AGRICULTURAL MANAGEMENT,
MARKETING AND FINANCE
OCCASIONAL PAPER

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Market Access for Developing Countries of Africa – The Reality

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LIST OF ABBREVIATIONS

ACP	-	African, Caribbean and Pacific
ADC	-	African Developing Countries
AGOA	-	Africa Growth and Opportunity Act (US)
AMS	-	Aggregated Measure of Support
ATP	-	Andean Trade Preferences Act
AVEs	-	Ad Valorem Equivalents
CAP	-	Common Agricultural Policy
CBTA	-	Caribbean Basin Trade Partnership Act
CEEC	-	Central East and European Countries
COMESA	-	Common Market of Eastern and Southern African States
CMO	-	Common Market Organisation
CPA	-	Cotonou Partnership Agreement
ECOWAS	-	Economic Community of West African States
EBA	-	Everything But-Arms Initiative (EU)
EPA	-	Economic Partnership Agreement
EPS	-	Entry Price System
EU	-	European Union
FAO	-	Food and Agriculture Organization
FDI	-	Foreign Direct Investment
FTA	-	Free Trade Agreement
FTAA	-	Free Trade Area of the America's
GATT	-	General Agreement on Tariffs and Trade
GDP	-	Gross Domestic Product
GMP	-	Global Mediterranean Policy
GSP	-	Generalised System of Preferences
HACCP	-	Hazard Analysis Critical Control Point
HS	-	Harmonised System
ISO	-	International Organization for Standardization
LDCs	-	Least Developed Countries
MFN	-	Most-favoured-Nation
MMC	-	Maghreb and Mashrak Countries
MNE	-	Multinational Enterprise
NAFTA	-	North American Free Trade Agreement
NGO	-	Non-Governmental Organisation
NTB	-	Non-Tariff Barrier
NTM	-	Non-Tariff Measures
OECD	-	Organisation for Economic Co-operation and Development
REPA	-	Regional Economic Partnership Agreement
S&D	-	Special & Differential Treatment
SACU	-	Southern African Customs Union
SADC	-	Southern Africa Development Community
SAP	-	Structural Adjustment Programmes
SPS	-	Sanitary and Phytosanitary Measures
SSA	-	Sub-Saharan Africa
SSG	-	Special Agricultural Safeguards
STE	-	State Trading Enterprises
TDCA	-	Trade Development and Co-operation Agreement (South Africa)

TBT	-	Technical Barriers to Trade
TPO	-	Trade Promotion Organisation
TRIPS	-	Trade-related aspects of intellectual property rights
TRQ	-	Tariff Rate Quota
UNCTAD	-	United Nations Conference on Trade and Development
URAA	-	Uruguay Round Agreement on Agriculture
USDA	-	United States Department of Agriculture
WTO	-	World Trade Organisation

EXECUTIVE SUMMARY

This study sets out to answer three important questions ....To what extent do developed countries allow entry of products which are of export interest to African developing countries (ADCs)? What needs to be done to make these markets more accessible? What actions must ADCs take if they are to benefit from such trade liberalisation? [1]

Market access presents a formidable challenge for ADCs because so much is at stake regarding the development and expansion of their exports. In the global market Africa's declining share of export-led growth is a trend that must be reversed. Moreover, for most ADCs something must be done urgently even to maintain the status quo.

Since 1995, starting with the World Trade Organisation[2]/Uruguay Round Agreement on Agriculture (WTO/URAA), a series of global initiatives[3] have been undertaken by developed countries. These were designed specifically for improving market access for agricultural products from ADCs to developed markets. However, generous though these measures may have sounded, there was a price to pay. In return, the developing countries were also expected to make their domestic markets more accessible. The driving principle behind most of these rules and disciplines governing international trade is to make conditions fair, open and transparent. It is assumed that if these criteria are met, then the so-called level playing field will result. So far this has not been the case.

This study looks at market access for ADCs to the developed markets of the EU, US and Japan for the specific products of:

a. Fresh and Processed Fruits
b. Fresh and Processed Vegetables
c. Tropical Beverages (coffee, cocoa, tea)
d. Edible Nuts

This choice of products was made because there is strong evidence, which is further developed in this report, that these offer the best long-term prospects for market penetration in the developed world.

It was never going to be possible to consider each African nation individually in this report, even though a strong case might be made for doing so. Therefore, from the outset, ADCs were segmented into groups that share common problems as they try to make an impact on the global economy. Such 'group' problems could be attributed to a number of factors including, for example, their experience and track record of exporting, the quality of their marketing

[1] Trade Liberalisation – the removal or reduction of barriers to international trade in goods and services.

[2] WTO membership – The WTO has 145 members (as of 5th February 2003). Developing Countries account for around 80 percent.
Non-African LDCs who are WTO members - Bangladesh, Haiti, Maldives, Myanmar, Solomon Islands.
ADCs who are WTO members are: Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Djibouti, Gambia, Guinea, Guinea Bissau, Ghana, Gabon, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Swaziland, South Africa, Sudan, Tanzania, Togo, Tunisia, Uganda, Zimbabwe, Zambia.

[3] Recent Market Access Initiatives for LDCs: Following the example set by the EU with the EBA initiative, other developed countries were requested to follow. These include Canada and Norway. Some developing countries have also undertaken to grant preferential market access to LDCs. These include Egypt, Morocco and the Republic of Korea.

infrastructure and their level of economic development. By focusing on a particular group, in effect this report is addressing any of the countries that come within it.

This analysis led to four groups being developed, namely:

1. North African Countries
2. South Africa
3. Low-Income Major Exporting Countries (excluding 1 and 2)[4]
4. Least Developed Countries (LDCs)[5]

Having established the players and products for this study, Chapter 1 explores the subject of market access, or more accurately, the barriers that inhibit trade. These fall into three broad categories. Tariffs,[6] which are based on price; non-tariffs which, for example, can be in the form of food safety and labelling requirements; and voluntary standards.

The first two of these were covered at some length because of their impact and because they feature predominantly in international discussions about trade liberalisation. In contrast, voluntary standards are set by individual customers and do not figure in trade talks. Even so they can at times become significant additional barriers for exporters to overcome.

Market access alone is, however, not necessarily the key to export success. To be in a position to take advantage of liberalisation of trade, ADCs must first put their own houses in order. This means that a whole raft of domestic policies must be reviewed so that the appropriate marketing environment is created. To be a competitor in international markets means operating at international standards.

The implications of this are that everything which effects the passage of products from the farm gate to the consumer must be examined and made as efficient as possible. Thus marketing logistics, quality standards, manpower, fiscal policies and general attitude towards exporting all need to be assessed.

Chapter 2 builds on this by looking at trends in market access since the last Uruguay Round Agreement on Agriculture (URAA, 1995) and its impact on international trade. It was shown that overall there had been success in bringing new rules and disciplines to bear on international trade and also by quantifying aggregate measures of support. Because of this the dispute settlement procedures of WTO were strengthened and greater transparency was achieved. However, it is likely that the URAA did not really live up to the high expectations placed on it because too many WTO signatories set out to meet the letter of the agreement and not its spirit. The next Doha Round is an opportunity to put this right.

One of the main reasons for the URAA's failure stems from its choice of base years against which improvements would be measured. The 1986-88 period was one of exceptionally high tariffs, therefore any reduction from these still left tariff levels relatively high. Coupled with

[4] Low-Income Major Exporting Countries - for definition and more detailed information see p. 12

[5] LDCs - Based on the UN classification, these comprise 49 countries of which 34 are in Africa. African LDCs include: Angola, Benin, Burkina Faso, Burundi, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Djibouti, Eritrea, Ethiopia, Gambia, Guinea, Guinea Bissau, Guinea Equatorial, Lesotho, Liberia, Mali, Madagascar, Malawi, Mauritania, Mozambique, Niger, Rwanda, Sao Tome and Principe, Sierra Leone, Sudan, Somalia, Senegal, Tanzania, Togo, Uganda, Zambia.

[6] Tariff: A tax imposed on commodity imports by a government. A tariff may be a fixed per unit of product imported (specific tariff), a fixed percentage of value (ad valorem tariff), or some combination of both.

this, developed countries bent the rules to their advantage by using tactics such as 'dirty tariffication'[7] or by setting impossible (at least for ADCs) standards for quality and safety. Thus it is mainly by reforming the domestic support policies of the developed countries that beneficial changes are most likely to come about.

While sources of assistance have been available to help ADCs adapt to new market situations, many have been unable to take advantage of them. This is partly because of the lack of suitable resources, in particular the lack of management expertise at all levels of the production - exporting chain.

However, as is shown, the future is not entirely without hope. The developed countries are beginning to reform their domestic policies in ways that can favour ADCs. In addition, a number of non-reciprocal[8] market access schemes have been set up specifically for developing countries. It remains for ADCs to respond quickly enough to take advantage of them.

Chapter 3 initially focuses on the selected products and their export performance in developed markets over recent years. It shows that these all have the potential for high earnings. They also give suppliers an opportunity to establish differential advantages by exploiting factors like quality and seasonality. The emphasis then switches from products to markets. This enables an assessment to be made about the extent to which the selected products match the characteristics of their markets. Although the main focus is on the EU, because of its significance for ADCs, Japan and the US are also covered.

By understanding their markets, and what is happening in them, exporters are in a much stronger position to adapt to changing circumstances and not be taken by surprise. This study identifies a number of changes taking place in developed markets. These include changes in the population and consumer needs, increasing demands for variety, quality and purity, and the concentration of buying power into the hands of a relatively small number of large multinationals.

From an analysis of these changes it is possible to identify a number of factors likely to drive growth in the selected products. These centre mainly around the increasing affluence of the developed world and the consequent changes in lifestyle of the population. These driving factors alone are good omens for enterprising ADCs. For those countries taking exporting seriously, further trade liberalisation measures will be, in effect, the icing on the cake.

At the end of the day ADCs must mobilise their scarce resources imaginatively and in more productive ways if they are to capitalise on the market opportunities that present themselves. For many this will not be an easy transition to make.

Chapter 4 examines the extent of protection in developed markets and the impact on existing products of interest to ADCs. The prospects of access opportunities for a wide range of processed products were evaluated including preferential access from competing countries. Both import tariffs and non-tariff barriers are investigated.

[7] Dirty Tariffication – The practice of inflating the gap between domestic and international prices. As a result, the tariff equivalent is increased.

[8] Reciprocal (bilateral, non-preferential agreement) Market Access is a vast area on its own and will not be covered in this study.

The last URAA succeeded in reducing average most-favoured-nation (MFN)[9] tariffs in the EU, Japan and the US to around 5 percent. This is a significant achievement. However, this has not brought any additional benefits for many of the ADCs in this study. This is because prior to the last URAA, these countries had already been granted preferential access to these markets under various existing preferential schemes or bilateral/regional free trade agreements. The majority of products therefore entered duty-free. Of the various ADC groupings, the main beneficiary of the lowering of tariffs as an outcome of the last URAA has been South Africa.

One of the impacts of the last URAA on ADCs has been the reduction in tariff advantages over other competing countries. This has become a major source of concern for ADCs as it means they lose their current advantage. The multilateral trading system is therefore forcing change upon ADCs in terms of their trade and the way they do business in the future. This requires adjustments in their trade policies if they are to compete and increase market share in the global economy.

Despite the low average MFN and preferential tariff rates prevailing in the main markets of ADCs, for many products of particular interest to them there is evidence of high tariffs (tariff peaks). Also, tariffs are raised (tariff escalation) as the degree of processing built into products is increased. These measures operate mainly in the fast growth, higher valued processed foods sector - the very sector where ADCs intend to diversify and expand. In many cases, preferences tend to be limited where there are tariff peaks. Their restricting effect reinforces the dependence of ADCs on traditional commodities and ties them ever closer to their main trading partners.

In addition to the above, a variety of highly effective policy instruments, legitimised and sanctioned by the WTO, are used by developed countries to protect their markets from the imports of ADCs and foreign competition. Under the collective heading of managed trade, these include seasonal tariffs, variable levies, minimum import prices, Tariff Rate Quotas and contingency measures to deal with surges in imports.

Managed trade measures are adjusted according to the degree of impact the exports will make on the domestic production of the importing country. A prime example of this is the EU¹s Entry Price System¹ which creates barriers based on seasonality and quantities.

However, the picture is not entirely gloomy. The EU provides a generous 'Everything But Arms' initiative of duty-free and quota-free access for LDCs. Almost as good is the recently negotiated EU-Cotonou Partnership Agreement (CPA) where up to 80 percent of agricultural products of ADCs, who are ACP members, are allowed duty-free entry into the EU.

Attractive though they may appear, many preference schemes have drawbacks, which deter ADCs from making use of them. Often problems arise from strict eligibility criteria, complex rules of origin, product exclusions or burdensome administrative procedures associated with these schemes. Moreover, most schemes are not legally binding and their duration can be changed. Taken together these factors increase the exporters' costs yet provide little long-term certainty around which they can plan and make appropriate investment decisions for export-led growth.

[9] Most Favoured Nation (MFN) Tariffs – Applied to all countries that are members of the WTO (see also p. 21).

Food safety and hygiene standards, together with packaging, labelling and compositional food standards in developed countries, are becoming issues of increasing concern to ADCs. Recent legislation in the EU, for example, on pesticide residues and aflatoxin standards, has caused some exporters from ADCs to lose markets. ADCs need to keep up to date and monitor these non-tariff measures closely to ensure that one form of protectionism is not replaced by another as import tariffs in successive WTO rounds are lowered.

In as much as developed countries take a pro-development stance towards integrating the majority of ADCs in the global market, in the race to win export markets their trade and agricultural policies often undermine and conflict with these laudable goals. As the study shows, the flood of cheap, subsidized imports from developed countries is already having an impact on the few horticultural processing industries in ADCs. The direction of agricultural policies of developed countries needs to be monitored and investigated as regards higher value processed foods. Without some safeguards, plans for diversification by ADCs into higher value processed products will prove unsustainable and a pipedream.

ADCs need to seize the opportunity in the next round of negotiations to ensure that commitments agreed at the WTO/multilateral trading system are favourable and work in their long-term interests of development, food security and export-oriented growth. Any commitments agreed within the framework of the Special and Differential Treatment provisions should be binding and actionable to ensure ADCs are able to make the necessary adjustments for competitiveness in global markets.

This study has shown that in a complex and fast changing global market, ADCs face many challenges in developed markets in the exports of the selected products. What this means is the need for a comprehensive and multifaceted development strategy, which allows ADCs to regain lost ground and move forward. An action plan approached from three fronts is suggested. It needs to recognise the special needs and priorities of individual ADCs at the national level and address these appropriately according to their level of economic development. ADCs need to shift to competitive and viable added value and differentiated products. Appropriate strategies in existing and alternative developed and growing developing markets will provide them with opportunities to earn reasonable and consistent returns. Intra-regional trade should underpin any efforts for export-led expansion. These measures should help to minimise and make ADCs less vulnerable to their dependence on a single market and the turbulent economic and price shocks they have experienced over the last decade.

