, see sections 3.2-3.7.

Table 4, below, gives a detailed view of to what extent the ACP countries rely on one or few agricultural products for their total agricultural exports, at the HS four-digit level³⁴. The countries are ranked first by region and then by the Herfindahl-Hirschman index about the economies' degree of concentration/diversification of exports³⁵. The presentation shows the cumulative dependence on their largest export products. The table shows for instance that Mauritius relies on exports of one agricultural product for about 80 per cent of their total agricultural exports, and that four products make up 90 per cent of the total, and nine products for 95 per cent of the total. In other words, the last products added only contribute with small shares to the total exports. In total, 75 products appear in Mauritius' exports. This fairly undiversified pattern can be compared with that of South Africa, which reaches a much higher degree of diversification at an earlier stage.

Table 4: Overview of agricultural commodity dependency in ACP countries (2000-2004)

| Countries | Share of agricultural exports (%) of cumulative number of export products | | | | | | | | | | | | | | | | | | | |
|--------------------------------|---|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|-----|
| | 5 | 10 | 15 | 20 | 25 | 30 | 35 | 40 | 45 | 50 | 55 | 60 | 65 | 70 | 75 | 80 | 85 | 90 | 95 | 100 |
| West Africa | | | | | | | | | | | | | | | | | | | | |
| Cape Verde | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Mali | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 3 | 5 | 8 | 14 | 27 |
| Burkina Faso | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 4 | 9 | 38 |
| Benin | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 5 | 7 | 25 |
| Gambia | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 4 | 4 | 5 | 5 | 6 | 12 |
| Nigeria | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 4 | 5 | 6 | 6 | 8 | 9 | 11 | 17 |
| Guinea | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 3 | 3 | 4 | 4 | 5 | 6 | 7 | 8 | 10 | 16 |
| Ghana | 1 | 1 | 1 | 2 | 2 | 2 | 3 | 3 | 4 | 5 | 5 | 6 | 8 | 9 | 12 | 14 | 17 | 22 | 31 | 81 |
| Senegal | 1 | 1 | 2 | 2 | 2 | 3 | 3 | 3 | 4 | 4 | 5 | 6 | 7 | 9 | 11 | 13 | 16 | 21 | 32 | 80 |
| Niger | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 4 | 4 | 5 | 6 | 9 | 12 | 32 |
| Togo | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 3 | 3 | 4 | 5 | 6 | 7 | 9 | 12 | 15 | 47 |
| Eastern/Southern Africa | | | | | | | | | | | | | | | | | | | | |
| Mauritius | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 4 | 9 | 75 |
| Burundi | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 3 | 4 | 11 |
| Seychelles | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 5 | 7 |
| Malawi | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 3 | 3 | 4 | 6 | 39 |
| Rwanda | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 4 | 9 |
| Madagascar | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 3 | 4 | 5 | 7 | 10 | 14 | 47 |
| Zimbabwe | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 3 | 4 | 6 | 10 | 18 | 104 |
| Ethiopia | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 4 | 5 | 7 | 11 | 62 |
| Sudan | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 4 | 4 | 5 | 6 | 7 | 9 | 27 |
| Uganda | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 3 | 3 | 4 | 4 | 5 | 6 | 8 | 11 | 14 | 21 | 69 |
| Kenya | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 3 | 4 | 4 | 5 | 7 | 9 | 11 | 15 | 23 | 121 |
| Zambia | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 3 | 3 | 4 | 4 | 5 | 5 | 6 | 7 | 9 | 14 | 64 |
| Eritrea | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 5 | 5 | 6 | 6 | 7 | 8 | 9 | 11 | 12 | 14 |

³⁴ For a more detailed view of the largest products (here defined as products that make up more than 20 per cent of agricultural exports) at the four-digit level in the EPA regions, see sections 3.2-3.7.

³⁵ In this context, the Herfindahl-Hirschman index is calculated as the sum of the squares of the market share of each product. The result will thus fall within the interval 0-1, where 0 means that exports are very diversified, and 1 means that there is no diversification. The large advantage of a measure like the Herfindahl-Hirschman index is, in this context, that it takes into account the size of the exports and gives a larger weight to more important export products.

| | | | | | | | | | | | | | | | | | | | | |
|------------------------|---|---|---|---|---|---|---|---|---|---|---|---|----|----|----|----|----|----|----|-----|
| Southern Africa | | | | | | | | | | | | | | | | | | | | |
| Botswana | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 5 | 7 | 11 | 38 |
| Swaziland | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 6 | 7 | 9 | 12 | 15 | 22 | 33 | 89 |
| Mozambique | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 4 | 4 | 6 | 7 | 9 | 11 | 14 | 36 |
| Namibia | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 3 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 11 | 14 | 20 | 31 | 93 |
| Tanzania | 1 | 1 | 2 | 2 | 2 | 3 | 3 | 4 | 4 | 5 | 5 | 6 | 7 | 8 | 9 | 11 | 14 | 18 | 27 | 105 |
| South Africa | 1 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 5 | 5 | 6 | 8 | 10 | 12 | 16 | 22 | 30 | 43 | 63 | 184 |
| Central Africa | | | | | | | | | | | | | | | | | | | | |
| Sao Tomé & Príncipe | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Cook Islands | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 3 |
| Central African Rep. | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 4 |
| Gabon | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 3 | 3 | 4 | 9 |
| Caribbean | | | | | | | | | | | | | | | | | | | | |
| Bahamas | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 3 | 5 | 17 |
| St. Kitts & Nevis | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 4 | 9 |
| St. Lucia | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 3 | 4 | 14 |
| Guyana | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 6 | 38 |
| Grenada | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 3 | 4 | 4 | 13 |
| Antigua & Barbuda | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 3 | 3 | 3 | 4 | 4 | 5 | 5 |
| Belize | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 4 | 5 | 22 |
| Dominica | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 3 | 4 | 5 | 6 | 8 | 11 | 18 |
| St. Vincent & Grenad. | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 3 | 3 | 3 | 4 | 5 | 6 | 7 | 23 |
| Barbados | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 4 | 6 | 7 | 10 | 16 | 44 |
| Jamaica | 1 | 1 | 1 | 2 | 2 | 2 | 3 | 3 | 4 | 4 | 4 | 5 | 6 | 7 | 8 | 10 | 13 | 17 | 25 | 63 |
| Trinidad & Tobago | 1 | 1 | 1 | 2 | 2 | 2 | 3 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 12 | 14 | 18 | 22 | 29 | 79 |
| Dominican Republic | 1 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 5 | 6 | 7 | 9 | 10 | 12 | 14 | 17 | 21 | 27 | 37 | 80 |
| Pacific | | | | | | | | | | | | | | | | | | | | |
| Fiji | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 3 | 4 | 5 | 7 | 9 | 12 | 17 | 62 |
| Papua New Guinea | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 4 | 4 | 5 | 5 | 7 | 38 |
| Samoa | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 4 | 4 | 5 | 7 | 9 | 15 |

Source: Based on Baritto (2006)

Since many ACP countries largely rely on a handful of agricultural products, special preferential arrangements like the Cotonou Agreement are still important for them, since such agreements gives them an edge on other developing countries. However, preference erosion³⁶ can have very different effects on different countries and products, and in practice, only a few countries and products are likely to see any large effect (Low *et al.*, 2006).

From the point of view of development, it is important to see how effective the preferences are when it comes to furthering development in the countries concerned. The ACP countries are still marginalised in world trade. Their total exports made up 3 per cent of world exports in the beginning of the 1970s, but today the corresponding figure is only 1.5 per cent. Similarly, their total exports to the EU have declined from 8 per cent to 3 per cent (Swedish National Board of Trade,

³⁶ There are many reasons why the ACP countries' benefits from the Cotonou Agreement are likely to decline. Some factors are: (i) multilateral trade liberalisation through the WTO; (ii) EU free trade agreements with an increasing number of countries and regions; (iii) alternative preferential arrangements both within the EU and externally; and (iv) the reform of the CAP, that lowers European prices to the world market level (Alpha *et al.*, 2003).

2003). In other words, generous trade preferences have not been sufficient measure to further development in the ACP countries³⁷.

According to the above, the Cotonou Agreement stipulates (Article 34:1) that “[t]he economic and trade cooperation [within the EPAs] aim at fostering the smooth and gradual integration of the ACP States into the world economy /.../ thereby promoting their sustainable development and contributing to poverty eradication in the ACP countries.” It is further stated (Article 34.2) that “[t]he ultimate objective of economic and trade cooperation is to enable the ACP States to play a full part in international trade.” This aim might be interpreted that the ACP countries gradually should abandon their reliance on special trade preferences.

2.5.2 EU tariff structure and agricultural support

Overview of the EU tariff structure in the Cotonou Agreement

In the Cotonou Agreement³⁸, many products of importance to the ACP countries already enter the EU at no tariff. This is true particularly for unprocessed products that do not compete with the EU’s domestic producers. As regards processed products and products that contain products sensitive to the EU, like sugar, tariffs are often higher and the structure more complex³⁹. In addition, some products are not included at all in the Cotonou Agreement⁴⁰.

At present, the EU has a WTO-given right to apply a Special Agricultural Safeguard (SSG) when the price of imported goods falls beneath a certain level, or when the imported volume exceeds a given level. The EU uses this option on a regular basis for sugar and poultry meat, but in certain cases also for fruits and vegetables (Swedish Board of Agriculture, 2005)⁴¹. The EU’s application of this instrument can be used as an indicator of which ACP products may be sensitive to the EU due to the fact that they compete with the EU’s own producers⁴².

EU domestic support

The EU provides different kinds of support to agriculture. Support that has a large effect on production and trade are notified as “Amber Box” support to the WTO⁴³. These forms of support are calculated in the total AMS (Aggregate Measure of Support) and have been reduced in

³⁷ According to a negotiation proposal from the ACP group to the WTO on 21 June 2006, continued access to preferences is particularly important for the following products (four-digit HS): HS 0201, HS 0202, HS 0207, HS 0602, HS 0603, HS 0703, HS 0708, HS 0709, HS 0710, HS 0714, HS 0802, HS 0803, HS 0804, HS 0806, HS 0807, HS 0808, HS 0810, HS 0813, HS 0905, HS 1001, HS 1002, HS 1006, HS 1102, HS 1103, HS 1508, HS 1511, HS 1513, HS 1701, HS 1703, HS 1804, HS 1904, HS 2002, HS 2005, HS 2008, HS 2009, HS 2101, HS 2103, HS 2204, HS 2207, HS 2208, HS 2309, HS 2401, HS 2402 (WTO, 2006).

³⁸ The EU’s defensive interests regarding the leading export products from the EPA regions are analysed in sections 3.2-3.7.

³⁹ Non-tariff barriers like sanitary and phytosanitary measures (SPS) are becoming increasingly important in agro-food trade. It would be highly relevant to study this aspect of the EPAs, but that is beyond the scope of this study.

⁴⁰ Certain agricultural products are not included in the Cotonou Agreement due to the fact that imports are already granted tariff-free access to the EU market on an MFN basis. However, some products that the EU deem sensitive are excluded. For instance malt (HS 1107), with an average tariff of 46 per cent; olive oil (HS 1509) with 61 per cent, other oils from olives (HS 1510) with 100.2 per cent, and wine lees (CN 2307 00 19) with 56.7 per cent. As regards sugar (HS 1701), the average MFN tariff is 201 per cent, but this product is comprised by the sugar protocol.

⁴¹ For a thorough analysis of the EU’s sensitive agricultural products, see the Swedish Board of Agriculture’s statement “Känsliga produkter” (Diary Number 44-549/05) from 10 October 2005.

⁴² The ACP countries that have reserved the right to use the Special Agricultural Safeguard (SSG) are Barbados, Botswana, Namibia and Swaziland. However, Barbados is the only ACP country that has ever used the SSG (Kasteng, 2006).

⁴³ In addition, the EU has the right to provide certain permitted domestic support to its agricultural sector. These are either green (i.e. the “Green Box”) or blue (i.e. the “Blue Box”) in the WTO terminology, depending on how much they affect trade and production. These forms of support are not product-specific.

accordance with the Agreement on Agriculture. The AMS includes two different forms of support, transfers from consumers (market price support⁴⁴) and transfers from taxpayers (support financed via the budget). In marketing year 2001-2002, the EU's product-specific trade-distorting support to agriculture went mostly to beef and white sugar, products that are comprised by the protocols. It was followed by products like butter, olive oil, apples, tomatoes, barley, skimmed milk powder, and common wheat (see table 5). The negative support to beef in 2003-2004⁴⁵ is explained by the fact that EU beef reforms reduced the administrative price to a level lower than the reference price⁴⁶.

Table 5: EU product-specific trade distorting support to agriculture

| Product | Product-specific trade distorting support 2001-2002 (millions of Euro) | Product-specific trade distorting support 2003-2004 (millions of Euro) |
|---------------------|---|---|
| Beef | 9,708.7 | -1,110.6 |
| White sugar | 5,732.1 | 5,610.0 |
| Butter | 4,443.5 | 5,011.8 |
| Olive oil | 2,675.7 | 2,649.1 |
| Apples | 2,059.5 | 2,625.1 |
| Tomatoes | 1,944.2 | 1,887.8 |
| Barley | 1,640.4 | 1,859.8 |
| Skimmed milk powder | 1,370.5 | 1,602.1 |
| Common wheat | 1,236.6 | 1,454.9 |
| Tobacco | 951.6 | 923.9 |
| Wine | 891.6 | 637.8 |
| Pears | 543.2 | 584.3 |
| Cucumbers | 535.1 | 781.2 |
| Peaches/Nectarines | 472.3 | 397.8 |
| Rice | 396.5 | 420.7 |
| Maize | 379.6 | 391.0 |
| Oranges | 321.0 | 329.4 |

⁴⁴ One might say that market price support includes the effect of tariff protection, since the world market price plus the tariff gives the framework for the administrative price. The support is financed by the consumers, who pay higher prices. Other forms of price support, like export subsidies, bridge the gap to the world market price in order to get rid of any surplus production.

⁴⁵ Please, note that the data on 2003-2004 is still preliminary and not yet published in a WTO notification. This implies that there may be some changes even though the overall trends should be the same.

⁴⁶ The AMS measure is both rough and artificial. The main reason for this is that the calculations are based on historic reference periods and not on current values. Total AMS is calculated by multiplying the price gap for each product by production volume. The price gap is the difference between a certain external reference price and the applied administrative price. The administrative price is usually higher than the external price, which is based on average data for 1986-1988. If the administrative price is unchanged and the external price fixed at the level of the base period, the price gap in, for instance, 2005 will be the same as in 1986-1988, even if the actual reference price has declined. In other words, the price gap in the AMS calculations does not reflect price fluctuations on the world market and is determined exclusively by politically controlled parameters.

| | | |
|--------------------------|-------|-------|
| Dried fodder | 317.2 | 319.1 |
| Lemons | 280.7 | 329.4 |
| Table grapes | 216.7 | 185.2 |
| Rye | 212.9 | 243.2 |
| Bananas | 212.3 | 233.3 |
| Milk | 212.2 | 230.8 |
| Artichokes | 195.0 | 178.9 |
| Triticale | 179.4 | 274.8 |
| Courgettes | 170.6 | 112.0 |
| Clementines | 167.1 | 188.3 |
| Apricots | 120.5 | 109.9 |
| Cherries | 118.2 | 203.0 |
| Seed for sowing | 99.0 | 107.5 |
| Chick-peas, lentils, etc | 72.9 | 71.1 |
| Plums | 69.3 | 96.2 |
| Pigmeat | 32.7 | 30.0 |
| Mandarins | 31.8 | 30.3 |
| Satsumas | 16.4 | 22.2 |
| Hops | 12.5 | 12.5 |
| Sorghum | 10.2 | 8.8 |
| Flax fibre | 5.4 | 16.8 |
| Hemp | 2.5 | 1.1 |
| Silkworms | 0.6 | 0.3 |

Source: Based on WTO (2004) and European Commission (2006c).

Overview of the EU's export subsidies

In 2002-2003, the EU granted export subsidies primarily for other dairy products, butter and butter oil, processed products, sugar, beef, and cheese. The degree of utilisation is not the same for all products. It is particularly high for poultry meat (99.8 per cent), processed products (99.7 per cent), alcohol (94.1 per cent) and other dairy products (85.5 per cent) (see table 6 for further details).

A high degree of utilisation may suggest that the prices are fairly high in the EU's domestic market, and the products protected by high tariffs and thus not very competitive on the world market. However, it is also important to take into account the size of the export refund in relation to the value of the product in order to estimate how important the refund is for the chance of exporting the product.

Table 6: EU export subsidies to agriculture

| Product | Export subsidies 2002-2003 (millions Euro) | Utilisation of export subsidies 2002-2003 |
|---------------------------------|--|--|
| Other milk products | 596.2 | 85.5 |
| Butter and butter oil | 545.1 | 57.5 |
| Incorporated products | 413.6 | 99.7 |
| Sugar | 292.5 | 58.6 |
| Beef meat | 285.1 | 22.7 |
| Cheese | 267.7 | 78.3 |
| Coarse grains | 167.0 | 16.0 |
| Skim milk powder | 163.0 | 59.1 |
| Wheat and wheat flour | 141.2 | 10.9 |
| Poultry meat | 90.5 | 99.8 |
| Alcohol | 90.4 | 94.1 |
| Rice | 24.9 | 67.7 |
| Wine | 17.9 | 45.7 |
| Fruit and vegetables, fresh | 15.3 | 29.0 |
| Pigmeat | 14.6 | 7.6 |
| Eggs | 5.1 | 11.7 |
| Fruit and vegetables, processed | 3.1 | 37.3 |
| Rapeseed | 0.0 | 0.0 |
| Olive oil | 0.0 | 0.0 |
| Raw tobacco | 0.0 | 0.0 |

Source: Based on WTO (2005b)

As regards EU export subsidies in the ACP trade, this is particularly large for milk and dairy products, beef, and sugar. Whole milk powder received export subsidies when sold to Nigeria (29,190 tonnes), the Dominican Republic (20,510 tonnes) and Senegal (18,960 tonnes). Export subsidies were also granted for exports of butter and butter oil to Nigeria (3,660 tonnes), the Ivory Coast (3,120 tonnes) and Senegal (2,790 tonnes), and for skimmed milk powder to Nigeria (5,650 tonnes). As regards beef in 2005-2006, subsidies were particularly common in exports to Angola and Congo-Brazzaville (11,555 tonnes each). These countries are even the EU's third and fourth largest receiver of beef exports with subsidies. Exports of sugar with subsidies (including C sugar) were in 2005 the largest to Senegal (57,650 tonnes), Sudan (53,618 tonnes) and Togo (32,774 tonnes). Somewhat smaller quantities were exported to nine other countries in the Sub-Saharan Africa (Swedish Board of Agriculture, 2006a).

2.5.3 The Commodity Protocols in the Cotonou Agreement

The most sensitive products of the EU-ACP trade are regulated in special protocols. This means that an important issue in the EPA negotiations concern the future of these protocols. Since 1975, the EC/EU has granted tariff-free market access or other preferences for certain quantities of sugar, bananas, beef/veal and rum from "traditional" ACP exporters (mostly former French and British

colonies). All protocols except the one on rum⁴⁷ remain in use. For many ACP countries, these preferences are the most important elements of the Cotonou Agreement, since exports of these products generate income in foreign currencies and further their employment in the agro-food sector.

However, only 28 out of 79 ACP countries have access to the three protocols in force. Of these countries, seven (Belize, the Ivory Coast, Jamaica, Kenya, Suriname, Swaziland and Zimbabwe) have access to two of the protocols, and Madagascar to all three⁴⁸ (see table 7). In any case, exports of the products concerned make up on average 15.8 per cent of total ACP agricultural exports to the EU in 2000-2004. Of this share, 57.4 per cent is sugar, 35.7 per cent is bananas and 6.9 per cent is beef⁴⁹.

Table 7: ACP countries benefiting from the Commodity Protocols

| | Sugar | Bananas | Meat/Veal | (Rum) |
|------------------|--|--|--|---|
| Africa | Congo-Brazzaville Ivory Coast Kenya Madagascar Malawi Mauritius Swaziland Tanzania Uganda Zambia Zimbabwe | Cameroon Cape Verde Ivory Coast Madagascar Somalia | Botswana Kenya Madagascar Namibia Swaziland Zimbabwe | (Madagascar) (Mauritius) |
| Caribbean | Barbados Belize Guyana Jamaica St. Kitts & Nevis Suriname Trinidad & Tobago | Belize Dominica Grenada Jamaica St. Lucia St. Vincent & Gren. Suriname | --- | (Bahamas) (Barbados) (Dominican Rep.) (Guyana) (Jamaica) (Trinidad & Tobago) |
| Pacific | Fiji | --- | --- | (Fiji) |

Source: Based on Dunlop (1999). The Least Developed Countries (LDCs) are highlighted.

It is important to recall that the protocols are different from one another, and that the EU has different commitments regarding the products (see table 8). This is because the protocols have had

⁴⁷ The rum protocol in its old version ended because of the EU's unilateral decision on 24 March 1997 to eliminate all import tariffs (and thus also tariff quotas) on rum in 2000-2003, and because of the so-called "Zero for Zero" Agreement with the US. In this context, the ACP countries requested development-related support for marketing activities in order to improve the competitiveness of their industry during the transition period. It is interesting to observe that rum was the only processed agricultural product to be limited by a tariff quota (Dunlop, 1999).

⁴⁸ When the rum protocol was in force, 30 ACP countries were comprised by the protocols. In this case, 11 countries had access to two of them, Jamaica to three, and Madagascar to all four (Dunlop, 1999).

⁴⁹ The calculations are based on aggregated HS four-digit level (sugar: HS 1701; bananas: HS 0803; and beef: HS 0102, HS 0201, HS 0202, HS 0206, HS 0210 and HS 1602). This probably slightly overestimates the actual trade in protocol products compared to an analysis at a more detailed HS level.

different aims ever since they were drawn up⁵⁰. For instance, beef/veal is the only protocol product that grants preferential access within quotas. Specific tariffs are reduced by 92 per cent within the quota, but the ACP countries concerned are exempted from the *ad valorem* component that applies to all other countries. In addition, licences for exports within the beef/veal quotas and of sugar can be redistributed unless the countries fulfil their commitments.

Table 8: Characteristic elements of the Commodity Protocols

| Commodity protocol | Banana | Beef/Veal | Sugar | (Rum) |
|------------------------------|--------|-----------|-------|-------|
| Tariff preference | Yes | Yes | Yes | (Yes) |
| Duty free | Yes | No | Yes | (Yes) |
| Tariff quota | Yes | Yes | Yes | (Yes) |
| Country-specific allocations | No | Yes | Yes | (No) |
| Purchase and sale commitment | No | No | Yes | (No) |
| Guaranteed prices | No | No | Yes | (No) |
| Trade development provisions | Yes | No | No | (Yes) |

Source: Based on Dunlop (1999) and the reformed market regulations

The future of the protocols is uncertain, not least due to the reform of the EU Common Agricultural Policy (CAP). Through a series of reforms, the EU has reduced its domestic prices on a number of agricultural products, including beef/veal and sugar, which has had an effect on the prices that the ACP countries concerned receive when exporting to the EU, and thus also on the effect of dismantling the protocols. The EU prices are now closer to the world market level. An explicit objective of the reform policy is to create room for tariff reductions and thus for improved import competition. The WTO regulations and the current negotiations also have an effect on the future of the protocols. In other words, it is not given that the protocols will still exist after 31 December 2007, when the current WTO waiver expires⁵¹.

Several ACP countries have claimed that the income from exporting protocol products is necessary for diversifying their economies and offering services within areas like education and health. Still, the fact remains that the protocols have rather caused increased dependence on a few export products to a few markets, and stimulated neither diversification nor supply to any significant extent. However, it should be noted that diversification is not always possible, for instance in the case of small island developing states. Farmers in such economies would find it hard to obtain alternative forms of rural employment (Ford & Poonyth, 2005).

2.6 The ACP countries and the South-South trade

2.6.1 General trends in intra-ACP trade

Agricultural trade between developing countries, the so-called South-South trade, increased by 77 per cent in 1990-2003. This was a larger increase than in world agricultural trade, which increased

⁵⁰ The protocols are results of different objectives. The beef protocol intends for beef exports from the ACP countries to keep its market share in the EU. The banana protocol aims to improve the conditions for producing and selling bananas from the ACP countries. As regards the sugar protocol, the EU promises to buy and import sugar from the countries concerned during an unlimited period, provided that they commit to delivering sugar to the EU. In its time, the rum protocol aimed at increasing sales of rum to the EU (Dunlop, 1999).

⁵¹ The ACP countries that are currently exporting under the protocols may in the future find it harder to compete on the EU market. They might, accordingly, be severely affected by a significant loss of income generating from the protocols.

by 66 per cent. In the same period, the developing countries' share of agricultural exports to other developing countries (compared to total agricultural exports) increased from 32 to 46 per cent (WTO, 2005). These trends mean that the developing countries in general have the ability to dominate growth in trade and consumption of agricultural products (Swedish Board of Agriculture, 2005b). However, different developing countries have quite different possibilities to take advantage of the opportunities in South-South trade.

Regional trade among the ACP countries as a whole, however, only makes up a small share of total ACP trade. This is partly due to limited regional integration, as most trade takes place between the ACP countries and the EU or neighbouring countries, partly due to similar and undiversified product supply, lower purchasing power, as well as other supply-side constraints in the ACP countries (poor infrastructure and inferior institutions). Trade between the three major ACP areas (Africa, the Caribbean and the Pacific) is almost non-existing.

Regional efforts at integration do exist to various degrees within all ACP areas, i.e. within Africa, the Caribbean and the Pacific, but these initiatives are often incomplete, not fully implemented, overlapping and characterized by various economic and political impediments to trade (Swedish National Board of Trade, 2003). The ACP countries' production is often dominated by one or a few agricultural products, which means that the countries are dependent on a few large markets demanding raw material for further processing and/or consumption.

The efforts towards improving regional integration between the ACP countries (in particular within the EPA regions) is thus an important part of the EPA negotiations "bearing in mind that regional integration is a key instrument for the integration of ACP countries into the world economy" (Article 35(2)). It also facilitates for the European Commission to have separate trade agreements with different EPA regions (in particular if these regions have formed customs unions) than to negotiate with countries bilaterally or with the entire ACP Group. However, it is important to remember that the various EPA regions (just as the ACP Group as a whole) not necessarily are natural trade areas but rather political arrangements.

In this context it is interesting to observe that trade with neighbouring ACP countries, in particular within the EPA regions in Africa, has tended to increase substantially the last few years (in Central Africa the increase was as much as 852.6 per cent between 1999 and 2003), though from a low level in both relative and absolute terms. It is also relevant to note that regional trade with processed products has tended to increase within all EPA regions (which can be due to an increase in re-exports of imported food and food preparations)⁵².

2.6.2 Regional integration schemes and the EPA regions

According to the Cotonou Agreement the EPA negotiations "will be undertaken with ACP countries which consider themselves in a position to do so, at the level they consider appropriate in accordance with the procedures agreed by the ACP Group, taking into account regional integration process within the ACP" (Article 37(5)).

Furthermore, the Agreement states that if the ACP countries choose to negotiate in regional groups, the countries must agree on what countries will be included in the different groups. The original idea, however, was that EPA regions should be based on existing regional forms of cooperation (Council of the European Union, 2002). However, political factors seem to have played an at least as important role as pure economic factors when ACP countries chose what region to join.

Today there are six separate that does not necessarily coincide with existing regional integration schemes. In certain cases the EPA regions overlap these existing schemes in a way that makes the

⁵² Annex 4 presents an overview of the regional trade in the various EPA regions, focusing on leading export countries, leading export destinations and leading products (where data is available).

negotiating structure very complex. It was, however, the ACP countries themselves that, based on economic, political and other strategic considerations, decided to which EPA region they wanted to adhere, in relation to the initiation of the phase of regional negotiations in October 2003. Of the current EPA regions, four are located in Africa, one in the Caribbean and one in the Pacific. Table 9, below, presents the countries negotiating in the different EPA regions as of today. However, there is no rule that impedes the ACP countries from changing their regional belongings during the course of the negotiations⁵³.

The **EPA region for West Africa** is based on the financial cooperation of the West African states (Economic Community of West African States, ECOWAS) that was founded in 1975⁵⁴. Mauritania left ECOWAS in 2002 but has chosen to take part in the cooperation again due to the EPA negotiations.

The **EPA region for Eastern and Southern Africa** is based on COMESA (Common Market for Eastern and Southern Africa) that was founded in 1994. Several of the countries in this EPA region are also members of, for example, COMESA, EAC, ECCAS and SADC.

The **EPA region for Southern Africa** is based on the Southern African Development Community (SADC), which was formally established in 1992 but its predecessor was formed already in 1979⁵⁵. It should be noted, however, that most SADC members have chosen to participate in other EPA regions. At present, South Africa is observer in the EPA negotiations, but discussions are held on including South Africa in the Southern Africa EPA region. Several of the countries in the region are also members of, for example, COMESA and ECCAS.

The **EPA region for Central Africa** is based on the Central African countries financial and monetary community (Communauté économique et monétaire de l'Afrique centrale, CEMAC) that was established in 1994. Sao Tomé & Príncipe is not part of CEMAC but participate in ECCAS. However, the country has chosen to cooperate within this region due to the EPA negotiations. Also the fact that Congo-Kinshasa has joined the Central Africa EPA region has contributed to a change in the profile of the region.

The **EPA region for the Caribbean** is based on the regional institution Caribbean Forum (CARIFORUM), which was formed in 1992 between the Caribbean Community (CARICOM) and the Dominican Republic as well as Haiti. Haiti has since become a member of CARICOM.

The **EPA region for the Pacific** includes the countries in the Pacific Island Forum except Australia and New Zealand. Cooperation in the Pacific Island Forum started already in 1971, but it changed to its current name in 2000.

