



**The Third AU Conference of Ministers of Trade,
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FAO Statement

By

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Mr Chairman,
Honourable Ministers,
Your Excellencies,
Distinguished Guests,
Ladies and Gentlemen.

Permit me first to express my appreciation to the AU Secretariat for inviting Dr. Jacques Diouf, Director-General of FAO to this third Conference of AU Ministers of Trade. Due to prior commitments, Dr. Diouf has not been able to come in person. He has therefore asked me to represent him and to deliver this address on behalf of FAO. It is a great pleasure and honour for me to do so and to visit Egypt again, a country whose past is so enchanting and whose present is so vibrant, a symbol of our continent's great heritage and renaissance.

Mr. Chairman, since 1945 when FAO was established, the Organization has been working relentlessly to fight hunger and poverty and to provide better understanding of the root causes of the problem and what needs to be done to create a world devoid of hunger. Agriculture, of course has a fundamental role in the fight against poverty for a variety of reasons, being central to the livelihoods of the poor, who in spite of rapid organization still accounts for the greater preponderance of the world's poor who mostly live in the developing countries. It is also the dominant sector of the economies of the developing countries and the most likely source of economic growth. It accounts for over fifty of their exports. It is on record that the fastest rates of economic growth have occurred where agricultural productivity has risen the most. The reverse is also unfortunately true. For most countries, broad based economic development cannot take place without prior growth and productivity gains in agriculture.

While the world as a whole, including parts of the developing world has witnessed phenomenal development in agriculture since the 1970s with food production outstripping population growth and food prices declining in real terms, in Sub Saharan Africa agricultural production declined between 1988 and 2001 by 5 per cent with the number of the hungry increasing by 50 per cent.

The state of African agriculture has to change, if we are not going to be left perpetually behind and we are not going to miss the Millennium Development Goals (MDGs).

The World Food Summit (WFS) held in Rome in 1996 marked a watershed in FAO's efforts to fight hunger, malnutrition and poverty. At that Summit, world leaders, Heads of States and Governments reaffirmed the right of everyone to have access to safe and nutritious food, and pledged to achieve food

security for all, with an immediate view to reducing to half, no later than 2015, the number of undernourished people in the world. The 1996 World Food Summit also recognized trade as a key element among factors contributing to global food security.

Agricultural trade and a rules-based multilateral trading system were also identified and have been confirmed to be among the essential instruments for promoting agricultural development, food security and poverty alleviation. Since that Summit, FAO has remained committed to providing knowledge and support for the achievement of these global objectives of mankind, and assisting developing countries in particular, to attain food security and fairer agricultural trading terms.

Imports of agricultural products have been rising much faster than exports since the 1960s and Africa as a whole has been a net agricultural importing region since 1980. This is a matter for concern, especially since Africa has not kept pace with the rest of the world in terms of overall trade, and, in particular, in agricultural trade. The continent's share of world trade was only 1.2. percent during the 1990s, having fallen from 3.1 percent in the 1950s. Africa's share of world agricultural exports has also declined significantly, falling from 8 percent in 1971-1980 to only 3.4 percent in 1991-2000. At the moment, food and agricultural imports constitute a significant drain on foreign exchange in virtually all African countries. Africa's share of world agricultural imports in the 1990s which stood at 4.5 percent is about the same as that in the 1960s when the value was 4.3 percent. In absolute terms, this represents a significant increase in imports.

The reasons for Africa's shrinking share of world agriculture trade are not too far fetched. They include falling commodity prices, loss of competitiveness, inappropriate national policies that work against agriculture, tariff and non tariff barriers imposed by trading partners, high subsidies propping-up unsustainable agricultural production systems in the developed world, among others. Like farmers everywhere, African farmers do respond to price and market incentives, as entrepreneurs.

Mr. Chairman,

Reversing the decline of Africa's share of international trade is compelling in the present times, not only because of the high demand for foreign exchange, but also as a veritable mechanism for poverty alleviation and economic development. African countries particularly Sub Saharan countries will need to redouble their efforts, and sharpen the focus to alleviate their domestic supply-side constraints, raise productivity, improve quality, diversify production and improve access to foreign and intra-regional markets.

The Comprehensive African Agriculture Development Programme (CAADP) of NEPAD has amply analysed these issues and articulated a well-sequenced course of actions for implementation and improvement. The programme focuses on *four pillars* that can make the earliest difference to Africa's agricultural crisis *namely (1) Extending the area under sustainable land management and reliable water control systems; (2) Improving rural infrastructure and trade related capacities for market access; (3) Increasing food supply and reducing hunger; (4) Agricultural research, technology dissemination and adoption.* As you would have noted, the second of these pillars emphasizes trade-related capacities for improved market access.