ADCs must be given the appropriate space, transition time and flexibility by the multilateral trading system and international community to achieve their goals for development and export oriented growth.

The one question to which this report could not find an answer was...Why have other similar countries in other parts of the world been able to succeed in international markets while ADCs have struggled? It would seem that improved market access helps, but exporters must learn to set higher standards and become more professional if they are to compete on the international scene. In fact there are several actions that can be taken, as the recommendations in this report show.

A few key things are going to be essential if any lasting improvements are going to take place. One is that ADCs must show a willingness to change and become world-class exporters. They

also need to be able to forge long-term partnerships internationally. The other is that funding and technical assistance must be available to support this development. Lastly, the political will, courage and commitment to introduce appropriate trade reform and supportive domestic policies is a pre-requisite. By this is meant concrete action to both create favourable and stable conditions whereby a vibrant and dynamic private sector thrives and a real long-term commitment to export-led growth. Sadly, these essentials may be in short supply.

The recommendations appear on page 119 of this report.

OBJECTIVES

The main purpose of this study is to examine the current access opportunities for selected products of interest to ADCs as a result of the implementation of the Uruguay Round. It aims to establish the reality – have African countries become better or worse off as a result of the Uruguay Round of trade liberalisation for selected commodities and horticultural products?

The issue of Market Access for developing countries of Africa can be considered as being on two sides of the same coin. These include assessing the opportunities and the ability to supply a quality product, together with a total service package. Long-term success in export markets depends on the synergistic and efficient functioning of these aspects.

The study examines the following:

1. Identification and review of the current access provisions as related to the products under investigation (i.e. Tariff peaks, Tariff escalation, Tariff Rate Quotas, Non-Tariff barriers) in each of the developed markets (i.e. EU, US and Japan).

2. Examination of the extent to which developed countries have opened up their markets to developing countries of Africa for the products under investigation. This is examined within the context of the last Uruguay Round Agreement on Agriculture (URAA) and the recent initiatives undertaken by developed countries to grant preferences to developing countries of Africa. Trade preferences which will be examined include the EU's Everything but Arms (EBA), the Africa Growth and Opportunity Act (AGOA) and EU-ACP Cotonou Partnership Agreement.

3. Assessment of the policies (i.e. Export subsidies and Domestic support) pursued by developed countries which restrict developing country exports and their competitiveness for the products under investigation.

The study specifically aims to address and clarify the following issues:

1. Specific products or categories of products post the URAA which offer windows of opportunity through improved market access conditions in the main export markets of developed countries.

2. Policies and instruments used by the main trading partners of developing countries post the URAA regime and how these impact on the exports and competitiveness of African Developing countries.

3. Areas of potential interest or conflict where African Developing countries need to focus and direct their efforts in terms of trade/marketing policy for improved market access conditions post URAA.

4. Aspects of food quality and safety that developing countries need to be aware of in order to gain access to developed markets for the products under investigation. Compliance and the stringent requirements of the main export markets for developing countries in respect of the post URAA regime. Furthermore, national standards requirements (e.g. Packaging, Labelling, Maximum Residue levels (MRLs).

5. Comparative analysis across and between products and markets for specific tariffs (e.g. peak tariffs, tariff escalation, etc.) post the Uruguay Round. Examination of gains from Preferential Trade Agreements (e.g. EU-ACP Cotonou Partnership Agreement, Everything But Arms (EBA), African Growth and Opportunity Act (AGOA). Furthermore, it examines whether the preferences granted to African Developing countries are those of particular interest to them.

INTRODUCTION

'Many developing countries continue to face barriers to market access that limit their ability to reap the full benefits of trade. Agricultural producers encounter high tariffs, quotas and subsidies that constrain their export potential' (OECD 2001)

Market access for developing countries to the main industrial markets (EU, Japan and US) has taken on particular significance in recent years post the Uruguay Round Agreement on Agriculture (URAA-1986-1994). This is reflected in the numerous studies and debates generated on the subject. Market access has implications on trade policy, economic growth and development for both developed and developing countries. In the case of developing countries, its role cannot be over-emphasised. However, it is not the panacea it is sometimes made out to be for solving the economic ills and poverty which many developing countries find themselves facing. While the past decade has shown that integration into global markets offers developing countries the potential for more rapid economic growth, increased export earnings, the creation of better-paid jobs and poverty reduction, not all developing countries have benefited from this.

This study focuses on the developing countries of Africa and agricultural products for which they have a competitive advantage and which are of particular interest to them. These include Horticultural Products (fresh and processed), Tropical Beverages (cocoa, coffee and tea) and Edible Nuts. Unfortunately, with the exception of one or two small success stories, African countries cannot point to similar gains achieved with these same products by developing countries in other parts of the world, for example in South East Asia and Latin America. Overall, their economic growth and performance has been comparatively poor and chequered. Although they started from a similar position to competing developing countries, African Developing countries have on the whole failed to harvest many of the benefits of global trade.

Developing countries in South East Asia and Latin America have forged ahead making real gains in consumer-oriented products. By recognising and catering to the changing needs and tastes of consumers, new markets have been conquered much further afield than their traditional markets of Japan and the US. Nowhere is this more evident than in the most promising and lucrative markets of higher value-added products or processed food items such as high value fruits and vegetables, fruit juice and prepared or preserved fruits and vegetables. All of these form an increasingly important part of the global economy. Sadly, though, developing countries of Africa have yet to share in this boom.

For many ADCs, the reality is a narrow export base with a heavy dependence on one or two traditional raw materials and commodities such as coffee, cocoa and tea. Furthermore, the prices of these products are volatile and have suffered a decline. For example, the price of coffee fell by 70 percent between 1997 (International Coffee Organisation).

This study investigates the extent to which ADCs, continue to be penalised and denied market access to the main markets of rich countries because of the protectionist policies those countries pursue. Furthermore, it aims to discover what lessons may be learned, for only by learning from the past will it be possible to make the changes necessary for success in the future. What follows should therefore be of interest to agencies and institutions concerned with international marketing, government policy advisers and planners, officials of international development agencies, indeed anyone who can be a part of the solution and help set up a framework for success.

In the lead up to the next Doha Round of multilateral negotiations, African members of WTO are urged to take a more active role and interest in matters related to market access. This is because decisions made now, or in the forthcoming Doha Round, will affect the livelihood of millions. Furthermore, they will shape the direction, scope and flexibility of future negotiations and all subsequent policies on trade and development.

Market access is therefore too important to ignore or be left for others to decide. It is at the very heart of any prospect for economic development. Do nothing today and the task for tomorrow becomes doubly difficult. Developing countries who choose to wait, instead of confronting the issues now, do so at their peril. Being sufficiently prepared and understanding what has to be done is a big step in the right direction.

CHAPTER 1

MARKET ACCESS - THE CHALLENGE FOR GLOBAL CAPITALISM

Overview of Chapter

This chapter starts by breaking down the wide range of ADCs into groups that are faced with similar problems when it comes to exporting. This helps to provide a strategic focus for the study. Moreover, this analysis uncovers important background information for understanding market access, in terms of how it affects the exports of developing countries, particularly in the context of the WTO/URAA.

To assist in understanding a somewhat complex situation, a schematic diagram is introduced which clarifies who the players are, what products they export and the issues, such as tariffs or quotas, they have to face.

The chapter goes on to explore the reasons why market access is so important, why it has become a central issue in international trade negotiations, and why a better way must be found to integrate ADCs into the world trading system. It suggests that unless there is a shift or rethink of current policies and strategies, the exporting performance of ADCs will continue to show a steady and continued decline.

The Post URAA is examined to get a perspective on the core issues that are of interest to ADCs. It is important for these to be understood because observing the rules and disciplines of a multilateral trading system is an essential ingredient for success.

ADC Groupings and Comparative Analysis of Exports to Developed Countries

This study about trade liberalisation really has to deal with four interrelated themes, i.e., African developing countries, their markets, their export products, and the rules and disciplines affecting how and in what quantities these reach the consumer. It is impossible to talk about one theme without reference to another. For example, to talk about exports without reference to their country of origin, the marketplace and legislation that affects their sale would be quite meaningless.

Seen in this light it should not make any difference which of these themes is addressed first. However, from the point of view of the structure of this report we will start by looking at the countries involved.

ADCs share several common denominators, for example, their concentration on producing traditional commodities, and their common concerns about reduction in trade advantages and improved access to developed markets. However, despite this they face different challenges and priorities. What will most influence their individual ability to realise benefits from post URAA trade liberalisation will be their stage of economic development and domestic policies.

For a country focused on subsistence production and with a poor infrastructure, the lowering of tariff barriers in developed countries may offer only limited prospects. Opportunities for expanding exports might open up, but in the short-term most LDCs will not have the supply capacity to respond.

In contrast, trade liberalisation can bring enormous gains to countries with a well-developed infrastructure, functioning institutions, low cost and efficient production and professional management. Of all the ADCs South Africa[10] is best placed to take advantage of new opportunities. Its supply capacity can easily respond to increased demand in international markets.

Individual ADCs will therefore require different sets of strategies, instruments and policies depending on their needs and priorities, if they are to improve competitiveness and achieve export expansion in developed markets. For this reason and for the purposes of this study, ADCs have been classified into four different groups, as shown below. This grouping is based on criteria which take into account their stage of economic development, geographic location and the volume/type of products exported to developed markets.

Accordingly four groups are identified:

- North African countries
- LDCs
- Low-Income Non-LDC Major Exporting Countries
- South Africa

South Africa has been given a separate category because of its dominance in the region for the exports of fresh horticultural produce and processed fruits.

Within these groupings, some countries may have individual requirements or concerns and these will be taken into account later in this report. However, by and large, countries within each grouping have more similarities than differences.

Because of the complementarity of products, there is at times an overlap of products exported by individual countries in different groups. This is particularly evident amongst LDCs and Low-Income Non-LDC Major Exporting Countries whose range of exports are much the same. Similarly, South Africa exports some of the same products as those exported by North African countries and Sub-Saharan Africa (SSA) countries in West Africa. However, geographical separation can mean that although some countries may export the same products to the same markets, their growing seasons do not necessarily overlap. If this happens they are not strictly speaking competitors.

SSA Share of Exports

SSAs are divided into two groups: LDCs and Low-Income Non-LDC Major Exporting Countries (see below). Their economies are diverse and export facilities and infrastructure differ. For example, some are landlocked while others have direct access to seafreight. ADCs' competitiveness will vary depending on trade preferences, export structures and domestic policies. They share some common characteristics: for example, heavy dependence for the main part on export revenues from traditional primary commodities, limited product range (see Appendix 1 e.g. coffee, cocoa, tea), exports of tropical products (e.g. mango, pineapples) and dependence on the EU (over 55 percent of products are for the EU market).

Amongst these two groupings, there has been some success in diversification over the last 10-15 years in some countries. Uganda, Zambia, Kenya, Zimbabwe, Ghana are good examples.

[10] FAO classifies South Africa as a developed country.

This has been mainly in fast growing niche markets in the EU for exotics and higher value fresh products. For example, the horticultural industry in Kenya has grown in the last decade to become the fourth largest foreign exchange earner. Only tea, tourism and coffee are more important. Smallholder farmers, who account for 70 percent of marketed horticultural products have been the main beneficiaries (UNCTAD 1999). Similarly, in Uganda non-traditional exports have shown strong growth, representing 29 percent of export earnings by 1999.

However, for the majority of countries the export structure is still narrow and products subject to volatile price fluctuations. As enlargement in the EU gets underway, with the accession of Central and Eastern European Countries (CEEC), ADCs will have less flexibility in accessing these promising export markets unless they are able to meet EU standards in food safety and quality. The same rules will apply to all EU countries and compliance with EU regulations will become a prerequisite for success.

Non-African ACP countries like Jamaica, and the more efficient advanced developing countries of Latin and South America such as Argentina, Mexico, Venezuela, Chile, Brazil, Colombia and Costa Rica, provide the main competition to this group. Because they are low cost volume suppliers, they are in a position to take market share and exploit opportunities not taken by ADCs (excluding South Africa) in developed markets.

The following provides specific information on the four groupings and highlights some differences.

(i) Low-Income Non-LDC Major Exporting Countries

This group is made up of countries that are more industrialised and have organised exports. They also have some food processing industries to support their exports. Examples include Kenya, Côte d'Ivoire, Cameroon, Ghana, Zimbabwe and Mauritius. Their main exports include cocoa, coffee, tea, bananas and pineapples. There is also some export of horticultural processed products and processed products from traditional commodities such as cocoa, coffee, tea and edible nuts such as cashews.

The above tend to be the big producers and exporters of traditional commodities such as cocoa (with Côte d'Ivoire being the largest producer), coffee and tea (Kenya) and bananas (Côte d'Ivoire and Cameroon). In recent decades these countries have succeeded in making inroads into higher valued fresh products in niche markets. Success in diversification of exports differs from one country to another. For example, Kenya while being a main exporter of coffee and tea has also become a highly successful exporter of high value fresh vegetables. Côte d'Ivoire exports bananas and a range of exotics (e.g. mango, papaya).

This group has some established branches of Multinational Enterprises (MNEs). They have also been more successful than LDCs in attracting Foreign Direct Investment (FDI) for the expansion of their agricultural sectors. For example, in recent years banana companies have invested in banana plantations in Cameroon and Côte d'Ivoire which now produce fruit under the brand names Chiquita and Dole. Both countries have been allocated banana quotas in the EU.

To give an example, in terms of banana exports to the EU in 1999, Côte d'Ivoire, Cameroon and Ghana exported US$107.5 million, US$105.5 million and US$1.6 million respectively.

This compares with US$144,000 and US$105,000 from LDCs such as Rwanda and Uganda respectively. As mentioned earlier, they compete in the same products as LDCs.

This group is at an advantage compared to LDCs because of their capacity to undertake bulk exports. On the whole, they have the advantage of access to sea ports. The exception to this is Zimbabwe. Their organised exports of bananas, pineapples and other primary commodities gives them access to the economies of scale required for large containers of refrigerated seafreight and competitive seafreight rates but other fruit and vegetables can be airfreighted.

(ii) LDCs

LDCs are, within the UN classification, the poorest countries. They include a wide range of countries including vulnerable, landlocked countries and islands. Like the Low-Income Non-LDC Major Exporting Countries they rely on one or two exports crops and need to diversify their production and export structure in order to reduce their vulnerability to market shocks.