⁵³ At the end of 2005, Congo-Kinshasa left the Eastern and Southern Africa region for the Central Africa region (European Commission, 2006a). Also Cape Verde has voiced a desire to leave the West Africa region (in September 2006), in order to negotiate a bilateral EPA with the EU (ECDPM/ICTSD, 2006). This position is mainly based on the higher degree of development of Cape Verde with regard to other countries in ECOWAS, as well as its geo-strategic location. Furthermore, South Africa's formal role in the EPA negotiations is unclear. In this study, South Africa is included in the EPA region for Southern Africa, even though negotiations about its role are still ongoing.

⁵⁴ Eight of the ECOWAS member states (Benin, Burkina Faso, Guinea-Bissau, the Ivory Coast, Senegal, Mali, Niger and Togo) also participate in the West African economic and monetary union (Union Economique et Monétaire Ouest Africaine, UEMOA). However, the large, English-speaking countries Nigeria and Ghana are not UEMOA members.

⁵⁵ The most far-reaching form of cooperation takes place in the Southern African Customs Union (SACU), which was founded in 1970 and comprises Botswana, Lesotho, Namibia, South Africa and Swaziland. On the other hand, Tanzania is a member of the customs union of the Eastern African Community (EAC). The other members of this customs union, Kenya and Uganda, are comprised by the EPA region for Eastern and Southern Africa.

Table 9: Membership of the EPA regions

| EPA region | West Africa | Eastern and Southern Africa | Southern Africa | Central Africa | Caribbean | Pacific |
|------------------|---|--|---|---|---|---|
| Countries | Benin Burkina Faso Cape Verde Gambia Ghana Guinea Guinea-Bissau Ivory Coast Liberia Mali Mauritania Niger Nigeria Senegal Sierra Leone Togo | Burundi Comoros Djibouti Eritrea Ethiopia Kenya Madagascar Malawi Mauritius Rwanda Seychelles Sudan Uganda Zambia Zimbabwe | Angola Botswana Lesotho Mozambique Namibia (South Africa) Swaziland Tanzania | Cameroon Central African Republic Chad Congo-Brazzaville Congo-Kinshasa Equatorial Guinea Gabon Sao Tomé & Príncipe | Antigua & Barbuda Bahamas Barbados Belize Dominica Dominican Republic Grenada Guyana Haiti Jamaica St. Kitts & Nevis St. Lucia St. Vincent & Grenadines Suriname Trinidad & Tobago | Cook Islands Fiji Kiribati Marshall Islands Micronesia Nauru Niue Palau Papua New Guinea Solomon Islands Samoa Tonga Tuvalu Vanuatu |

Source: Based on the European Commission website. The Least Developed Countries (LDCs) are highlighted.

2.7 The mandate for the EPA negotiations

The EPA negotiations, according to the European Commission mandate, “shall be directed at establishing free trade areas between the parties, based on the development objectives of the Cotonou Agreement and in conformity with the provisions of the WTO” (Council of the European Union, 2002)⁵⁶. The Commission negotiating mandate in the EPA process makes no distinction between industrial goods, fish products and/or agricultural products. This should mean that, initially, no products are intended to be treated differently or be excluded from the EPA Agreements (Swedish National Board of Trade, 2003). As opposed to the WTO negotiations where bound tariffs are considered, in the EPA negotiations the countries negotiate about their applied tariffs. This means that the EPA negotiations have a much more direct impact on the countries ability to protect their sensitive sectors when importing.

According to the EPA negotiating mandate, no products shall be excluded when importing to the EU. In addition, the EPAs shall build upon and strengthen the market access conditions in the Cotonou Agreement (Council of the European Union, 2002). The mandate does not refer to the EU Common Agricultural Policy (CAP) or the market situation of the EU. The above reasoning should in theory make it possible to reach far-reaching results as regards the possibilities of the EPA regions to obtain increased access to the EU market with regard to agriculture. Particular consideration shall be shown for “the existing and potential export interests of the ACP countries” (Council of the European Union, 2002).

⁵⁶ However, in some contexts the EU has expressed the desire that these free trade areas in the long run shall lead to the establishments of customs unions between the EU and the EPA regions (Bilal & Rampa, 2006).

As regards imports to the ACP countries, the purpose of the EPA negotiations, according to the mandate, is to have the ACP countries phasing out the tariffs for “substantially all trade” (Council of the European Union, 2002). However, the mandate allows for some flexibility on the market access commitments in the ACP countries, with particular consideration for “the economic, social and environmental constraints they are facing as well as their capacity to adapt their economies to the liberalisation process” (Council of the European Union, 2002). In addition, the ACP countries’ tariff reduction commitments on imports from the EU should, according to the mandate, be guided by what furthers regional development. Consequently, at least in theory, the tariff reductions should not be based the products that the EU has difficulties selling on the world market without export subsidies. Also the possibility of introducing a “food security clause” in the EPAs shall be considered according to the mandate (Council of the European Union, 2002).

According to the mandate, in order to further the South-South trade “[t]he ACP countries shall undertake, at least, to extend automatically the treatment granted to the Community to all other parties of the EPA concerned, preferably ahead of trade liberalisation vis-à-vis the Community” (Council of the European Union, 2002). This aspect should be particularly considered, due to the fact that offensive and defensive interests of the ACP countries vis-à-vis the EU may differ considerably compared to the offensive and defensive interests wit regard to the other ACP countries in the region.

3 Agriculture and development in the EPA regions

The negotiating mandate of the European Commission specifically mentions that the negotiations on access to the EU common market shall take into account “the existing and potential export interests of the ACP countries” (Council of the European Union, 2002). The following section therefore presents an overview at the HS four-digit level of trade between the EU⁵⁷ and the EPA regions⁵⁸. The presentation focuses on leading export products, and on leading export countries and export destinations in the various regions. The overview is intended to form a basis for the reasoning on offensive and defensive interests in the EPA negotiations. However, it is important to bear in mind that the aggregate level of the presentation means that the interests of smaller actors and potential export interests are not taken fully into account.

For reasons of comparison, the data includes all 25 member states of the EU (as of December 2006), even though the new member states did not join the Cotonou Agreement until at the time of their EU accession in 2004. However, the ACP countries’ trade with the newest EU members is fairly small, and does not affect the outcome of the analysis very much⁵⁹. A more detailed compilation of data is presented in Annex 3a-3b.

In order to complement the presentation above regarding export interests, the study also analyses the most important products in the EPA regions’ total agro-food exports in world trade, as well as their dependence on a few agricultural products in relation to agricultural exports and/or total exports. In this context, it is relevant to note that some ACP countries also apply supply restrictions, like export taxes, on important export products⁶⁰. However, this study does not further comment on the ACP countries’ offensive interests regarding export taxes

⁵⁷ The analysis of the offensive interests of the EPA regions does not take into account the specific interests of the ACP countries as compared to the interests of other developing countries regarding preferential margins and/or preference erosion. The reason is that this matter is not the focus of the EPA negotiations and cannot be affected by them, unless the EPA regions ask the EU not to reduce their preferential tariffs to third countries and/or to take the consequences into account in the context of development aid. The initial aim of the ACP countries is to obtain access to the EU common market on the best possible terms, irrespective of any reduction of EU tariffs vis-à-vis third countries.

⁵⁸ The EU Member States do not always agree on whether producer or consumer interests should guide the identification of the EU’s offensive interests, partly as a result of different production structures. However, this study takes the current export structure as its starting point, in order to see its effect on the conditions for ACP production. A deeper analysis of the EU’s offensive interests can be found in the Swedish Board of Agriculture’s statement “EU:s offensiva intressen på jordbruksområdet” (Diary Number 44-549/05), 28 June 2005.

⁵⁹ In 2000-2004, the ten new member states made up 0.6 per cent (US\$ 58.281/US\$ 9.307.793) of EU exports to the 76 ACP countries participating in the negotiations, and 8.8 per cent (US\$ 360.947/US\$ 4.077.058) of imports from the same countries. Their exports mostly consist of tobacco and tobacco products (37.2 per cent), and their imports mostly of cocoa and cocoa products (52.4 per cent). In both cases, Poland is the largest actor (45.8 per cent of exports and 42.9 per cent of imports).

⁶⁰ Export taxes are a trade policy instrument permitted by the WTO. Like tariffs, they can be based on value or be specific. Export taxes may be used in order to (i) improve the balance of trade; (ii) stabilize or minimize fluctuations in the price of raw materials; (iii) reduce the pressure on inflation; (iv) further economic diversification; increase tax income; (v) create economic incentives for further domestic processing and counter the effects of tariff escalation; and (vi) may be important for reducing domestic prices on the products concerned, in order to ensure food security. However, it should be mentioned that export taxes are a very unstable instrument, due to the development of the prices of raw materials, the supply situation, and exchange rate fluctuations. The following countries applied export taxes to agricultural products in one or several of the years 1997-2002: Fiji (sugar: 3 per cent), Papua New Guinea (unprocessed rattan: 15 per cent), Benin (cocoa beans: 1.04 per cent), Burkina Faso (bovine products: 17.5 per cent); the Ivory Coast (coffee, cocoa and cola nuts: 3-4 per cent), Guinea (coffee: US\$ 13 per tonne), Mozambique (cashew nuts: 18 per cent), Uganda (coffee: 1 per cent) (Piermartini, 2004). However, the EU wants to phase out the possibility to use export taxes in the EPAs during a period of transition (Council of the European Union, 2002).

In order to identify the defensive interests of the EPA regions, the study analyses the structure of EU exports to these areas, as well as their dependence on agriculture for economy, employment, and food insecurity. The analysis also provides an overview of the EU's use of trade-distorting domestic support and export subsidies, and how these elements conflict with the EPA regions' domestic production in the corresponding sectors.

Finally, it should be pointed out that the data used in the analysis reflects current and, to a certain extent, past rules of the EU agricultural policy. The ongoing reforms of various market regulations and a possible phasing-out of the export subsidies can result in changes in EU export and import interests in the future. If so, that would also affect the EPA regions' trade situation. In addition, the export and import interests of both the EPA regions and of the EU are naturally strongly linked to the interests, situation and needs of individual member states. It is likely that political choices and compromises will play a deciding role in the final decision on negotiating positions.

3.1 Trade patterns of the EU and the EPA regions

This section gives an overview of the EPA regions' exports to and imports from the EU, at an aggregated level. The main purpose of this analysis is to identify the leading EPA exporters, but it is also important to see whether the various EPA regions are net exporters or net importers vis-à-vis the EU. The study comprises average exports to and imports from the EU during the period 2000-2004, as well as trade trends (see table 10).

Table 10: EU average trade with the EPA regions (2000-2004) in US\$ 1,000

| EPA region | Exports to the EU | (%) | Change 2000-2004 (%) | Imports from the EU | (%) | Change 2000-2004 (%) | Trade balance |
|-----------------------------|-------------------|------|----------------------|---------------------|------|----------------------|---------------|
| West Africa | 3,003,184 | 32.3 | +61.1 | 1,937,373 | 47.5 | +41.4 | +1,065,811 |
| Eastern and Southern Africa | 2,315,184 | 24.9 | +14.7 | 396,825 | 9.7 | -14.9 | +1,918,359 |
| Southern Africa | 2,104,796 | 22.6 | +73.9 | 766,743 | 18.8 | +72.1 | +1,338,053 |
| Caribbean | 1,025,656 | 11.0 | +14.6 | 439,341 | 10.8 | +2.6 | +583,315 |
| Central Africa | 484,048 | 5.2 | +14.9 | 530,818 | 13.0 | +43.9 | -46,770 |
| Pacific | 375,796 | 4.0 | +20.1 | 5,961 | 0.1 | +75.7 | +369,835 |
| ACP total | 9,308,664 | 100 | +39.7 | 4,077,061 | 100 | +35.0 | +5,231,603 |

Source: Based on UN Comtrade statistics

The following sections (3.2-3.7) present and analyse the leading export products and export countries of the EPA regions as regards their trade with the EU. They also present the regions' leading export products in world trade, in order to see whether there are any complementary export products. Furthermore, the sections include an overview of the EU's tariff protection and the ACP countries' dependence on the protocols. They also comprise an overview of the EPA regions' diversification of exports and dependence on a handful of agricultural products, as well as their significance in these countries' total exports of goods. After this follows a presentation and analysis of the EU's leading export products and export destinations in the EPA trade, together with an overview of the EU's domestic support and export subsidies, and how these factors can affect the regions' domestic production and trade. There are also some examples of ACP tariff protection. Finally, there is an overview of agriculture's importance for employment, GDP, and the number of undernourished people in the EPA regions. An overview of EPA intra-regional trade as regards leading products, exporters and export destinations is given in Annex 4.

3.1.1 The EPA regions' exports to the EU at the aggregate level

The West Africa EPA region is the largest exporter of agricultural products to the EU (32.3 per cent), followed by the EPA region for Eastern and Southern Africa (24.9 per cent) and the EPA region for Southern Africa (22.6 per cent). At a somewhat lower level are exports from the EPA region for the Caribbean (11.0 per cent), followed by the Central Africa EPA region (5.2 per cent) and the Pacific EPA region (4.0 per cent). Exports from the EPA region for Southern Africa would also be on this fairly low level unless South Africa was included in this EPA region during negotiations. All EPA regions except Central Africa are net exporters to the EU, at the aggregate level⁶¹.

An overview of the aggregate trade pattern in 2000-2004 shows that exports to the EU from the various EPA regions have increased, but at different rates. The largest increase (73.9 per cent) is noted for Southern Africa, followed by the West Africa EPA region (61.1 per cent). The lowest increase in exports took place in the EPA regions of the Caribbean, Eastern and Southern Africa, and Central Africa (some 15 per cent). It may be of relevance that the EU's average increase in imports from the entire world of agro-food products in 2000-2004 was 61.7 per cent.

3.1.2 EU exports to the EPA regions at the aggregate level

Of all the EPA regions, West Africa is by far the largest destination for EU agro-food exports (47.5 per cent). The second largest EPA region is Southern Africa (18.8 per cent), but only half that size if South Africa is not included. EU exports to the EPA regions of Eastern and Southern Africa, Central Africa and the Caribbean are more or less of a size (approximately 10-13 per cent). EU exports to the EPA region for the Pacific are by far the smallest (0.1 per cent).

An overview of the aggregate trade pattern in 2000-2004 shows that EU exports to the EPA regions increased in most cases, but decreased (14.9 per cent) to Eastern and Southern Africa. In relative terms, EU exports to the Pacific EPA region increased the most (75.7 per cent), but this increase occurred from a very low level. Of more economic significance is the increase in EU exports to Southern Africa (72.1 per cent), followed by the increase in exports to Central Africa (43.9 per cent) and the West Africa region (41.1 per cent). Exports to the EPA region for the Caribbean have fluctuated during the period in question, but the average increase is a mere 2.6 per cent. During the same time, the EU's total agro-food exports increased by as much as 166.5 per cent.

3.1.3 EU-ACP trade in its context

In order to give some context to the trade statistics cited above, it is relevant to note that the total agro-food exports of the ACP countries to the EU was 4.5 per cent of the EU's total agro-food imports in 2003 (3.7 per cent if South Africa is excluded). The corresponding figure for EU exports to the ACP countries is 1.9 per cent (1.7 per cent if South Africa is excluded) of the EU's total agro-food exports. This shows that agro-food imports from the ACP countries are more important for the EU than its exports to those countries⁶².

The EU's total imports of goods from the ACP countries are also no more than 4.3 per cent (2.9 per cent if South Africa is excluded) of the EU's total imports in 2003. The corresponding figure for

⁶¹ If South Africa is excluded, the EPA region for Southern Africa is also a net importer (US\$ 378.928 - US\$ 387.906 = US\$ -8.978) of agro-food products. In that case, the increase in exports is 35.5 per cent, and 85.9 per cent in imports.

⁶² The shares of the main EU agro-food imports from all the ACP countries (including South Africa) in relation to total imports were in 2005: HS 1801 (cocoa beans) 3.3 per cent (5), HS 1701 (sugar) 1.6 per cent (13), HS 0901 (coffee) 1.2 per cent (15), HS 0803 (bananas) 1.0 per cent (18), HS 2204 (wine) 0.8 per cent (21), HS 0805 (citrus fruit) 0.6 per cent (30), HS 2401 (raw tobacco) 0.6 per cent (33) and HS 2208 (alcoholic beverages) 0.6 per cent (34). The corresponding figures for EU exports are HS 0402 (milk and cream) 1.0 per cent (17) and HS 2208 (alcoholic beverages) 0.5 per cent (31). The data within brackets refer to the product's ranking in the EU's total imports/exports to the ACP countries.

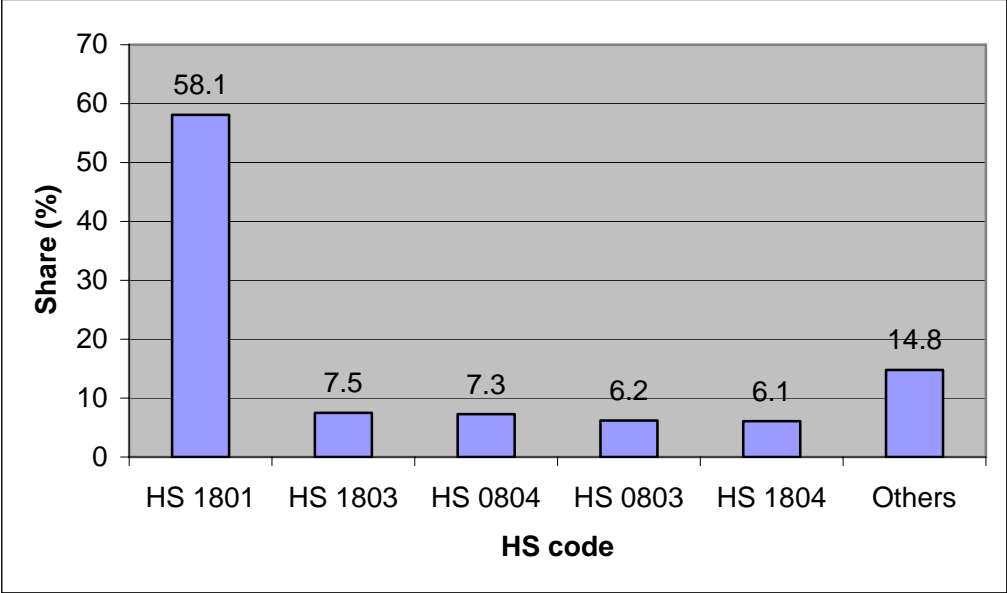
EU exports to the ACP countries is 4.1 per cent (2.8 per cent if South Africa is excluded) of the EU's total exports of goods in 2003. At the same time, the EU was the leading trading partner of the ACP countries, receiving 42 per cent (31 per cent if South Africa is excluded) of their total exports of goods and supplying 39 per cent (29 per cent if South Africa is excluded) of their imports. This shows that the ACP trade is of insignificant economic importance to the EU, and that access to the EU market is essential to the ACP countries.

3.2 West African offensive and defensive interests

3.2.1 West African export interests in the EPA negotiations

The leading product in the West African agricultural exports to the EU is cocoa beans (HS 1801), which make up 58.1 per cent of total agricultural exports. Other cocoa products being exported are cocoa mass (1803) and cocoa butter (1804). These products are on par with bananas (0803) and various fruits in HS section 0804. The export shares of the five leading agricultural export products at the HS four-digit level are shown in figure 4.

Figure 4: Leading products in West African agricultural exports to the EU (2000-2004)

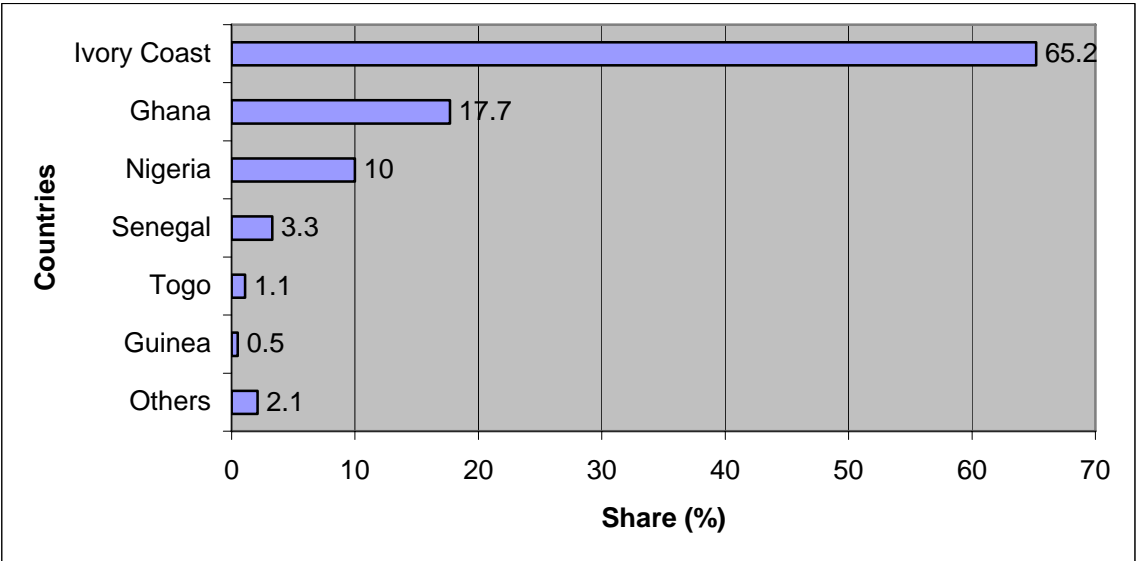


Source: Based on UN Comtrade statistics

The Ivory Coast is the largest agricultural exporter in West Africa, as its exports to the EU make up 65.2 per cent of the region's total agricultural exports to the union. The Ivory Coast is followed by Ghana and Nigeria, whose agricultural exports make up 17.7 per cent and 10 per cent, respectively, of the region total. The other members of the region have an almost insignificant share of agricultural exports to the EU, only 2.1 per cent⁶³. The export shares of the leading agricultural export countries are shown in figure 5.

⁶³ The category "Others" includes (in alphabetical order): Benin, Burkina Faso, Cape Verde, Gambia, Guinea Bissau, Liberia, Mali, Mauritania, Niger and Sierra Leone.

Figure 5: Leading countries in West African agricultural exports to the EU (2000-2004)



Source: Based on UN Comtrade statistics

If it is assumed that the leading agricultural export products of West Africa are also that region’s offensive interests, it is evident that cocoa beans and various forms of simple processed cocoa products should be emphasised, since they make up a large part of total agricultural exports (73.7 per cent). However, most of these exports come from the Ivory Coast and Ghana, which together make up almost 83 per cent of the EPA region’s corresponding exports to the EU. Also, cocoa and some cocoa preparations enter the EU at zero tariffs under the Cotonou Agreement, since they do not compete with EU products. The MFN tariff on processed cocoa products is also very low, less than ten per cent.

Other products of importance to the EPA region’s exports are various kinds of fresh and dried fruit. Since they are mostly tropical they do not compete to a large extent with the EU’s domestic producers. This is why the Cotonou Agreement gives tariff-free access to the EU market, and the MFN tariff is less than 10 per cent. However, for some of these products the EU entry-price system may be activated.

The large exception to the rule of low tariffs on tropical fruit is bananas, which is included in the special banana protocol. In the region of West Africa, only the Ivory Coast and Cape Verde are traditionally included in this protocol. The protocol, which was slightly revised in 2005, at present offers a tariff-free quota to its beneficiaries, while other ACP countries, as well as third countries, are faced with an MFN tariff of 176 euro/tonnes. The Ivory Coast also has access to the EU sugar protocol, but exports of this product seem negligible.

In order to complement the description of current exports to the EU, it is also relevant to look at the countries’ agricultural export interests as a share of total exports in world trade⁶⁴, as shown in table 11. It seems reasonable to assume that the countries also want the opportunity to export these products to the EU market, even though they do not do so at the moment.

⁶⁴ There is no data for: the Ivory Coast, Guinea-Bissau, Liberia, Mauritius and Sierra Leone.

Table 11: Leading products in West African agricultural exports to the world

| Countries | HS code | Description | Share of domestic agricultural exports (2000-2004) | Share of world exports of the product (2000-2004) |
|------------|---------|---------------------|--|---|
| Cape Verde | HS 2208 | Alcoholic beverages | 62.6 | 0.0 |
| | HS 0901 | Coffee | 37.4 | 0.0 |
| Gambia | HS 1202 | Groundnuts | 49.5 | 0.2 |
| Ghana | HS 1801 | Cocoa beans | 57.0 | 13.7 |
| Guinea | HS 0901 | Coffee | 43.2 | 0.0 |
| Niger | HS 0104 | Live sheep, goats | 26.1 | 2.2 |
| | HS 0102 | Live bovine animals | 21.1 | 0.3 |
| Nigeria | HS 1905 | Bread, pastry | 50.1 | 0.2 |
| | HS 0504 | Meat offal | 23.6 | 0.6 |
| Senegal | HS 1508 | Groundnut oil | 34.0 | 24.7 |

Source: Based on Baritto and Kasteng (2006)

This approach shows that 62.6 per cent of Cape Verde's exports consist of alcoholic beverages, and 37.4 per cent of coffee. Neither product is subject to tariffs in the Cotonou Agreement, but the market for alcoholic beverages is governed by special regulations (non-tariff barriers) that in practice limit those countries' export opportunities. Also Guinea relies heavily on coffee exports (43.2 per cent of exports). In Nigeria, 50.1 per cent of exports are baker's wares, and 23.6 per cent are slaughter by-products. The tariff on baker's wares in the Cotonou Agreement is 13.7 per cent. In Gambia, 49.5 per cent of exports consist of peanuts, which are not comprised by the Cotonou Agreement but enter the EU market without tariffs anyway. Peanut oil, on the other hand, which is the most important export product of Senegal, is comprised by the Cotonou Agreement, which grants it a zero tariff. Finally, Niger relies on its exports of sheep and goats (26.1 per cent) and live bovine animals (21.1 per cent). These products are strictly regulated in the Cotonou Agreement, which grants a tariff-free quota for sheep and goats, and the tariff on bovine animals is equivalent to 68.7 per cent (except for countries comprised by the beef/veal protocol).

In this context, it is relevant to study the region's dependence on its leading agricultural export products, as well as the dependence on its agricultural sector in total exports⁶⁵. The degree of diversification and the four leading agricultural export products are shown in table 12. In general, the countries are very dependent on agricultural exports. Some countries (Benin, Burkina Faso and Gambia) rely on agriculture for more than half of their total exports. It is therefore important that the countries and regions concerned get time and financial resources enough to change their production systems and diversify their exports in order to become less vulnerable, and to further their financial development.

⁶⁵ There is no data for: Guinea-Bissau, the Ivory Coast, Liberia, Mauritius and Sierra Leone.

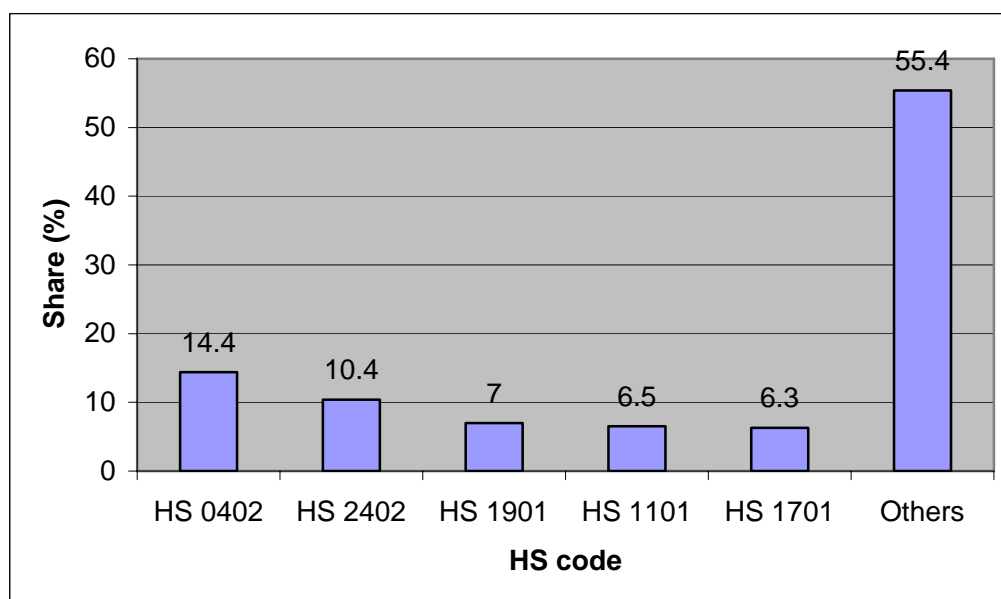
Table 12: West African export diversification in agriculture (2000-2004)

| Countries | 4 leading agricultural export products (share of agricultural exports) | 4 leading agricultural export products (share of total exports) | Export diversification (Herfindahl-Hirschman Index) |
|--------------|--|---|---|
| Cape Verde | 100 | 0 | 0.853 |
| Benin | 92 | 78 | 0.698 |
| Mali | 91 | 20 | 0.799 |
| Burkina Faso | 90 | 77 | 0.760 |
| Gambia | 88 | 58 | 0.578 |
| Nigeria | 81 | 0 | 0.530 |
| Niger | 78 | 28 | 0.394 |
| Guinea | 77 | 2 | 0.469 |
| Ghana | 68 | 25 | 0.452 |
| Togo | 67 | 23 | 0.361 |
| Senegal | 65 | 11 | 0.397 |

Source: Based on Baritto and Kasteng (2006)

3.2.2 EU export interests in the EPA negotiations with West Africa

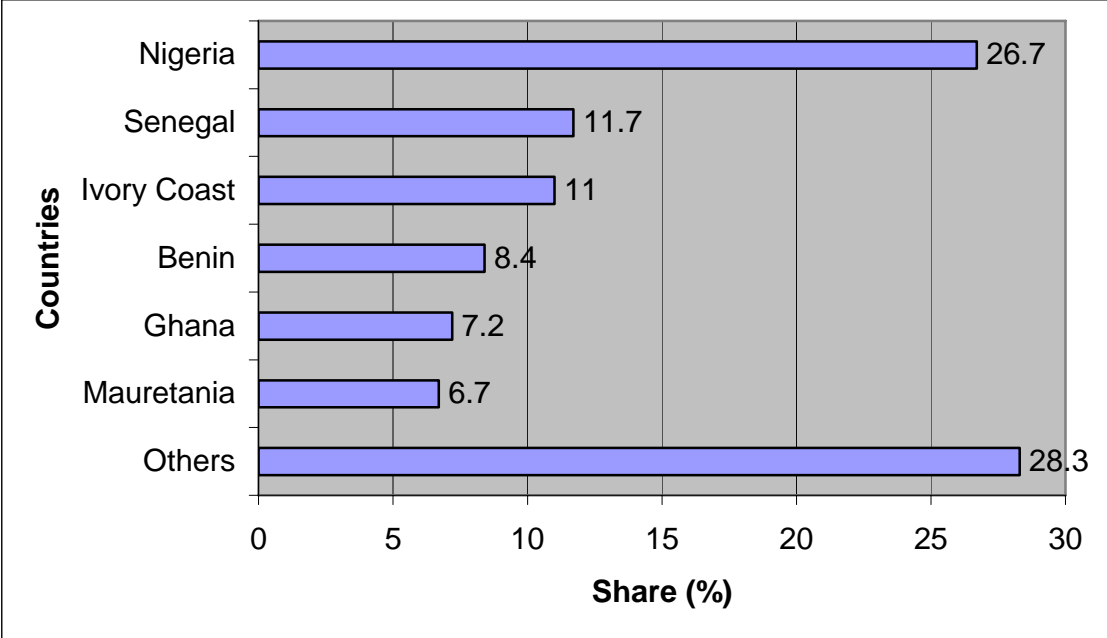
No products can be said to dominate EU agricultural exports to West Africa, since this trade is largely diversified. The leading products are milk and cream (HS 0402), as well as cigars and cigarettes (HS 2402). They are followed by cereal preparations (HS 1901) and wheat flour (HS 1101). Figure 6 shows the export shares of the five leading agricultural export products at the HS four-digit level.

