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PROTECTIONISM IN AGRICULTURE: The ongoing debate

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# The ongoing debate

World trade liberalisation has progressed considerably with regard to agricultural commodities over the last 20 years, but protectionism still prevails. Should ACP countries also protect their agriculture to complement their agricultural policy, expand production and provide income for farmers?

**W**orld Trade Organisation negotiations on the agricultural reform process – initiated in 2000 in the framework of the Doha Round – are now more or less at a standstill, whereas bilateral trade negotiations with the European Union (EU) have led to the signing of several Economic Partnership Agreements. The negotiations have generally focused on measures in three main areas: market access and the issue of tariff and non-tariff barriers, domestic support, and export subsidies. These measures have direct impacts on ACP countries.

## Differentiated support for farmers

The Organisation for Economic Co-operation and Development (OECD), in its report 'Agricultural Policy Monitoring and Evaluation 2014', notes that over a sixth of gross farm receipts across OECD countries still go to supporting farmers – this amounted to €194 billion in 2013 as measured by the OECD Producer Support Estimate. The levels and forms of support vary substantially between countries, with Australia, Chile and New Zealand providing the least support and Iceland, Japan, Korea, Norway and Switzerland contributing the most. But headway is being made in improving the situation as several countries are reshaping their agricultural policies.

Over the last decade, the major shift observed is that rich countries are now not the only ones protecting their agriculture. The trend indicates that emerging countries are increasing their level of support as their agricultural commodity trade increases. China accounts for a major share of subsidies for the cotton production sector, which is highly symbolic. Indeed, levels of support to agricultural producers in OECD countries and emerging countries are converging. That said, prices of several agricultural commodities have soared since the mid-2000s, which has automatically led to reduced support as prices become more favourable for farmers on the international market. Agricultural support is nevertheless still low in least developed countries, including many African countries. The sharp rise in prices of some agricultural products has challenged the relevance of the model based on promoting cheap food imports to meet the needs of domestic populations. Some ACP governments have thus been actively

fostering and investing in their agriculture to ensure greater food security and even sovereignty.

Should ACP countries use trade policy instruments to protect and develop their agricultural production sectors? A glance at the situation in the rice production sector could provide clues.

## Everyone plays a part

Consumption of rice – a staple food for Africans – is booming. Average annual per-capita consumption has more than doubled in 40 years, rising from 11 to 25 kg. In some countries like Côte d'Ivoire, Mali and Senegal, this consumption rate is currently over 90 kg. Africa barely meets 10% of its rice needs and absorbs a third of the world's rice exports.

Developing domestic production to reduce imports is the aim of most governments. This was especially



## Non-tariff measures – a new form of protectionism?

Although agricultural protection rates have declined worldwide without being totally eliminated, non-tariff measures (NTMs) – including sanitary, phytosanitary and technical measures, as well as certificates of conformity – have been increasing in recent years and represent a real obstacle to trade for ACP countries.

According to studies carried out by the International Trade Centre, 60% of exporting companies in Burkina Faso are affected by NTMs, 65% in Malawi and 63% of Senegal.

The latest report published in June 2014 by the European Union Notification System for Plant Health Interceptions, which is devoted to intercepting pests that could be harmful to plants, revealed that the EU and Switzerland notified around 7,000 interceptions for non-conformity in 2013, with over 70% of these cases concerning fruits and vegetables. The main exporters of intercepted goods were Bangladesh, Cambodia, China, the Dominican Republic, Ghana, India, Kenya, Pakistan and Sri Lanka.

Standards often change and inspections are more frequent and longer in the EU. Hence, NTMs generate market access costs for ACP countries and threaten their exports.

Some recent cases have concerned horticultural exports from Kenya, pineapples from Mauritius, beef from Namibia and citrus fruits from South Africa. Fears about high pesticide residue levels have also led to increased controls of Kenyan horticultural exports by European authorities. These controls have resulted in increased costs for the country and reduced the shelf life of their commodities.

Moreover, supplies coming from small producers have been called into question due to the complexity of commodity traceability.

evident after food prices skyrocketed in 2007/08, when large-scale rice crop development programmes were launched to reduce dependence on imports, which at the time were fulfilling 40-50% of demand. Should domestic production be sheltered from international price fluctuations? This question is especially relevant since rice prices are the lowest in 7 years, and the stockpiling policy of Thailand – the world's top exporter – is weighing heavily on the market. Is protection warranted, at consumers' expense, when domestic production is not in a position to currently meet the demand in ACP countries? This is a challenging question and the answers vary from country to country.

Nigeria – the giant of West Africa and the continent's largest rice importer (about 3 million t/year) – has always played its part, often without consulting other states in the sub-region. Abuja varies the country's import duties but with little impact given the scale of informal flows with neighbouring Benin. The country changed its stance in 2014 by deciding to allocate import quotas at preferential rates to rice importers and traders who invest in rice production and processing.

In Côte d'Ivoire, the National Rice Development Strategy encourages farmers to use improved seeds and better equipment, while also promoting the creation of processing units and private investment. The country has not adopted import protectionist measures, but reserves the right to do so. Price regulation mechanisms, however, secure farmers' income. Elsewhere, the East African Community regularly adjusts its trade policy in the light of market and price patterns, especially by controlling the level of import duties.

Protection measures may also be necessary in other sectors such as poultry and dairy production in order to enhance and guarantee farmers' income. "They should be supplemented by domestic market regulation measures by encouraging cooperation between stakeholders, providing adequate funding and ensuring effective linkages between stakeholders, farmers and local and regional markets," says Bio Goura Soulé from the Laboratory for Regional Analysis and Social Expertise in Benin. Soulé advocates implementing targeted tariff measures, or additional rates for key sectors, while stressing the importance of ensuring that these measures remain flexible and adaptable to avoid creating distorted and rigid situations. Distortions could be limited if protection is applied at the regional level, as is happening in Eastern Africa. Under the Common External Tariff strategy, the Economic Community of West African States has adopted tariff measures, particularly regarding milk and rice, but Soulé believes that border protection rates are too low and should thus be increased.

"Should a question as strategic as food security, not to mention food sovereignty, be left to the mercy of the market?" asks Soulé. If protective measures are intelligently applied and accompanied by investments in productive systems, production and productivity could be significantly improved in strategic sectors such as cereal, meat and milk production concludes the researcher. ■

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