Their problems in terms of exports are more severe than the group above. On the whole they have small farm holdings and a high dependence on airfreight. This means that products tend to be labour intensive and are faced with high distribution costs. Like other ADCs, with the exception of South Africa, they have a narrow export base and there is a high dependence on primary commodities. Food processing industries for export are virtually non-existent. The product range comprises traditional commodities combined with small volumes of airfreighted high value fresh fruits and vegetables for niche markets in EU.

(iii) North African Countries

North African countries are characterized by their geographical proximity to the European market and form part of the Mediterranean bloc. Included in this category are Egypt, Algeria, Libya, Tunisia and Morocco. They are non-LDCs and non-ACP members.

North African countries specialize in exports of a few important fruits and vegetables to the EU. The six main horticultural temperate products for exports are citrus (sweet oranges and easy peelers), potatoes, dates, olives and tomatoes. There are differences amongst countries in fruit and vegetable exports and level of industrialisation. Morocco exports significant quantities of oranges, easy peelers and tomatoes to the EU. In contrast, dates are a significant export crop for Tunisia and Algeria to the EU, while Egypt and Morocco are major exporters of potatoes. Exports to the US and Japan are negligible.

The main processed products are olive oil and some canned fruits and vegetables (e.g. tomato products, fruit juice).

Export products often compete heavily with the EU as production is during the same season (the exception is for some off-season fruits and vegetables – e.g. new potatoes). A number of North African countries have preferential trade agreements with the EU. This includes the Euro-Med Agreement/Global Mediterranean Policy. Morocco, Tunisia and Egypt have recently re-negotiated new Euro-Med Agreements. The main purpose of this was for these countries to achieve more favourable access terms for exports to the EU. Their access conditions will therefore be different from the other SSA groupings and South Africa. For example, tangerines and some types of citrus hybrids enter the EU duty-free. In contrast to the

SSA groupings, none of the North African countries are ACP members. They are also not eligible for AGOA.

Because their products compete with the EU they are subject to the EU's highly effective system of protection from imports, the Entry Price System (EPS). Under their respective preferential trade agreements, many products however enter duty free during specific seasons and/or are subject to Tariff Rate Quotas.

As exports from North African countries are limited to a few products, this concentration makes the outcome of the forthcoming Doha Round of negotiations very critical. Another emerging problem concerns their deteriorating eco-system. Climate change has seen a loss of land to the desert and water is becoming an increasingly scarce commodity. This makes it imperative that North African countries focus their activities in high value and processed products to allow for the efficient use of scarce resources.

(iv) South Africa

South Africa is a middle income developing country. Because of its economic dominance in the region and continent, its actions and strategies in the horticultural industry need to be closely monitored. The product range is highly diversified compared to the other ADC groupings. South Africa is a high volume exporter of both fresh and processed fruits and vegetables (e.g. fruit juice, canned fruits and vegetables, and wine). It is the most efficient producer of horticultural products on the continent. Compared to the other ADC groupings, it has excellent infrastructure/marketing structure, regular and low-cost sea-freight services, expanding northbound availability, a diverse range of climates and crops and economies of scale. As a result of all these factors, it has good prospects for increased expansion of exports. With reduced tariffs it is in a position to increase supply capacity and expand its export industry relatively rapidly compared to the other groupings. As a high volume exporter, the bulk of its horticultural exports such as deciduous fruit, avocado and melons has been developed using seafreight. It can therefore compete in horticultural products with some of the giants amongst advanced developing countries such as Chile, Argentina, Brazil and China.

Unlike the other SSA groupings, export crops do not include primary commodities such as coffee, tea and cocoa. With a highly diversified product range, exports of deciduous and stone fruit compete with those on developed markets. These are considered to be sensitive products, particularly with the EU where they are also grown. However, being a Southern hemisphere supplier, its supplies are available at the opposite time of year to northern growers.

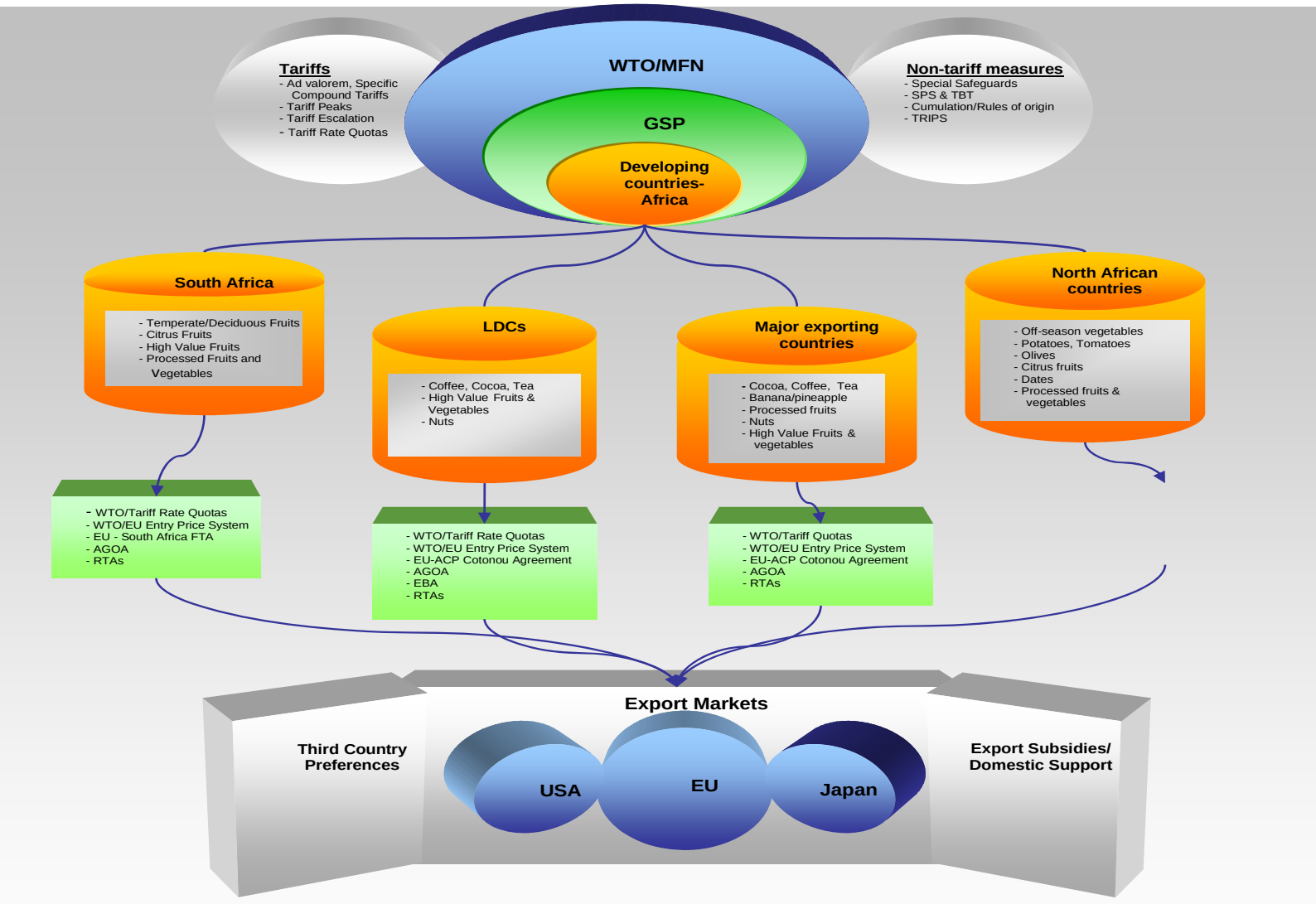
Like the North African countries, South Africa is an important exporter of citrus fruit. Vegetables (e.g. asparagus) are a small share of overall exports and offer opportunities for export expansion as both fresh and processed (e.g. frozen vegetables) in developed markets. Like the other groupings, South Africa relies on the EU for most of its exports. In 1997, around 60 percent of fresh fruits and vegetables were shipped to the EU and valued at around US$790 million CIF. However, in recent years it has been making efforts to diversify into new and emerging markets such as the US, Japan and South East Asia with respect to deciduous products and table grapes. Amongst the ADC groupings, South Africa has the best prospects of rapidly developing higher value processed products such as frozen vegetables and fruit.

Having defined the players in this study and considered their similarities and differences, it is now important to see how they fit into the broader scheme of things.

The Exporting Picture

Against a backdrop as wide-ranging and complex as that facing this study, the following schematic diagram is an attempt to simplify matters. See Figure 1.

Figure 1
Market Access Roadmap



Central to this diagram are the four groups of ADCs that were discussed above, together with an indication of their main export products. As the diagram shows, all of these groups are concerned with entering the markets of the developed countries, namely the EU, US and

Japan. Simple though this may sound, it can be seen that these markets are bounded by the export and domestic support these countries provide for their domestic producers, and the various preferential trade agreements into which they have entered.

However, each of the ADC groups is not entirely without support for a number of measures have been put in place to help them. The measures that are pertinent to each group are shown in the boxes under their lists of products.

Another point made by Figure 1 is that international trade does not take place in a vacuum. All parties who want to participate legitimately have to observe the laid down rules and disciplines. These limits regarding what is and what is not permissible, are determined by multilateral discussion between members of the World Trade Organisation who meet from time to time. Generally, as Figure 1 shows, these rules and disciplines focus mainly on tariff and non-tariff barriers to trade.

Finally, although Figure 1 can show how the various components come together, it must be remembered that it is only a snapshot of what is happening. In reality the situation is not as static as the diagram may suggest. All the time every part of it is changing. Demand patterns in the developed countries, attitudes towards liberalising trade, the political backdrop, the ability of exporting countries to transform their economies and so on, do not remain the same for very long.

It is to identify and understand the significance of some of these major movements in the international trade arena, in terms of how they affect ADCs, that this report has been written. A good starting point for such a study will be to examine an issue which impacts on all ADCs: market access.

What is Market Access?

The term 'Market Access' is the extent to which a country permits imports and under what conditions. It can cover a wide range of issues, but any exporter intending to enter a market for the first time needs to begin by investigating two things:

1. What **tariffs** exist, that is to say, what tax is imposed on commodity imports by a foreign government to protect its domestic producers (see top left hand corner of Figure 1).

2. What other requirements **(non-tariff measures)** exist and need to be satisfied before goods can be allowed into a foreign country (see top right hand corner of Figure 1). For example, labelling and food and safety regulations.

A wide range of tariff and non-tariff barriers can be used to limit the entry of foreign products. However, there is more that the producer needs to know about these two categories before a decision can be made about whether or not to export a specific product. The exact nature of the tariffs must be understood. For example, are they ad valorem, specific or compound? Moreover it will be important to be familiar with all the associated documentation.

Similarly the exact nature of the non-tariff barriers must be known.

Discussions about market access by multilateral organisations (WTO, World Bank, IMF) tend mainly to focus on how high (or low, in the case of ADCs) a country's trade barriers are to

imports from other nations. This will be covered in more detail later, along with the broader issues of market access and inter-linkages with other areas such as Export Support, Domestic Support and Special and Differential Treatment for developing countries (see Figure 1). These issues are of critical importance to ADCs because they can impact on their international competitiveness.

Improved market access to affluent developed markets can provide developing countries with the opportunity to escape the poverty trap and achieve economic growth through trade. Thailand is an excellent example of this, Chile, Brazil, and Mexico are others.

The experience of these advanced developing countries suggests that producers are capable of reacting favourably when market access is liberalised. However, in analysing market access, it is important to recognise that not all developing countries are the same, as is made clear in Figure 1. Although they may share similar characteristics in terms of economic underdevelopment, there can be important differences regarding their domestic policies, stage of economic development, product range, geographical location, level of regional integration, export structure, degree of diversification of products, and so on. All of these factors impact on economic growth.

To illustrate this point, developing countries in Asia (e.g. China, Malaysia, Thailand) and some in Latin America (e.g. Argentina, Brazil, Malaysia, Chile) who have adopted export oriented strategies (outward orientation) combined with appropriate internal policies have been able to attract foreign direct investment (FDI) and have achieved rapid growth and export competitiveness. For example, Asia's share of world merchandise exports increased from 11.7 percent to 17.6 percent in the period 1985-1996. In contrast, Sub-Saharan Africa (SSA) have seen their share of world trade fall from 4 percent in 1987 to 1.3 percent in 1997. Countries in North Africa have not fared any better. Combined with the Middle East, their share of global merchandise trade fell from 7 percent in 1987 to 2.3 percent in 1997 (OECD 2001).

Many ADCs (excluding South Africa) face a host of internal supply-side as well as marketing related and socio-economic/political constraints. Not only does this make them uncompetitive, it also creates the wrong impression for buyers in developed markets, who see them as high risk suppliers. In turn, this means that they are not able to attract the necessary foreign investment. As a result, they are not in a position to take full advantage of the market access opportunities which may be offered to them through the multilateral trading system (WTO/URAA) and recent initiatives granted by developed countries. It seems that failure feeds on failure.

Improved market access to industrialised countries can be a catalyst for growth but, without pre-existing export capacity and related management and marketing expertise, market access opportunities remain wasted for many ADCs. Expansion of exports can only be achieved if accompanied by other complementary policies by industrialised countries and appropriate domestic policies by ADCs themselves.

Therefore market access alone is not a sufficient condition for growth, nor is it the magic pill for solving ADC's economic ills. It requires much more. Solutions for improving market access for ADCs call for more imaginative approaches to trade policy. What is required in particular is a comprehensive and multi-faceted strategic integration of ADCs into the global economy, with terms which are favourable to their long-term interests.

Whatever these answers may be, ADCs still have to surmount the trade barriers that face them.

Trade Barriers

Although they have been mentioned briefly earlier, the main market access barriers ADCs face need to be examined in more detail. The understanding of these will form the basis for the analysis of access terms and opportunities for exports of particular interest to ADCs in Chapter 4.

1. Import Tariff and other taxes which generate revenue for governments applied at entry points by Customs (price/tax based):

These include government policies whose main purpose is to restrict market access in a particular commodity and raise revenue for the Treasury. The most important of these measures are:

- Import duties/taxes/tariffs (e.g. Ad Valorem taxes, Specific - see below)
- Tariff rate quotas, and
- Other duties applied at entry points, levies and charges.

2. Non-Tariff Barriers (NTBs):

These are not based on price and can include any government policies, regulations or practices of a country that restrict the access of imports to its domestic market, or cause disruptions in international trade (e.g. actions which cause world prices to fall). The full range of these measures fall into three main categories. They are:

A. Quantitative restrictions:

- Import Quotas;
- Direct prohibitions (bans);
- Domestic content requirements (Rules of Origin);
- Licensing;
- Contingency measures/Temporary import surcharges or Special Safeguard measures (SSG);
- Any additional taxes on imports - e.g. Antidumping, Countervailing duties.

B. Food Standards and Nutritional Composition

- Technical barriers to Trade (TBT) - URAA rules which govern regulations, standards, labelling, testing and certification procedures. These are particularly important for processed foods;
- Sanitary and Phytosanitary measures (SPS) - URAA rules which govern food, animal and plant health and safety.