Figure 6: Leading products in EU agricultural exports to West Africa (2000-2004)

Source: Based on UN Comtrade statistics

The leading destination for EU agricultural exports to West Africa is Nigeria, who accounts for 26.7 per cent of the EU’s exports to the region. Nigeria is followed by Senegal and the Ivory Coast, with approximately 11-12 per cent each of the EU agricultural exports. Figure 7 shows the shares of agricultural exports to the leading destinations⁶⁶.

Figure 7: Leading destinations in EU agricultural exports to West Africa (2000-2004)



Source: Based on UN Comtrade statistics

The EU’s agricultural exports to West Africa are a lot more diversified than that region’s corresponding exports to the EU. However, the five leading EU products make up 44.6 per cent of the total EU agricultural exports to the region. Most of the products exported from the EU are more processed than the trade in the other direction. Nigeria is the leading export destination (26.7 per cent) in the EU agricultural exports to West Africa.

Of the products above, milk and milk powder are granted trade-distorting product-specific support under the EU Common Agricultural Policy (CAP). High levels of support also go to wheat, rye and tobacco. Export subsidies are granted for dairy products, processed food, wheat and wheat flour, and sugar. Nigeria applies tariffs of approximately 150 per cent for tobacco (HS 24), 100 per cent for dairy products (HS 04), 50 per cent for products of the milling industry (HS 11) and around 30 per cent for processed cereal products (HS 19) and sugar (HS 17). On the other hand, the tariffs in the Ivory Coast are only 5-20 per cent on all products (Jales, 2005).

A comparison of the West Africa region’s domestic production of agricultural products corresponding to the leading EU export products (and for which there is production data available) indicates that there may be competition from imports of sugar, wheat and tobacco (FAO website). The average domestic production in 2000-2004 is 4,456,434 tonnes of sugar cane, 82,259 tonnes of wheat, and 28,191 tonnes of raw tobacco. However, there are large differences between the countries in the region. For instance, the Ivory Coast, Senegal and Nigeria are the largest sugar producers (16.4–24.7 per cent); Nigeria is by far the largest wheat producer (83.4 per cent) and the Ivory Coast and Nigeria are the largest producers of raw tobacco (approximately 34 per cent each). This means that imports of more processed products and food from the EU can make it more

⁶⁶ The category "Others" includes (in alphabetical order): Burkina Faso, Cape Verde, Gambia, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Sierra Leone and Togo.

difficult for the region to process their domestic products and, in the long run, to further diversify their exports.

The West African countries' dependence on the agricultural sector is shown in table 13. Agriculture's share of GDP in 2000-2004 is rather high with an average of 33.5 per cent. However, the sector only makes up 9.6 per cent of GDP in Cape Verde, but as much as 58.4 per cent in Sierra Leone. The number of people employed in agriculture in 2000-2004 is very high with an average of 65 per cent of total employment. The lowest share is in Cape Verde (23 per cent) and the highest in Burkina Faso (92.3 per cent). The average number of undernourished people was 24.7 per cent in 2001-2003. This number was the lowest in Nigeria (9 per cent of the population) and highest in Sierra Leone (50 per cent).

Table 13: Indicators related to agriculture and development in West Africa

| Countries | Share of labour force in agriculture (2000-2004) | Degree of undernourishment (2001-2003) | GDP in agriculture (2000-2004) |
|-------------------|--|--|--------------------------------|
| Burkina Faso | 92.3 | 17.0 | 31.9 |
| Niger | 87.7 | 32.0 | 39.3 |
| Guinea | 83.9 | 24.0 | 24.1 |
| Guinea-Bissau | 82.9 | 37.0 | 57.5 |
| Mali | 81.0 | 28.0 | 37.4 |
| Gambia | 79.0 | 27.0 | 32.3 |
| Senegal | 73.8 | 23.0 | 18.3 |
| Liberia | 67.7 | 49.0 | 46.3 |
| Sierra Leone | 62.2 | 50.0 | 58.4 |
| Togo | 59.7 | 25.0 | 38.4 |
| Ghana | 56.9 | 12.0 | 36.3 |
| Benin | 54.0 | 14.0 | 36.0 |
| Mauritania | 52.9 | 10.0 | 19.6 |
| Ivory Coast | 49.2 | 14.0 | 23.5 |
| Nigeria | 33.3 | 9.0 | 26.7 |
| Cape Verde | 23.0 | --- | 9.6 |
| Mean value | 65.0 | 24.7 | 33.5 |

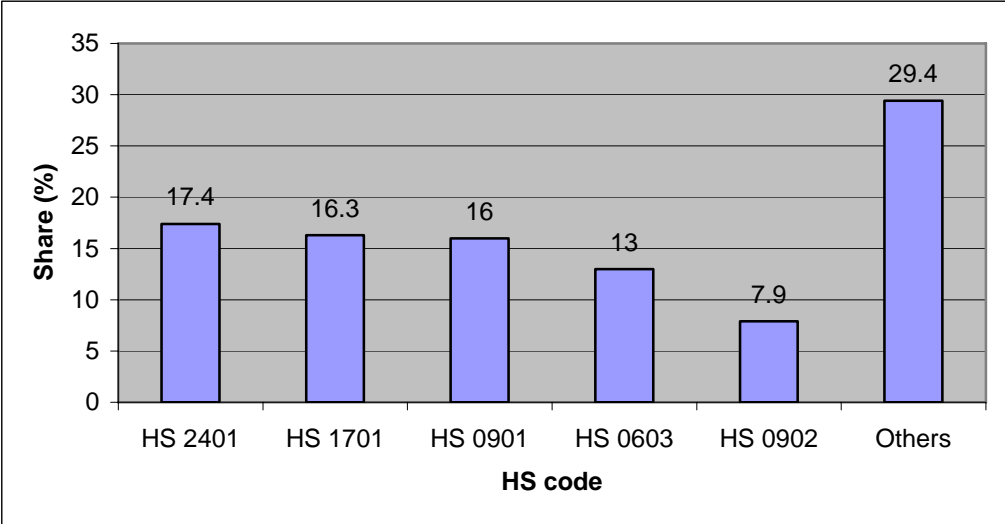
Source: Based on Baritto and Kasteng (2006)

3.3 Eastern and Southern African offensive and defensive interests

3.3.1 Eastern and Southern African export interests in the EPA negotiations

The Eastern and Southern African agricultural exports to the EU are quite diversified and the leading export products, tobacco (HS 2401), sugar (HS 1701), coffee (HS 0901) and cut flowers (HS 0603) each make up between 13.0 per cent and 17.4 per cent of total agricultural exports. The export shares of the five leading agricultural export products at the HS four-digit level are shown in figure 8.

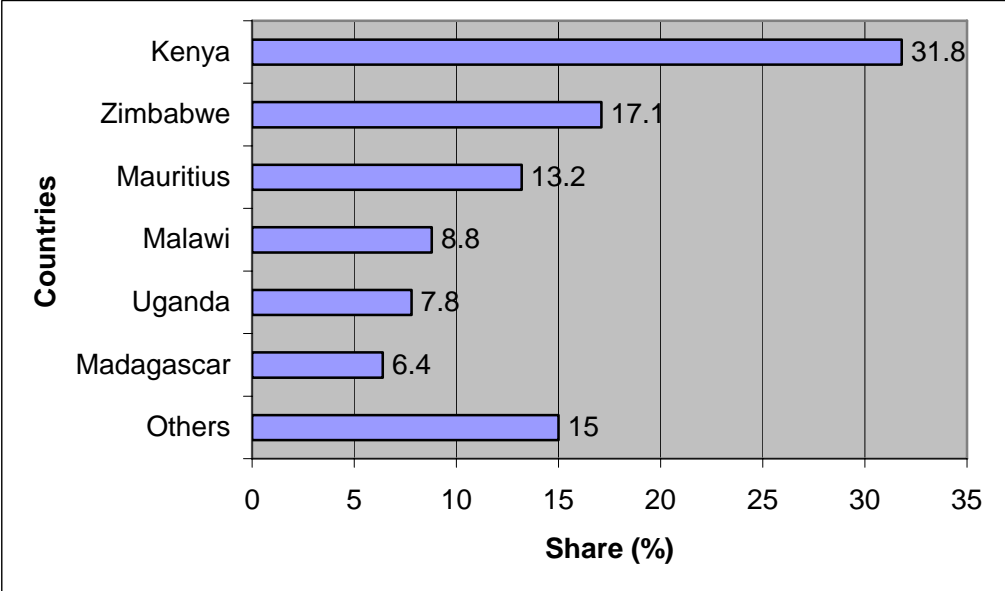
Figure 8: Leading products in Eastern/Southern African agricultural exports to the EU (2000-2004)



Source: Based on UN Comtrade statistics

Kenya is the largest agricultural exporter in Eastern and Southern Africa, as its exports to the EU make up 31.8 per cent of the region’s total agricultural exports to the union. Its exports are double the size of the second and third largest export countries, Zimbabwe and Mauritius, who together account for 30.3 per cent of total agricultural exports of the region. The other members of the region account for a relatively small share of agricultural exports to the EU, only 15.0 per cent⁶⁷. The export shares of the leading agricultural export countries are shown in figure 9.

Figure 9: Leading countries in Eastern/Southern African agricultural exports to the EU (2000-2004)



Source: Based on UN Comtrade statistics

⁶⁷ The category "Others" includes (in alphabetical order): Burundi, the Comoros, Djibouti, Eritrea, Ethiopia, Rwanda, the Seychelles, Sudan and Zambia.

If it is assumed that the leading agricultural export products of Eastern and Southern Africa are also that region's offensive interests, it is evident that tobacco, sugar, coffee, cut flowers and tea should be emphasized since they make up a large part of total agricultural exports (70.6 per cent). Accordingly, the agricultural exports to the EU are quite diversified. At country-level, there is also a high degree of diversification, even though Kenya accounts for 31.8 per cent of region's total agricultural exports to the EU. Given the above, it is reasonable to assume that most countries in the region might be able to find their export interests in the list of the leading export products.

As regards market access, the Cotonou Agreement grants the countries zero-tariff access to the EU market for all products identified above, except for sugar, which is comprised by the sugar protocol. This can be compared with the MFN tariff of about 10 per cent for raw tobacco and cut flowers. The reason for the low tariffs is that the products are unprocessed or processed to a low degree. In addition, they do not compete with EU producers and/or products. Even though seven of the countries in the Eastern and Southern Africa region (Kenya, Madagascar, Malawi, Mauritius, Uganda, Zambia and Zimbabwe) are comprised by the sugar protocol, the region's exports to the EU still make up only 16.3 per cent of total agricultural exports from the region to the EU. However, continued reforms of the sugar protocol can be expected to have an effect on production and export earnings of these countries. Kenya, Madagascar and Zimbabwe also have access to the beef/veal protocol, but beef is not one of the leading export products.

In order to complement the description of the current exports to the EU, it is also relevant to look at the countries' agricultural export interests as a share of total exports in world trade⁶⁸, as shown in table 14. It seems reasonable to assume that the countries also want the opportunity to export these products to the EU market, even though they do not do so at the moment.

Table 14: Leading products in Eastern/Southern African agricultural exports to the world

| Countries | HS code | Description | Share of domestic agricultural exports (2000-2004) | Share of world exports of the product (2000-2004) |
|------------|---------|-------------|--|---|
| Burundi | HS 0901 | Coffee | 82.5 | 0.2 |
| Ethiopia | HS 0901 | Coffee | 43.3 | 1.4 |
| Kenya | HS 0902 | Tea | 38.2 | 15.4 |
| Madagascar | HS 0905 | Vanilla | 56.1 | 54.7 |
| Malawi | HS 2401 | Tobacco | 62.3 | 3.4 |
| Mauritius | HS 1701 | Cane sugar | 83.8 | 3.3 |
| Rwanda | HS 0901 | Coffee | 47.3 | 0.1 |
| Seychelles | HS 2301 | Flours | 71.6 | 0.1 |
| Sudan | HS 1207 | Oil seeds | 30.9 | 8.8 |
| Uganda | HS 0901 | Coffee | 38.6 | 1.4 |
| Zimbabwe | HS 2401 | Tobacco | 48.8 | 6.2 |

Source: Based on Baritto and Kasteng (2006)

This approach shows in principle the same leading agricultural export products as in the existing trade with the EU. In four countries, coffee is the considerably largest agricultural export product: Burundi (82.5 per cent), Rwanda (47.3 per cent), Ethiopia (43.3 per cent) and Uganda (38.6 per

⁶⁸ There is no data for: the Comoros and Djibouti.

cent). In two countries, raw tobacco dominates exports; Malawi (62,3 per cent) and Zimbabwe (48.8 per cent). In Kenya, the exports are dominated by tea (38.2 per cent) and Mauritius takes advantage of its access to the sugar protocol (exports of sugar constitutes 83.8 per cent of its total agricultural exports). New products that appear through this comparison are exports of flour from the Seychelles (71.6 per cent), vanilla from Madagascar (56.1 per cent) and oil seeds from Sudan (30.9 per cent). Flour and oil seeds are not covered by the Cotonou Agreement, but granted tariff-free access to the EU market on MFN basis. Exports of vanilla are granted zero tariffs in the Cotonou Agreement (to be compared with low MFN tariffs of 6.5 per cent).

In this context, it is relevant to study the region's dependence on its leading agricultural export products, as well as the dependence on its agricultural sector in total exports⁶⁹. The degree of export diversification and the share of the four leading agricultural export products in agricultural and total exports, respectively, are shown in table 15. In general, the countries of the region are very dependent on agricultural exports. Some countries (Malawi, Ethiopia and Rwanda) rely on agriculture for more than half of their total exports. It is therefore important that the countries and regions concerned get time and financial resources enough to change their production systems and diversify their exports in order to become less vulnerable, and to further their economic development.

Table 15: Eastern/Southern African export diversification in agriculture (2000-2004)

| Countries | 4 leading agricultural export products (share of agricultural exports) | 4 leading agricultural export products (share of total exports) | Export diversification (Herfindahl-Hirschman Index) |
|------------|--|---|---|
| Rwanda | 99 | 60 | 0.626 |
| Burundi | 96 | 43 | 0.820 |
| Seychelles | 96 | 1 | 0.713 |
| Malawi | 93 | 81 | 0.641 |
| Mauritius | 92 | 18 | 0.829 |
| Ethiopia | 80 | 68 | 0.461 |
| Madagascar | 80 | 37 | 0.559 |
| Zimbabwe | 77 | 41 | 0.502 |
| Sudan | 76 | 14 | 0.416 |
| Uganda | 70 | 44 | 0.397 |
| Kenya | 67 | 38 | 0.386 |
| Zambia | 62 | 10 | 0.321 |
| Eritrea | 55 | 24 | 0.294 |

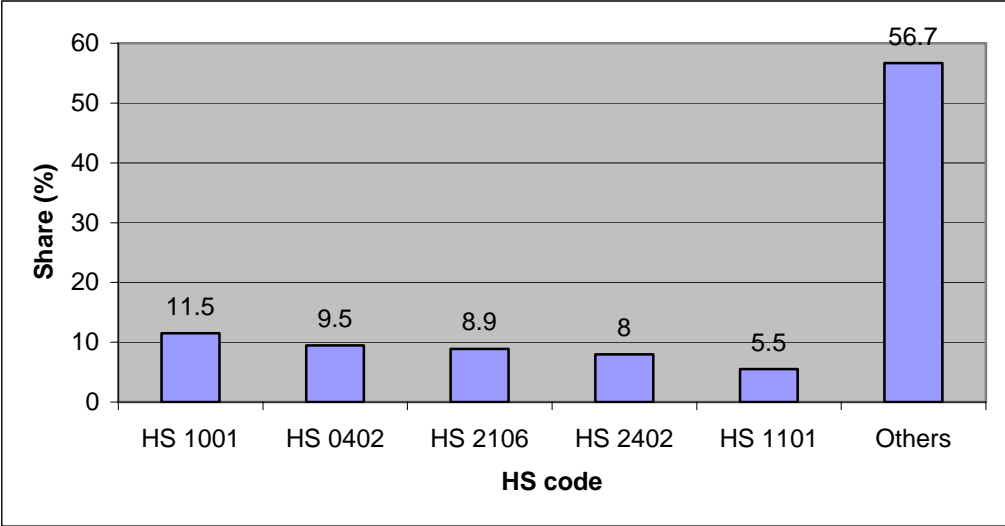
Source: Based on Baritto and Kasteng (2006)

⁶⁹ There is no data for: the Comoros and Djibouti.

3.3.2 EU export interest in the EPA negotiations with Eastern and Southern Africa

EU agricultural exports to the Eastern and Southern Africa are quite diversified. However, a slight lead is noted for wheat and meslin (HS 1001), followed by milk and cream (HS 0402), other food preparations (HS 2106) and cigars, cigarillos and cigarettes of tobacco (HS 2402). Figure 10 shows the export shares of the five leading agricultural export products at the HS four-digit level.

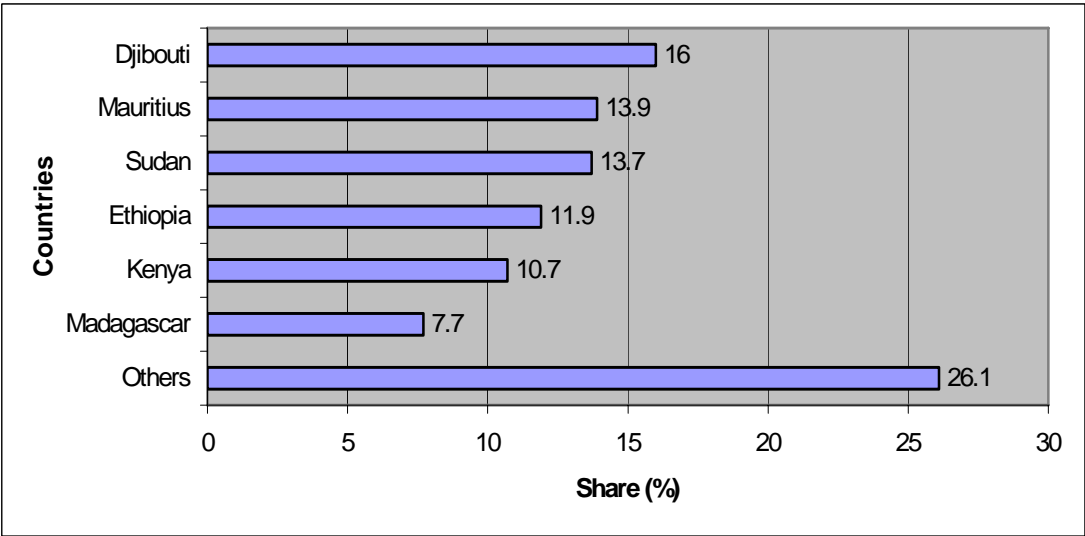
Figure 10: Leading products in EU agricultural exports to Eastern/Southern Africa (2000-2004)



Source: Based on UN Comtrade statistics

EU agricultural exports to Eastern and Southern Africa are quite diversified with regard to the countries in the region. However, there is a slight lead in EU exports to Djibouti, which account for 16.0 per cent. It is followed by the exports to Mauritius and Sudan, which each account for approximately 14 per cent of EU agricultural exports to the region. Figure 11 shows the shares of agricultural exports to the leading destinations⁷⁰.

Figure 11: Leading destinations in EU agricultural exports to Eastern/Southern Africa (2000-2004)



Source: Based on UN Comtrade statistics

⁷⁰ The category "Others" includes (in alphabetical order): Burundi, the Comoros, Eritrea, Madagascar, Malawi, Rwanda, the Seychelles, Uganda, Zambia and Zimbabwe.

EU agricultural exports to Eastern and Southern Africa are mainly composed of wheat and meslin, dairy products, such as milk and cream, other food preparations, cigars, cigarillos and cigarettes of tobacco, as well as wheat and meslin flour. Taken together, these products account for 43.4 per cent of the EU total agricultural exports to the region. Most of the products exported from the EU are processed to a greater extent than the region's exports to the EU. EU agricultural exports to Eastern and Southern Africa are relatively diversified among the countries and no leading export destination is identified.

Of the products above, milk and milk powder, as well as wheat and rye, receive trade-distorting product-specific support under the EU Common Agricultural Policy (CAP). High levels of support are also granted to the production of tobacco, which could negatively affect the regional processing and sales of cigars, cigarillos and cigarettes of tobacco. Export subsidies are granted for dairy products, wheat and wheat flour, as well as processed food products.

The applied tariffs of Mauritius include approximately 80 per cent on tobacco (HS 24), 50 per cent on dairy products (HS 04), 20 per cent on processed food (HS 21), 30 per cent on cereals (HS 10) and 20 per cent on products of the milling industry etc. (HS 11). The tariff structure of Kenya is different. Their tariffs include 60 per cent on dairy products, 40 per cent on tobacco, 25 per cent on cereals and processed food, and only 10 per cent on products of the milling industry etc. In both countries, however, there are single tariff lines that are even more protected. Particularly for sugar (HS 17), tariffs can be above 100 per cent (Jales, 2005).

A comparison of the Eastern and Southern Africa region's domestic production of agricultural products corresponding to the leading EU export products (and for which there is production data available) indicates that there may be competition from imports of milk, wheat and tobacco (FAO website). The average domestic production in 2000-2004 is 9,111,226 tonnes of milk, 2,431,999 tonnes of wheat, and 307,006 tonnes of raw tobacco. However, there are large differences between the countries in the region. For instance, Sudan and Kenya are the largest milk producers (approximately 32 per cent each); Ethiopia is by far the largest wheat producer (60.0 per cent), and Malawi is the largest producers of raw tobacco (25.4 per cent). This means that imports of more processed products and food from the EU can make it more difficult for the region to process their domestic products and, in the long run, to further diversify their exports.

The Eastern and Southern African countries' dependence on the agricultural sector is shown in table 16. Agriculture's share of GDP in 2000-2004 is rather high, with an average of 27.7 per cent. However, the sector only makes up 2.7 per cent of GDP in the Seychelles, but as much as 50.1 per cent in Burundi. The number of people employed in agriculture in 2000-2004 is very high with an average of 72.6 per cent of total employment. The lowest share is in Mauritius (11.9 per cent), who could be considered as an exception in the region, and the highest in Rwanda (90.8 per cent). The average number of undernourished people was 37.7 per cent of the population in 2001-2003. This number was the lowest in Mauritius (6 per cent) and highest in Eritrea (73.0 per cent).

Table 16: Indicators related to agriculture and development in Eastern/Southern Africa

| Countries | Share of labour force in agriculture (2000-2004) | Degree of undernourishment (2001-2003) | GDP in agriculture (2000-2004) |
|-----------|--|--|--------------------------------|
| Rwanda | 90.8 | 36.0 | 41.0 |
| Burundi | 90.3 | 67.0 | 50.1 |
| Malawi | 83.0 | 34.0 | 39.2 |
| Ethiopia | 82.4 | 46.0 | 45.4 |
| Uganda | 80.1 | 19.0 | 33.9 |

| | | | |
|-------------------|-------------|-------------|-------------|
| Seychelles | 78.7 | 9.0 | 2.7 |
| Djibouti | 78.5 | 26.0 | 3.7 |
| Eritrea | 77.6 | 73.0 | 15.0 |
| Kenya | 75.5 | 31.0 | 29.2 |
| Madagascar | 74.2 | 38.0 | 29.5 |
| Comoros | 73.6 | 62.0 | 41.0 |
| Zambia | 69.3 | 47.0 | 22.1 |
| Zimbabwe | 62.7 | 45.0 | 16.6 |
| Sudan | 61.1 | 27.0 | 40.1 |
| Mauritius | 11.9 | 6.0 | 6.3 |
| Mean value | 72.6 | 37.7 | 27.7 |

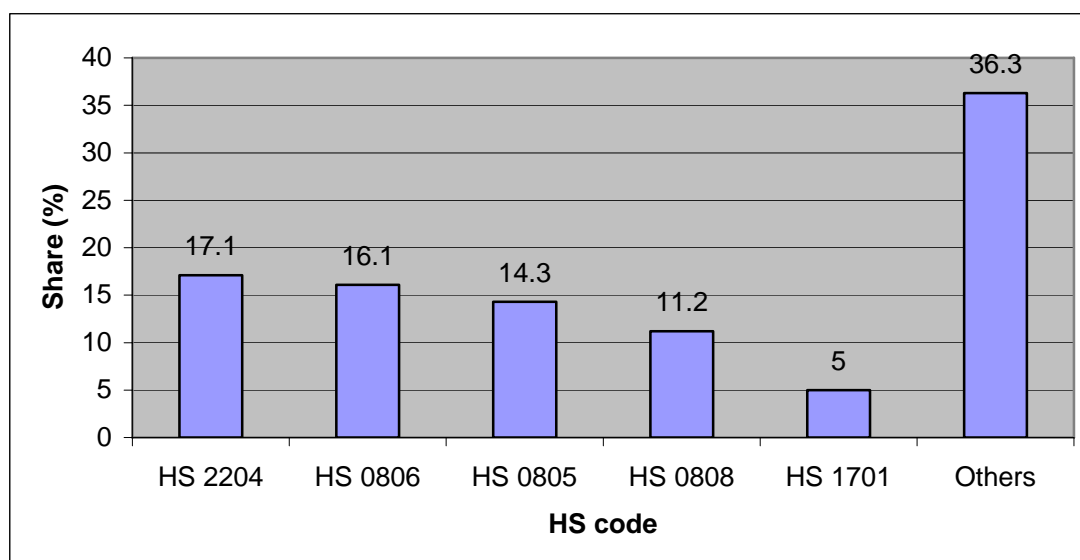
Source: Based on Baritto and Kasteng (2006)

3.4 Southern African offensive and defensive interests

3.4.1 Southern African export interests in the EPA negotiations

The Southern African agricultural exports to the EU are quite diversified and the leading export products, wine (HS 2204), grapes (HS 0806), citrus fruits (HS 0805) and apples/pears (HS 0808) make up between 11.2 per cent and 17.1 per cent each of total agricultural exports. The export shares of the five leading agricultural export products at the HS four-digit level are shown in figure 12.

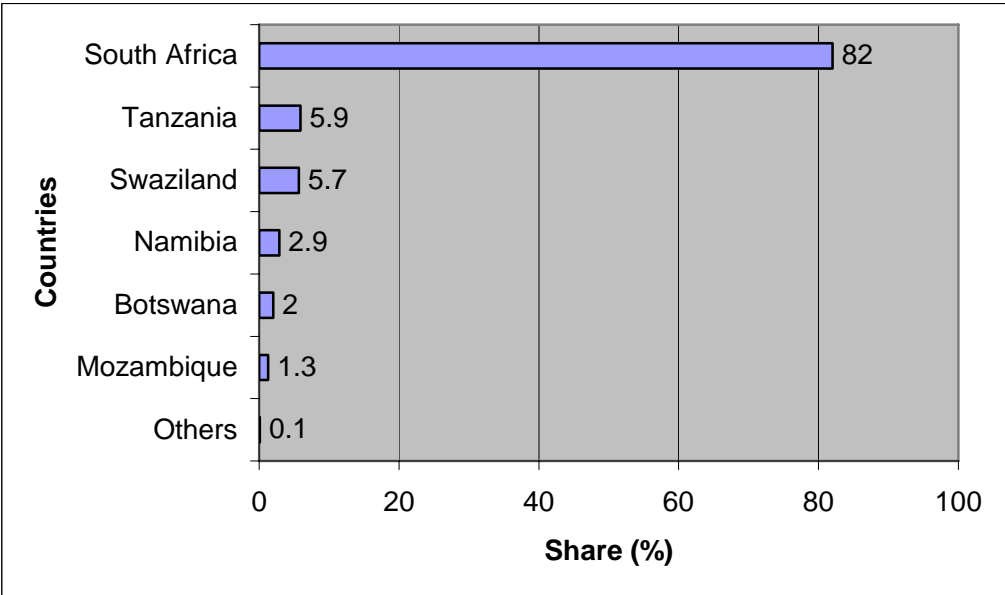
Figure 12: Leading products in Southern African agricultural exports to the EU (2000-2004)



Source: Based on UN Comtrade statistics

South Africa is the largest agricultural exporter in Southern Africa, as its exports to the EU make up 82.0 per cent of the region's total agricultural exports to the union. The other members of the region have an almost insignificant share of agricultural exports to the EU in comparison. The smallest agricultural exporters, Angola and Lesotho, account for only 0.1 per cent of the region total. The export shares of the leading agricultural export countries are shown in figure 13.