Mr. Chairman,

Despite the progress achieved in many of the African countries in the context of the GATT and WTO Arrangements, a lot more would need to be done before tangible improvements in market access conditions for African exports can be realised. Tropical agricultural products, such as coffee, tea, cotton, tropical fruits and vegetables continue to face problems arising from protection and support, including

significant tariff escalation. These distortions have resulted in low prices and lack of resources that hinder sustainable agricultural and rural development in many African countries. Other issues of increasing concern relate to the growing demand for high quality and safety standards for agricultural and food products, the domination of international agri-food markets by a few big companies, and the increasing ability of owners of popular brand names, processing technologies and distribution networks to restrict or hinder poor African producers from penetrating lucrative higher value markets of agricultural products. Food safety standards are necessary for public health, no doubt, but should not be used as a trade protection measure. FAO is committed to working with other agencies to ensure that standard setting processes genuinely reflect consumer protection needs and do not become non tariff barriers. Furthermore, at the retail level, supermarkets are increasingly dominating the marketing of food products worldwide. It is common knowledge that their numbers are increasing in African countries. While this is a welcome development, their influence on agricultural production in sub Saharan countries are viewed with suspicion by many people as to whether they are serving as incentive or disincentive to the sector. They could serve as useful incentives if they patronize and distribute local agricultural products. However if they pride themselves with fresh shipments of agricultural products into Africa on weekly basis as some of them now do, ignoring local products, they become disincentives.

Mr. Chairman,

Since the launch of the Doha Round, much has been said about progress, or lack of it in the Trade Negotiations, and about deadlines on issues of concern to developing countries being missed. However, the conclusion of the August Framework Agreement has brought positive signs to the otherwise difficult Round. This Framework has appropriately given full recognition to the important role that agriculture plays in the economic development of developing countries and LDCs, by pointing out the need for the Agreement to allow such countries to pursue agricultural policies that are supportive of their development goals, poverty reduction strategies, food security and livelihood concerns. The extent to which this Framework can be translated into a blueprint is yet to be seen, since what is available presently is only a Framework and the details are still under negotiation.

Notwithstanding its status, the Framework contains a number of instruments or statements that are likely to be beneficial to the agricultural sector of the African countries, and in particular, the references to commitments to address tariff escalation; achieve the fullest liberalization of trade in tropical agricultural products; analyse the implications of long-standing preferences and the provision of Special Products and Special Safeguard Mechanism for developing countries. While progress has been made in some of the issues during the “post-framework” phase, areas of difficulty have also emerged which could slow down the process. It is our belief that if both the developed and developing countries are to benefit from global agricultural trade, commitments will be needed to promote trade that is firstly fair and secondly freer, with rules that support the enhancement of poorer countries and are compatible with their institutional, human capital and infrastructure needs.

Mr. Chairman,

Permit me to refer briefly to Africa Trade Preferences, especially on the Economic Partnership Agreements or EPAs. Despite the current constraints on agricultural trade which have resulted from protection and support in the markets of rich countries, opportunities have been made available through preferential trade arrangements involving African countries to enable them expand and diversify their agricultural exports. Notwithstanding the significant benefits that will accrue to a number of these countries, in general, the opportunities have been largely underutilised or significantly eroded wherever granted. Part of the reason for this is lack of security of access, insufficient product coverage, excessively stringent rules of origin and often a lack of awareness of the availability of these preferences.

It is our hope that these constraints will be effectively addressed in the context of the on-going negotiations of the Economic Partnership Agreements of the Cotonou Agreement. The EPAs can contribute to food security in the ACP countries by improving the terms of their access to the EU markets as well as enabling them to enhance domestic capacities for improving productivity and product standards. In this regard, Special Differential Treatment or SDT should be aggressively pursued whenever possible for agricultural productivity and industrialization to thrive in Africa with no detrimental effects on food security and development needs.

Mr. Chairman,

Since the launch of the WTO Doha Ministerial Conference in November 2001, FAO has been at the forefront in providing information and analysis needed on trade related issues affecting agriculture, fisheries and forestry. The Organization has carried out at regional levels, a number of trade related capacity building programmes in a variety of subject areas, which have benefited its member countries in the region, in many ways under its Umbrella I (1999-2001) and the on-going Umbrella II trade capacity building programme. As a follow up to the August 2004 WTO Framework Agreement, FAO has organized more than seven regional “clarification” workshops, two of which were in Africa, on key technical issues of current interest in the Negotiations. These workshops have benefited about 95 officials from 43 African countries who should prove to be assets to their respective countries or economic groupings in the negotiations.

A large number of national level support activities have also been provided by FAO, especially in building and strengthening capacities. In addition, more than a dozen trade policy technical notes and briefs on issues in the negotiations have been prepared and are being widely disseminated. Other “learning” opportunities including round tables for the benefit of agriculture trade policy-makers and negotiators in Geneva have also been organised in support of the evolving phases of the Negotiations. In addition, regional programmes on food security focussing on food quality and safety to respond to the Sanitary and Phytosanitary requirements of the WTO have been prepared for nine Regional Economic Communities in Africa (ECCAS, CEMAC, CEN-SAD, COMESA, ECOWAS, IGAD, SADC, UEMOA and UMA). FAO is also providing assistance to the ACP Secretariat to facilitate the ACP negotiations for the forthcoming EPAs.

Mr. Chairman, I wish to conclude by pointing out that while the trade negotiations at the global and regional levels continue, FAO will also continue within its mandate to undertake analytical work on all pertinent issues and to provide technical advice and assistance to African countries particularly in the quest for a successful implementation of the WTO Doha Development Agenda.

I thank you for your kind attention.