C. Government policies

They may restrict market access if not applied uniformly to domestic and imported goods and services. These include:

- Export Support (subsidies)[11];
- Domestic Support;
- Tax, competition, credit and investment policies;
- Price controls;
- Fiscal incentives.

The Complexity of Market Access - Non-Tariff Barriers
The scope for inventing variations around the major themes outlined above means that the list of non-tariff barriers can be exceedingly long. For this reason they deserve particular mention because exports of ADCs are particularly hard hit by the numerous forms of NTBs, particularly SPS (i.e. Food Health and Safety issues) and TBT (i.e. Product standards such as labelling, and compositional standards for foods).

The removal of NTBs is a priority for ADCs. This is because their small economies depend on developed markets to drive their economic growth. Furthermore, with a limited range of products and less efficient functioning markets, they are less able to react to market forces or switch to other products compared to large developed countries. NTBs can therefore have a pronounced negative effect on ADCs' economic growth potential. NTBs if not monitored or under strict rules and disciplines of the multilateral system can be used as a form of quasi protectionism.

As tariff barriers are lowered and other quantitative restrictions are lifted through multilateral trade and trade preferences granted to ADCs, non-tariff measures could offset any gains achieved by replacing these. Technical standards on products designed to protect health and safety can act as trade barriers if not applied uniformly to both imported and domestically produced goods, or if standards depart from generally accepted international standards.

Product standards can be particularly restrictive for ADC exports if they are set at a very high level or if administered in arbitrary ways. Because of their lack of market power, most developing countries rely to a large extent on international law for their dealings with developed countries. In this context the WTO can play an important role in settling disputes.

The reality of NTBs
Having passed the first hurdle by satisfying government, multilateral trade rules and international minimum standards (e.g. Codex Alimentarius[12]), the reality for many exporters is that they may still not be able to gain access to developed markets. This is because of **voluntary standards**. For example, some UK supermarkets set stringent quality, environmental and traceability standards on the produce they buy. They insist that every fruit is of a specified shape, size and colour and is grown and handled under specified conditions

[11] Export subsidies are payments made by governments to producers or exporters to enable them to sell goods abroad cheaper than they could otherwise afford. When such sales of manufactured goods are sold at below their cost price, it is known as 'dumping' and the practice is prohibited. Yet developed countries sell agricultural products at below cost price.

[12] Codex Alimentarius – Body selected by the WTO to set safety standards on food.

(EUROGAP). So demanding are these standards that some traditional varieties of apples have stopped being grown commercially because their yield is too variable to satisfy the stringent demands of buyers.

Clearly, standards set by the private sector and used at their discretion can hinder access to developed markets. Moreover, voluntary standards do not come under the jurisdiction of multilateral or international rules and disciplines. Important though they may be, the nature and diversity of voluntary standards makes it impossible to cover them in this study. It is up to the individual exporter to know his markets and the standards they require. NTBs and their implications on ADCs will be discussed in more detail in Chapter 4.

Tariff and non-tariff barriers pertinent to ADCs
Here is a list of the main trade barriers:

1. Import Tariffs
Different types of tariffs are applied to the products under investigation. These include:

- **Ad Valorem** (simple taxes): a fixed percentage of the commodity's value (e.g. 5 percent on coffee). It is transparent and therefore it is possible to make tariff comparisons across products and markets;
- **Specific**: a fixed EUR amount per physical unit of a commodity (e.g. Potatoes EUR 200/100 Kg)
- **Compound/Complex:** this is a combination of both Ad Valorem and Specific tariffs (e.g. Potatoes - EUR 200/100 Kg + 10 percent). It's complex tariff structure makes it difficult to make comparisons across products and markets. Hence, a lack of transparency. In many cases, tariffs vary according to one or more technical reasons (e.g. sugar content in chocolate or fruit juice or alcohol in wine). Refer to Appendix 7.

2 . Tariff Rate Quota
This is a quantitative limit on imported goods. A higher tariff is applied above a certain quantity (over-quota). A lower tariff rate applies to any imports below the quota amount (in-quota). The difference between in-quota and out-of-quota tariffs is large. These can act like quotas if the tariff on over-quota imports is so high that no imports exceed the quota limit. For example, in those OECD countries where TRQs are applied, in-quota rates on agricultural products average 36 percent, while out-of-quota rates average 120 percent.

Amongst ADCs only Morocco (16), South Africa (53) and Tunisia (13) have tariff quotas in their URAA commitments. In contrast the EU has (87), US (54) and Japan (20) (see below for further information).

3. Minimum Import Price
In some developed markets, a minimum import price is levied to protect domestic producers. The EU Fruit and Vegetable regime levies such on imported produce (Entry Price System – EPS). This replaces the former reference price system. Fruits and vegetables imported at or over an established entry price are charged an ad valorem duty only. Produce valued below the entry price are charged a tariff equivalent in addition to the ad valorem duty. The tariff equivalent is graduated for products valued between 92 and 100 percent of the entry price. The ad valorem duty and the full tariff equivalent are levied on imports valued at less than 92 percent of the entry price.

4. Domestic Policy

The most important agricultural domestic policies pursued by developed countries, which have an impact on ADCs trade are (i) the Common Agricultural Policy (CAP), (ii) US Farm Bill and (iii) Japan's Agricultural regime.

The main types of agricultural domestic policies are:

- **Export Subsidies:** These include any form of subsidies paid by governments to producers when exporting (e.g. export subsidy payments, export credit, food aid);
- **Domestic Support:** These exist in various forms (e.g. price support, direct payments). They involve making payments to domestic farmers directly. The most trade distorting domestic support is price support which guarantees farmers a fixed price regardless of actual prices on the market or volumes produced.

The forthcoming Doha Round envisages negotiations on market access in all the above areas. Proposals have also been put forward on some new, related issues. These include competition policy, the environment and investment. Other issues under consideration which are likely to complicate matters further for ADC exporters include concerns about the environment, biotechnology and labour practices.

Described below are the terms of the key indicators that will be used throughout the study. These are particularly useful in Chapter 4 to assess the degree of protection or openess afforded in developed markets to ADC exports under the URAA.

Box 1
Indicators of Tariff Protection in markets

Most Favoured Nation (MFN) Tariffs: Applied to all countries that are members of the WTO;

Bound Tariffs: Bound (fixed) rates represent a country's commitments in the URAA and are enforceable under Article 11 of GATT. They are the maximum tariff rate or level of protection a country applies on imports;

Applied Tariffs: This is the actual rate that a country applies to imports which are often below the bound rate (see above). The rate is allowable under the rules of the WTO if it is at or below the bound rate;
When applied and bound rates differ, or rates are not bound, this results in a greater degree of uncertainty regarding market access. Consequently, although applied rates may be a better indicator of the actual level of trade restrictions, bound rates are a better indication of a country's market access commitments.

- **Tariff Peaks**[13]: For the purposes of this study, tariffs of 15 percent or higher, or about three times (5 percent) the average tariff level in industrial countries;
- **Tariff Escalation**: Tariffs rise as the level of processing of a product increases in the food processing chain. It is important for assessing the degree of protection given to processed products in import markets and the degree that market access for processed products is restricted;

[13] This study follows the definition of tariff peaks used by the World Bank/IMF/UNCTAD/OECD in various studies.

- **Megatariffs**: These are extremely high tariffs (e.g. 550 percent and 132 percent for shelled groundnuts above-quota in Japan and the US respectively - OECD 2001);
- **Simple (Unweighted Average Tariff)**: This is used to measure the average level of restrictiveness or protection in a market (unless otherwise indicated);
- **Trade Weighted Average Tariff**: The average of a country's tariff weighted by value of imports from different regions and for different product groups. The trade-weighted average understates the degree of restrictiveness or protection in a market. This is because very high tariffs receive very small (or zero) weights, thus biasing this measure downward.

Types of Tariff Rate Quotas (TRQs)

- **Current Access TRQs**: TRQs for which historical imports are maintained;
- **Minimum Access TRQs**: For products previously covered by a non-tariff barrier (e.g. import ban or high variable levy) whose imports did not equal at least 5 percent of domestic consumption in the 1986-88 period (the reference period), additional import opportunities are created;
- **Out-of-quota Tariffs**: The MFN tariffs applying to imports outside a TRQ quantity (once a TRQ has been fully utilized);
- **In-quota Tariffs**: The lower tariffs applying to imports within the limited TRQ quantity;
- **Preferential Tariffs**: Tariffs from which one or more, but not all, countries benefit within the scope of bilateral, regional, or preferential trade agreements (e.g. the Europe Agreements, the European Economic Area, the EU-ACP Cotonou Partnership Agreement, the Generalised System of Preferences (GSP);
- **In/Within - Quota Preferential Tariffs**: The EU grants specific countries (under preferential trade agreements - e.g. ACP) entry of a limited quantity of products;
- **Out-of-Quota Preferential Tariffs**: Under some trade agreements (including the Europe Agreements, ACP) specific countries are allowed to benefit from tariff preferences outside their allocated TRQ quantities or from tariff preferences with no quantitative restrictions.

Non-Tariff Barriers:

- **Special Safeguard Measures:** This is a safety valve mechanism incorporated into the URAA and mainly used by developed countries. It allows countries to protect designated products from floods of imported goods by raising tariff levels on an emergency basis. Thirty-eight WTO members have reserved the right to use this safeguard. The United States and the European Union are the most heavy users;
- **Cumulation/Rules of Origin (Domestic Local Content):** Rules that require a minimum percentage of inputs from the importing country in order for those goods to enter duty free;
- **Sanitary and Phytosanitary (SPS) Measures:** Technical barriers designed for the protection of human health or the control of animal and plant pests and diseases;
- **Technical Barriers to Trade (TBT):** – URAA rules and procedures for the preparation, adoption and application of technical regulations, standards, testing and certification;
- **Special & Differential Treatment (S+D):** Provisions within the URAA, which recognise that developing countries experience differing conditions from developed countries and that these conditions warrant special treatment (e.g. maintenance of tariffs by LDCs) for development and economic growth.

The Problem - External Challenges

ADCs have some justification for claiming that the system is at present stacked against them. Here are some of the areas where apparent measures to help them have not always had the desired effect.

(i) Openess of Markets (Trade Liberalisation)

Many ADCs undertook Structural Adjustment Programmes (SAPs)[14] in the mid 1980s at the behest of International Financial Institutions (World Bank and IMF) to get their finances and houses in order. As a condition for accessing loans from these institutions, most African countries carried out far reaching reforms by opening up their economies to international competition (the extent and nature of reforms undertaken by ADCs varied from one country to another). ADCs who were also WTO members suffered a double blow. They were obliged to make certain commitments in accordance with multilateral trading rules and disciplines governing the URAA (LDCs were exempted from some commitments while those for developing countries were reduced vis à vis developed countries). This posed constraints and reduced their flexibility in pursuing various domestic agricultural support policies. The combination of unilateral reforms carried out under SAPS together with the outcome of the Uruguay Round of trade negotiations (1986-1994), left many ADCs feeling they had a raw deal.

For developing countries a burning issue is that while they have opened up their markets to foreign products and services (mostly under SAPS and unilaterally), developed countries have not reciprocated to the same extent. At the crux of the matter is that products of particular export interest to ADCs (higher valued processed and transformed products - e.g. processed fruits and vegetables) have restricted access to developed markets. In some cases developed countries' tariff reductions are highest in areas and commodities that are insignificant to them. This is partly responsible for creating not only an unfair imbalance in terms of trade but also for leading to low levels of economic development in developing countries. One of the consequences of this is that ADCs are not able to diversify from traditional commodities to higher valued processed products which exhibit growth in the global economy.

(ii) Time to Make Up - Recent Trade Preferences

The poorer developing countries (these consist mainly of LDCs in Africa) were particularly disillusioned with the post-URAA trade regime. As stated earlier, analysis indicated that most of the gains to developing countries had gone to the more advanced ones in Asia and Latin America. The response of industrialised countries was to unleash unilaterally a rash of global initiatives under their special preference schemes to ADCs. Examples of these are the European Union's 'Everything But Arms' (EBA) and the Africa Growth and Opportunity Act (AGOA) of the USA.

At the same time as these initiatives were being proposed, the Lomé Convention (an EU special preference scheme extended to 77 African, Caribbean Pacific countries and renamed EU-ACP Cotonou Partnership Agreement (CPA) in June 2000) was due for renewal and was being renegotiated. The main purpose of this initiative was to counter the economic damage and show that the international trading system could offer benefits to the poorest countries. It

[14] SAPs - These often require governments to reduce public spending, cut subsidies and remove or reduce barriers to international trade in goods and services (related to trade liberalisation).

was important for the industrialised countries to win the support and commitment of developing countries, particularly the poorest of them all, the LDCs. This was in order not to derail the forthcoming multilateral trade negotiations (Doha) and to avoid a repetition of the previously aborted Seattle Round of WTO trade negotiations.

(iii) Where We Are Now - Doha and what next?

In the lead up to the current Doha Round of negotiations, ADCs have expressed many concerns regarding market access conditions to developed markets after implementation of the URAA. The recent trade preferences granted to ADCs have not escaped criticism either. These concerns can be categorised into four main areas and are highlighted below. These mainly centre on access issues, increased or improved access terms, strengthening domestic supply capacity, trade/marketing related issues, the unequal playing field of agricultural policies pursued by developed countries and how these have been legitimised by the multilateral trading system to the detriment of ADCs.

Export subsidies and domestic support do not technically come under Market Access. However, they need to be discussed because they are interrelated issues. This is because agricultural policies pursued by developed countries have implications on the trade and development strategies of ADCs in a global economy. These will be the subject of discussion in Chapter 2 and assessed in the light of the products under investigation and the ADCs main export markets.

ADCs Main Concerns after the URAA

In order to appreciate the scope and direction of the negotiations in the next Doha Round, the following quote is provided below from the Doha Ministerial Declaration (November 2001). It highlights the importance placed on market access, particularly the need for further reduction of trade distorting policies, such as Export Subsidies or Domestic Support.

> In recognising the problem of distortions in agricultural markets, trade ministers committed in Doha, "without prejudicing the outcome", to negotiations aimed at "substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support".

The main concerns of ADCs towards the multilateral trading system (WTO) with regards to export expansion and diversification, which will figure in negotiations at the next Doha Round, are highlighted below:

1. Market Access

Exports of particular interest to ADCs, such as higher valued fruits and vegetables and processed products enjoy only restricted access to developed markets. Specific concerns include Tariff Peaks (high tariffs), Tariff Escalation (for higher valued processed foods), tariff reductions and reforms to the system of Tariff Rate Quotas and Special Agricultural Safeguards (SSG). ADCs would like to see reductions made on a disaggregated product-by-product basis to target the tariff peaks shielded by the URAA averaging provision (see Chapter 4). Technical barriers (e.g. labelling, compositional standards) to trade have become of increasing concern to ADCs. There are also concerns that ADCs are ill-prepared to meet increasingly complex and burdensome standards and regulations.