Figure 13: Leading countries in Southern African agricultural exports to the EU (2000-2004)



Source: Based on UN Comtrade statistics

If it is assumed that the leading agricultural export products of Southern Africa are also that region’s offensive interests, it is evident that wine, grapes, citrus fruits and apples/pears and sugar should be emphasized since they make up a large part of total agricultural exports (63.7 per cent). However, most of these exports come from South Africa, which make up almost 82.0 per cent of the EPA region’s exports to the EU. Accordingly, it is likely that the trade policy interests of South Africa might influence the position of the region in the negotiations with EU. Given the above, the offensive export interests from the remaining countries in the region might not be fully expressed at aggregated level.

As regards market access for the products above, the Cotonou Agreement⁷¹ grants zero-tariff access to the EU market for wine and grapes, i.e. there is a tariff quota and a reference quantity for grapes. This can be compared to the MFN tariffs, which are high on wine (60-140 per cent). Citrus fruit, apples and pears are comprised by the EU entry price system and by tariffs of 6.8-14.7 per cent (citrus) and 2.5-29.6 per cent (apples and pears). To a certain extent, these products compete with EU fruit producers, depending on the season. It is also clear that tariffs are higher on processed products, so-called tariff escalation. Sugar is also an important export product. This becomes even more evident if South Africa is excluded from the data. At present, both Swaziland and Tanzania are comprised by the sugar protocol. Botswana, Namibia and Swaziland also have access to the beef/veal protocol, but beef is not a leading export product from the region if South Africa is excluded from the data. However, at the national level the countries’ dependence on the protocols is more evident.

In order to complement the description of current exports to the EU, it is also relevant to look at the countries’ agricultural export interests as a share of total exports in world trade⁷², as shown in table 17. It seems reasonable to assume that the countries also want the opportunity to export these products to the EU market, even though they do not do so at the moment.

⁷¹ In the case of South Africa, however, the tariffs laid down in their free trade agreement with the EU apply. This means, for example, that South Africa’s exports could face the EU entry-price system and many other complicated specific and combined tariffs (*ad valorem* + specific duty) on agricultural products that are considered sensitive on the EU market.

⁷² There is no data for: Angola and Lesotho.

Table 17: Leading products in Southern African agricultural exports to the world

| Countries | HS code | Description | Share of domestic agricultural exports (2000-2004) | Share of world exports of the product (2000-2004) |
|------------|---------|------------------------|--|---|
| Botswana | HS 0201 | Meat of bovine, fresh | 38.5 | 0.1 |
| | HS 0202 | Meat of bovine, frozen | 26.3 | 0.2 |
| Mozambique | HS 0801 | Coconuts | 19.7 | 0.9 |
| Namibia | HS 2203 | Beer made from malt | 19.7 | 0.6 |
| Swaziland | HS 2106 | Food preparations | 30.1 | 0.4 |
| | HS 1701 | Cane sugar | 29.9 | 0.5 |

Source: Based on Baritto and Kasteng (2006)

This approach shows that Botswana relies heavily on exports of fresh beef (38.5 per cent) and frozen beef (26.3 per cent). The tariff level in the Cotonou Agreement for these products are on average 84.4 per cent and 104.8 per cent, respectively, but Botswana gets a lower tariff due to the beef/veal protocol. Swaziland, on the other hand, is particularly dependent on exports of processed food (30.1 per cent) and sugar (29.9 per cent). The Cotonou Agreement does not, as a rule, offer tariff-free access for processed food, but tariffs are usually in the interval 1-20 per cent, but can reach 60 per cent for individual tariff lines. Other significant products from the region are coconuts from Swaziland (19.7 per cent) and malt beverages from Namibia (19.7 per cents). Neither product faces any tariff under the Cotonou Agreement. The MFN tariff on malt beverages is also low, less than 10 per cent.

In this context, it is relevant to study the region's dependence on its leading agricultural export products, as well as the dependence on its agricultural sector in total exports⁷³. The degree of export diversification and the share of the four leading agricultural export products in agricultural and total exports, respectively, are shown in table 18. In general, the countries of the region are very dependent on agricultural exports. However, agriculture constitutes only a small part of total exports (about one fourth in Swaziland and Tanzania). It is therefore important that the countries and regions concerned get time and financial resources enough to change their production systems and diversify their exports in order to become less vulnerable, and to further their economic development.

⁷³ There is no data for: Angola and Lesotho.

Table 18: Southern African export diversification in agriculture (2000-2004)

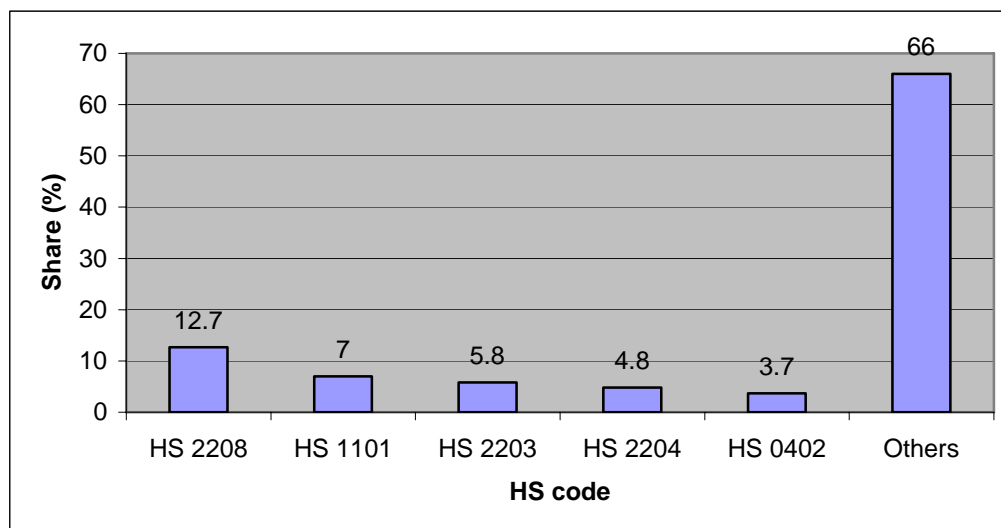
| Countries | 4 leading agricultural export products (share of agricultural exports) | 4 leading agricultural export products (share of total exports) | Export diversification (Herfindahl-Hirschman Index) |
|--------------|--|---|---|
| Botswana | 80 | 3 | 0.447 |
| Swaziland | 71 | 23 | 0.416 |
| Mozambique | 67 | 12 | 0.332 |
| Tanzania | 53 | 22 | 0.254 |
| Namibia | 52 | 10 | 0.256 |
| South Africa | 39 | 4 | 0.174 |

Source: Based on Baritto and Kasteng (2006)

3.4.2 EU export interest in EPA negotiations with Southern Africa

No products can be said to dominate EU agricultural exports to Southern Africa, since this trade is largely diversified. The leading export product is alcoholic beverages (HS 2208). At a lower but more even level follow the export products wheat and meslin flour (HS 1101), beer made from malt (HS 2203), wine (HS 2204), as well as milk and cream (HS 0402). Figure 14 shows the export shares of the five leading agricultural export products at the HS four-digit level.

Figure 14: Leading products in EU agricultural exports to Southern Africa (2000-2004)

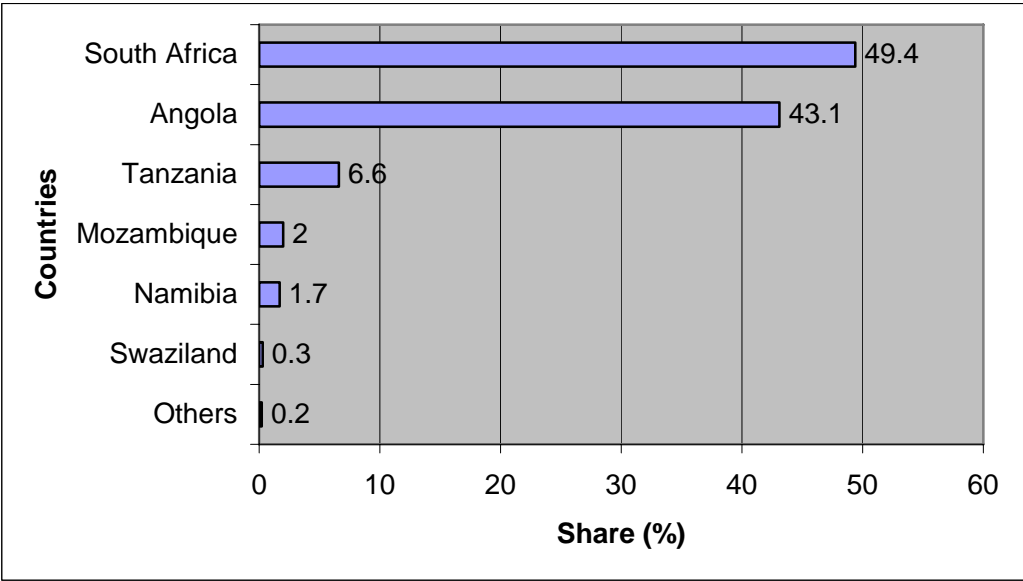


Source: Based on UN Comtrade statistics

EU agricultural exports to Southern Africa are dominated by the destinations of South Africa and Angola, with 49.4 per cent and 43.1 per cent, respectively. Together, these export destinations account for as much as 92.5 per cent of EU agricultural exports to the region. Accordingly, EU agricultural exports to the remaining countries in the region are at a very small level in relative terms. Figure 15 shows the shares of agricultural exports to the leading destinations⁷⁴.

⁷⁴ The category "Others" includes (in alphabetical order): Botswana and Lesotho.

Figure 15: Leading destinations in EU agricultural exports to Southern Africa (2000-2004)



Source: Based on UN Comtrade statistics

EU agricultural exports to Southern Africa are mainly composed of alcoholic beverages, beer made from malt, wine, as well as milk and cream. None of these products is dominating to the same extent as is the case in the region’s exports to the EU. Taken together, these products only account for 34.0 per cent of the EU total agricultural exports to the region. Most of the products exported from the EU are processed to a greater extent than the region’s exports to the EU. South Africa and Angola are together the dominating export destinations (92.1 per cent) in the EU exports to Southern Africa.

Of the products above, the EU grants trade-distorting and product-specific support to milk and milk powder and to wine. Support is high also for wheat, rye and grapes. Export subsidies are granted for dairy products, wheat and wheat flour, wine, and other alcoholic beverages. Botswana’s applied tariffs are fairly low, at most 20 per cent, and they apply also to the imports of the products mentioned above (Jales, 2005).

A comparison of the Southern Africa region’s domestic production of agricultural products corresponding to the leading EU export products (and for which there is production data available) indicates that there may be competition from imports of milk, beer made from malt, wheat and wine (FAO website). The average domestic production in 2000-2004 is 3,962,166 tonnes of milk, 2,320,409 tonnes of beer made from malt, 2,180,047 tonnes of wheat and 792,364 tonnes of wine. However, there are large differences between the countries in the region. For instance, South Africa is by far the largest producer of milk (66.5 per cent), beer made from malt (86.9 per cent), wheat (97.2 per cent) and wine (100 per cent). This means that imports of more processed products and food from the EU can make it more difficult for the region to process their domestic products and, in the long run, to further diversify their exports.

The Southern African countries’ dependence on the agricultural sector is shown in table 19. Agriculture’s share of GDP in 2000-2004 is rather low, with an average of 17.4 per cent (South Africa excluded). However, there are large variations between the countries. The sector only makes up 2.7 per cent of GDP in Botswana, but as much as 44.8 per cent in Tanzania. The number of people employed in agriculture in 2000-2004 is very high with an average of 50.3 per cent of total employment. The lowest share is in South Africa (9.6 per cent) and the highest in Mozambique (81.3 per cent). The average number of undernourished people in the region (South Africa

excluded) was 30.1 per cent of the population in 2001-2003. This number was the lowest in Lesotho (12 per cent) and highest in Mozambique (45 per cent).

Table 19: Indicators related to agriculture and development in Southern Africa

| Countries | Share of labour force in agriculture (2000-2004) | Degree of undernourishment (2001-2003) | GDP in agriculture (2000-2004) |
|-------------------|--|--|--------------------------------|
| Mozambique | 81.3 | 45.0 | 23.9 |
| Tanzania | 80.5 | 44.0 | 44.8 |
| Angola | 71.9 | 38.0 | 7.9 |
| Botswana | 44.5 | 30.0 | 2.7 |
| Namibia | 41.2 | 23.0 | 10.8 |
| Lesotho | 39.2 | 12.0 | 18.0 |
| Swaziland | 34.0 | 19.0 | 13.6 |
| South Africa | 9.6 | --- | --- |
| Mean value | 50.3 | 30.1 | 17.4 |

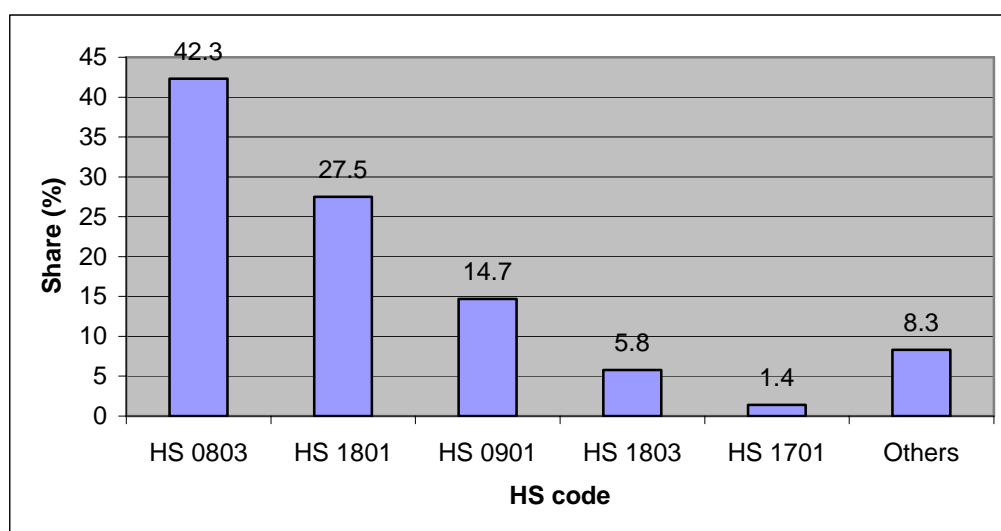
Source: Based on Baritto and Kasteng (2006)

3.5 Central African offensive and defensive interests

3.5.1 Central African export interests in the EPA negotiations

The leading agricultural products in the Central African exports to the EU are bananas (HS 0803), cocoa beans (HS 1801) and coffee (HS 0901), which together make up 84.5 per cent of total agricultural exports. In addition, exports of cocoa mass (HS 1803) are of relative importance as the leading processed agricultural export product to the EU. The export shares of the five leading agricultural export products at the HS four-digit level are shown in figure 16.

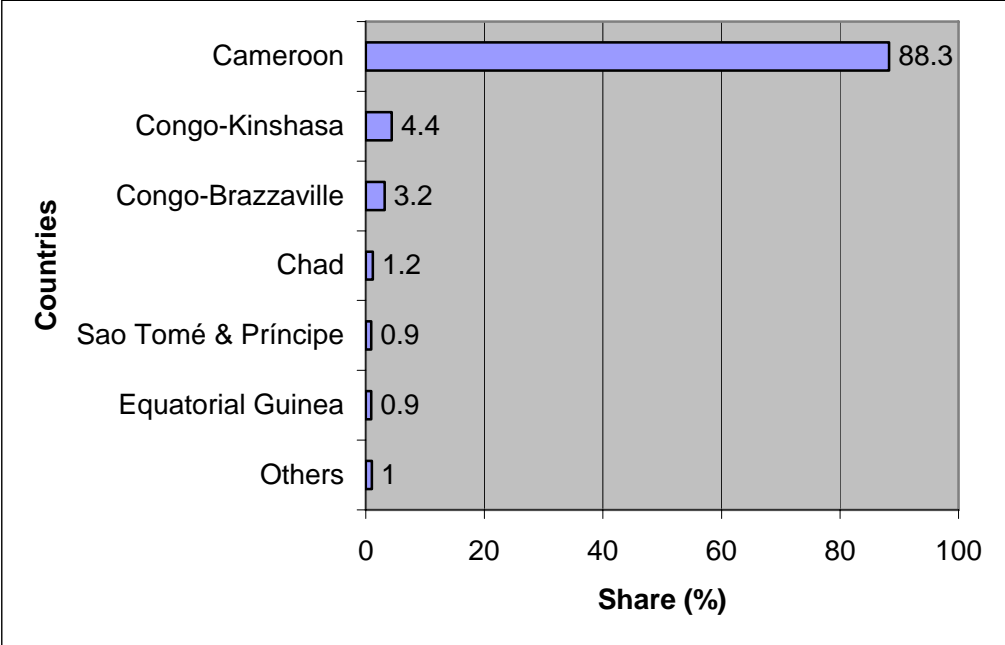
Figure 16: Leading products in Central African agricultural exports to the EU (2000-2004)



Source: Based on UN Comtrade statistics

Cameroon is the largest agricultural exporter in Central Africa and almost completely dominates the region’s total agricultural exports to the EU (88.3 per cent). The second and third largest exporters are Congo-Kinshasa and Congo-Brazzaville, whose exports make up 4.4 per cent and 3.2 per cent, respectively, of the region total. Following them is a number of countries with export shares around 1 per cent⁷⁵. The export shares of the leading agricultural export countries are shown in figure 17.

Figure 17: Leading countries in Central African agricultural exports to the EU (2000-2004)



Source: Based on UN Comtrade statistics

If it is assumed that the leading agricultural export products of Central Africa are also that region’s offensive interests, it is evident that bananas and cocoa beans should be emphasized since they make up a large part of total agricultural exports (69.8 per cent). Due to the fact that the exports from the region are largely undiversified, as much as 91.7 per cent of the agricultural exports consist of only five products (the additional products are coffee, cocoa mass and sugar). However, most of these exports come from Cameroon, which make up almost 88.3 per cent of the EPA region’s exports to the EU. Given the above, the offensive export interests from the remaining countries in the region might not be fully expressed at the aggregated level.

Exports of bananas are covered by the EU’s banana protocol, and Cameroon is the only country in the region with a traditional right to use this preference. Cocoa and cocoa preparations enter the EU market at zero tariffs under the Cotonou Agreement, since these products do not compete with EU domestic products. The MFN tariffs are also very low, less than 10 per cent for processed cocoa products. For coffee, as well, there are no EU tariffs. There is no special treatment for sugar from the Central Africa region, since no country in this region has access to the EU sugar protocol for traditional exporters.

In order to complement the description of current exports to the EU, it is also relevant to look at the countries’ agricultural export interests as a share of total exports in world trade⁷⁶, as shown in table 20. It seems reasonable to assume that the countries also want the opportunity to export these products to the EU market, even though they do not do so at the moment.

⁷⁵ The category “Others” includes (in alphabetical order): the Central African Republic and Gabon.

⁷⁶ There is no data for: Cameroon, Chad, Congo-Brazzaville, Congo-Kinshasa and Equatorial Guinea.

Table 20: Leading products in Central African agricultural exports to the world

| Countries | HS code | Description | Share of domestic agricultural exports (2000-2004) | Share of world exports of the product (2000-2004) |
|--------------------------|---------|-------------|--|---|
| Central African Republic | HS 0901 | Coffee | 38.9 | 0.0 |
| Gabon | HS 2402 | Cigars | 37.9 | 0.0 |
| | HS 2401 | Tobacco | 30.2 | 0.1 |
| Sao Tomé & Príncipe | HS 1801 | Cocoa beans | 100 | 0.3 |

Source: Based on Baritto and Kasteng (2006)

This approach shows that cocoa constitutes 100 per cent of agricultural exports from Sao Tomé & Príncipe and that coffee constitutes 38.9 per cent of agricultural exports from the Central African Republic. In these cases, the dependence on the above-mentioned products is confirmed. However, an analysis of the exports of Gabon shows an export dependence on cigars and cigarettes (37.9 per cent) and tobacco (30.2 per cent). Regarding these products, the Cotonou Agreement offers zero tariffs (to be compared with MFN tariffs of 37.8 per cent and 8.5 per cent, respectively).

In this context, it is relevant to study the region's dependence on its leading agricultural export products, as well as the dependence on its agricultural sector in total exports⁷⁷. The degree of export diversification and the share of the four leading agricultural export products in agricultural and total exports, respectively, are shown in table 21. In general, the countries of the region are very dependent on agricultural exports. In Sao Tomé & Príncipe, agricultural exports constitute as much as 97 per cent of total exports. It is therefore important that the countries and regions concerned get time and financial resources enough to change their production systems and diversify their exports in order to become less vulnerable, and to further their economic development.

Table 21: Central African export diversification in agriculture (2000-2004)

| Countries | 4 leading agricultural export products (share of agricultural exports) | 4 leading agricultural export products (share of total exports) | Export diversification (Herfindahl-Hirschman Index) |
|--------------------------|--|---|---|
| Central African Republic | 100 | 10 | 0.755 |
| Sao Tomé & Príncipe | 100 | 97 | 1.000 |
| Gabon | 93 | 1 | 0.635 |

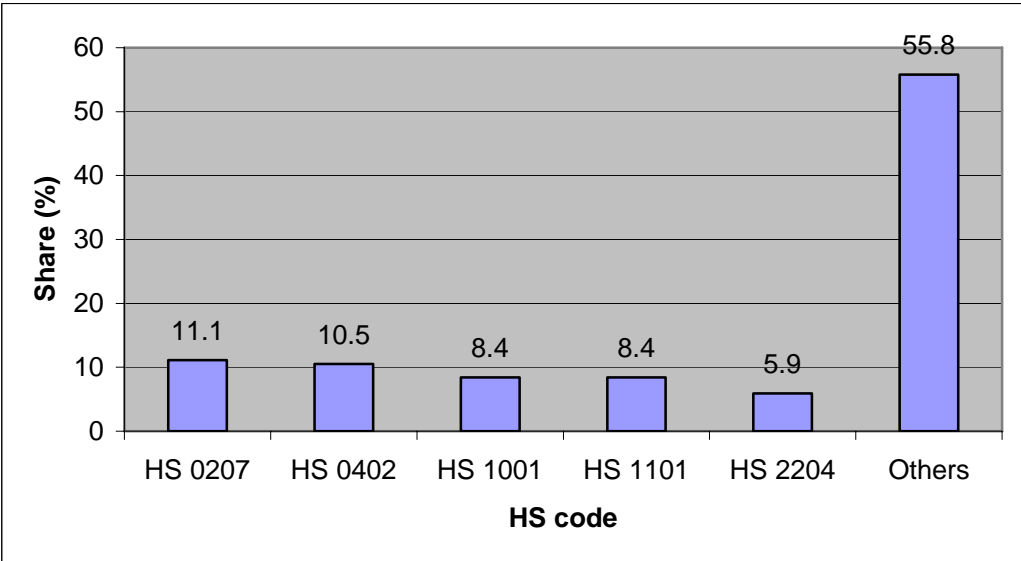
Source: Based on Baritto and Kasteng (2006)

3.5.2 EU export interest in EPA negotiations with Central Africa

No products can be said to dominate EU agricultural exports to Central Africa, since this trade is largely diversified. However, the four leading agricultural export products, at a somewhat even level, are meat and edible offal of poultry (HS 0207), milk and cream (HS 0402), wheat and meslin (HS 1001) and wheat and meslin flour (HS 1101). Figure 18 shows the export shares of the five leading agricultural export products at the HS four-digit level.

⁷⁷ There is no data for: Cameroon, Chad, Congo-Brazzaville, Congo-Kinshasa and Equatorial Guinea.

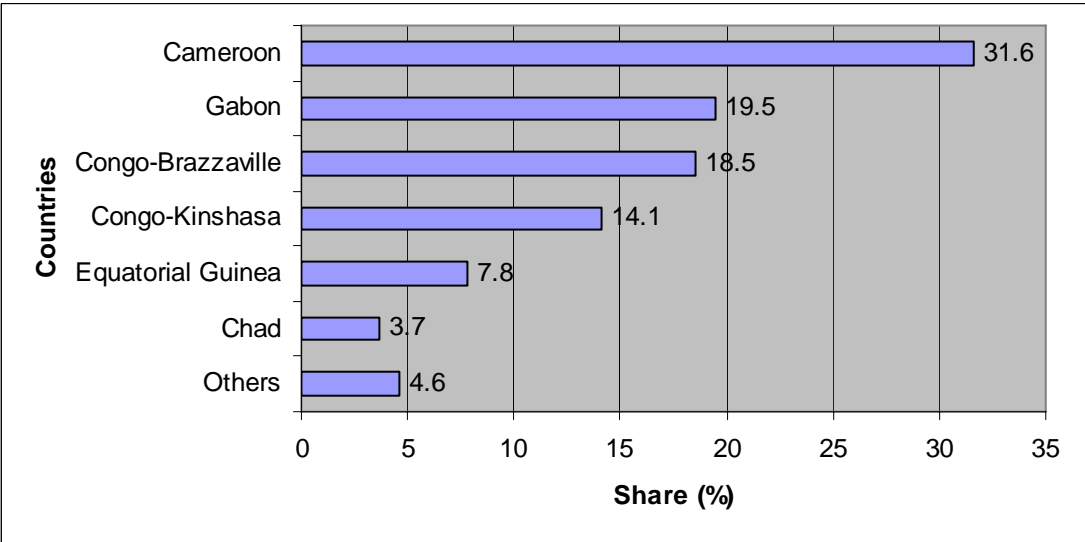
Figure 18: Leading products in EU agricultural exports to Central Africa (2000-2004)



Source: Based on UN Comtrade statistics

The leading destination for EU agricultural exports to Central Africa is Cameroon, which accounts for 31.6 per cent of the EU’s agricultural exports to the region. It is followed by the exports to Gabon and Congo-Brazzaville, at an even level, with 19.5 per cent and 18.5 per cent, respectively, of EU agricultural exports to the region. Exports to the other countries are at a relatively low level, corresponding to only 4.6 per cent of EU exports to the region⁷⁸. Figure 19 shows the shares of agricultural exports to the leading destinations.

Figure 19: Leading destinations in EU agricultural exports to Central Africa (2000-2004)



Source: Based on UN Comtrade statistics

EU agricultural exports to Central Africa are mainly composed of wheat and meslin, dairy products, such as milk and cream, meat and edible offal of poultry, wheat and meslin flour, as well as wine. The pattern of exports indicates a large degree of diversification of the exports. Taken together, these products account for 44.3 per cent of the EU total agricultural exports to the region. Most of

⁷⁸ The category "Others" includes (in alphabetical order): the Central African Republic and Sao Tomé & Príncipe.

the products exported from the EU are processed to a greater extent than the region's exports to the EU. Cameroon is the leading export destination (31.6 per cent) in the EU exports to Central Africa.

Of the products above, the EU grants trade-distorting and product-specific support for wheat and rye, milk and milk powder, wine and beef. Support is also high for grapes. Export subsidies are granted for wheat and wheat flour, dairy products, beef, poultry meat and wine. [Jales (2006) does not provide information on applied tariffs in the countries concerned in this EPA region.]

A comparison of the Central Africa region's domestic production of agricultural products corresponding to the leading EU export products (and for which there is production data available) indicates that there may be competition from imports of chicken meat, cattle meat and wheat (FAO website). The average domestic production in 2000-2004 is 253,739 tonnes of cattle meat, 57,376 tonnes of chicken meat, and 11,626 tonnes of wheat. However, there are large differences between the countries in the region. For instance, Cameroon is the largest producer of cattle meat (36,3 per cent) and chicken meat (49,2 per cent), and Congo-Kinshasa is by far the largest wheat producer (75.3 per cent) This means that imports of more processed products and food from the EU can make it more difficult for the region to process their domestic products and, in the long run, to further diversify their exports.

The Central African countries' dependence on the agricultural sector is shown in table 22. Agriculture's share of GDP in 2000-2004 in the region is on average 30.1 per cent. However, the sector only makes up 5.9 per cent of GDP in Congo-Brazzaville, but as much as 60.7 per cent in Congo-Kinshasa. The number of people employed in agriculture in 2000-2004 is very high with an average of 60.4 per cent of total employment. The lowest share is in Gabon (37.8 per cent) and the highest in Chad (75.2 per cent). The average number of undernourished people was 32.3 per cent of the population in 2001-2003. This number was the lowest in Gabon (5 per cent) and highest in Congo-Kinshasa (72 per cent).