2. Export Subsidies

The use of export subsidies by developed countries creates unfair competition in international trade and distortions in the pattern of trade (imports/exports) between countries (trade flows). They are regarded as the most trade-distorting agricultural policy because they directly affect world commodity prices.

Consumers are always the main beneficiaries of export subsidies. Cheap, subsidised imports will compete with domestic products and have the effect of driving down prices for domestic producers.

EU and US export subsidies take several forms including export credits and export rebates.

Export credit
These are programmes which allow foreign buyers of products from the developed countries to obtain credit from their domestic banks at lower than average interest rates, reduced fees or longer payment terms. These benefits to the buyers clearly help to reduce the risk of non-payment to suppliers. Such credits are the main form of agricultural export assistance. The US accounts for 46 percent of the dollar value of credit guarantees for OECD countries.

3. Domestic support

These are policies used to support production and secure the incomes of farmers in developed countries through direct payments or otherwise. Due to high production levels and at the tax payers' expense, highly subsidised products of developed countries are aggressively marketed on export markets. This depresses world prices and causes severe disruptions in international markets.

4. Special and Differential Treatment (S&D)

These mainly recognise the special needs of developing countries (e.g. vulnerability to food security). Provisions for these are incorporated in the URAA. However, many developing countries consider these measures to be inadequate and unactionable. There are currently proposals for a Development Box and a Food Security Box from some developing countries. S&D falls into five main areas:

(i) Preferential access - These provide opportunities for increased trade with developed countries by the lowering of tariffs or duty-free access of products. Their main purpose is to assist developing countries to gain a competitive edge in order to help them catch up with more developed countries. Countries are upgraded once they have reached a certain level of economic development (conversely, Senegal was classified as an LDC in 2001 from a developing country. As a result, the number of LDCs now stands at 49). Developing countries have concerns about losing existing benefits. One of their aims is to strengthen preferential market access without reciprocal obligations. These include reduction in tariff advantages (i.e. erosion of preference margins) and various other restrictions (e.g. complex rules of origin). One of their arms is to strengthen preferential market access without reciprocal obligations.

(ii) Measures to safeguard the interests of developing countries - These are safety nets and economic safeguards to assist developing countries in their development objectives.

(iii) Flexibility of commitments – There are areas of WTO rules that might constrain government action and flexibility. These could include, for example, reduction in subsidies, domestic policy choices on, for example, rural development, and appropriate levels of food self-sufficiency.

(iv) Transitional Time Periods - i.e. longer implementation period of WTO rules.

(v) Technical and Financial Assistance - assistance targeted at strengthening the capabilities of ADCs, for example, improving institutions and human resources.

For the purposes of this study, preferential access (i.e. non-reciprocal - e.g. EBA, EU-ACP Cotonou Partnership Agreement, AGOA) and measures to safeguard the interests of developing countries within the context of increased export opportunities will be examined in Chapter 4. The question of technical assistance and the needs of ADCs in respect of the selected products will be covered in a later study. The other areas (nos. iii-v) are well covered in other literature.

Why Market Access Matters to ADCs

ADCs face a myriad of challenges in achieving economic growth through the expansion of exports to developed markets. As we have seen, many of these challenges are complex, structural, deep-seated and have been well documented. This list is by no means exhaustive but is long enough to demonstrate the complexity, dilemma and vicious circle in which ADCs find themselves. These challenges are not listed in any particular order of importance. The degree and extent of difficulties ADCs face will vary depending upon their specific circumstances. The most important of these are highlighted below.

- Narrow Export base with a high dependence on primary commodities (e.g. coffee, tea, cocoa);
- Reliance on too few export markets (e.g. over 55 percent of ADC exports for the products under investigation are shipped to the EU) and customers;
- Volatile/fluctuating prices of commodities resulting in negative terms of trade (i.e. the value of exports is less than that needed to pay for imports) due to sluggish world demand and declining use of raw materials in manufacturing together with the development of substitutes;
- ADCs often compete with each other in developed markets. There is a similarity of product range and oversupply of products to the same markets;
- ADCs are price takers, particularly for primary commodities. Concentration of market power and control of marketing, processing and distribution is dominated by MNEs. A few MNEs account for 85 percent or more of world trade in coffee, cocoa and tea;
- Poor state of communications infrastructure;
- Agricultural exports were often tied to Preferences in a few developed markets. These are being lost;
- Weak policy frameworks and institutions;
- Lack of ability to attract FDI;
- Insufficient funding of export promotion activities and institutions;
- Protectionism/Tariff and Non-tariff barriers to trade;
- Unrealistic exchange rate policy;
- Private sector stifled in some ADCs by Parastatals.

A number of other concerns arise under a heading that can be termed **Domestic Policy** Issues:

- Poor governance;
- A huge foreign debt burden;
- High poverty levels;
- Low levels of investment in infrastructure (roads, communications);
- High import dependence in the midst of foreign exchange shortages;
- High domestic interest rates;
- Macro-economic instability;
- SAP-induced problems such as closures of local companies due to incapacity to compete with cheap imports and reduction in government support services;
- Drought and disease-related structural problems;
- Population growth;
- Huge constraints to effective regional economic integration;
- Civil wars or general unrest.

Domestic Policy Implications - Diversify or Decline

Diversification gives ADCs the following options and opportunities to:

- Introduce new added value products into existing markets through innovation and low-cost technology;
- Enter alternative markets (e.g. South East Asia);
- Produce higher value added products for which there is demand;
- Provide more stable and consistent prices for producers and exporters; (prices of higher valued products are more stable);
- Create a more stable international position.

Although diversification is not a particularly new idea, it has been tried only in limited ways (e.g. for high value fresh horticultural products - Kenya, Zimbabwe, Uganda, Ghana, Côte d'Ivoire, Madagascar). Most ADCs are still highly dependent on traditional commodity exports and production tends to be concentrated on a few products (see appendix 1). For example, Ghana, Tunisia and Tanzania depended on just three export products for 88 percent, 68 percent and 62 percent respectively of exports earnings between 1997-99. Even Kenya with a more diversified export structure depends on traditional commodities (coffee, tea, etc.) for 71 percent of export earnings. This accounted for 6.5 percent of earnings as a percentage of GDP (although it has been highly successful in increasing export earnings in fresh higher valued products). Some of the reasons for the high dependence on traditional commodities and concentration in few products have already been highlighted above. There are, however, a number of factors that are critical for successful outcomes in strategies for diversification.

When considering diversification as an option for export-led growth it is necessary to weigh its benefits against the broader context of development in the overall economy. For example, some factors to consider include the benefits to be gained from increased employment of producers and opportunities for rural households. Furthermore, there is a need to provide a safety net for exporters during a transition period until exports get off the ground.

Key Factors to Consider in Agriculture for ADCs

1. Importance of Agriculture

The agricultural sector is of significant importance to ADCs. A large percentage of the population in ADCs depends on agriculture for employment compared to developed countries. Agriculture accounts for, on average, around 27 percent of GDP in ADCs. For example, Burkina Faso, Mali and Niger have high rates of employment in agriculture rising to more than 90 percent (World Bank 2001). In comparison, South Africa had a share of 9.9 percent in 1999 while in the US and Japan the share is 1.7 percent and 4.3 percent respectively. Off-farm opportunities are limited, particularly in rural areas, and the manufacturing sector is negligible in most countries (excluding South Africa and some pockets in Côte d'Ivoire, Kenya, Mauritius, Egypt, Morocco, Zimbabwe). Decisions made under the multilateral trading system and the domestic policies pursued by developed countries have enormous implications on the livelihoods of millions of farmers and those who depend upon them.

2. Subsistence Agriculture with inward orientation

In most ADCs the orientation of farmers is to produce for themselves and for the domestic market. Farmers are therefore not geared towards exports and are inefficient producers. At best, for some of the products under investigation (i.e. cash crops), some smallholder farmers produce for MNEs who maintain a procurement chain (e.g. cocoa, coffee, tea, horticultural products). The existence of small scale production units in many ADCs often leads to poor quality as products are collected often by many traders from many different producers. The result is a huge variance in produce quality.

3. Low Productivity and Technology Transfer

Productivity levels of ADCs are low (with the exception of South Africa). When compared to world averages and the best yields achieved from competing sources, African crop yields are on the low side. For example, average yields of mangoes in Egypt in 1999 were 231 tonnes per hectare. This compares to India (12,000 tonnes), Mexico (1538 tonnes) and Brazil (600 tonnes - (FAO). Productivity of traditional commodities such as coffee was stagnant from 1990 to 1997 while that for cocoa began to stagnate from the late 1980s. During the 1990s, there were no significant improvements in yields for cocoa.

Technology transfer is also low. In the competitive high value fresh, and processed horticultural industry, high yielding varieties with good flavour, good shelf-life, ability to travel long distances and extension of seasons to meet specific windows of opportunity in developed markets are important considerations. In addition to this, monitoring of food production and processing methods (e.g. Hazard Analysis Critical Control Point (HACCP) are required for compliance with food safety and hygiene protocols in developed markets. These require investment in technology, human resources, partners in developed markets and an appropriate institutional supportive framework.

4. High Input Costs

Dismantling of marketing boards (which previously distributed subsidised inputs in many ADCs) has left a vacuum in the market. The private sector in many ADCs has not been able to take over this role efficiently. This has led to quality problems for some export crops (e.g.

coffee). Most farmers cannot afford the high price of inputs (e.g. fertilisers and pesticides) because they cannot make a profit. This results in a vicious circle of low yields/productivity. For example, coffee farmers have been hit by more than falling prices. Market reforms, including the withdrawal of support for the provision of credit, inputs and extension services, have increased both the costs and the risks associated with production. For exports, packaging material is important. Domestic policies on prices of agricultural products, import tariffs, taxes, foreign exchange ultimately have an impact on production and export expansion.

5. High Transaction Costs

For all the products under investigation, the cost of transport and availability of sea freight and airfreight is a critical factor in competitiveness of exports to developed markets. The ability to achieve critical mass or economies of scale is also of paramount importance. This is in order to be able to obtain competitive freight rates. "High transport costs are an important factor discouraging the export of goods from Africa. For example, net transport and insurance payments absorbed more than 25 percent of the value of exports for a third of African countries and exceeded 70 percent for Somalia and Uganda. However, domestic policies and not the physical distances are partly responsible for these high costs" (Yeats 1997). A comparison between Kenya and Gambia, both specialised in non-traditional export crops, shows different experiences due to transport. While Kenya has a national airline with ample cargo space on frequent international flights, Gambia with even shorter flight time, depends on irregular international flights (Economist 2001).

Inefficiencies in key infrastructure sectors like telecommunications, transport and financial services often add more to export costs than foreign trade barriers (World Bank, 2002).

6. The Threatening Forces of Globalisation and Modern Agriculture

Globalisation is taking its toll on small farms, farming systems and businesses in a number of ADCs. ADCs are currently ill prepared to meet these challenges. The flood of cheap, highly subsidised food imports from developed and advanced developing countries makes ADC products uncompetitive (e.g. tomato paste, rice, beef, dairy products) and undermines local production. These can have devastating effects on the agricultural sector and will have repercussions on production and the short and medium term expansion of exports by ADCs. As businesses shut down (e.g. tomato paste factory in Senegal, peach canning in South Africa) and imports replace domestic production people leave the land (it becomes unprofitable), frequently with no alternative source of income. Without alternative employment and income to buy food they become food insecure. Any benefits from trade liberalisation are nullified because they have not got the necessary income to buy the imported products.

Any discussions about diversification into new products with growth prospects in developed markets, expansion of exports or improved market access becomes a pipedream unless the above factors are addressed. Adequate steps must be taken internationally and through domestic policies to stem the tide. As the integrated farming system is threatened (e.g. manure from cows is required for compost to produce organics or rice growers move to fruit exports) and important linkages with other key sectors are no longer possible (e.g. manufacturing), agricultural production whether, for the domestic or export market, becomes unsustainable.

Signs of these new changes taking place in the production and organisational structure of agriculture are already becoming evident. Efficiency and economies of scale are the key to competitiveness in international markets. As a result, small-scale farms are declining and there is a trend increasingly towards highly organised exports in ADCs. Large scale, irrigated farms, using intensive farming methods exist in some countries and are characterised by their high level of organisation for export (e.g. bananas in Côte d'Ivoire and Cameroon). As the forces of globalisation make themselves felt, the model of nucleus smallholder farms/outgrower schemes supplying labour intensive, higher value products, particularly fruits and vegetables, to dedicated export organisations is under threat (e.g. Kenya - high value fruits and vegetables). This is because of the increasing cost of compliance (e.g. traceability) to meet the demanding standards of dominant retailers in developed markets. Providing for traceability is becoming administratively complex and burdensome and as costs increase, the profit margins decrease.

Security of incomes of smallholder farmers, alternative sources of employment, food security, market transparency, sustainability of farming systems, the buying power and concentration of multinationals, intensive farming leading to larger farms and the effect on small farmers (land tenure and legislative issues), diversification for exports and domestic protection for agriculture and issues of the fragile eco-system and environmental impact of intensive farming and biodiversity are just some of the issues which have become main concerns of ADCs in the discussions in the next Doha Round of negotiations.

7. Lack of Professional Management Skills

While improved productivity in ADCs is a critical factor in improving competitiveness, it must be recognised that the exporting of selected products has become far more sophisticated. High standards of management are required throughout all stages of the production and marketing chain. In many export products, ADCs compete with developed or advanced countries for limited shelf space in retailers' outlets.

Buyers in developed markets are, by and large, unsympathetic to the ADCs' problems. They are not interested in excuses or delays. If their requirements cannot be satisfied they will move their custom elsewhere to another supplier.

The need for higher quality is equally true when it comes to management. Again, in comparison to the developed markets, Africa is short of qualified middle management. It is important that ADCs give priority to creating a pool of qualified managers just as much as they address matters of international marketing logistics and improving quality.

8. Marketing/Physical Infrastructure

An efficient marketing infrastructure, which includes appropriate postharvest processes and monitoring, modern packhouses, a cool chain, and strict food hygiene standards, is a prerequisite for success. The smooth flow of products throughout the supply chain from farmgate to the export destination, including organised promotional programmes with retailers, have become a necessity to win export markets.

One area where ADCs can take advantage of export opportunities in developed markets is in high value fresh and minimally semi-processed fruits and vegetables. For such products export infrastructure facilities in the majority of ADCs require significant investment. The

technology for added-value activities is not complex or sophisticated. However, it requires food hygiene standards that are extremely strict and a postharvest handling system that is efficiently operated and well co-ordinated. In most cases the loose fresh fruits and vegetables are shipped in bulk to the developed country where it is packed into consumer retail packs by service importers before final distribution. This final stage may also include some semi-preparation of vegetables, such as topping and tailing or slicing. Some of this activity is done purely for presentation, but mostly it is for the convenience of the consumers. These activities are labour intensive jobs of which ADCs could take advantage. In most cases, ADCs miss out on this type of value addition. South Africa and some other ADCs (i.e. Egypt, Morocco, Kenya, Zambia, Zimbabwe, Gambia) have made significant investments in modern pack-house facilities and pre-cooling under a structure of organized exports. By doing so they can meet the demanding standards of retailers, mainly supermarket chains, in developed markets.

9. Exchange Rates and Taxes

In pursuit of better market access, further reform of developing countries' trade and investment environments and progress on transparency and governance in the administration of foreign trade, will be necessary. In order to gain maximum advantage from any such moves, ADCs must maintain an appropriate exchange rate regime. Without this in place exporters could find themselves increasing their volume sales and at the same time getting a smaller return for their efforts. For a number of countries reductions in trade tariffs will need to be combined with a rebalancing of their fiscal revenue sources.

Summary of Chapter

By mapping the world of exporting as Figure 1 does, it can be seen that in essence African countries fall into four main groups. Based on their previous exporting track record and stages of economic development, these were identified as North African Countries, South Africa, Low-Income Major Exporting countries and LDCs. Because of the nature of the fruit and vegetables they produce, some countries within each group, and between groups, are competing in the same attractive markets of the developed countries.

A factor which inhibits the success of most of these countries is market access. Barriers to trade fall into three broad categories. These are tariffs, which are based on price, non-tariffs which, for example, can be in the form of food safety requirements and voluntary standards.

The first two of these were covered at some length because of their impact and because they feature in international discussions about trade liberalisation. In contrast, voluntary standards are set by individual customers and do not figure in trade talks. For that reason they do not feature in this report, except to note that they represent additional barriers for exporters to overcome.

However, market access alone is not the key to success. To be in a position to take advantage of liberalisation of trade ADCs must first put their own houses in order. This means that a whole raft of domestic policies must be reviewed so that the appropriate marketing environment is created. To be a competitor in international markets means operating at international standards.

The implications of this are that everything that affects the passage of products from the farm gate to the consumer must be examined and made as efficient as possible. Thus marketing

logistics, quality standards, manpower, fiscal policies and general attitude towards exporting all need to be put under the microscope.

CHAPTER 2

URAA: NON-PREFERENTIAL MARKET ACCESS CONDITIONS

Overview of Chapter

The key elements of the most recent URAA are examined, together with the commitments undertaken by WTO members. By focusing on these issues and what they have achieved, or in some cases failed to achieve, themes are developed about what needs to be addressed in future negotiations.

Although this study is concerned about market access, this chapter will also take into account relevant aspects of Export Subsidies and Domestic Support because all three areas are interdependent. It will also take a broad look at the Trade Preference Schemes such as GSP, EBA, EU-ACP Cotonou Agreement and AGOA. These are obviously significant for ADCs because the bulk of their exports are traded under these schemes.

History of URAA

Until the conclusion of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) in 1994, agriculture was highly protected from import competition. The Uruguay Round changed that and sparked off the beginning of a gradual dismantling of trade barriers in agriculture. The URAA allowed six years (1994 - 2000) for implementation by developed countries and members agreed to begin further negotiations one year before the end of that period. These negotiations have been underway since March 2000, and the Agreement in Doha (the Doha Ministerial Declaration - November 14, 2001), made them part of a comprehensive new round of talks - the Doha Development Round. To complicate matters further, in addition to the next Doha Round there are major regional trade initiatives underway on preferential market access. These include the EU-ACP Economic Partnership Agreement (EPA), reciprocal agreements and Free Trade Agreements (FTA). These are not within the remit of this paper.

The URAA came into effect on 1st January 1995. It is the multilateral trading discipline that governs agricultural commodities and processed agricultural products. It is worth noting that in the next Doha Round, developing countries will predominate and account for about 80 percent of the membership.

The Impact of URAA

Clearly, the URAA and various trade preference schemes are of specific interest to all ADCs because of the current challenges they face in attempting to expand their exports. Anything that helps them to do this and to ride the shockwaves of the international trading environment ought to be a good thing. So, what have been the results of the URAA? To what extent did it actually help ADCs?

Multilateral decisions on international trade policy will always have a major impact on ADCs. Furthermore, distortions in trade whereby exports are subsidised by developed countries can have unexpected impact on the production systems and livelihoods of smallholder farmers. This can cause problems of food security or higher import bills when world market prices for foodstuffs are high.

Thus, while examining the commitments and achievements of the URAA, it is important to

keep in perspective the three critical links that are necessary for diversification and the expansion of exports. These are:

(i) Expanding market opportunities;
(ii) Improving access terms;
(iii) Strengthening domestic supply and marketing capacity.

As mentioned earlier, Market Access, Export Subsidies and Domestic Support can all influence the above and have a part to play.

The three main objectives of the Agreement were:

- To increase market access;
- To increase export competition;
- To reduce domestic support.

By working at these it paved the way for opening up agricultural trade. The main results are summarized below:

1. It brought rules and disciplines to agriculture and international trade for the first time and moreover these extended into new areas, for example, by quantifying the Aggregate Measure of Support (AMS).[15] By this, trade distorting policies concerning Export Competition and Domestic Support were defined, disciplined or categorized (e.g. Domestic Support)

2. The dispute settlement procedures in the WTO were strengthened, thus giving a greater assurance of protection.

3. It required members of the WTO to replace non-tariff measures with tariffs and to bind them against future increases. As a result, it brought increased transparency to international trade in agriculture.

4. Tariff Rate Quotas opened up markets formerly closed or restricted.

5. It imposed strict limits on agricultural export subsidies, which had the effect of curtailing the total amount of export subsidies overall.

6. It specified policies for "special and differential treatment" to address the particular needs of developing countries.

Despite these achievements, much remains to be done before world agricultural trade is as fully disciplined or as free as trade in manufactured goods. A comparison of applied tariff levels amongst WTO members in these two areas supports this assertion, for agricultural tariffs are on average around 25 percent (excludes processed agricultural products), compared to 4 percent for manufactures (Finger, Inco and Reincke – 1996).

[15] Total Aggregate Measure of Support (AMS) – Total expenditure on all non-exempt domestic support provided to agricultural producers which is aggregated across all commodities and policies.

The URAA was limited in its potential for liberalising trade for a number of reasons. Mostly these are concerned about reduction commitments not being stringent enough to constrain members' behaviour and promote changes in their domestic policies. This point of view is supported by the OECD which says:

> "The empirical evidence indicates that the immediate quantitative effects on trade and protection levels have been moderate. Overall, reductions in support and protection were limited largely because of weaknesses of many of the specific features of the URAA" (OECD 2001)

On balance the achievements of the URAA have been diminished because **WTO signatories met the letter of the agreement but not its spirit**. Developed countries have been allowed to continue supporting their farmers and protecting sensitive products, while at the same time developing countries have not seen their export markets open up. The EU and the US in particular have been able to meet their reduction commitments on market access, export subsidies and domestic support without actually reforming their agricultural policies. This opinion is reinforced by the recent US Farm Bill which took reforms a step backwards. Similarly, expenditure on price support in the EU (under the CAP) has increased. The European Union spends over US$100-120 billion in domestic support on the trade-distorting policies of CAP. Fifty-six percent of spending goes to the amber box (including de minimis expenditures) and 23 percent to the blue box. Green box payments account for only 21 percent of EU domestic support outlays (see below).

With evidence like this, pressure is on to settle the unfinished business of the last URAA. This means that reconciling the current needs of both developed as well as developing countries, is going to lead to some tough bargaining. Indeed, hard choices will have to be made if the system is to be tightened to the point that it forces real changes in protectionist agricultural policies. The future legitimacy and credibility of the WTO will depend upon its ability to deliver benefits to all, especially the developing countries that now make up about two-thirds of its membership.

Factors contributing to the lack of effectiveness of URAA

1. The base period of the URAA was one with exceptionally high levels of protection. Therefore choosing the years 1986-1988 as the benchmark for the initial tariffication[16] meant that even with reductions, tariffs would in reality remain quite high.

2. As levels of support bound were non-product specific (i.e. the aggregate nature of the reduction commitments and the exclusion of some support measures, such as the ‘blue box and green box’ payments used) this meant that it allowed for increases in expenditure on some products.

3. The use of “Dirty Tariffication”, that is to say, the practice of inflating the gap between domestic and international prices, thereby increasing the tariff-equivalent calculation. This practice was particularly common for politically sensitive goods (Hathaway and

[16] Tariffication - the process of converting non-tariff barriers to bound tariffs. This is done under the UR agreement in order to improve the transparency of existing agricultural trade barriers and facilitate their proposed reduction

Ingco, 1996). By some estimates, this practice may have raised the average levels of protection at the conclusion of the Uruguay Round in 1994 (Nogues, 2002).

There is one further point to make, but before doing so it will be necessary to explain that the URAA chose to divide Domestic Support policies into three categories, or 'boxes' as they are usually called. These are known by the colours Amber, Green and Blue. Here is a brief description of them.

'Amber Box' - Programmes that are regarded as the most trade distorting. Consequently, they are subject to URAA reduction commitments. Amber box policies are those whose payments to farmers are directly linked to prices or volumes. For example, market price supports, input subsidies, and payments made directly to farmers for each unit of output. 56 percent of EU spending goes to the amber box (including de minimis spending[17]). This compares with only 10 per cent for the US (mostly spent on peanuts, dairy and sugar programmes).

'Green Box' - Programmes that are regarded as non or minimally trade-distorting (the agreement does not define this term). As a result they are not subject to reduction commitments. Green box policies mainly fall into two categories:

(i) Programmes that provide payments decoupled[18] to farmers;

(ii) Programmes that pursue a variety of policy goals such as research, environmental protection, extension, food security stocks, disaster payments, anti-narcotic incentives and structural adjustment programmes.

To qualify for the green box, it is necessary that these programmes are publicly funded. Moreover, any Green box measures can be challenged by countries that can prove injury to their own economies after the Due Restraint Provision (Peace Clause) of the Agreement lapses in 2003.

'Blue Box' - Support programmes that are not subject to reduction under the Agreement. They are, however, acknowledged as trade distorting. Like the amber box, they include support policies linked to prices and quantities. But in this case, they are accompanied by offsetting policies that limit production. This category was specifically created to accommodate the EU and US systems of increasing farmers' income as a reward for reducing production or only maintaining levels of production at an agreed level. They include the EU's 'set aside' programmes and US deficiency payments, a type of domestic subsidy aimed at supporting farm incomes.

Knowing about these different types of support programmes now makes it possible to introduce the final factor contributing to the failure of URAA.

4. The unfair use of the distortionary blue box for the benefit of Europe alone and the green box for the US, which when taken together with the amber box have actually led to increased overall expenditure in agriculture support from pre-Uruguay Round levels.

[17] De minimis spending (allows countries to maintain a certain minimum level of support to farmers). (Discussed in more detail under De Minimis Clause).
[18] Payments not linked to production, prices or inputs.

WTO Member' Commitments

Under the URAA, WTO members have committed themselves to the following:

A. Market Access

Under this broad heading the following commitments were agreed.

1. **Tariffication and Bindings:**[19] To convert a wide range of non-tariff barriers such as quotas, variable import levies, voluntary export restraints and others, into tariffs. This was achieved by calculating the tariff equivalent (tariffication) and reducing the amount by an agreed proportion by the end of the implementation period.

    - 36 percent over six years (i.e. by 2000) for developed countries;
    - 24 percent over ten years (i.e. by 2004) for developing countries.

Tariff Rate Quotas were introduced to guarantee minimum and continued levels of imports by the end of the implementation period.

2. **Tariff Lines:** On any tariff line, a minimum tariff cut is required of:

    - 15 percent for developed countries;
    - 10 percent for developing countries.

3. **Non-Tariff Barriers:** The use of non-tariff measures specifically related to agriculture is prohibited, even those measures maintained through state-trade enterprises (STEs).

Box 2
Market Access: Factors Limiting Effectiveness of URAA Commitments

- Historically high protection in tariffication base years (1986-88). This led to high equivalent tariffs;
- "Dirty tariffication" resulted in tariffs that were more protective than those they replaced; Tariff reductions expressed as unweighted averages allowed members to retain high tariffs on some product lines;
- Reduction commitments are for bound rather than applied rates, often resulting in no constraint on tariffs actually charged;
- The Special Agricultural Safeguard allows countries to raise tariffs;
- TRQs are "underutilised" (i.e. under filled). This is because of high in-quota tariffs and problems with tariff rate quota administration.

B. Export Subsidies

Reduction commitments agreed for export subsidies were as follows:

[19] Tariff Bindings – A contractual obligation to not raise the tariff above the levels specified in the "schedules of concessions". These are legally committed maximum tariff rates.

Base period: 1986-90 (reference period[20] for calculations);

- reduce outlays on export subsidies by 36 percent over six years for **developed countries**;
- reduce outlays on export subsidies by 24 percent over ten years for **developing countries**;
- reduce the volume of subsidised exports by 21 percent over six years for **developed countries**;
- reduce the volume of subsided exports by 14 percent over ten years for **developing countries**.

Box 3
Export Subsidies: Factors Limiting the Effectiveness of URAA Commitments

- Historically high export subsidies in base years (1986-90) resulted in high baseline for reductions;
- Carryover provisions allowed countries to exceed yearly commitments by crediting unused export support obligations to subsequent years;
- "Creative" aggregation and disaggregation of product lines allowed countries to exceed some reduction commitments;
- Absence of rules and disciplines on export credits, food aid, and state trading enterprises. These are controversial omissions in disciplines on export support.

C. Domestic Support

Commitments agreed under Domestic Support were as follows:

- reduce domestic farm support as measured by the total Aggregate Measurement of Support (AMS) by 20 percent except for non-exempt supports (i.e. green and blue measures for **developed countries)**;

- reduce domestic farm support (AMS) by 13.3 percent except for 'green box' measures for **developing countries**;

- allow a minimum access of imports to the equivalent of 5 percent of domestic consumption on specific categories of product. A country is not committed to actually importing these quantities.

[20] Reference Period for tariffication: The tariff equivalents of existing NTMs were established as the price gap between protected domestic prices and the average of reference world prices from 1986 to 1988. Since 1986-88 were years of exceptionally low world prices for many commodities, the tariff equivalents were exceptionally high. In addition, some countries interpreted the tariffication procedure in such a way as to result in even more generous levels of tariff equivalents (so-called 'dirty tariffication') (WTO, 1998).