Table 22: Indicators related to agriculture and development in Central Africa

| Countries | Share of labour force in agriculture (2000-2004) | Degree of undernourishment (2001-2003) | GDP in agriculture (2000-2004) |
|--------------------------|--|--|--------------------------------|
| Chad | 75,2 | 33,0 | 40,4 |
| Central African Republic | 72,7 | 45,0 | 55,7 |
| Equatorial Guinea | 70.5 | --- | 7.8 |
| Sao Tomé & Príncipe | 64.0 | 12.0 | 18.9 |
| Congo-Kinshasa | 63.2 | 72.0 | 60.7 |
| Cameroon | 59.4 | 25.0 | 44.0 |
| Congo-Brazzaville | 40.6 | 34.0 | 5.9 |
| Gabon | 37.8 | 5.0 | 7.6 |
| Mean value | 60.4 | 32.3 | 30.1 |

Source: Based on Baritto and Kasteng (2006)

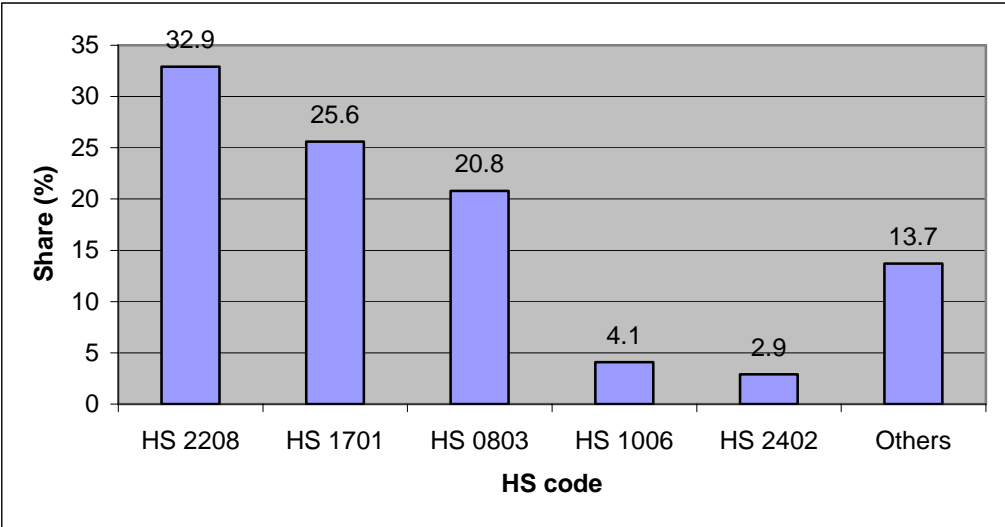
3.6 Caribbean offensive and defensive interests

3.6.1 Caribbean export interests in the EPA negotiations

The leading products in the Caribbean agricultural exports to the EU are mainly traditional export products, such as alcoholic beverages (HS 2208), sugar (HS 1701) and bananas (HS 0803), which

together make up 79.3 per cent of total agricultural exports. The export shares of the five leading agricultural export products at the HS four-digit level are shown in figure 20.

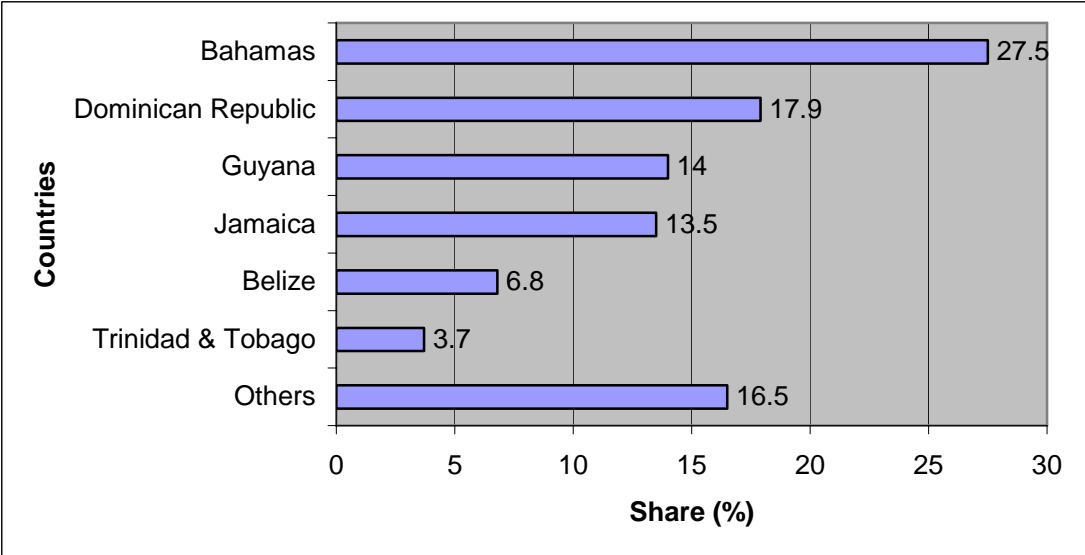
Figure 20: Leading products in Caribbean agricultural exports to the EU (2000-2004)



Source: Based on UN Comtrade statistics

The Caribbean agricultural exports to the EU are distributed fairly evenly between the leading export countries. The largest agricultural exporters are, however, Bahamas (27.5 per cent), the Dominican Republic (17.9 per cent), Guyana (14 per cent) and Jamaica (13.5 per cent). The remaining countries in the region account for 16.5 per cent of the total agricultural exports to the EU⁷⁹. The export shares of the leading agricultural export countries are shown in figure 21.

Figure 21: Leading countries in Caribbean agricultural exports to the EU (2000-2004)



Source: Based on UN Comtrade statistics

If it is assumed that the leading agricultural export products of the Caribbean are also that region’s offensive interests, it is evident that alcoholic beverages, sugar and bananas should be emphasized since they make up a large part of total agricultural exports (79.3 per cent). Given the fact that there

⁷⁹ The category "Others" includes (in alphabetical order): Antigua & Barbuda, Barbados, Dominica, Grenada, Haiti, St. Kitts & Nevis, St. Vincent & the Grenadines and Suriname.

is a high degree of diversification at country-level, even though Bahamas accounts for 27.5 per cent of the region's total agricultural exports to the EU, it is reasonable to assume that most countries in the region might find their export interests in the list of the leading export products. This could particularly be the case since the countries benefit from similar geographic and production-specific conditions.

Exports of sugar and bananas are to a large extent comprised by the EU protocols. However, not all Caribbean countries have access to those protocols. As regards sugar, only Barbados, Belize, Guyana, Jamaica, St. Kitts & Nevis, Suriname and Trinidad & Tobago are entitled to tariff-free quota access and the EU domestic prices. The other countries in the region face the EU MFN tariff. The banana protocol, involving tariff-free quota access, traditionally comprises only Belize, Dominica, Grenada, Jamaica, St. Lucia, St. Vincent & the Grenadines, and Surinam. The other countries in the region face a specific tariff of 176 euro/tonnes when exporting to the EU.

Exports of alcoholic beverages are largely made up of rum, which can enter the EU market without tariffs. This product used to be comprised by a special protocol too, but it lost its effect when the tariff was scrapped on an MFN basis. However, market access for alcoholic beverages is often affected by specific rules (non-tariff barriers) that restrict the countries' export opportunities. Other agricultural products of importance to the EPA region's exports to the EU are rice and cigars. The Cotonou Agreement includes preferential access for rice, 40 per cent within a quota. As regards cigars, the Agreement allows zero-tariff access, whereas the MFN tariff is 37.8 per cent.

In order to complement the description of current exports to the EU, it is also relevant to look at the countries' agricultural export interests as a share of total exports in world trade⁸⁰, as shown in table 23. It seems reasonable to assume that the countries also want the opportunity to export these products to the EU market, even though they do not do so at the moment.

Table 23: Leading products in the Caribbean agricultural exports to the world

| Countries | HS code | Description | Share of domestic agricultural exports (2000-2004) | Share of world exports of the product (2000-2004) |
|-------------------|---------|---------------------|--|---|
| Antigua & Barbuda | HS 2208 | Alcoholic beverages | 57.2 | 0.0 |
| Bahamas | HS 2208 | Alcoholic beverages | 76.4 | 0.1 |
| Barbados | HS 1701 | Cane sugar | 30.4 | 0.3 |
| | HS 2208 | Alcoholic beverages | 27.0 | 0.2 |
| Belize | HS 1701 | Cane sugar | 37.8 | 0.3 |
| | HS 2009 | Fruit juices | 29.5 | 0.3 |
| | HS 0803 | Bananas | 21.3 | 0.4 |
| Dominica | HS 0803 | Bananas | 57.4 | 0.2 |
| Grenada | HS 0908 | Nutmeg | 61.1 | 4.7 |
| Guyana | HS 1701 | Cane sugar | 62.3 | 1.3 |
| | HS 1006 | Rice | 24.5 | 0.8 |

⁸⁰ There is no data for: Haiti and Suriname.

| | | | | |
|--------------------------|---------|---------------------|------|-----|
| Jamaica | HS 1701 | Cane sugar | 22.9 | 0.5 |
| St. Kitts & Nevis | HS 1701 | Cane sugar | 81.2 | 0.0 |
| St. Lucia | HS 0803 | Bananas | 65.0 | 0.5 |
| | HS 2203 | Beer made from malt | 25.8 | 0.1 |
| St. Vincent & Grenadines | HS 0803 | Bananas | 48.0 | 0.4 |

Source: Based on Baritto and Kasteng (2006)

This analysis confirms the observations above. Alcoholic beverages is a dominating export product in Bahamas (76.4 per cent), Antigua & Barbuda (57.2 per cent) and Barbados (27.0 per cent); sugar is a dominating export product in St. Kitts & Nevis (81.2 per cent), Guyana (62.3 per cent), Belize (37.8 per cent), Barbados (30.4 per cent) and Jamaica (22.9 per cent). Exports of bananas are dominating in St. Lucia (65.0 per cent), Dominica (57.4 per cent), St. Vincent & the Grenadines (48.0 per cent) and Belize (21.3 per cent). Accordingly, there appears to be a close correlation between the exports of these products and the current beneficiaries of the commodity protocols, something that could generate negative consequences for the countries concerned in case of a future reform. It is possible that considerations of this kind could affect the negotiating positions of the countries in the EPA negotiations.

As regards the other products mentioned, attention could be given to the exports of nutmeg from Grenada (61.1 per cent) fruit juices from Belize (29.5 per cent), malt beverages from St. Lucia (52.8 per cent) and rice from Guyana (24.5 per cent). Nutmeg and malt beverages get tariff-free access to the EU in the Cotonou Agreement, but only malt beverages have an MFN tariff, and this is less than 10 per cent. As regards fruit juices, the situation is more complex, since these processed products compete with the EU's domestic producers. This means that the EU's entry price system can be activated in some cases.

In this context, it is relevant to study the region's dependence on its leading agricultural export products, as well as the dependence on its agricultural sector in total exports⁸¹. The degree of export diversification and the share of the four leading agricultural export products in agricultural and total exports, respectively, are shown in table 24. In general, the countries of the region are very dependent on agricultural exports. Some countries (Belize, St. Vincent & the Grenadines and St. Lucia) rely on agriculture for more than half of their total exports. It is therefore important that the countries and regions concerned get time and financial resources enough to change their production systems and diversify their exports in order to become less vulnerable, and to further their economic development.

Table 24: Caribbean export diversification in agriculture (2000-2004)

| Countries | 4 leading agricultural export products (share of agricultural exports) | 4 leading agricultural export products (share of total exports) | Export diversification (Herfindahl-Hirschman Index) |
|-------------------|--|---|---|
| St. Lucia | 97 | 56 | 0.680 |
| St. Kitts & Nevis | 95 | 18 | 0.742 |
| Belize | 94 | 68 | 0.560 |

⁸¹ There is no data for: Haiti and Suriname.

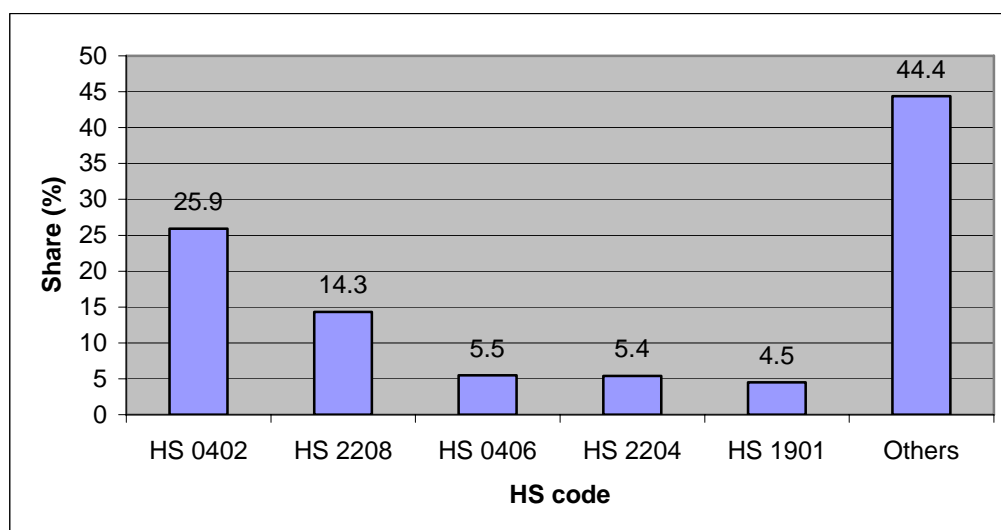
| | | | |
|------------------------------|----|----|-------|
| Grenada | 94 | 42 | 0.624 |
| Guyana | 94 | 33 | 0.649 |
| Antigua & Barbuda | 92 | 4 | 0.583 |
| Bahamas | 92 | 10 | 0.762 |
| St. Vincent & the Grenadines | 85 | 68 | 0.498 |
| Dominica | 79 | 31 | 0.558 |
| Barbados | 75 | 25 | 0.399 |
| Jamaica | 57 | 14 | 0.274 |
| Trinidad & Tobago | 49 | 3 | 0.235 |
| Dominican Republic | 44 | 20 | 0.205 |

Source: Based on Baritto and Kasteng (2006)

3.6.2 EU export interest in EPA negotiations with the Caribbean

The EU agricultural exports to the Caribbean are dominated by milk and cream (HS 0402). It is followed by exports of alcoholic beverages (HS 2208). Exports of processed products, such as cheese and curd (HS 0406), wine (HS 2204) and food preparations of flour or malt extract (HS 1901) take place at a somewhat lower level. Figure 22 shows the export shares of the five leading agricultural export products at the HS four-digit level.

Figure 22: Leading products in EU agricultural exports to the Caribbean (2000-2004)

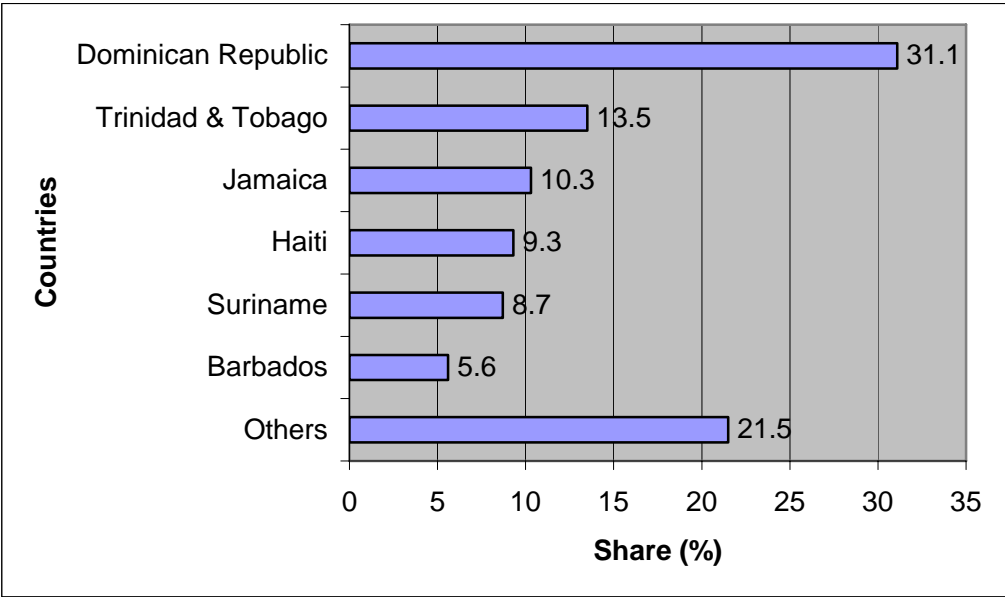


Source: Based on UN Comtrade statistics

The leading destination for EU agricultural exports to the Caribbean is the Dominican Republic, which accounts for 31.1 per cent of the EU's exports to the region. It is followed by exports to Trinidad & Tobago, which account for approximately 13.5 per cent of EU agricultural exports to the region. At a somewhat lower level (approximately 9-10 per cent each) are exports to Jamaica, Haiti and Suriname. Figure 23 shows the shares of agricultural exports to the leading destinations⁸².

⁸² The category "Others" includes (in alphabetical order): Antigua & Barbuda, Bahamas, Belize, Dominica, Grenada, Guyana, St. Kitts & Nevis, St. Lucia and St. Vincent & the Grenadines.

Figure 23: Leading destinations in EU agricultural exports to the Caribbean (2000-2004)



Source: Based on UN Comtrade statistics

EU agricultural exports to the Caribbean are mainly composed of dairy products, such as milk and cream and cheese and curd, as well as alcoholic beverages, wine and other food preparations. Among these products, milk and cream account for the largest share (25.9 per cent). Taken together, these products account for as much as 55.6 per cent of the EU total agricultural exports to the region. Most of the products exported from the EU are processed to a greater extent than the region’s agricultural exports to the EU. The Dominican Republic is the leading export destination (31.1 per cent) in the EU agricultural exports to the Caribbean.

Of the products above, milk and milk powder as well as wine receive trade-distorting, product-specific support in the EU. Support is also fairly high for wheat, rye and grapes. Export subsidies are granted for exports of dairy products, processed products, wine, and other alcoholic beverages. The average tariff structure in a number of countries in the Caribbean EPA region includes tariffs of 20-45 per cent for dairy products (HS 04), 20-35 per cent for cereal products (HS 19) and 20-50 or 65-150 per cent for wine (HS 22). However, Barbados’ tariffs are 150 per cent on dairy products and 100 per cent on cereal products, and Trinidad & Tobago has a tariff of 200 per cent on wine (Jales, 2005).

A comparison of the Caribbean region’s domestic production of agricultural products corresponding to the leading EU export products (and for which there is production data available) indicates that there may be competition from imports of milk, chicken meat and cattle meat (FAO website). The average domestic production in 2000-2004 is 679,754 tonnes of milk, 385,272 tonnes of poultry meat, and 137,700 tonnes of cattle meat. However, there are large differences between the countries in the region. For instance, the Dominican Republic is the by far largest milk producer (78.7 per cent); the Dominican Republic and Jamaica are the largest producers of poultry meat (48.8 per cent and 21.1 per cent, respectively) and the Dominican Republic and Haiti are the largest producers of cattle meat (53.1 per cent and 30.2 per cent, respectively). This means that imports of more processed products and food from the EU can make it more difficult for the region to process their domestic products and, in the long run, to further diversify their exports.

The Caribbean countries’ dependence on the agricultural sector is shown in table 25. Agriculture’s share of GDP in 2000-2004 is rather low, with an average of 11.6 per cent. However, the sector only makes up 1.2 per cent of GDP in Trinidad & Tobago, but as much as 31.0 per cent in Guyana. The number of people employed in agriculture in 2000-2004 is on average 21.7 per cent of total

employment. The lowest share is in Bahamas (3.6 per cent) and the highest in Haiti (62.3 per cent). The average number of undernourished people was 12.3 per cent of the population in 2001-2003. This number was the lowest in Barbados (2.5 per cent) and highest in Haiti (47 per cent).

Table 25: Indicators related to agriculture and development in the Caribbean

| Countries | Share of labour force in agriculture (2000-2004) | Degree of undernourishment (2001-2003) | GDP in agriculture (2000-2004) |
|--------------------------|--|--|--------------------------------|
| Haiti | 62.3 | 47.0 | 28.1 |
| Belize | 30.5 | 5.0 | 15.9 |
| Antigua & Barbuda | 24.8 | --- | 3.8 |
| St. Vincent & Grenadines | 24.0 | 12.0 | --- |
| Grenada | 23.4 | 7.0 | 8.9 |
| St. Lucia | 23.4 | 5.0 | 6.5 |
| St. Kitts & Nevis | 23.2 | 11.0 | 3.0 |
| Dominica | 22.7 | 8.0 | 18.1 |
| Jamaica | 20.6 | 10.0 | 6.0 |
| Surinam | 19.0 | 10.0 | 10.9 |
| Guyana | 17.7 | 9.0 | 31.0 |
| Dominican Republic | 16.7 | 27.0 | 11.3 |
| Trinidad & Tobago | 8.7 | 11.0 | 1.2 |
| Barbados | 4.2 | 2.5 | 5.9 |
| Bahamas | 3.6 | 7.0 | --- |
| Mean value | 21.7 | 12.3 | 11.6 |

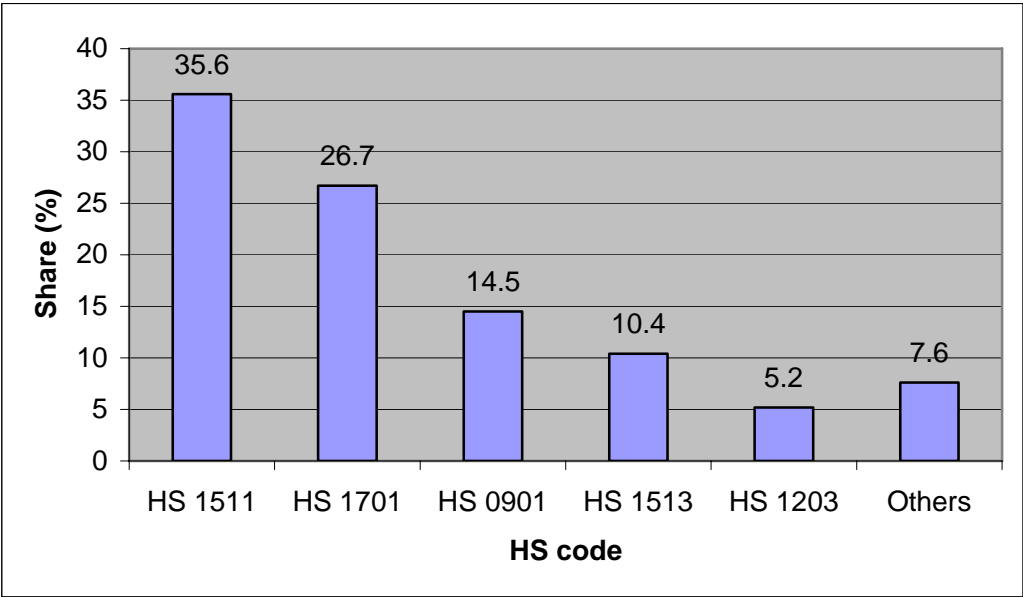
Source: Based on Baritto and Kasteng (2006)

3.7 Pacific offensive and defensive interests

3.7.1 Pacific export interests in the EPA negotiations

The leading products in the Pacific agricultural exports to the EU are palm oil (HS 1511) and sugar (HS 1701), followed by coffee (HS 0901) and coconut oil (HS 1513). The export shares of the five leading agricultural export products at the HS four-digit level are shown in figure 24.

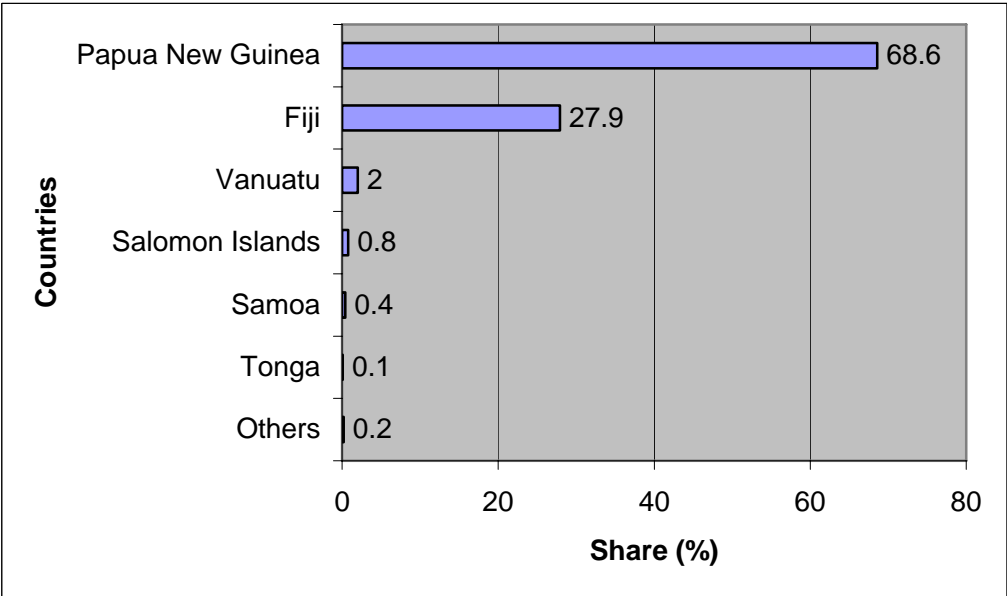
Figure 24: Leading products in Pacific agricultural exports to the EU (2000-2004)



Source: Based on UN Comtrade statistics

Papua New Guinea is the single largest agricultural exporter in the Pacific, as its exports to the EU make up 68.6 per cent of the region’s total agricultural exports to the union. Fiji is the second largest agricultural exporter, but exports less than one third (27.9 per cent) of the region total. The remaining countries account only for 0.2 per cent of the total agricultural exports to the EU⁸³. The export shares of the leading export countries are shown in figure 25.

Figure 25: Leading countries in Pacific agricultural exports to the EU (2000-2004)



Source: Based on UN Comtrade statistics

If it is assumed that the leading agricultural export products of the region are also that region’s offensive interests, it is evident that palm oil and sugar should be emphasized since they make up a

⁸³ The category “Others” includes (in alphabetical order): the Cook Islands, Kiribati, the Marshall Islands, Micronesia, Nauru, Niue, Palau and Tuvalu.

large part of total agricultural exports (62.3 per cent). However, most of these exports come from the leading export countries Papua New Guinea and Fiji, who together make up as much as 96.5 per cent of the EPA region's exports to the EU. Given the above, the offensive export interests from the remaining countries in the region might not be fully expressed in aggregation at the regional level. According to the Cotonou Agreement, palm oil benefits from tariff-free access to the EU market (to be compared with a low MFN tariff (<10 per cent)). Exports of sugar, on the other hand, are regulated by the EU sugar protocol, where Fiji is the only country in the region that benefits from the provisions.

Other leading products in exports to the EU are coffee, coconut oil, and copra. All of these products enter the EU at zero tariffs. Coffee and coconut oil get zero tariffs via the Cotonou Agreement, but the MFN tariff on coconut oil is low (less than 10 per cent). Copra is not comprised by the Cotonou Agreement, but the MFN tariff is zero. In other words, these products do not compete with the EU's domestic producers.

In order to complement the description of current exports to the EU, it is also relevant to look at the countries' agricultural export interests as a share of total exports in world trade⁸⁴, as shown in table 26. It seems reasonable to assume that the countries also want the opportunity to export these products to the EU market, even though they do not do so at the moment.

Table 26: Leading products in the Pacific agricultural exports to the world

| Countries | HS code | Description | Share of domestic agricultural exports (2000-2004) | Share of world exports of the product (2000-2004) |
|------------------|---------|---------------------|--|---|
| Cook Islands | HS 2009 | Fruit juices | 82.3 | 0.0 |
| Fiji | HS 1701 | Cane sugar | 60.1 | 1.0 |
| Papua New Guinea | HS 1511 | Palm oil | 38.5 | 0.9 |
| | HS 0901 | Coffee | 19.8 | 0.4 |
| Samoa | HS 2203 | Beer made from malt | 26.0 | 0.0 |
| | HS 0801 | Coconuts | 22.9 | 0.0 |

Source: Based on Baritto and Kasteng (2006)

This approach shows the importance of palm oil and coffee for Papua New Guinea, with shares of 38.5 per cent and 19.8 per cent, respectively, of total agricultural exports, as well as the importance of sugar for Fiji, with a share of 60.1 per cent of total agricultural exports. Additional significant export products are fruits juices for the Cook Islands (82.3 per cent), as well as beer made from malt (26.0) and coconuts (22.9) from Samoa. Exports of beer made from malt and coconuts to the EU market are tariff-free. However, with regard to fruit juices the situation is more complex due to the fact that these processed products compete more directly with the EU producers. Accordingly, the EU entry-price system is applied on these products (although at a lower level than outside the Cotonou Agreement).

⁸⁴ There is no data for: Kiribati, the Marshall Islands, Micronesia, Nauru, Niue, Palau, the Solomon Islands, Tonga, Tuvalu and Vanuatu.

In this context, it is relevant to study the region’s dependence on its leading agricultural export products, as well as the dependence on its agricultural sector in total exports⁸⁵. The degree of export diversification and the share of the four leading agricultural export products in agricultural and total exports, respectively, are shown in table 27. In general, the countries of the region are very dependent on agricultural exports. However, agriculture constitutes only a smaller part of the total exports (about one third in Fiji). It is therefore important that the countries and regions concerned get time and financial resources enough to change their production systems and diversify their exports in order to become less vulnerable, and to further their economic development.