Box 4
Domestic Support - Factors Limiting the Effectiveness of URAA Commitments

- Amber box reduction commitments were not product-specific, allowing increased support for certain products;
- Domestic support was historically high in base years, creating a high baseline for reduction;
- Blue box outlays were included in the amber box baseline (and therefore annual commitments) but not in yearly outlay notifications;
- *De minimis* expenditures can be large relative to commitment levels;
- Blue box created controversial exemptions;
- Scope of green box allowed controversial rise in overall domestic support;
- Peace clause restricts WTO challenges to subsidy programs.

D. Special Agricultural Safeguards (SSG)

Special Safeguard provisions triggered by volume increases or price reductions permit the imposition of additional duties up to specified limits.

E. URAA Commitments For Least Developed Countries:

- **Import Tariffs:** LDCs are committed to bind (fix) import tariff rates. They are exempted from any reduction commitments;
- **Export Subsidies:** LDCs are exempt from reduction commitments on export subsidies. In addition, for these countries, there is a provision for export subsidies. Reduced marketing transport and freight costs are permitted.

Other URAA Provisions and Exceptions:

The URAA contains many qualifications and exceptions.

- **Peace Clause:** Among other provisions for subsidies excluded from the reduction commitments the measures will be considered non-actionable in terms of countervailing duties and legal challenges in the WTO until the end of 2003.

Tariffication:

- The Special Safeguard Provision can in some circumstances be used by designated countries. Its purpose is to protect the products that were subject to tariffication from surges in imports or large price falls. If this happens countries are allowed to impose additional duties. As a majority of developing countries did not tariffy, but offered 'ceiling bindings'[21] instead, many do not have access to this provision.
- The Special Treatment Clause, also known as the Rice Clause, is used to cover some countries for specific commodities. It applies to Korea, the Philippines and Japan where

[21] Ceiling binding - Many developing countries chose to use a special provision that allowed them to declare a ceiling bound rate of tariffs for the entire agricultural sector instead of tariff reductions. The ceiling bindings took effect on the first day of implementation of the Agreement.

its purpose is to protect farmers of their staple food. Similarly, Israel has used this clause to its advantage by extending its purpose to protect specific livestock products.

De Minimis Clause
This clause allows countries to maintain a certain minimum level of support to farmers. In the case of developed countries this can be up to 5 percent of the value of production of individual products and 5 percent of total agricultural production. For developing countries, support can be given up to a maximum level of 10 percent of the value of total agricultural output.

Special & Differential Clauses
The URAA provides various provisions intended to give developing countries special treatment **(S&D)** and thus greater flexibility in meeting commitments. S&D is covered in more detail in Chapter 4.

To summarise then, developing countries were given a number of differential advantages. They were allowed different timetables, different target reduction rates, and different exemptions. The LDCs benefited largely from exemptions from reduction commitments. They were however required to 'bind' their tariffs and domestic support and not exceed these agreed amounts.

Sanitary and Phytosanitary Measures

Sanitary and Phytosanitary (SPS) regulations cover all agricultural products. The ruling on which they are based is that importers are permitted to take measures which are based on scientific principles to safeguard 'human, animal and plant life'. It is worth noting that although closely related to the URAA, SPS is a separate agreement. Equally important to note is the basis of scientific principles. This means that any of these measures ought to be in response to a genuine body of evidence, and not merely be a political reaction to appease home producers.

Nevertheless, to conform to these measures taxes the ability of developing countries as they try to export to developed markets. As agricultural trade becomes more liberalised, there is concern that developed countries will seek to find even more opportunities to hide behind SPS measures. In other words, SPS measures will become more protectionist and an even greater barrier to trade. As an example, it is estimated that the cost of achieving disease and pest free status to enable Argentina to export meat, fruit and vegetables to developed markets was around $82.7 million over the period 1991-6 (Finger and Schuler – October 1999).

The stringent quality standards set by developed countries will present ADCs with similar challenges. Those exporting countries lacking in institutional support will find that quality standards become increasingly onerous, costly and difficult to meet. It follows therefore that any measures adopted ought to be as transparent as the scientific evidence upon which they are based. Furthermore, any changes must be communicated promptly to all suppliers who could be affected. To do this, enquiry points ought to be set up to provide the necessary documents and to answer questions. This could win exporting countries some valuable time to adapt to the new requirements.

Even so, developing countries are still likely to need to be granted Special and Differential Treatment in order to give them a longer time to comply.

Food Safety Standards

The vehicle chosen by the WTO for setting safety standards on food is the Codex Alimentarius Commission. This is a joint UN World Health Organisation/FAO body set up in 1962. This body sets standards on limits of additives, chemicals and pesticides and other contaminants. Representatives include 145 UN member countries. The number of developing countries who participate in the committees is limited, yet surprisingly MNEs are very well represented. In fact they outnumber the representatives of many countries.

Because the regulations of the Codex Alimentarius are extremely technical and complicated, sophisticated systems have been established in developed countries for analysing food products and controlling sources of contamination. In contrast the systems established for carrying out this work in most developing countries are rarely as advanced or as rigorous. In spite of this, the SPS Agreement stipulates that all WTO members are subject to the same conditions of the Agreement.

An additional two years (up until 1997) was granted to developing countries in order to give them sufficient time to comply with all the provisions of the Agreement except those related to transparency. LDCs were permitted an additional five years (until 2000) to comply with the Agreement in its entirety.

All governments are eligible to participate in the different areas and various processes which constitute the SPS Agreement. There is evidence, however, of low participation by developing countries in such areas as notification, adoption of international standards and attendance at meetings.

The SPS Agreement and ADCs - The risk factor

A limited number of ADCs such as South Africa, Zimbabwe and Mauritius have sufficient resources and expertise to meet the exacting standards required by retailers in developed countries. These standards not only apply to the safety of the products but also to their appearance, packaging and labelling of contents.

Most ADCs are far less equipped to meet these requirements and standards, for to do so requires having in place many established systems and procedures. These include quality control at the farm level and in processing, laboratory facilities, access to clean inputs such as water and packaging materials, controlled temperature storage facilities, testing facilities and certification systems.

Failure to comply with these standards may lead to additional testing being demanded at the port of discharge. This introduces another risk for the exporter because any products which do not meet the quality standards are rejected. This extra testing not only brings added uncertainty to any transaction but also can add significant costs.

Developing countries have been granted special consideration from importing countries for a transition period to allow them to develop control systems. Even so, nothing can change without an injection of money and expertise.

Sources of Assistance
Assistance for overcoming SPS problems is available from a number of international development organisations. These include the World Bank, Commonwealth Secretariat and the Overseas Development Departments of governments of developed countries and NGOs.

The UN Food and Agriculture Organization (FAO), provides the most comprehensive programme of assistance. Among the services offered by FAO are:

- Strengthening of laboratory analysis and food inspection capabilities;
- Providing training in all aspects of food control;
- Providing advice, information and documents on a wide range of related topics;
- Publishing manuals on food quality control;
- Providing assistance in the strengthening of administrative structures.

Although this assistance is useful and certainly goes a long way towards helping some ADCs to meet their obligations under the Agreement, many ADCs still lack some of the basic resources, expertise and experienced manpower to take advantage of these assistance schemes or to run them effectively.

Recent Changes to Developed Countries' Domestic Policies on Agriculture

The EU and the United States have undertaken policy reforms in the past 15 years to reduce their trade-distorting domestic support expenditures. It is important that ADCs are aware of the changes and direction of reform of agricultural policies of developed countries, because these ultimately are likely to influence their national policies and their competitiveness in international markets.

Reform of Common Agricultural Policy (CAP)
At present the CAP takes up about half of the EU budget. Policies emanating from it provide for a unique protection system that safeguards its domestic market from cheaper imported products. In addition they support European exporters so that they can compete effectively in international markets. Paradoxically, this policy has not led to cheaper food because prices have increased to the European consumer because of the high levels of support provided to farmers.

The CAP has a major impact on international markets and on the structural development of competing third country producers.

Changes and Direction of Reform
The EU cannot continue to afford to fund the CAP in the manner it has been accustomed to. This is partly because of enlargement and problems of integrating the CEEC states. There is also a fear of overshooting the European Union budget, as well as violating WTO commitments. This has exerted pressure to reduce all forms of support.

Coupled with this has been growing pressure from consumer and environmental groups over the safety and sustainability of the current European pattern of agriculture. For their part the farming sector lobbies have also been pressuring for change.

The cornerstone of CAP Policy since 1992 across a range of sectors has been to shift from systems of price support to systems of direct aid to farmers. Agreement for a current reform programme is known as Agenda 2000.

The objectives being as follows:

- To reduce the internal price of EU agricultural products, without undermining farm incomes;
- To reduce the gap between EU and world market prices;
- To reduce 'surpluses' (by boosting domestic consumption and export possibilities)

The key proposals to the mid-term review of the CAP (July 10 2002) were as follows:

- Decoupling direct farm subsidies from production. This should be achieved by establishing consolidated farm income payments based on historical entitlements;
- Linking direct income and other direct payments more closely to environmental, food safety, animal and occupational safety standards;
- Reducing direct payments progressively by 20 percent. The savings would be redirected for the support of sustainable agriculture and development;
- Restricting subsidy payments to individual payments at Euro 300,000 per year;
- Reducing intervention prices for cereals by 5 percent and rice by 50 percent;
- Abolishing intervention for rye;
- Changing prices and intervention regimes for durum wheat, dried fodder, beef and edible nuts.

The key proposal in the above, severing the link between subsidies to farmers and production, has not in the past produced the anticipated results. For example, looking at EU cereals, production increased after a switch to direct income support (IMF/World Bank September 27 2002).

Furthermore, agricultural expenditure on the CAP is increasing. The total amount spent on the CAP grew 29 percent from Euro 30,551 million in 1991 to Euro 35, 541 million in 1999. Agricultural expenditures in the preliminary draft budget have been set at Euro 46,200 million in 2002. Although export subsidies have been significantly reduced, from 33 percent of expenditures in 1991 to 14.1 percent in 1999, the above measures do not propose further reductions in export subsidies and import tariffs. (IMF/World Bank 2002).

The Common Market Organization/Fruit & Vegetable Regime

The EU regime for fruits and vegetable is highly protected. In 1996, reforms were undertaken in the EU Fruit and Vegetable regime by the Common Market Organization (CMO). The main objectives were:

- to make producer organisations the key operators;
- to provide for Community aid via operational funds, thereby bringing about a better balance between supply and demand in the EU;
- to encourage the concentration of supply;
- to reduce production costs;
- to promote care of the environment.

The existing support arrangements under the CAP protect EU growers in the following ways:

- Export refunds are provided;

  These increase returns from international sales, import tariffs and minimum import prices (entry price system) and maintain EU domestic prices at a higher level than market forces would dictate;

- Subsidies are paid when certain products are utilised by the processing industries;

- Withdrawal mechanisms are applied;

  These generate revenues on products that cannot be sold because of surplus harvests;

- Quality standards can be used to limit market supplies;

  The result is increased market prices.

Each of these areas will be examined separately in Chapter 4 with respect to the products under investigation.

Processed Fruits and Vegetables. The policies of the EU are of interest to ADCs because of the need for ADCs to diversify into added value products exhibiting strong growth in the global economy. Under the Fruit and Vegetable regime, processing aid (including export refunds) is provided to producers for the processing of specific products. These mainly include deciduous and temperate fruits and vegetables such as citrus fruit, tomatoes, canned peaches and pears, dried figs, table grapes, apples and pineapples. The domestic policy pursued by the EU in providing subsidies will have implications on the export opportunities and competitiveness of some of the ADCs included in this study (see Figure 1), notably North African countries and South Africa. This will be examined in Chapter 4.

The US Farm Bill

The Farm Security and Rural Investment Act of 2002 provides for increased agricultural support. It is estimated to increase support spending by a projected US$45 billion or 21 percent between 2002-2007. Much of the new expenditure aims to increase farm incomes through direct payments based on historical acreage and is not necessarily tied to current production. This may create incentives to increase production or acreage levels, which goes against the reduction commitments of the URAA of limiting production of agricultural products. However, the US is unlikely to be violating the reduction commitments in respect of 'Amber Box' measures. This is because the support is shifted into the category of 'Green Box' which is deemed to be non-distorting and no ceiling, in terms of expenditure, is placed on such support measures.

Producers of corn, sorghum, barley, wheat, soybeans, oilseeds, cotton and rice (not the subject of this study) are the main beneficiaries. The Act has also been extended to include a wide range of other products, which had previously not benefited from assistance. These include vegetables and honey (IMF/World Bank September 27 2002).

It is also to be noted that one of the ways in which the US gains a competitive edge over other suppliers in the international market is by granting export credits. The US is under pressure, particularly from the EU, to deal with both export credits and food aid in the forthcoming Doha Round of negotiations.

Japan
Japan supports fruit and vegetable farmers through managed prices, various trade measures, and supply management regimes, including a vegetable supply stabilization fund.

Implications on Domestic Policies of Developed Countries

In the EU, US and Japan, the direction of changes in overall support has generally been towards measures that are less distorting than previously. However, by tinkering with the URAA rules which aim to limit production and market distortion, by introducing various exemptions they have achieved the opposite. The form of support may have changed but the overall effect in (domestic support) is greater than before. The evidence of this is that agricultural support in the above countries has risen in the late 1990s and is similar to the high levels that prevailed in the mid-1980s.

While it can be seen that the nature of support to European agriculture is certainly changing, it is not clear whether this will significantly reduce the distortions that the CAP generates in specific products of particular importance to individual country groupings. This is because the AMS is aggregated and not product specific. Across a growing number of areas, the process of CAP reform is changing the nature, source and visibility of the distortions being created.

Preferential (Non Reciprocal) Market Access Conditions for ADCs

A large number of ADCs enjoy easier access to developed markets through preferential trade schemes. These are traded either through unilateral or bilateral, non-reciprocal schemes, such as the Generalised System of Preferences (GSP), or through reciprocal free trade agreements or regional integration agreements such as the EU Mediterranean Agreements. The main concerns of ADCs regarding preferential access are centred around competitiveness. This is because preferential trade schemes currently provide them with the opportunity to have a competitive edge vis-à-vis other suppliers.

Outlined below are the main concerns of some ADCs. These will be discussed in more detail in Chapter 4. They are:

1. Continued preferential access to developed markets;

2. Loss of margins in tariff advantages for preference schemes as a result of progressive MFN tariff liberalization (i.e. erosion of margin of preferences);

3. Further loss of margins because more beneficial preferential schemes are being put in place by preference-giving countries to groups of countries in the form of unilateral or reciprocal preferential schemes (i.e. regional and free trade agreements).

The non-reciprocal preferences that are of main interest and concern to ADCs for the purpose of this study are briefly described below. But first, an explanation on the nature, benefits and relationships of the various trade preference schemes within the context of the hierarchy of privileges granted by developed countries to ADCs.