Table 27: Pacific export diversification in agriculture (2000-2004)

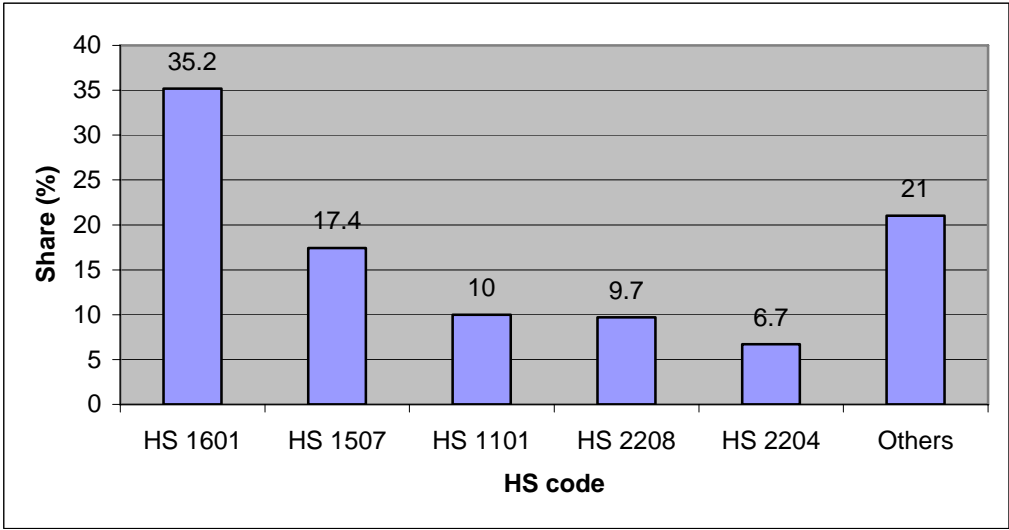
| Countries | 4 leading agricultural export products (share of agricultural exports) | 4 leading agricultural export products (share of total exports) | Export diversification (Herfindahl-Hirschman Index) |
|------------------|--|---|---|
| Cook Islands | 100 | 18 | 0.838 |
| Papua New Guinea | 88 | 11 | 0.503 |
| Fiji | 79 | 29 | 0.597 |
| Samoa | 78 | 6 | 0.393 |

Source: Based on Baritto and Kasteng (2006)

3.7.2 EU export interest in EPA negotiations with the Pacific

The leading agricultural product in EU exports to the Pacific is sausages and similar products of meat (HS 1601). It is followed by soya-bean oil and its fractions (HS 1507). Thereafter, at an even level, follows wheat and meslin flour (HS 1101), alcoholic beverages (HS 2208) and wine (HS 2204). Figure 26 shows the export shares of the five leading agricultural export products at the HS four-digit level.

Figure 26: Leading products in EU agricultural exports to the Pacific (2000-2004)

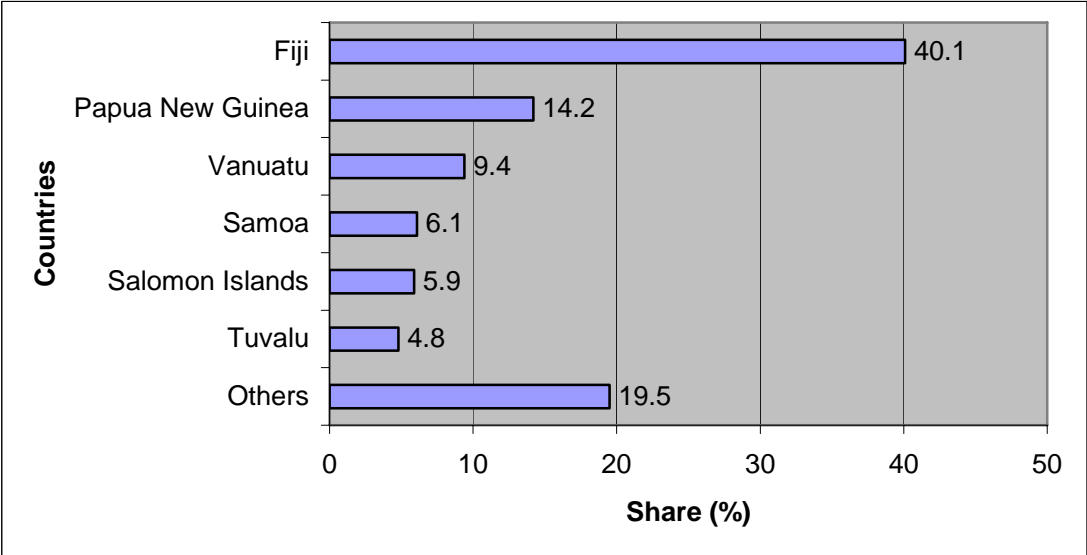


Source: Based on UN Comtrade statistics

⁸⁵ There is no data for: Kiribati, the Marshall Islands, Micronesia, Nauru, Niue, Palau, the Solomon Islands, Tonga, Tuvalu and Vanuatu.

The dominating destination for EU agricultural exports to the Pacific is Fiji, which accounts for 40.1 per cent of the EU’s exports to the region. It is followed by the exports to Papua New Guinea and Vanuatu, with 14.2 per cent and 9.4 per cent, respectively, of EU agricultural exports to the region. The remaining countries are much smaller destinations for EU agricultural exports, both in relative and in absolute terms. Figure 27 shows the shares of agricultural exports to the leading destinations⁸⁶.

Figure 27: Leading destinations in EU agricultural exports to the Pacific (2000-2004)



Source: Based on UN Comtrade statistics

EU agricultural exports to the Pacific are mainly composed of sausages and similar products of meat, soya-bean oil and its fractions, wheat and meslin flour, alcoholic beverages and wine. Among these products, sausages and similar products of meat account for the largest share (35.2 per cent). Taken together, these products account for as much as 79.0 per cent of the EU total agricultural exports to the region. Most of the products exported from the EU are processed to a greater extent than the region’s exports to the EU. Fiji is the leading export destination (40.1 per cent) in the EU agricultural exports to the Pacific.

Of the products above, wine receives trade-distorting product-specific support in the EU. Support is also fairly high for wheat, rye and grapes. Export subsidies are granted to processed products, wheat and wheat flour, and to wine and alcoholic beverages. On the other hand, production of soya beans and soya-bean oil receives no domestic support or export subsidies. (Jales 2006 does not contain information on applied tariffs in the countries concerned within this EPA region.)

A comparison of the Pacific region’s domestic production of agricultural products corresponding to the largest EU export products (and for which there is production data available) indicates that there may be competition from imports of sugar (FAO website). The average domestic production in 2000-2004 is 3,564,822 tonnes of sugar cane. However, there are large differences between the countries in the region. For instance, Fiji and Papua New Guinea are the by far largest producers of sugar cane (88.0 per cent and 12.0 per cent, respectively). This means that imports of more processed products and food from the EU can make it more difficult for the region to process their domestic products and, in the long run, to further diversify their exports.

⁸⁶ The category “Others” includes (in alphabetical order): the Cook Islands, Kiribati, the Marshall Islands, Micronesia, Nauru, Niue, Palau and Tonga.

The Pacific countries' dependence on the agricultural sector⁸⁷ is shown in table 28. Agriculture's share of GDP in 2000-2004 is rather low, with an average of 16.2 per cent. However, the sector only makes up 3 per cent of GDP in Palau, but as much as 28 per cent in Papua New Guinea and Tonga. The number of people employed in agriculture in 2000-2004 is very high with an average of 35.1 per cent of total employment. The lowest share is in Nauru (14.5 per cent) and the highest in Papua New Guinea (74.3 per cent). The average number of undernourished people was 11 per cent of the population in 2001-2003. This number was the lowest in Fiji (4 per cent) and highest in the Solomon Islands (20 per cent).

Table 28: Indicators related to agriculture and development in the Pacific

| Countries | Share of labour force in agriculture (2000-2004) | Degree of undernourishment (2001-2003) | GDP in agriculture (2000-2004) |
|-------------------|--|--|--------------------------------|
| Papua New Guinea | 74.3 | 13.0 | 28.0 |
| Fiji | 39.9 | 4.0 | 16.0 |
| Vanuatu | 36.7 | 12.0 | 14.2 |
| Cook Islands | 34.3 | --- | --- |
| Tonga | 34.1 | --- | 28.1 |
| Kiribati | 27.7 | 6.0 | 15.5 |
| Nauru | 19.3 | --- | --- |
| Samoa | 14.5 | 11.0 | 14.5 |
| Marshall Islands | --- | --- | 10.2 |
| Palau | --- | --- | 3.0 |
| Solomon Islands | --- | 20.0 | --- |
| Mean value | 35.1 | 11.0 | 16.2 |

Source: Based on Baritto and Kasteng (2006)

3.8 More in-depth reasoning about the defensive interests of the EPA regions in the ongoing negotiations

In most ACP countries, bound tariffs are considerably higher than the applied ones. This means at least in theory that the countries have a fairly large flexibility to adapt their tariff levels to their current interests, circumstances and needs. However, in practice there are many limitations to this flexibility, since the countries take part in various free trade agreements and customs unions, as well as in structural adjustment programmes with various financial institutions. It should also be pointed out that at present there are also ACP countries with low tariffs (both bound and applied), that have little or no water in their tariffs, and that cannot use the flexibility granted by the WTO⁸⁸.

Since the market access negotiations in the EPA process concern the parties' applied tariffs, the ACP countries' current flexibility to raise their tariffs to the bound level will disappear when the

⁸⁷ The following countries have not presented data for any of the above indicators: Micronesia, Niue and Tuvalu.

⁸⁸ The ACP countries can also have offensive import interests in the EPA negotiations. This refers to their need to secure cheap imports of agri-food products in order to obtain food security. This aspect is very important from the consumers' point of view, not least to the urban populations of many developing countries, but it is not analysed further in this report.

EPAs enter into force⁸⁹. This may mean that they will lose their ability to protect their markets from low prices of raw materials or from sudden increases in imports, unless there is a safeguard clause in the EPAs⁹⁰. In other words, the EPAs would also mean that the ACP countries would not be able to apply the “special and differential treatment” currently being negotiated in the WTO, and this could have negative consequences for small farmers and start-up processing industries. This is particularly serious for the ACP countries, which in general have many people employed in agriculture as well as large food insecurity in rural areas.

The EPA negotiations will probably result in an agreement that gives the EPA regions the right to exclude a certain quantity of trade from tariff reductions, in accordance with the principle of asymmetry mentioned in the Cotonou Agreement (Article 37.7)⁹¹. However, the EPAs must comply with Article XXIV in GATT in order to be WTO compatible. In addition, since all sectors are currently treated in the same way in the EPA negotiations, a “conflict” may arise in the EPA regions between the need to protect either agriculture or the industrial sector. This can be a particular problem in EPA regions where tariff revenue from industrial goods is a large source of income and thus also constitutes a large portion of their national budgets.

3.8.1 The link between defensive interests and Special Products in the WTO

In the WTO negotiations, several developing countries have stressed the importance of having access to development-related instruments like Special Products (SPs) or a Special Safeguard Mechanism (SSM) for developing countries, due to the risk that a too fast and too extensive liberalisation of agriculture could have negative consequences for their food security, livelihood security and rural development. Even though many countries admit that removing trade-distorting barriers may contribute to increased employment and food security, and also help combat poverty, it is also evident that a too fast and too extensive liberalisation could have several negative effects (Swedish Board of Agriculture, 2006b).

In the negotiations, many small developing countries have emphasised the importance of being able to guarantee livelihood security for their small-scale farms and for the rural population. In low-income countries, the agricultural sector makes up almost 70 per cent of total employment, and some 30 per cent in middle-income countries. This large share of agriculture in total employment indicates a large number of small farmers who are mostly self-sustaining and have few other ways of supporting themselves. Pushing out this small-scale farming could cause large unemployment unless the change is allowed to happen gradually (Polaski, 2006).

Agriculture also provides a large share of developing countries' GDP, and can be the completely dominating economic activity in certain provinces in the country. In addition, many developing countries are characterised by a large degree of under-nourishment and poverty, and these

⁸⁹ Another important issue regarding tariff structures is the significance of tariff revenue for the ACP countries. For many of them, tariff revenue is one of the most important sources of revenue in their budgets. Tariffs provide over 25 per cent of total tax revenue in 38 ACP countries, and more than 50 per cent in ten ACP countries. Tariffs are particularly important as a source of revenue in Guinea, where they make up 76.6 per cent of total tax revenue (Based on Friis-Jensen & Hjort-Lind, 2005). Since trade often does not take place in products with the highest (prohibitive) tariffs, a reduction of tariffs of medium height would probably have the largest effect on ACP tariff revenue (Stevens & Kennan, 2005b).

⁹⁰ The European Commission's negotiation mandate (Article 3.3) states that a WTO compatible “food security clause” will be included in the EPAs. The mandate also mentions that WTO compatible “safeguard provisions” may be included (Council of the European Union, 2002).

⁹¹ Since all sectors are comprised by the EPA negotiations, the EPA regions may have to choose between maintaining income-generating tariffs on cars and electronics, or protecting staple foods and infant industries in the agri-food sector (Oxfam International, 2006).

conditions are particularly prevalent in the rural areas⁹². This means that food security, based on self-sufficiency, is of particular importance in developing countries with limited access to foreign currency.

In this context, it is important to remember that Special Products and the Special Safeguard Mechanism are two different instruments for dealing with unwanted consequences of liberalisation. The main idea behind Special Products is to offer a targeted protection for small-scale farmers in developing countries. This protection is to have the form of exceptions from further tariff reductions and/or lower tariff reductions during a longer period of time for products that are of special importance for their food security, livelihood security and rural development and that would not be able to compete in case of increased pressure from imports (Espinosa *et al.*, 2006).

An instrument like the Special Safeguard Mechanism for developing countries would permit them to temporarily raise their applied tariffs to levels that are higher than their bound tariffs in order to protect products and industries that are competitive under normal circumstances from sudden waves of imports and from price drops that could otherwise eliminate infant or small-scale domestic agricultural exports (Espinosa *et al.*, 2006). Such a situation could surely in many cases be better dealt with by various forms of market based (and often more useful) instruments, but many developing countries have limited financial and institutional resources and could find it hard to apply such methods. In both cases, however, the intent is to reduce the production-related risks during a short or long period of transition, and to create an environment that furthers investment in agriculture and rural development during this period (for instance by further industrial processing of agro-food products and related services in the chain of production) so that these instruments will not be needed in the long term.

3.8.2 How can the EPA regions' defensive interests be identified?

The reasoning about Special Products and the Special Safeguard Mechanism for developing countries in the WTO negotiations is strongly linked to the discussion on the EPA regions' defensive interests in the EPA negotiations, even though these interests are very different in the respective countries and regions. This means that the ACP countries in an EPA region first must negotiate at the regional level in order to reach consensus on a list of particularly sensitive products, and then develop a common position versus the EU, even though the countries may not have the same interests.

There are several ways of identifying the EPA regions' defensive interests. One starting-point can be to see which products the EU is currently exporting to the regions, and whether these products receive domestic support and export subsidies. The point would be to identify the areas that are particularly exposed to export competition at uneven terms. It is important to identify the products that are of particular importance for the EPA regions' food and livelihood security, similarly to the criteria and indicators for appointing Special Products in the WTO negotiations, in order to see whether they risk any negative effects from imports.

Several ACP countries have been negatively affected by competition from imports from the EU with regard to domestic and local production of staple food and processed food in earlier stages of the liberalisation process⁹³. The competitive ability of imported agro-food products can be distorted when backed by various forms of agriculture support and export subsidies. In other words, the

⁹² Indicators of the EPA regions' large dependence on agriculture for their economic development (agriculture's share of GDP), agriculture's importance for employment and livelihood security (agriculture's share of total employment) and the degree of undernourishment are given in detail in sections 3.2-3.7.

⁹³ Some often cited examples of ACP countries that have been affected negatively by competition from EU products are tomato and chicken production in Senegal and Ghana, and Kenya's production of dairy products (Lee and Masiwa, 2006).

developing country farmers do not face a level playing field⁹⁴. In addition, the support of the developed countries cause overproduction, lower world market prices and fluctuating prices, which results in reduced production space for developing country farmers, as regards both self-sustaining production and exports.

⁹⁴ For economic reasons, the ACP countries can most often not provide domestic support to their agricultural sector even though they, in theory, are entitled to do so due to the *de minimis* provisions in the WTO. In some cases, the ACP countries' ability to give support may also be limited by structural adaptation programmes involving various financial organisations. Barbados, the Dominican Republic, Papua New Guinea and South Africa are the only ACP countries that have reserved the right in the WTO to apply amber box support. However, no ACP country has notified any application of trade-distorting support to agriculture. South Africa is the only ACP country that has reserved the right to provide export subsidies, but has not notified any use of such subsidies (Kasteng, 2006).

4 Concluding remarks

This report gives an overview of the EPA regions' and the EU's offensive export interests and their defensive import interests in the agro-food area. The emphasis is on identifying and analysing the leading export products and export countries/destinations during 2000-2004.

It is important to take the interests of small actors into consideration, as well as potential export interests that do not show up in a study of aggregates. This is particularly important when considering EPA regions that consist of several small actors that are largely dependent on the agricultural sector for their development. It is also important to consider that a study of this kind mostly reflects the current and to a certain extent the past version of the EU's agricultural policy. In other words, this study disregards potential export interests that may arise as a result of future reform of the EU's Common Agricultural Policy (CAP). It also does not take into account the possible consequences of the EPAs and expresses no opinion on their importance for the EPA regions.

The primary purpose of this study is to provide an overview and a basic understanding of the actors' positions in the EPA negotiations. The general goal is that it shall function as a current, relevant and useful background and reference to the EPA negotiations in the agro-food area. Therefore, it includes both the EPA regions' trade with the EU as well as, to a certain extent, the intra-regional trade. This is done in order to identify leading export products and countries as well as sectors of importance for development and that are sensitive to competition from imports.

As regards **the EPA regions' offensive interests in the EPA negotiations**, their leading export products are often unprocessed products like cocoa beans, fruits, berries and nuts, raw tobacco, coffee, tea, bananas and sugar, or slightly processed products like cocoa mass, cocoa butter, cut flowers, meat and edible offal, as well as wine and alcoholic beverages. It is also clear that a few leading export countries like Cameroon, the Ivory Coast, Kenya, Papua New Guinea and South Africa often dominate exports from their regions. This affects the export structure, and can make it harder for the other countries of the regions to identify with the leading export products at the regional level.

The EU's defensive interests in the EPA negotiations are expressed by tariffs, domestic support and export subsidies that aim at protecting domestic producers and to make the EU's agricultural products competitive in third countries. However, there are also non-tariff barriers like sanitary and phytosanitary rules as well as rules of origin, and in the future such barriers may be even more important than tariffs in the trade between the parties. In general, many of the leading export products of the EPA regions face no or very low tariffs in the EU market, as long as they are tropical products that do not compete with EU production. At the same time it is also evident that the EPA regions' agro-food products tend to face higher and higher tariffs as the degree of processing increases.

The most sensitive products in the EU-ACP trade are regulated by special commodity protocols, but these are probably to be reformed significantly and/or might even be removed before the end of the EPA negotiations. It is important to consider that many ACP countries might initially be negatively affected by such a change, since it would mean that they no longer get the guaranteed EU price of the exported products. This should be taken into account in the reform process. In the long term, however, this change could contribute positively to further restructuring and diversification of the ACP production. This means that the EPA negotiations should take into account the existing and potential export interests of the EPA regions, with a view to achieving tariff-free access for unlimited quantities to the EU market.

The EU's offensive interests in the EPA negotiations are less clear, and no products dominate exports in the way that some products do as regards the EPA regions' exports to the EU. However,

it is clear that EU exports to a larger extent consist of processed agri-food products, particularly dairy products, poultry meat and edible offal, processed food, wheat flour, alcoholic beverages, and cigars and cigarettes. More serious as regards the ACP countries' ability to compete with these products in their domestic markets is that almost all the EU products mentioned receive product-specific domestic support (defined as trade-distorting by the WTO) and export subsidies.

Since the EPA negotiations on market access concern the parties' applied tariffs, the ACP countries' current ability to increase their tariffs to the bound level will disappear when the EPAs enter into force. This means that the ACP countries will lose their ability to protect their markets from low prices on raw materials or from sudden waves of import. This, in turn, may have negative consequences for small farmers and for infant processing industries, unless a safeguard clause is included in the EPAs in order to take into account **the EPA regions' defensive interests in the EPA negotiations.**

It will probably be possible for the EPA regions to exclude a certain volume of trade from tariff reductions, due to the principle of asymmetry mentioned in the Cotonou Agreement. However, no difference is made between various sectors comprised by the EPA negotiations, which means that there may be a conflict of interests between the EPA regions' need to protect their agriculture or their industrial sector. This may be a particularly poignant problem in EPA regions where tariff revenue from industrial goods is a major source of income, and thus a large share of their budgets.

Since this study indicates that ACP countries are vulnerable and largely dependent on agriculture for food and livelihood security, it may be relevant to refer to the WTO negotiations on Special Products and a Special Safeguard Mechanism for developing countries. As long as the problems mentioned above persist, lower tariff reductions and longer implementation periods should apply for ACP countries. At the same time, the change towards diversification and new sectors should be facilitated by public and private investment, and with relevant, long-term and useful development aid.

As a complement to the analysis of the EPA regions' trade with the EU, it is also important to take into account the increasingly significant **trade within the EPA regions** in the EPA negotiations. The reason is that their tariff barriers in many cases may hamper the long-term development of South-South trade. The EPA regions' defensive interests versus the EU are not always the same as their offensive and defensive interests in their intra-regional trade. This means that the ACP countries must take third-country trade into account when they define their offensive and defensive interests. At the same time, the EPA regions are often political constructions that lump together countries with different options, interests and needs, and that might be dominated by one or a few countries. It is therefore important to try to ensure that the trade between the EPA regions and individual ACP countries is not hampered by the emergence of four separate free trade areas in Africa.

Finally, it is important to remember that agriculture is only one area in the EPA negotiations. This means that the EPA regions' total situation, interests and needs in all areas must be taken into account in order for the EPAs to contribute successfully to sustainable development in the ACP countries. No area should thus be considered in isolation. However, this study shows that agriculture is one of the most sensitive and complex sectors in many ACP countries, and that the sustainable development of trade in agriculture is often equal to the sustainable development of the economies of the ACP countries.

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United Nations Food and Agriculture Organisation (FAO)

<http://faostat.fao.org/site/566/default.aspx>

United Nations Office of the High Representative for the LDCs, LLDCs and SIDSs

<http://www.un.org/special-rep/ohrlls/ohrlls/default.htm>

United Nations Statistics Division

<http://mdgs.un.org/unsd/mdg/>

World Bank

www.worldbank.org/data/countryclass/classgroups.htm

World Trade Organisation (WTO)

http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm

Annexes

Annex 1: List of agricultural products

Table B1: List of agricultural products according to the HS nomenclature

| HS code | Description |
|---------|--|
| HS 1 | Live animals |
| HS 2 | Meat and edible meat offal |
| HS 4 | Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included |
| HS 5 | Products of animal origin, not elsewhere specified or included |
| HS 6 | Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage |
| HS 7 | Edible vegetables and certain roots and tubers |
| HS 8 | Edible fruit and nuts; peel of citrus fruit or melons |
| HS 9 | Coffee, tea, maté and spices |
| HS 10 | Cereals |
| HS 11 | Products of the milling industry; malt; starches; inulin; wheat gluten |
| HS 12 | Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder |
| HS 13 | Lac; gums; resins and other vegetable saps and extracts |
| HS 14 | Vegetable plaiting materials; vegetable products not elsewhere specified or included |
| HS 15 | Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes |
| HS 16 | Preparations of meat (excluding preparations of fish, etc.) |
| HS 17 | Sugars and sugar confectionery |
| HS 18 | Cocoa and cocoa preparations |
| HS 19 | Preparations of cereals, flour, starch or milk, pastrycooks' products |
| HS 20 | Preparations of vegetables, fruit, nuts or other parts of plants |
| HS 21 | Miscellaneous edible preparations |
| HS 22 | Beverages, spirits and vinegar |
| HS 23 | Residues and waste from food industries; prepared animal fodder |
| HS 24 | Tobacco and manufactured tobacco substitutes |

Source: Based on TARIC

Annex 2: EPA regions and developing country classifications

Table B2: EPA regions and developing country classifications

| | Income group | LDC | SIDS | LLDC | Share of labour force in agriculture 2000-2004 | Share of under-nourished 2001-2003 | Share of GDP in agriculture 2000-2004 |
|--------------------------------|--------------|-----|------|------|--|------------------------------------|---------------------------------------|
| West Africa | | | | | | | |
| Benin | Low | X | | | 54.0 | 14.0 | 36.0 |
| Burkina Faso | Low | X | | X | 92.3 | 17.0 | 31.9 |
| Cape Verde | Lower middle | X | X | | 23.0 | --- | 9.6 |
| Gambia | Low | X | | | 79.0 | 27.0 | 32.3 |
| Ghana | Low | | | | 56.9 | 12.0 | 36.3 |
| Guinea | Low | X | | | 83.9 | 24.0 | 24.1 |
| Guinea-Bissau | Low | X | X | | 82.9 | 37.0 | 57.5 |
| Ivory Coast | Low | | | | 49.2 | 14.0 | 23.5 |
| Liberia | Low | X | | | 67.7 | 49.0 | 46.3 |
| Mali | Low | X | | X | 81.0 | 28.0 | 37.4 |
| Mauritania | Low | X | | | 52.9 | 10.0 | 19.6 |
| Niger | Low | X | | X | 87.7 | 32.0 | 39.3 |
| Nigeria | Low | | | | 33.3 | 9.0 | 26.7 |
| Senegal | Low | X | | | 73.8 | 23.0 | 18.3 |
| Sierra Leone | Low | X | | | 62.2 | 50.0 | 58.4 |
| Togo | Low | X | | | 59.7 | 25.0 | 38.4 |
| Eastern/Southern Africa | | | | | | | |
| Burundi | Low | X | | X | 90.3 | 67.0 | 50.1 |
| Comoros | Low | X | X | | 73.6 | 62.0 | 41.0 |
| Djibouti | Lower middle | X | | | 78.5 | 26.0 | 3.7 |
| Eritrea | Low | X | | | 77.6 | 73.0 | 15.0 |
| Ethiopia | Low | X | | X | 82.4 | 46.0 | 45.4 |
| Kenya | Low | | | | 75.5 | 31.0 | 29.2 |
| Madagascar | Low | X | | | 74.2 | 38.0 | 29.5 |
| Malawi | Low | X | | X | 83.0 | 34.0 | 39.2 |
| Mauritius | Upper middle | | X | | 11.9 | 6.0 | 6.3 |
| Rwanda | Low | X | | X | 90.8 | 36.0 | 41.0 |
| Seychelles | Upper middle | | X | | 78.7 | 9.0 | 2.7 |
| Sudan | Low | X | | | 61.1 | 27.0 | 40.1 |

| | | | | | | | |
|------------------------------|--------------|---|---|---|------|------|------|
| Uganda | Low | X | | X | 80.1 | 19.0 | 33.9 |
| Zambia | Low | X | | X | 69.3 | 47.0 | 22.1 |
| Zimbabwe | Low | | | X | 62.7 | 45.0 | 16.6 |
| Southern Africa | | | | | | | |
| Angola | Lower middle | X | | | 71.9 | 38.0 | 7.9 |
| Botswana | Upper middle | | | X | 44.5 | 30.0 | 2.7 |
| Lesotho | Lower middle | X | | X | 39.2 | 12.0 | 18.0 |
| Mozambique | Low | X | | | 81.3 | 45.0 | 23.9 |
| Namibia | Lower middle | | | | 41.2 | 23.0 | 10.8 |
| South Africa | Upper middle | | | | 9.6 | --- | --- |
| Swaziland | Lower middle | | | X | 34.0 | 19.0 | 13.6 |
| Tanzania | Low | X | | | 80.5 | 44.0 | 44.8 |
| Central Africa | | | | | | | |
| Cameroon | Lower middle | | | | 59.4 | 25.0 | 44.0 |
| Central African Republic | Low | X | | X | 72.7 | 45.0 | 55.7 |
| Chad | Low | X | | X | 75.2 | 45.0 | 55.7 |
| Congo-Brazzaville | Lower middle | | | | 40.6 | 34.0 | 5.9 |
| Congo-Kinshasa | Low | X | | | 63.2 | 72.0 | 60.7 |
| Equatorial Guinea | Upper middle | X | | | 70.5 | --- | 7.8 |
| Gabon | Upper middle | | | | 37.8 | 5.0 | 7.6 |
| Sao Tomé & Príncipe | Low | X | X | | 64.0 | 12.0 | 18.9 |
| Caribbean | | | | | | | |
| Antigua & Barbuda | High | | X | | 24.8 | --- | 3.8 |
| Bahamas | High | | X | | 3.6 | 7.0 | --- |
| Barbados | Upper middle | | X | | 4.2 | 2.5 | 5.9 |
| Belize | Upper middle | | X | | 30.5 | 5.0 | 15.9 |
| Dominica | Upper middle | | X | | 22.7 | 8.0 | 18.1 |
| Dominican Republic | Lower middle | | X | | 16.7 | 27.0 | 11.3 |
| Grenada | Upper middle | | X | | 23.4 | 7.0 | 8.9 |
| Guyana | Lower middle | | X | | 17.7 | 9.0 | 31.0 |
| Haiti | Low | X | X | | 62.3 | 47.0 | 28.1 |
| Jamaica | Lower middle | | X | | 20.6 | 10.0 | 6.0 |
| St. Kitts & Nevis | Upper middle | | X | | 23.2 | 11.0 | 3.0 |
| St. Lucia | Upper middle | | X | | 23.4 | 5.0 | 6.5 |
| St. Vincent & the Grenadines | Upper middle | | X | | 24.0 | 12.0 | --- |
| Suriname | Lower middle | | X | | 19.0 | 10.0 | 10.9 |
| Trinidad & Tobago | Upper middle | | X | | 8.7 | 11.0 | 1.2 |

| | | | | | | | |
|------------------|--------------|---|---|--|------|------|------|
| Pacific | | | | | | | |
| Cook Islands | --- | | | | 34.3 | --- | --- |
| Fiji | Lower middle | | X | | 39.9 | 4.0 | 16.0 |
| Kiribati | Lower middle | X | X | | 27.7 | 6.0 | 15.5 |
| Marshall Islands | Lower middle | | X | | --- | --- | 10.2 |
| Micronesia | Lower middle | | X | | --- | --- | --- |
| Nauru | --- | | X | | 19.3 | --- | --- |
| Niue | --- | | | | --- | --- | --- |
| Palau | Upper middle | | X | | --- | --- | 3.0 |
| Papua New Guinea | Low | | X | | 74.3 | 13.0 | 28.0 |
| Solomon Islands | Low | X | X | | --- | 20.0 | --- |
| Samoa | Lower middle | X | X | | 14.5 | 11.0 | 14.5 |
| Tonga | Lower middle | | X | | 34.1 | --- | 28.1 |
| Tuvalu | --- | X | X | | --- | --- | --- |
| Vanuatu | Lower middle | X | X | | 36.7 | 12.0 | 14.2 |

Source: Based on the World Bank, the United Nations Office of the High Representative for the LDCs, LLDCs and SIDSs, as well as Baritto and Kasteng (2006).

Annex 3a: Statistics of the exports of the EPA regions to EU

Table B3-1: West African agricultural exports to the EU (2000-2004)

| HS code | Description | Exports to EU | Share (%) |
|---------|---|---------------|-----------|
| HS 18 | Cocoa and cocoa preparations | 2,212,647 | 73.7 |
| HS 08 | Edible fruit and nuts; peel of citrus fruit or melons | 423,246 | 14.1 |
| HS 15 | Animal or vegetable fats and oils and their cleavage products | 78,704 | 2.6 |
| HS 09 | Coffee, tea, maté and spices | 75,816 | 2.5 |
| HS 12 | Oil seeds and oleaginous fruits; miscellaneous grains, etc. | 48,301 | 1.6 |
| HS 07 | Edible vegetables and certain roots and tubers, etc. | 46,122 | 1.5 |
| Others | | 118,347 | 3.9 |
| Total | | 3,003,184 | 100 |

Source: Based on UN Comtrade statistics

Table B3-2: West African leading export products in the trade with EU (2000-2004)

| HS code | Description | Exports to EU | Share (%) |
|---------|--|---------------|-----------|
| HS 1801 | Cocoa beans, whole or broken, raw or roasted | 1,743,458 | 58.1 |
| HS 1803 | Cocoa paste, whether or not defatted | 226,278 | 7.5 |
| HS 0804 | Cocoa butter, fat and oil | 219,888 | 7.3 |
| HS 0803 | Bananas, incl. plantains, fresh or dried | 187,059 | 6.2 |
| HS 1804 | Cocoa butter, fat and oil | 182,387 | 6.1 |

Source: Based on UN Comtrade statistics

Table B3-3: West African leading export countries in the trade with EU (2000-2004)

| Country | Exports to EU | Share (%) |
|-------------|---------------|-----------|
| Ivory Coast | 1,958,126 | 65.2 |
| Ghana | 532,904 | 17.7 |
| Nigeria | 299,839 | 10.0 |
| Senegal | 100,023 | 3.3 |
| Togo | 33,046 | 1.1 |
| Guinea | 16,292 | 0.5 |
| Others | 62,954 | 2.1 |
| Total | 3,003,184 | 100 |

Source: Based on UN Comtrade statistics

Table B3-4: Eastern/Southern African agricultural exports to the EU (2000-2004)

| HS code | Description | Exports to EU | Share (%) |
|---------|---|---------------|-----------|
| HS 09 | Coffee, tea, maté and spices | 639,364 | 27.6 |
| HS 24 | Tobacco and manufactured tobacco substitutes | 402,804 | 17.4 |
| HS 17 | Sugars and sugar confectionery | 393,884 | 17.0 |
| HS 06 | Live trees and other plants; bulbs, roots and the like; cut flowers | 336,237 | 14.5 |
| HS 07 | Edible vegetables and certain roots and tubers | 197,556 | 8.5 |
| HS 08 | Edible fruit and nuts; peel of citrus fruit or melons | 102,304 | 4.4 |
| Others | | 243,035 | 10.5 |
| Total | | 2,315,184 | 100 |

Source: Based on UN Comtrade statistics

Table B3-5: Eastern/Southern African leading export products in the trade with EU (2000-2004)

| HS code | Description | Exports to EU | Share (%) |
|---------|---------------------------------|---------------|-----------|
| HS 2401 | Unmanufactured tobacco, etc. | 402,423 | 17.4 |
| HS 1701 | Cane sugar, in solid form, etc. | 377,696 | 16.3 |
| HS 0901 | Coffee, etc. | 369,619 | 16.0 |
| HS 0603 | Cut flowers, etc. | 300,613 | 13.0 |
| HS 0902 | Tea, etc. | 183,161 | 7.9 |

Source: Based on UN Comtrade statistics

Table B4-6: Eastern/Southern African leading export countries in the trade with EU (2000-2004)

| Country | Exports to EU | Share (%) |
|------------|---------------|-----------|
| Kenya | 736,876 | 31.8 |
| Zimbabwe | 395,941 | 17.1 |
| Mauritius | 305,539 | 13.2 |
| Malawi | 203,107 | 8.8 |
| Uganda | 179,525 | 7.8 |
| Madagascar | 147,553 | 6.4 |
| Others | 346,643 | 15.0 |
| Total | 2,315,184 | 100 |

Source: Based on UN Comtrade statistics

Table B3-7: Southern African agricultural exports to the EU (2000-2004)

| HS code | Description | Exports to EU | Share (%) |
|---------|--|---------------|-----------|
| HS 08 | Edible fruit and nuts; peel of citrus fruit or melons | 1,069,271 | 50.8 |
| HS 22 | Beverages, spirits and vinegar | 379,910 | 18.0 |
| HS 20 | Preparations of vegetables, fruit, nuts or other parts of plants | 120,541 | 5.7 |
| HS 02 | Meat and edible meat offal | 119,065 | 5.7 |
| HS 17 | Sugars and sugar confectionery | 112,518 | 5.3 |
| HS 09 | Coffee, tea, maté and spices | 76,259 | 3.6 |
| Others | | 227,231 | 10.8 |
| Total | | 2,104,796 | 100 |

Source: Based on UN Comtrade statistics

Table B3-8: Southern African leading export products in the trade with EU (2000-2004)

| HS code | Description | Exports to EU | Share (%) |
|---------|----------------------------------|---------------|-----------|
| HS 2204 | Wine, etc. | 358,997 | 17.1 |
| HS 0806 | Grapes, fresh or dried | 338,775 | 16.1 |
| HS 0805 | Citrus fruit, fresh or dried | 301,618 | 14.3 |
| HS 0808 | Apples, pears and quinces, fresh | 236,281 | 11.2 |
| HS 1701 | Cane sugar, in solid form, etc. | 104,588 | 5.0 |

Source: Based on UN Comtrade statistics

Table B3-9: Southern African leading export countries in the trade with EU (2000-2004)

| Country | Exports to EU | Share (%) |
|--------------|---------------|-----------|
| South Africa | 1,725,868 | 82.0 |
| Tanzania | 125,158 | 5.9 |
| Swaziland | 120,531 | 5.7 |
| Namibia | 61,596 | 2.9 |
| Botswana | 42,899 | 2.0 |
| Mozambique | 26,814 | 1.3 |
| Others | 1,930 | 0.1 |
| Total | 2,104,796 | 100 |

Source: Based on UN Comtrade statistics

Table B3-10: Central African agricultural exports to the EU (2000-2004)

| HS code | Description | Exports to EU | Share (%) |
|---------|--|---------------|-----------|
| HS 08 | Edible fruit and nuts; peel of citrus fruit or melons | 207,734 | 42.9 |
| HS 18 | Cocoa and cocoa preparations | 166,450 | 34.4 |
| HS 09 | Coffee, tea, maté and spices | 71,176 | 14.7 |
| HS 13 | Lac; gums; resins and other vegetable saps and extracts | 11,161 | 2.3 |
| HS 17 | Sugars and sugar confectionery | 6,908 | 1.4 |
| HS 20 | Preparations of vegetables, fruit, nuts or other parts of plants | 3,813 | 0.8 |
| Others | | 16,807 | 3.5 |
| Total | | 484,048 | 100 |

Source: Based on UN Comtrade statistics

Table B3-11: Central African leading export products in the trade with EU (2000-2004)

| HS code | Description | Exports to EU | Share (%) |
|---------|--|---------------|-----------|
| HS 0803 | Bananas, incl. plantains, fresh or dried | 204,523 | 42.3 |
| HS 1801 | Cocoa beans, whole or broken, raw or roasted | 132,287 | 27.5 |
| HS 0901 | Coffee, etc. | 71,021 | 14.7 |
| HS 1803 | Cocoa paste, whether or not defatted | 28,214 | 5.8 |
| HS 1701 | Cane sugar, in solid form, etc. | 6,889 | 1.4 |

Source: Based on UN Comtrade statistics

Table B3-12: Central African leading export countries in the trade with EU (2000-2004)

| Country | Exports to EU | Share (%) |
|---------------------|---------------|-----------|
| Cameroon | 427,545 | 88.3 |
| Congo-Kinshasa | 21,066 | 4.4 |
| Congo-Brazzaville | 15,703 | 3.2 |
| Chad | 5,636 | 1.2 |
| Sao Tomé & Príncipe | 4,555 | 0.9 |
| Equatorial Guinea | 4,500 | 0.9 |
| Others | 5,043 | 1.0 |
| Total | 484,048 | 100 |

Source: Based on UN Comtrade statistics

Table B3-13: Caribbean agricultural exports to the EU (2000-2004)

| HS code | Description | Exports to EU | Share (%) |
|---------|---|---------------|-----------|
| HS 22 | Beverages, spirits and vinegar | 345,405 | 33.7 |
| HS 17 | Sugars and sugar confectionery | 264,519 | 25.8 |
| HS 08 | Edible fruit and nuts; peel of citrus fruit or melons | 233,375 | 22.8 |
| HS 10 | Cereals | 41,778 | 4.1 |
| HS 24 | Tobacco and manufactured tobacco substitutes | 40,625 | 4.0 |
| HS 09 | Coffee, tea, maté and spices | 28,134 | 2.7 |
| Others | | 71,821 | 7.0 |
| Total | | 1,025,656 | 100 |

Source: Based on UN Comtrade statistics

Table B3-14: Caribbean leading export products in the trade with EU (2000-2004)

| HS code | Description | Exports to EU | Share (%) |
|---------|---|---------------|-----------|
| HS 2208 | Undenaturated ethyl alcohol and other spiritous beverages, etc. | 336,930 | 32.9 |
| HS 1701 | Cane sugar, in solid form, etc. | 262,288 | 25.6 |
| HS 0803 | Bananas, incl. plantains, fresh or dried | 213,218 | 20.8 |
| HS 1006 | Rice | 41,755 | 4.1 |
| HS 2402 | Cigars, cigarillos and cigarettes of tobacco, etc. | 29,741 | 2.9 |

Source: Based on UN Comtrade statistics

Table B3-15: Caribbean leading export countries in the trade with EU (2000-2004)

| Country | Exports to EU | Share (%) |
|--------------------|---------------|-----------|
| Bahamas | 282,471 | 27.5 |
| Dominican Republic | 183,506 | 17.9 |
| Guyana | 143,888 | 14.0 |
| Jamaica | 138,451 | 13.5 |
| Belize | 69,610 | 6.8 |
| Trinidad & Tobago | 38,369 | 3.7 |
| Others | 169,361 | 16.5 |
| Total | 1,025,656 | 100 |

Source: Based on UN Comtrade statistics

Table B3-16: Pacific agricultural exports to the EU (2000-2004)

| HS code | Description | Exports to EU | Share (%) |
|---------|--|---------------|-----------|
| HS 15 | Animal or vegetable fats and oils and their cleavage products; | 173,162 | 46.1 |
| HS 17 | Sugars and sugar confectionery | 100,393 | 26.7 |
| HS 09 | Coffee, tea, maté and spices | 64,176 | 17.1 |
| HS 12 | Oil seeds and oleaginous fruits; miscellaneous grains, etc. | 20,504 | 5.5 |
| HS 18 | Cocoa and cocoa preparations | 13,222 | 3.5 |
| HS 20 | Preparations of vegetables, fruit, nuts or other parts of plants | 1,984 | 0.5 |
| Others | | 2,366 | 0.6 |
| Total | | 375,796 | 100 |

Source: Based on UN Comtrade statistics

Table B3-17: Pacific leading export products in the trade with EU (2000-2004)

| HS code | Description | Exports to EU | Share (%) |
|---------|--|---------------|-----------|
| HS 1511 | Palm oil and its fractions, etc. | 133,693 | 35.6 |
| HS 1701 | Cane sugar, in solid form, etc. | 100,391 | 26.7 |
| HS 0901 | Coffee, etc. | 54,470 | 14.5 |
| HS 1513 | Coconut, palm kernel, or babassu oil and its fractions, etc. | 39,233 | 10.4 |
| HS 1203 | Copra | 19,420 | 5.2 |

Source: Based on UN Comtrade statistics

Table B3-18: Pacific leading export countries in the trade with EU (2000-2004)

| Country | Exports to EU | Share (%) |
|------------------|---------------|-----------|
| Papua New Guinea | 257,842 | 68.6 |
| Fiji | 104,750 | 27.9 |
| Vanuatu | 7,428 | 2.0 |
| Solomon Islands | 2,987 | 0.8 |
| Samoa | 1,551 | 0.4 |
| Tonga | 519 | 0.1 |
| Others | 719 | 0.2 |
| Total | 375,796 | 100 |

Source: Based on UN Comtrade statistics

* Exports are presented in US\$ 1,000 in all tables.

Annex 3b: Statistics of EU exports to the EPA regions

Table B3-19: EU agricultural exports to West Africa (2000-2004)

| HS code | Description | Exports to EPA | Share (%) |
|---------|--|----------------|-----------|
| HS 04 | Dairy produce; birds' eggs; natural honey; etc. | 334,411 | 17.3 |
| HS 24 | Tobacco and manufactured tobacco substitutes | 243,607 | 12.6 |
| HS 19 | Preparations of cereals, flour, starch or milk, etc. | 184,125 | 9.5 |
| HS 21 | Miscellaneous edible preparations | 161,811 | 8.4 |
| HS 20 | Preparations of vegetables, fruit, nuts or other parts of plants | 158,758 | 8.2 |
| HS 22 | Beverages, spirits and vinegar | 139,642 | 7.2 |
| Others | | 715,014 | 36.9 |
| Total | | 1,937,373 | 100 |

Source: Based on UN Comtrade statistics

Table B3-20: EU leading export products in the trade with West Africa (2000-2004)

| HS code | Description | Exports to EPA | Share (%) |
|---------|--|----------------|-----------|
| HS 0402 | Milk and cream, etc. | 278,189 | 14.4 |
| HS 2402 | Cigars, cigarillos and cigarettes of tobacco, etc. | 202,181 | 10.4 |
| HS 1901 | Food preparations of flour or malt extract, etc. | 134,948 | 7.0 |
| HS 1101 | Wheat and meslin flour | 126,235 | 6.5 |
| HS 1701 | Cane sugar, in solid form, etc. | 121,906 | 6.3 |

Source: Based on UN Comtrade statistics

Table B3-21: West African leading export destinations in the trade with EU (2000-2004)

| Country | Exports to EPA | Share (%) |
|-------------|----------------|-----------|
| Nigeria | 517,010 | 26.7 |
| Senegal | 227,629 | 11.7 |
| Ivory Coast | 212,557 | 11.0 |
| Benin | 163,136 | 8.4 |
| Ghana | 139,003 | 7.2 |
| Mauritania | 129,390 | 6.7 |
| Others | 548,649 | 28.3 |
| Total | 1,937,373 | 100 |

Source: Based on UN Comtrade statistics

Table B3-22: EU agricultural exports to Eastern/Southern Africa (2000-2004)

| HS code | Description | Exports to EPA | Share (%) |
|---------|--|----------------|-----------|
| HS 10 | Cereals | 49,335 | 12.4 |
| HS 04 | Dairy produce; birds' eggs; natural honey; etc. | 49,021 | 12.4 |
| HS 21 | Miscellaneous edible preparations | 46,052 | 11.6 |
| HS 22 | Beverages, spirits and vinegar | 40,396 | 10.2 |
| HS 11 | Products of the milling industry; malt; starches; inulin; etc. | 36,885 | 9.3 |
| HS 24 | Tobacco and manufactured tobacco substitutes | 36,606 | 9.2 |
| Others | | 138,529 | 34.9 |
| Total | | 396,825 | 100 |

Source: Based on UN Comtrade statistics

Table B3-23: EU leading export products in the trade with Eastern/Southern Africa (2000-2004)

| HS code | Description | Exports to EPA | Share (%) |
|---------|--|----------------|-----------|
| HS 1001 | Wheat and meslin | 45,596 | 11.5 |
| HS 0402 | Milk and cream, etc. | 37,514 | 9.5 |
| HS 2106 | Food preparations, not elsewhere specified or included | 35,387 | 8.9 |
| HS 2402 | Cigars, cigarillos and cigarettes of tobacco, etc. | 31,752 | 8.0 |
| HS 1101 | Wheat and meslin flour | 21,763 | 5.5 |

Source: Based on UN Comtrade statistics

Table B3-24: Eastern/Southern African leading export destinations in the trade with EU (2000-2004)

| Country | Exports to EPA | Share (%) |
|------------|----------------|-----------|
| Djibouti | 63,481 | 16.0 |
| Mauritius | 55,009 | 13.9 |
| Sudan | 54,500 | 13.7 |
| Ethiopia | 47,175 | 11.9 |
| Kenya | 42,631 | 10.7 |
| Madagascar | 30,618 | 7.7 |
| Others | 103,411 | 26.1 |
| Total | 396,825 | 100 |

Source: Based on UN Comtrade statistics

Table B3-25: EU agricultural exports to Southern Africa (2000-2004)

| HS code | Description | Exports to EPA | Share (%) |
|---------|--|----------------|-----------|
| HS 22 | Beverages, spirits and vinegar | 210,331 | 27.4 |
| HS 11 | Products of the milling industry; malt; starches; inulin; wheat gluten | 98,020 | 12.8 |
| HS 15 | Animal or vegetable fats and oils and their cleavage products | 61,331 | 8.0 |
| HS 04 | Dairy produce; birds' eggs; natural honey; etc. | 60,529 | 7.9 |
| HS 19 | Preparations of cereals, flour, starch or milk, pastrycooks' products | 56,618 | 7.4 |
| HS 21 | Miscellaneous edible preparations | 43,837 | 5.7 |
| Others | | 236,076 | 30.8 |
| Total | | 766,743 | 100 |

Source: Based on UN Comtrade statistics

Table B3-26: EU leading export products in the trade with Southern Africa (2000-2004)

| HS code | Description | Exports to EPA | Share (%) |
|---------|---|----------------|-----------|
| HS 2208 | Undenaturated ethyl alcohol and other spiritous beverages, etc. | 97,701 | 12.7 |
| HS 1101 | Wheat and meslin flour | 53,464 | 7.0 |
| HS 2203 | Beer made from malt | 44,452 | 5.8 |
| HS 2204 | Wine, etc. | 36,856 | 4.8 |
| HS 0402 | Milk and cream, etc. | 28,664 | 3.7 |

Source: Based on UN Comtrade statistics

Table B3-27: Southern African leading export destinations in the trade with EU (2000-2004)

| Country | Exports to EPA | Share (%) |
|--------------|----------------|-----------|
| South Africa | 378,837 | 49.4 |
| Angola | 330,101 | 43.1 |
| Tanzania | 24,974 | 6.6 |
| Mozambique | 15,607 | 2.0 |
| Namibia | 13,329 | 1.7 |
| Swaziland | 2,454 | 0.3 |
| Others | 1,440 | 0.2 |
| Total | 766,743 | 100 |

Source: Based on UN Comtrade statistics

Table B3-28: EU agricultural exports to Central Africa (2000-2004)

| HS code | Description | Exports to EPA | Share (%) |
|---------|--|----------------|-----------|
| HS 11 | Products of the milling industry; malt; starches; inulin; wheat gluten | 81,534 | 15.4 |
| HS 02 | Meat and edible meat offal | 72,895 | 13.7 |
| HS 04 | Dairy produce; birds' eggs; natural honey; etc. | 69,601 | 13.1 |
| HS 22 | Beverages, spirits and vinegar | 69,124 | 13.0 |
| HS 10 | Cereals | 46,602 | 8.8 |
| HS 21 | Miscellaneous edible preparations | 38,838 | 7.3 |
| Others | | 152,224 | 28.7 |
| Total | | 530,818 | 100 |

Source: Based on UN Comtrade statistics

Table B3-29: EU leading export products in the trade with Central Africa (2000-2004)

| HS code | Description | Exports to EPA | Share (%) |
|---------|----------------------------------|----------------|-----------|
| HS 0207 | Meat and edible offal of poultry | 58,854 | 11.1 |
| HS 0402 | Milk and cream, etc. | 55,612 | 10.5 |
| HS 1001 | Wheat and meslin | 44,691 | 8.4 |
| HS 1101 | Wheat and meslin flour | 44,400 | 8.4 |
| HS 2204 | Wine, etc. | 31,121 | 5.9 |

Source: Based on UN Comtrade statistics

Table B3-30: Central African leading export destinations in the trade with EU (2000-2004)

| Country | Exports to EPA | Share (%) |
|-------------------|----------------|-----------|
| Cameroon | 167,917 | 31.6 |
| Gabon | 103,634 | 19.5 |
| Congo-Brazzaville | 98,417 | 18.5 |
| Congo-Kinshasa | 74,965 | 14.1 |
| Equatorial Guinea | 41,432 | 7.8 |
| Chad | 19,904 | 3.7 |
| Others | 24,550 | 4.6 |
| Total | 530,818 | 100 |

Source: Based on UN Comtrade statistics

Table B3-31: EU agricultural exports to the Caribbean (2000-2004)

| HS code | Description | Exports to EPA | Share (%) |
|---------|--|----------------|-----------|
| HS 04 | Dairy produce; birds' eggs; natural honey; etc. | 147,538 | 33.6 |
| HS 22 | Beverages, spirits and vinegar | 108,457 | 24.7 |
| HS 19 | Preparations of cereals, flour, starch or milk, etc. | 32,280 | 7.3 |
| HS 11 | Products of the milling industry; malt; starches; inulin; etc. | 22,741 | 5.2 |
| HS 07 | Edible vegetables and certain roots and tubers | 21,081 | 4.8 |
| HS 20 | Preparations of vegetables, fruit, nuts or other parts of plants | 19,808 | 4.5 |
| Others | | 87,435 | 20.0 |
| Total | | 439,341 | 100 |

Source: Based on UN Comtrade statistics

Table B3-32: EU leading export products in the trade with the Caribbean (2000-2004)

| HS code | Description | Exports to EPA | Share (%) |
|---------|---|----------------|-----------|
| HS 0402 | Milk and cream, etc. | 114,007 | 25.9 |
| HS 2208 | Undenaturated ethyl alcohol and other spiritous beverages, etc. | 62,618 | 14.3 |
| HS 0406 | Cheese and curd | 24,175 | 5.5 |
| HS 2204 | Wine, etc. | 23,808 | 5.4 |
| HS 1901 | Food preparations of flour or malt extract, etc. | 19,581 | 4.5 |

Source: Based on UN Comtrade statistics

Table B3-33: Caribbean leading export destinations in the trade with EU (2000-2004)

| Country | Exports to EPA | Share (%) |
|--------------------|----------------|-----------|
| Dominican Republic | 136,760 | 31.1 |
| Trinidad & Tobago | 59,109 | 13.5 |
| Jamaica | 45,084 | 10.3 |
| Haiti | 40,997 | 9.3 |
| Suriname | 38,333 | 8.7 |
| Barbados | 24,700 | 5.6 |
| Others | 94,357 | 21.5 |
| Total | 439,341 | 100 |

Source: Based on UN Comtrade statistics

Table B3-34: EU agricultural exports to the Pacific (2000-2004)

| HS code | Description | Exports to EPA | Share (%) |
|---------|--|----------------|-----------|
| HS 15 | Animal or vegetable fats and oils and their cleavage products, etc | 1,526 | 25.6 |
| HS 22 | Beverages, spirits and vinegar | 1,134 | 19.0 |
| HS 21 | Miscellaneous edible preparations | 737 | 12.4 |
| HS 11 | Products of the milling industry; malt; starches; inulin; etc. | 603 | 10.1 |
| HS 04 | Dairy produce; birds' eggs; natural honey; etc. | 327 | 5.5 |
| HS 24 | Tobacco and manufactured tobacco substitutes | 308 | 5.2 |
| Others | | 1,325 | 22.2 |
| Total | | 5,961 | 100 |

Source: Based on UN Comtrade statistics

Table B3-35: EU leading export products in the trade with the Pacific (2000-2004)

| HS code | Description | Exports to EPA | Share (%) |
|---------|--|----------------|-----------|
| HS 1601 | Sausages and similar products of meat, etc. | 2,097 | 35.2 |
| HS 1507 | Soya-bean oil and its fractions, etc. | 1,038 | 17.4 |
| HS 1101 | Wheat and meslin flour | 596 | 10.0 |
| HS 2208 | Undenaturated ethyl alcohol and other spriritous beverages, etc. | 580 | 9.7 |
| HS 2204 | Wine, etc. | 398 | 6.7 |

Source: Based on UN Comtrade statistics

Table B3-36: Pacific leading export destinations in the trade with EU (2000-2004)

| Country | Exports to EPA | Share (%) |
|------------------|----------------|-----------|
| Fiji | 2,391 | 40.1 |
| Papua New Guinea | 846 | 14.2 |
| Vanuatu | 558 | 9.4 |
| Samoa | 366 | 6.1 |
| Solomon Islands | 352 | 5.9 |
| Tuvalu | 287 | 4.8 |
| Others | 1,162 | 19.5 |
| Total | 5,961 | 100 |

Source: Based on UN Comtrade statistics

* Exports are presented in US\$ 1,000 in all tables.

Annex 4: Leading sectors of the EPA intra-regional trade

This annex gives an overview of intra-regional trade in agriculture for a selection of countries in the respective EPA regions, at an aggregated level (HS two-digit level)⁹⁵. The main purpose is to identify leading product groups, leading exporting countries and leading export destinations (i.e. importing countries) in the various EPA regions, in order to be able to compare this trade pattern with the EU-EPA trade. The annex also presents an overview of trade changes between two comparable years, in order to provide an estimate of development in the intra-regional trade⁹⁶.

This overview does not take into account that products may be re-exported. Neither does it analyse the offensive and defensive interests of the ACP countries in the intra-regional trade in agriculture, even though these interests are at least as important as the EU trade to take into account when deciding on negotiating positions in the EPA negotiations.

Intra-regional trade in West Africa

Intra-regional agricultural trade in the EPA region for West Africa⁹⁷ is fairly evenly distributed across various product groups, as shown in table B4-1. The dominating products are live animals (HS 01) with 19.8 per cent, fats and oils (HS 15) with 16.5 per cent and food preparations (HS 21) with 13.7 per cent. Agricultural trade within the West Africa region⁹⁸ increased from US\$ 225 million to 395 million, i.e. by 54.7 per cent, from 1999 to 2003.

Table B4-1: Intra-regional trade in West Africa (1999-2000): leading product groups

| HS code | Description | Exports | Share (%) |
|---------|---|---------|-----------|
| HS 01 | Live animals | 61,881 | 19.8 |
| HS 15 | Animal or vegetable fats and oils and their cleavage products; etc. | 51,490 | 16.5 |
| HS 21 | Miscellaneous edible preparations | 42,878 | 13.7 |
| HS 07 | Edible vegetables and certain roots and tubers | 31,523 | 10.1 |
| HS 24 | Tobacco and manufactured tobacco substitutes | 19,065 | 6.1 |
| HS 17 | Sugars and sugar confectionery | 17,639 | 5.6 |
| Others | | 88,303 | 28.2 |
| Total | | 625,537 | 100 |

Source: Based on UN Comtrade statistics

⁹⁵ Not all countries in the EPA regions have presented export data for each year, and some countries have presented no statistics at all. Therefore, only exports from the EPA regions that have presented statistics for at least two comparable years are included in the analysis. The analysis only concerns exports to these countries, which means that countries that have not reported any export data are completely excluded from the analysis. In order to reduce the effect of year-to-year fluctuations in exports, the tables show average export of at least two years. All this means that the tables do not show total trade within the EPA regions, but it is likely that the selection and the trade flow trends are reasonably representative of the regions as a whole. However, this may not be the case if large countries are the ones that do not report data.

⁹⁶ In this case, too, the analysis is based on countries that have reported complete export data for at least two comparative years. This selection of countries is more or less the same as above, even though there may be individual differences.

⁹⁷ West African countries that have not reported trade data for 1999-2000 are: Guinea, Guinea-Bissau, Liberia, Mauritania and Sierra Leone. They are accordingly excluded from the analysis. If the analysis of export destinations is expanded to include these countries, there is no difference compared to the data presented in the tables. In addition, there is no significant change in the list of leading export products. However, the data used in this study contains no information on the excluded countries' exports.

⁹⁸ The West African countries that have not reported data for 1999 and 2003 are: Benin, Guinea, Guinea-Bissau, Liberia, Mauritania and Sierra Leone. They are thus excluded from the analysis.

The Ivory Coast is the largest exporting country in the West Africa intra-regional agricultural trade (note the selection), with a share of as much as 45.9 per cent, as shown in table B4-2. Second largest is Niger, with a share of total agricultural exports of 26.7 per cent. The remaining countries in the region claim lower shares of total agricultural exports. The category of “others” is (in alphabetical order) made up of Benin, Cape Verde, Gambia, Mali, Nigeria and Senegal.

Table B4-2: Intra-regional trade in West Africa (1999-2000): leading exporters

| Country | Exports | Share (%) |
|--------------|---------|-----------|
| Ivory Coast | 143,406 | 45.9 |
| Niger | 83,663 | 26.7 |
| Burkina Faso | 27,798 | 8.9 |
| Togo | 17,531 | 5.6 |
| Ghana | 14,112 | 4.5 |
| Others | 26,259 | 8.4 |
| Total | 625,537 | 100 |

Source: Based on UN Comtrade statistics

As regards intra-regional agricultural imports, Nigeria is the largest export destination in the West Africa region (again, note the selection), with a share of 25.7 per cent of total agricultural imports, as shown in table B4-3. Nigeria is followed by Ghana and Burkina Faso, with import shares of 13 per cent. The category of “others” is (in alphabetical order) made up of Benin, Cape Verde, Gambia, Mali and Togo.

Table B4-3: Intra-regional trade in West Africa (1999-2000): leading export destinations

| Country | Exports | Share (%) |
|--------------|---------|-----------|
| Nigeria | 80,444 | 25,7 |
| Ghana | 42,187 | 13,5 |
| Burkina Faso | 40,677 | 13,0 |
| Niger | 36,920 | 11,8 |
| Ivory Coast | 28,803 | 9,2 |
| Senegal | 22,136 | 7,1 |
| Others | 61,604 | 19,7 |
| Total | 625,537 | 100 |

Source: Based on UN Comtrade statistics

Intra-regional trade in Eastern and Southern Africa

Intra-regional agricultural trade in the EPA region for Eastern and Southern Africa⁹⁹ is slightly dominated by the exports of coffee, tea, maté and species (HS 09), with 31.5 per cent, followed by the exports of sugars and sugars confectionery (HS 17), with 13.9 per cent, as shown in table B4-4.

⁹⁹ The Eastern and Southern African countries that have not reported trade data for 2001-2002 are: Djibouti and Eritrea. They are thus excluded from the analysis. If the analysis of export destinations is expanded to include these countries, Djibouti becomes an important export destination in the intra-regional trade. This means that the ranking between the leading export products is affected and that new significant export products are added. This is particularly the case with tobacco (HS 24) and vegetable plaiting materials, etc. (HS 14), which become the third and fourth most important export products in the intra-regional trade. However, the data used in this study contains no information on the excluded countries' exports.

Agricultural trade within the Eastern and Southern Africa EPA region¹⁰⁰ increased from US\$ 186 million to 254 million, i.e. by 36.7 per cent, from 1999 to 2003.

Table B4-4: Intra-regional trade in Eastern/Southern Africa (2001-2002): leading product groups

| HS code | Description | Exports | Share (%) |
|---------|--|---------|-----------|
| HS 09 | Coffee, tea, maté and spices | 85,311 | 31.5 |
| HS 17 | Sugars and sugar confectionery | 37,752 | 13.9 |
| HS 24 | Tobacco and manufactured tobacco substitutes | 26,072 | 9.6 |
| HS 15 | Animal or vegetable fats and oils and their cleavage products; etc. | 19,752 | 7.3 |
| HS 10 | Cereals | 18,835 | 6.9 |
| HS 11 | Products of the milling industry; malt; starches; inulin; wheat gluten | 11,848 | 4.4 |
| Others | | 71,665 | 26.4 |
| Total | | 542,462 | 100 |

Source: Based on UN Comtrade statistics

Zimbabwe, Uganda and Kenya are the largest exporting countries in the Eastern and Southern Africa intra-regional agricultural trade (note the selection), with shares of 23.8 per cent, 23.6 per cent and 19.1 per cent, respectively, as shown in table B4-5. They are followed by a number of countries with relatively similar shares of total agricultural exports. The category of “others” is (in alphabetical order) made up of Burundi, Ethiopia, Madagascar, Malawi, Mauritius, the Seychelles and Sudan.

Table B4-5: Intra-regional trade in Eastern/Southern Africa (2001-2002): leading exporters

| Country | Exports | Share (%) |
|----------|---------|-----------|
| Zimbabwe | 64,589 | 23.8 |
| Uganda | 64,046 | 23.6 |
| Kenya | 51,762 | 19.1 |
| Rwanda | 20,862 | 7.7 |
| Zambia | 20,395 | 7.5 |
| Others | 49,581 | 18.3 |
| Total | 542,462 | 100 |

Source: Based on UN Comtrade statistics

As regards intra-regional agricultural imports, Kenya is the largest export destination in the Eastern and Southern Africa region (again, note the selection), with a share of 33.4 per cent, followed by Zambia, with a share of 19.1 per cent, as shown in table B4-6. They are followed by a number of countries with relatively similar shares of total agricultural imports. The category of “others” is (in alphabetical order) made up of Burundi, Ethiopia, Mauritius, Rwanda, the Seychelles and Zimbabwe.

¹⁰⁰ The Eastern and Southern African countries that have not reported data for 1999 and 2003 are: the Comoros, Djibouti, Eritrea and Zimbabwe. They are thus excluded from the analysis.

Table B4-6: Intra-regional trade in Eastern/Southern Africa (2001-2002): leading export destinations

| Country | Exports | Share (%) |
|------------|---------|-----------|
| Kenya | 90,621 | 33.4 |
| Zambia | 51,807 | 19.1 |
| Sudan | 26,866 | 9.9 |
| Malawi | 26,276 | 9.7 |
| Madagascar | 16,126 | 5.9 |
| Uganda | 16,001 | 5.9 |
| Others | 43,537 | 16.1 |
| Total | 542,462 | 100 |

Source: Based on UN Comtrade statistics

Intra-regional trade in Southern Africa

Intra-regional agricultural trade in the EPA region for Southern Africa¹⁰¹ is slightly dominated by the exports of sugars and sugar confectionery (HS 17), with 24.0 per cent, and miscellaneous edible preparations (HS 21), with 20.6 per cent, as shown in table B4-7. These product groups are followed by the exports of beverages, spirits and vinegar (HS 22) with 11.6 per cent. Agricultural trade within the Southern Africa EPA region¹⁰² decreased from US\$ 493 million to 389 million, i.e. by 21.0 per cent, from 2000 to 2002.

Table B4-7: Intra-regional trade in Southern Africa (2000-2001): leading product groups

| HS code | Description | Exports | Share (%) |
|---------|---|-----------|-----------|
| HS 17 | Sugars and sugar confectionery | 135,895 | 24.0 |
| HS 21 | Miscellaneous edible preparations | 117,017 | 20.6 |
| HS 22 | Beverages, spirits and vinegar | 65,683 | 11.6 |
| HS 02 | Meat and edible meat offal | 43,574 | 7.7 |
| HS 01 | Live animals | 39,110 | 6.9 |
| HS 23 | Residues and waste from food industries; prepared animal fodder | 27,044 | 4.8 |
| Others | | 139,076 | 24.5 |
| Total | | 1,134,794 | 100 |

Source: Based on UN Comtrade statistics

Swaziland is the largest exporting country in the Southern Africa intra-regional agricultural trade (note the selection), with a share of 43.2 per cent, as shown in table B4-8. Second largest is South Africa, with a share of total agricultural exports of 26.3 per cent. With the exception of Namibia, with a share of 17.7 per cent, the remaining countries in the region make up small shares of total

¹⁰¹ Angola is the only country in the Southern Africa region that has not reported trade data for 2000-2001. It is thus excluded from the analysis. If the analysis of export destinations is expanded to include Angola, it is apparent that the country is a very important export destination in the intra-regional trade, as it becomes the third largest export destination (after South Africa and Mozambique). In any case, the ranking among five leading export products is not affected to a large extent. However, the data used in this study contains no information on the exports from Angola.

¹⁰² The Southern African countries that have not reported data for 2000 and 2002 are: Angola and Botswana. They are thus excluded from the analysis.

agricultural exports. The category of “others” is (in alphabetical order) made up of Mozambique and Tanzania.

Table B4-8: Intra-regional trade in Southern Africa (2000-2001): leading exporters

| Country | Exports | Share (%) |
|--------------|-----------|-----------|
| Swaziland | 245,222 | 43.2 |
| South Africa | 149,299 | 26.3 |
| Namibia | 100,214 | 17.7 |
| Lesotho | 28,451 | 5.0 |
| Botswana | 21,610 | 3.8 |
| Others | 22,602 | 4.0 |
| Total | 1,134,794 | 100 |

Source: Based on UN Comtrade statistics

As regards intra-regional agricultural imports, South Africa is the particularly largest export destination in the Southern Africa region (again, note the selection), with a share of 96.0 per cent of total agricultural imports, as shown in table B4-9. Second largest is Mozambique, with a share of 27.2 per cent. Remaining countries in the region have relatively very small shares of total agricultural imports. The category of “others” is in this case only made up of Lesotho.

Table B4-9: Intra-regional trade in Southern Africa (2000-2001): leading export destinations

| Country | Exports | Share (%) |
|--------------|-----------|-----------|
| South Africa | 391,664 | 69.0 |
| Mozambique | 154,287 | 27.2 |
| Tanzania | 19,478 | 3.4 |
| Botswana | 1,441 | 0.3 |
| Namibia | 319 | 0.1 |
| Swaziland | 172 | 0.0 |
| Others | 38 | 0.0 |
| Total | 1,134,794 | 100 |

Source: Based on UN Comtrade statistics

Intra-regional trade in Central Africa

Intra-regional agricultural trade in the EPA region for Central Africa¹⁰³ is slightly dominated by the exports of animal and vegetable fats and oils, etc. (HS 15) with 41.7 per cent, as shown in table B4-10. It is followed by the exports of sugars and sugars confectionery (HS 17), with 18.9 per cent, and miscellaneous edible preparations (HS 21), with 18.1 per cent. Agricultural trade within the Central

¹⁰³ The Central African countries that have not reported trade data for 1999, 2000 and 2003 are: Chad, Congo-Brazzaville, Congo-Kinshasa and Equatorial Guinea. They are thus excluded from the analysis. If the analysis of export destinations is expanded to include these countries, it shows that Congo-Brazzaville, Congo-Kinshasa and Chad are important export destination in the intra-regional trade. This means that the ranking between the leading export products is affected and that new significant export products are added. This is particularly the case with tobacco (HS 24), which becomes the second most important export products in the intra-regional trade after animal and vegetable fats and oils, etc. (HS 15). However, the data used in this study contains no information on the excluded countries' exports.

Africa EPA region¹⁰⁴ increased from US\$ 3 million to 25 million, i.e. by 852.6 per cent, from 1999 to 2003.

Table B4-10: Intra-regional trade in Central Africa (1999, 2001, 2003): leading product groups

| HS code | Description | Exports | Share (%) |
|---------|---|---------|-----------|
| HS 15 | Animal or vegetable fats and oils and their cleavage products; etc. | 4,857 | 41.7 |
| HS 17 | Sugars and sugar confectionery | 2,202 | 18.9 |
| HS 21 | Miscellaneous edible preparations | 2,114 | 18.1 |
| HS 09 | Coffee, tea, maté and spices | 798 | 6.9 |
| HS 19 | Preparations of cereals, flour, starch or milk, pastrycooks' products | 512 | 4.4 |
| HS 22 | Beverages, spirits and vinegar | 381 | 3.3 |
| Others | | 789 | 6.8 |
| Total | | 34,962 | 100 |

Source: Based on UN Comtrade statistics

Cameroon is the single largest exporting country in the Central Africa intra-regional agricultural trade (note the selection), with a share of 77.5 per cent, as shown in table B4-11. It is followed by Gabon and the Central African Republic, with shares of 15.2 per cent and 7.2 per cent, respectively, of total agricultural exports. In the remaining countries that have provided statistics (Sao Tomé & Príncipe), intra-regional exports are practically non-existing. In this case, there are no countries represented in the category of “others”.

Table B4-11: Intra-regional trade in Central Africa (1999, 2001, 2003): leading exporters

| Country | Exports | Share (%) |
|--------------------------|---------|-----------|
| Cameroon | 9,026 | 77.5 |
| Gabon | 1,774 | 15.2 |
| Central African Republic | 844 | 7.2 |
| Sao Tomé & Príncipe | 30 | 0.0 |
| Others | 0 | 0.0 |
| Total | 34,962 | 100 |

Source: Based on UN Comtrade statistics

As regards intra-regional agricultural imports, Gabon is the largest export destination in the Central Africa region (again, note the selection), with a share of 68.2 per cent, as shown in table B4-12. It is followed by the Central African Republic and Cameroon, with shares of 17.4 per cent and 12.2 per cent, respectively. In the remaining countries that have provided statistics (Sao Tomé & Príncipe), intra-regional exports are practically non-existing. In this case, there are no countries represented in the category of “others”.

¹⁰⁴ The Central African countries that have not reported data for 1999 and 2003 are: Chad, Congo-Brazzaville, Congo-Kinshasa and Equatorial Guinea. They are thus excluded from the analysis.

Table B4-12: Intra-regional trade in Central Africa (1999, 2001, 2003): leading export destinations

| Country | Exports | Share (%) |
|--------------------------|---------|-----------|
| Gabon | 7,946 | 68.2 |
| Central African Republic | 2,029 | 17.4 |
| Cameroon | 1,422 | 12.2 |
| Sao Tomé & Príncipe | 257 | 2.2 |
| Others | 0 | 0.0 |
| Total | 34,962 | 100 |

Source: Based on UN Comtrade statistics

Intra-regional trade in the Caribbean

Intra-regional agricultural trade in the EPA region for the Caribbean¹⁰⁵ is slightly dominated by the exports of a number of different product groups, as shown in table B4-13. The leading product groups are beverages, spirits and vinegar (HS 22), with 25.2 per cent of total agricultural exports, followed by the exports of preparations of cereals, etc. (HS 19) and miscellaneous edible preparations (HS 21), with 14.0 per cent and 10.2 per cent, respectively. Agricultural trade within the Caribbean EPA region¹⁰⁶ increased from US\$ 144 million to 164 million, i.e. by 13.8 per cent, from 1999 to 2002.

Table B4-13: Intra-regional trade in the Caribbean (1999-2000): leading product groups

| HS code | Description | Exports | Share (%) |
|---------|---|---------|-----------|
| HS 22 | Beverages, spirits and vinegar | 67,385 | 25.2 |
| HS 19 | Preparations of cereals, flour, starch or milk, pastrycooks' products | 37,498 | 14.0 |
| HS 21 | Miscellaneous edible preparations | 27,295 | 10.2 |
| HS 10 | Cereals | 25,325 | 9.5 |
| HS 17 | Sugars and sugar confectionery | 19,154 | 7.2 |
| HS 20 | Preparations of vegetables, fruit, nuts or other parts of plants | 18,465 | 6.9 |
| Others | | 72,484 | 27.1 |
| Total | | 535,210 | 100 |

Source: Based on UN Comtrade statistics

Trinidad & Tobago is the largest exporting country in the Caribbean intra-regional agricultural trade (note the selection), with a share of 52.5 per cent, as shown in table B4-14. It is followed Guyana and Barbados, with export shares of 12.6 per cent and 10.9 per cent, respectively, of total agricultural exports. Remaining countries in the region present relatively small shares of total agricultural exports. The category of "others" is (in alphabetical order) made up of Antigua & Barbuda, Bahamas, Belize, Dominica, Grenada, St. Kitts & Nevis, St. Lucia and Suriname.

¹⁰⁵ The Caribbean countries that have not reported trade data for 1999-2000 are: the Dominican Republic and Haiti. They are thus excluded from the analysis. If the analysis of export destinations is expanded to include these countries, there is no difference compared to the presented situation. This means that the ranking between the leading export products is not affected. However, the data used in this study contains no information on the excluded countries' exports.

¹⁰⁶ The Caribbean countries that have not reported data for 1999 and 2002 are: Antigua & Barbuda, Bahamas, the Dominican Republic, Haiti and Suriname. They are thus excluded from the analysis.

Table B4-14: Intra-regional trade in the Caribbean (1999-2000): leading exporters

| Country | Exports | Share (%) |
|--------------------------|---------|-----------|
| Trinidad & Tobago | 140,524 | 52.5 |
| Guyana | 33,787 | 12.6 |
| Barbados | 29,235 | 10.9 |
| Jamaica | 18,575 | 6.9 |
| St. Vincent & Grenadines | 17,442 | 6.5 |
| Others | 28,044 | 10.5 |
| Total | 535,210 | 100 |

Source: Based on UN Comtrade statistics

As regards intra-regional agricultural imports, Jamaica is the largest export destination in the Caribbean region (again, note the selection), with a share of 25.9 per cent of total agricultural imports, as shown in table B4-15. It is followed by Barbados, with a share of 11.7 per cent of total agricultural imports. They are followed by a number of countries with relatively similar shares of total agricultural imports. The category of “others” is (in alphabetical order) made up of Bahamas, Belize, Dominica, Grenada, St. Kitts & Nevis, St. Vincent & the Grenadines and Suriname.

Table B4-15: Intra-regional trade in the Caribbean (1999-2000): leading export destinations

| Country | Exports | Share (%) |
|-------------------|---------|-----------|
| Jamaica | 69,204 | 25.9 |
| Barbados | 31,220 | 11.7 |
| St. Lucia | 25,296 | 9.5 |
| Trinidad & Tobago | 24,578 | 9.2 |
| Guyana | 23,146 | 8.6 |
| Antigua & Barbuda | 17,926 | 6.7 |
| Others | 76,236 | 28.5 |
| Total | 535,210 | 100 |

Source: Based on UN Comtrade statistics

Intra-regional trade in the Pacific

Intra-regional agricultural trade in the EPA region for the Pacific¹⁰⁷ is slightly dominated by the exports of a number of different product groups, as shown in table B4-16. The leading product groups are sugars and sugars confectionery (HS 17), products of the milling industry (HS 11) and preparations of cereals (HS 19), with shares of 36.1 per cent, 24.9 per cent and 19.2 per cent, respectively, of total agricultural exports. Agricultural trade within the Caribbean EPA region¹⁰⁸ decreased from US\$ 28 million to 13 million, i.e. by 53.7 per cent, from 2000 to 2003.

¹⁰⁷ The Pacific countries that have not reported trade data for 2002-2003 are: Kiribati, the Marshall Islands, Micronesia, Nauru, Niue, Palau, the Solomon Islands, Tonga, Tuvalu and Vanuatu. They are thus excluded from the analysis. If the analysis of export destinations is expanded to include these countries, major changes will occur with regard to the ranking of export destinations and leading export products, due to the fact that it concerns such a large number of countries. However, the data used in this study contains no information on the excluded countries' exports.

¹⁰⁸ The Pacific countries that have not reported data for 2000 and 2003 are: Kiribati, the Marshall Islands, Micronesia, Nauru, Niue, Palau, the Solomon Islands, Samoa, Tonga, Tuvalu and Vanuatu. They are thus excluded from the analysis.

Table B4-16: Intra-regional trade in the Pacific (2002-2003): leading product groups

| HS code | Description | Exports | Share (%) |
|---------|--|---------|-----------|
| HS 17 | Sugars and sugar confectionery | 1,706 | 36.1 |
| HS 11 | Products of the milling industry; malt; starches; inulin; wheat gluten | 1,179 | 24.9 |
| HS 19 | Preparations of cereals, flour, starch or milk, pastrycooks' products | 908 | 19.2 |
| HS 21 | Miscellaneous edible preparations | 249 | 5.3 |
| HS 09 | Coffee, tea, maté and spices | 191 | 4.0 |
| HS 04 | Dairy produce; birds' eggs; natural honey; etc. | 132 | 2.8 |
| Others | | 365 | 7.7 |
| Total | | 9,456 | 100 |

Source: Based on UN Comtrade statistics

Fiji is the single largest exporting country in the Pacific intra-regional agricultural trade (note the selection), with a share of 92.5 per cent of total agricultural exports, as shown in table B4-17. It is followed by Papua New Guinea and Samoa, with shares of 5.9 per cent and 1.6 per cent, respectively, of total agricultural exports. The category of "others" is in this case only made up of the Cook Islands.

Table B4-17: Intra-regional trade in the Pacific (2002-2003): leading exporters

| Country | Exports | Share (%) |
|------------------|---------|-----------|
| Fiji | 4,373 | 92.5 |
| Papua New Guinea | 280 | 5.9 |
| Samoa | 75 | 1.6 |
| Others | 0 | 0.0 |
| Total | 9,456 | 100 |

Source: Based on UN Comtrade statistics

As regards intra-regional agricultural imports, Samoa is the single largest export destination in the Pacific region (again, note the selection), with a share of 87.2 per cent as shown in table B4-18. At a lower level, it is followed by the Cook Islands, Papua New Guinea and Fiji, with shares of 5.1 per cent, 4.8 per cent and 2.8 per cent, respectively, of total agricultural imports. In this case, there are no countries represented in the category of "others".

Table B4-18: Intra-regional trade in the Pacific (2002-2003): leading export destinations

| Country | Exports | Share (%) |
|------------------|---------|-----------|
| Samoa | 4,125 | 87.2 |
| Cook Islands | 242 | 5.1 |
| Papua New Guinea | 228 | 4.8 |
| Fiji | 134 | 2.8 |
| Others | 0 | 0.0 |
| Total | 9,456 | 100 |

Source: Based on UN Comtrade statistics

Annex 5: Glossary

ACP countries = EU's partner countries in Africa, the Caribbean and the Pacific.

Ad valorem equivalent = A conversion of specific and combined tariffs to a figure that corresponds to an *ad valorem* tariff rate.

Ad valorem tariff = Tariff calculated as a percentage of the products import price.

ASEAN = Association of South-East Asian Nations

CARICOM = Caribbean Community and Common Market

CARIFORUM = Caribbean Forum of African, Caribbean and Pacific (ACP) States (includes CARICOM and the Dominican Republic).

CEMAC = Communauté Economique et Monétaire de l'Afrique Centrale

Combined tariff = Tariff stated as an *ad valorem* tariff plus a specific tariff.

COMESA = Common Market for Eastern and Southern Africa

Cotonou Agreement, the = EU's special preferential agreement for ACP countries. This agreement was earlier referred to as the Yaoundé Agreement and the Lomé Convention.

Cumulation = Cumulation means that an ingredient that has its origin in one party to a free trade agreement can be used by the other party without undergoing sufficient processing.

Customs union = Association of two or more countries that have dismantled tariffs and other trade barriers between themselves, and that have a common trade regime (including a common external tariff) versus countries outside the union.

De minimis = Lays down a minimum level below which one does not have to apply a certain law or rule. Within the WTO, developed countries do not have to reduce their agricultural support when it is lower than five per cent of the value of production. For developing countries, the *de minimis* limit is ten per cent.

Domestic support = Agricultural support affecting trade and production, so called "Amber Box" support. Such support is limited by the WTO Agreement on Agriculture. Excluded from the reduction requirement are support that is considered to have little or no effect on trade ("Green Box" support) and direct aid given within the framework of production-limiting programmes ("Blue Box" support).

EAC = East African Community

EBA = EU's General System of Preferences for the least-developed countries, Everything But Arms. It grants tariff-free access for all goods except weapons and ammunitions, and a longer phase-in period for bananas, rice and sugar.

ECCAS = Economic Community of Central African States

ECOWAS = Economic Community of West African States

EDF = European Development Fund

Enabling Clause, the = Unofficial name of the decision on "Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries", reached in the Tokyo Round in 1979. It is a permanent exception from the MFN principle of GATT/WTO.

EPA = Economic Partnership Agreement

Export subsidies = State grant to further exports of agricultural products (sometimes also referred to as export refunds).

Food safety = Food that is not harmful to human life and health.

Food security = According to the FAO definition, “[f]ood security [is] a situation that exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life”.

Free trade agreement = Agreement that establishes a free trade area.

Free trade area = Association of countries that have removed tariffs and other trade barriers between themselves. Unlike a customs union, countries in free trade areas keep their own trade regimes (tariffs, quotas, etc.) versus third countries. Since the participating countries do not have a common external tariff, a product that is to be tariff-free within the area must fulfil certain requirements of origin within the area. Customs control, rules of origin and certificates of origin are therefore needed in trade within the free trade area.

GATT = General Agreement on Tariffs and Trade

GSP = The EU’s Generalized System of Trade Preferences. There is also a GSP+ that gives extra preferences to countries that fulfil certain requirements of good governance.

HS nomenclature = The international convention on Harmonized Commodity Description and Coding System established by the World Customs Organisation (WCO). The HS nomenclature consists of 21 sections divided into 96 chapters at the two-digit level. The chapters are divided into some 1,200 tariff lines at the four-digit level, which in turn are divided into some 5,000 numbers at the six-digit level.

LDC = Least Developed Countries, as defined by the UN.

Livelihood security = A concept that in the WTO negotiations have come to refer to peoples’ ability to secure their livelihood and survival. The concept corresponds closely to employment options, particularly in rural areas of developing countries.

LLDC = Land-Locked Developing Countries

Lomé Agreement, the = See the Cotonou Agreement

MFN tariffs = MFN tariffs means that any preference, for instance reduced tariffs on certain goods, granted by one WTO member to another shall immediately and unconditionally be granted to all other WTO members.

Preferential agreement = Certain trade preferences granted by one importing country to another country, or to several countries, usually by offering more favourable treatment as regards tariffs, or exceptions from non-tariff barriers. There are general systems of preferences that comprise all developing countries, like the EU General System of Preferences (GSP), and special systems of preferences that only comprise a selection of developing countries, like the Cotonou Agreement.

Preference erosion = Preference erosion arises when the preferences in an agreement erode, for instance when the preference-granting country lowers its tariffs versus other countries as a result of multilateral negotiations. This reduces the value of the preferences.

Preference utilisation = Preference utilisation shows to what extent the countries receiving preferences actually use them in trade.

SAARC = South Asian Association for Regional Cooperation

SACU = Southern African Customs Union

SADC = Southern African Development Community

SIDS = Small Island Developing States

Specific tariff = Tariff based on the product's weight, volume or number.

SPS Agreement, the = The WTO agreement on sanitary and phytosanitary measures is a result of the Uruguay Round. It contains rules for how rules of protection should be drawn up in order to avoid trade-distortion while still protect the life and health of humans, animals and plants. For instance, measures should be based on international standards. Measures that are not based on such standards must be based on scientific concerns and accepted principles of risk analysis.

Status of origin = In order for import regulation and antidumping measures to be applied, and for reasons of trade statistics, it must be possible to determine a product's country of origin.

Sufficient processing = If the ingredients used in the manufacture of a good have undergone so-called sufficient processing (within the country or through cumulation), the resulting good achieves a status of origin that entitles it to preferential treatment. It becomes a so-called "sufficiently processed" product. What constitutes sufficient processing varies depending on the product concerned. The details are included in lists of processing in each free trade agreement.

UEMOA = Union Economique et Monétaire Ouest Africaine

UNCTAD = United Nations Conference on Trade and Development

Waiver = The possibility for WTO members to, in exceptional cases, request the right to diverge from the rules of the agreements. A decision to grant a waiver is taken by a three fourth majority of the WTO members. A waiver shall have an end date, and be reviewed every year. The review shall see whether or not the exceptional circumstances still apply.

WTO = World Trade Organisation

Yaoundé Agreement, the = See the Cotonou Agreement

Jordbruksverkets rapporter 2006

1. Bioenergi – *ny energi för jordbruket*
2. Sveriges utrikeshandel med jordbruksvaror och livsmedel 2002–2004
3. Betesmarkerna efter 2003 års jordbruksreform – *hot och möjligheter*
4. Miljöeffekter av träda och olika växtföljder – *rapport från projektet CAP:s miljöeffekter*
5. Översyn av känsliga områden enligt nitratdirektivet
6. Tio år i EU – *effekter för konsumenterna*
7. Returförpackningsutredningen
8. Kostnader för hanteringen av olika EG-stöd finansierade från EG:s jordbruksfond 2005
9. En översyn av lagstiftningen om bisjukdomar – *förslag till hur bekämpningen av bisjukdomar ska bedrivas*
10. Kulturhistoriska bidrag och särdrag – *uppföljning och utvärdering av miljöersättningen till natur- och kulturmiljöer*
11. Marknadsöversikt – *Etanol, en jordbruks- och industriprodukt*
12. Marknadsöversikt – *bananer*
13. Marknadsöversikt – *bearbetade jordbruksvaror (icke bilaga I)*
14. Blommande mångfald – *verksamhetsberättelse för POM 2005*
15. Jordbruksverkets foderkontroll 2005 – *Feed control by the Swedish Board of Agriculture 2005*
16. Marknadsöversikt – *vin*
17. Entreprenörskap på landsbygden – *en översikt av internationell forskning*
18. Samhällsekonomiska effekter av ett omfattande utbrott av mul- och klövsjuka i Sverige – *en studie av sannolika följder*
19. Miljöutbildning och rådgivning för jordbrukare – *rapport från en statistisk undersökning genomförd våren 2006*
20. Effekter av KULM-rådgivning
21. Marknadsöversikt, *Biodiesel – ett fordonsbränsle på frammarsch?*
22. Jämställdhetsindikatorer för livsmedels- och landsbygdspolitiken
23. Sveriges utrikeshandel med jordbruksvaror och livsmedel 2003–2005
24. Utredning om utsädespotatis – *krav på utskiftning av utsäde – begränsning av rätten att saluföra utsäde*
25. Kompetensutveckling av lantbrukare inom miljöområdet – *verksamhetsåret 2005*
26. Jordbrukets kostnader för produktionsmedel i EU – *skillnader i beskattning m.m.*
27. Djurläkemedelsanvändning 2005
28. Tillstånd för djurhållning enligt miljöbalken – *hur tillämpas de allmänna hänsynsreglerna vid utformning av villkor?*
29. Samling och lagring av husdjursgenetiskt material
30. Gränshandeln med Norge, Enkät- och intervjuundersökning hösten 2006
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Swedish Board of Agriculture
SE-551 82 Jönköping
Phone +46-36-15 50 00 (vx)
Fax +46-36 34 04 14
E-mail: jordbruksverket@sjv.se
Internet: www.sjv.se

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