Trade Preferences - The Hierarchy of Privileges
Developed countries grant preferences in a hierarchy of privileges. The best concessions are usually granted to countries with Free Trade Agreements (FTAs). For example, among the

groupings for the purposes of this study, North African countries will get the most favourable treatment under the Euro-Mediterranean Agreement.

This is followed by LDCs, whose preferences are bestowed by the EBA initiative. Although granted on a voluntary basis these offer the most advantageous benefits to LDCs. This is because the range of product coverage[22] and advantages in tariffs are for the most part duty free under the EBA. As countries reach a certain level of economic development, they are graduated from one scheme to another. For example, Vietnam was recently regraded from LDC to GSP.

On average these preferential schemes are quite generous. In the EU, the average tariff faced by LDCs or ACP members is below one percent, compared to the 7.4 percent average MFN tariff. GSP preferences in the EU are close to 50 percent. In the United States LDC and GSP preferences offer more than a 50 percent average margin, with LDC preferences being more generous around 65 percent. Japan offers a 48 percent preference margin under their GSP regime and an average of 60 percent preference for LDCs. (Hockman, NG, Olarreaga 2001).

In general, preferences granted to a selected group of countries, as for example with the EU-ACP Cotonou Partnership Agreement, offer more benefits in terms of wider product coverage and deeper preference margin. They are also more legally secure than those offered under GSP which are unilateral. Moreover, these are not subject to arbitrary changes by the preference-giving countries.

Non-Reciprocal Trade Agreements - Most Favoured Nation (MFN) Status
Under a Most-Favoured-Nation agreement a country will extend to another country the lowest tariff rates it applies to any country. However, a country is under no obligation to extend MFN treatment to another country unless they are both members of the WTO, or the MFN status is specified in an agreement between them. Countries not receiving EU or US MFN status are subject to higher rates.

Generalised System of Preferences (GSP)
These include Preferential Access Schemes that grant products originating in developing countries lower tariff rates than those under Most Favoured Nation status. Agricultural products are only partly covered, with the exception of those from 49 LDCs. Under GSPs, unlike under preferential trading agreements such as NAFTA (a regional Free Trade Agreement), developing countries are not allowed to reciprocate.

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1. Product Coverage - This is defined as the ratio between imports that are covered by a preferential trade arrangement and total dutiable imports from the beneficiary countries

2. Utilization rate - defined as the ratio between imports actually receiving preference and covered imports, can refer to all beneficiaries, to a sub-group or to single countries. Higher or lower utilization rates, on the one hand, have to do with the complexity of the conditions required to grant a product preferential treatment together with the capacity of exporters to comply with these requirements, while, on the other hand, they depend on the degree of the preferential margins offered. In the latter case low preferential margin might discourage exporters to utilize the scheme, because the cost of compliance to qualify products under the GSP might result higher than the MFN duty

The GSP has several tiers, namely:

(a) The basic/normal GSP scheme;
(b) Special trade preferences with selected groupings of developing countries; and
(c) 'Super GSP' for LDCs.

Under the auspices of the GSP scheme, the EU grants import concessions to 180 developing countries. The EU's new GSP (Council Regulation 2501/2001) came into effect on January 1st, 2002, and will expire on December 31st 2004. In the EU, the degree of reduction of the MFN rate varies with the level of 'sensitivity' of the product. In other words, this depends on the degree to which an import competes with EU temperate products like dairy produce, beef, cereals and oilseeds. The new GSP provides an additional 5 percent tariff reduction for countries who meet additional environmental and labour conditions. Even so, an expulsion provision has also been built in for those countries that seriously and systematically violate minimum labour standards.

EU trade preferences

The EU has a complex and intricate web of trade preferences in addition to GSP. They include the Global Mediterranean Policy, Europe Agreements, EU-ACP Cotonou Partnership Agreement. These concessions are granted to different countries, products, markets and seasons. Preferential access may involve tariff preferences within tariff quotas (TRQs), tariff preferences outside allocated TRQs and/or tariff preferences with no quantitative restrictions.

The EU grants preferences based on a classification of three different groups of countries.

1. LDCs that are not ACP members
2. ACP countries (broken down into LDC and non-LDC countries)
3. Non-ACP developing countries that benefit from GSP treatment and FTA preferences, granted to Eastern Europe and Mediterranean countries

Being the largest market for ADCs agricultural exports, the EU grants two special preferences which are particularly important. These are:

Everything But-Arms (EBA) for LDCs

The EBA initiative came into force on 5th March 2001 and is one of the EU's most generous trade preference schemes. Duty and quota-free access is granted to 49 LDCs for all imports except arms and ammunitions. Moreover, preferential access was extended for 919 agricultural products including fruits and vegetables (fresh as well as processed), meat, cereals, vegetable oils, beverages and dairy products. This has made the EBA a more attractive scheme than the EU-ACP Cotonou preferences in terms of tariff treatment, product coverage and tariff advantages. The EBA initiative will also provide LDCs with greater stability. This is because the EU undertook to maintain this special preferential treatment for an unlimited period of time. The EBA scheme is not subject to periodic reviews as occurs with the basic GSP scheme.

There were some goods as yet excluded from EBA schemes initially. These were bananas, sugar and rice, which were considered to be sensitive (please note that although sugar and rice are products of particular interest to ADCs, they are not covered in this study). While not being given immediate unlimited duty-free treatment it was planned for them to be gradually liberalised by stages. For example, the duties on bananas will be eliminated by using a 20

percent annual reduction. The starting date was 1st January 2002 and complete liberalisation will be achieved by 1st January 2006. EU imports of sugar and rice from LDCs are subject to transition arrangements until 2009. After 2009, the option of a safeguard will exist if imports become a significant threat to domestic products.

EU-ACP Cotonou Partnership Agreement (formerly Lomé Convention)
Preferential tariff rates to developing countries under the successor agreement to the Lomé IV convention are referred to as the EU-ACP Cotonou Partnership Agreement (signed in June 2000). These are extended to 77 African, Caribbean and Pacific countries. The current trade regime is temporary until new Economic Partnership Agreements (EPAs) are formally established (see below). Negotiations commenced in September 2002.

The EU-ACP Cotonou Partnership Agreement grants ADCs up to 80 percent duty-free access for most agricultural products (Bora, Cernat and Turrini – UNCTAD 2002). These include amongst others exotic fresh fruits and vegetables and raw/semi-processed tropical beverages. The exception is for a limited number of agricultural products that are subject to the Common Market Organisation of the EU. For these, only a reduction on the ad valorem component of the tariff is granted. For example, these include some higher valued processed products (e.g. some types of fruit juice such as orange and grape juice).

The EU-ACP Cotonou Partnership Agreement also provides ADCs with significant tariff advantages. These include both MFN and GSP rates (excluding the EBA). ADCs' agricultural exports to the EU receive average tariff advantages of around 25 percent for MFN rates compared to 15 percent against GSP rates. The EU requested a WTO waiver for the continuation of the ACP preferences until the end of 2007 and aims to replace the current unilateral preferences with new reciprocal arrangements by January 2008.

Under the EU-ACP Cotonou Partnership Agreement, new Regional Economic Partnership Agreements (REPAs) must be signed between the EU and regional groupings of ACP countries in the year 2008. These EPAs will provide for free reciprocal trade exchanges, compatible with WTO rules. Non-reciprocity will continue to apply for LDCs. The European Commission is aiming at regional level negotiations as from January 2004. In addition, the Agreement provides for co-operation between ACP and EU in trade-related areas such as competition policy, intellectual property rights, standards of certification, sanitary and phytosanitary measures, trade and environment, trade and labour standards, consumer policy and public health.

US duty-free access
The US extends duty-free access for 5000 tariff line items to over one hundred beneficiary countries and territories. This applies to agricultural and fishery products that are not otherwise duty-free or are subject to tariff quotas or ceilings. A further 1783 tariff lines are added to the list of eligible products for LDC recipients. The GSP programme was recently renewed until 2006.

AGOA for ADCs of Sub-Saharan Africa (SSA)
The Africa Growth and Opportunity Act (AGOA) is an initiative launched by the United States which grants duty free access to many products from Sub-Saharan Africa (SSA). Beneficiaries include both LDCs and non-LDCs. This means that former special GSP preferences for LDCs have to some extent been diluted. This is because other sub-Saharan, non-LDC African countries can now also benefit from them. This Act is much less

comprehensive than the EU-ACP Cotonou Partnership Agreement. The main difficulty with AGOA is that there are many conditions attached for eligibility and rules of origin. It is one of the most controversial of the trade preference schemes.

Specific provisions under AGOA include the following:

- Expanded product coverage of duty-free treatment by about 1,800 tariff line items beyond the standard 4,600 line items that had already been included under the Generalised System of Preferences (GSP).
- Extended GSP benefits for SSA countries until September 30, 2008 (i.e. 8 years). This extended period of time is expected to provide additional security to investors and traders in eligible African countries.
- Exempted SSA countries from competitive need limitation, which eliminate duty-free treatment when imports from a country exceed certain limits.

Japanese GSP Scheme
Japan grants preferences to 164 developing countries and territories at present. Its GSP Scheme consists of a list of agricultural products eligible for preferential treatment. This scheme was recently reviewed and extended for a new decade and will now run until 31 March 2011. The extent of the product coverage and tariff treatment provided to beneficiary countries varies considerably among agricultural products.

Preferential GSP tariffs applicable to developing countries range from duty-free to a 20 percent reduction in MFN duties. LDCs enjoy duty-free entry for all products covered under the GSP scheme plus an additional list of products. Preferences to LDCs have been improved by increasing the number of tariff items for duty-free and quota-free access that are specifically available to all 49 LDC exporters. However, they have to make a request for them.

Preferences are not available on a wide range of products. For example, high valued chocolate and some types of fruit juice. This implies that further trade liberalisation could create new trade opportunities for ADC products still affected by high MFN duties.

Competitiveness - Regional Trade Agreements (Reciprocal)
Regional integration will play an increasingly important role in international trade. The eventual establishment of the Free Trade Area of the Americas (FTAA) envisaged by 2005 will reduce further any competitive edge enjoyed by ADCs under the GSP of the US. ADCs will also face greater competition from products being sourced by the EU from markets created through the formation of an extensive network of regional trade agreements. These include the CEEC, Mediterranean Basin countries and selected countries in Latin America.

The main Regional/Free Trade Agreements are:

a. **Global Mediterranean Policy (GMP)**

This reciprocal agreement provides for tariff reductions and mutual concessions for some agricultural products. The EUs aim is to make progress in strengthening its trade relations with the Mediterranean countries in order to create a Euro-Mediterranean FTA by 2010. Countries with which the EU has concluded FTAs include: Tunisia, Morocco and Israel. Negotiations are underway with Syria, Lebanon and Algeria.

With **Israel** these include tariff reductions of up to 80 percent on a wide range of processed fruits and vegetables. Preferences are also available on seasonal fresh fruit and vegetables.

With regards to **Maghreb** countries the EU has had agreements since April 1976. Most products enjoy preferential access to the EU market within tariff quotas, as will be shown later in Chapter 4.

The EU entered the **Mashraq** agreement with Egypt, Jordan, Syria, Lebanon and Palestine in 1977. This agreement covers tariff concessions for onions, potatoes, beans, tomatoes, citrus, olive oil and tomato paste. Egypt concluded the Partnership Agreement with the EU in June 2001 in accordance with the EU's objective of creating a Euro-Mediterranean FTA.

Malta has been granted tariff reductions for products such as fruit and vegetables, cut flowers, potatoes, onions, cucumbers and asparagus. A gradual customs union in two stages is provided for in this agreement. Tariff reductions are granted for products such as wine, fruit juice, citrus, grapes, potatoes and carrots.

b. The **EU-Turkey Customs Union** excludes agricultural products from the FTA. However, the preferential access granted under the previous scheme still applies. It covers products such as wine, citrus, olive oil, dried fruit and nuts, tobacco and cereals.

c. **EU-ACP Economic Free Trade Agreement.** This is in the process of being negotiated.

d. **Bilateral-Reciprocal EU-South Africa Free Trade Development and Co-operation Agreement (TDCA)**

The EU-South Africa FTA was signed on October 11, 1999. The aim was to provide for the gradual establishment of an FTA. With this, the EU secured agreement to eliminate tariffs on 83 percent of current EU agricultural exports to the Southern African Customs Union Market (SACU). The time frame to liberalise is 12 years. South Africa was only granted duty free access for 61 percent of current agricultural products to the EU market. The EU has been given a 10 year phase-in period for tariff reductions. The EU was also able to avoid making any commitments that placed effective restrictions on the use of export refunds in support of duty free EU agricultural and processed agricultural product exports to South Africa.

e. **Europe Agreements - Central East and European Countries (CEEC)**

Bilateral trade agreements have been concluded with the EU for ten countries. These include Poland, Hungary, Czech Republic, Slovenia, Estonia, Latvia, Lithuania, Slovak, Bulgaria and Romania. In these agreements, trade barriers are to be lowered over 10 years. They constitute the legal framework for EU relations with applicant states.

f. **EU-Mexico**

The EU and Mexico entered into a Free Trade Agreement on July 1st, 2000. 62 percent of bilateral agricultural trade is covered in the agreement. However, meat, dairy products and

cereals are not covered until 2003. The agreement provides access for Mexican fruit and orchard products, including avocado, tomato, limes, grapefruit, coffee, mango, and alcoholic drinks. Preferential access for some products such as fruit juices are provided within quotas.

g. **US Preferential schemes**

The US grants preferential tariffs to designated countries who are members of Regional or Free Trade Agreements. These include: The Andean Trade Preferences (ATP) which covers Bolivia, Colombia, Ecuador and Peru, the Caribbean Basin Initiative governed by The Caribbean Basin Trade Partnership Act (CBTPA), the North American Free Trade Agreement (NAFTA) and Mercosur (Brazil, Argentina, Paraguay, Uruguay).

h. **Sub-Saharan Africa (SSA)**

Numerous regional trade agreements exist on the continent. In theory intra-regional trade in agricultural products can provide ADCs with the opportunity to take advantage of market opportunities for their exports. However, in practice the level of intra-regional trade remains low mainly because of structural and policy obstacles. For example, the level of tariff barriers between ADCs is high for many agricultural products.

Examples of regional trade agreements are:

- Economic Community of West African States (ECOWAS);
- Southern Africa Development Community (SADC) affecting South Africa, Botswana, Lesotho, Namibia and Swaziland;
- Southern Africa Customs Union (SACU);
- Common Market of Eastern and Southern African States (COMESA).

Summary of chapter

The chapter started by looking at the history of URAA and the impact it has made. It showed that overall it had been successful in bringing new rules and disciplines to bear on international trade. The dispute settlement procedures of the WTO were strengthened and greater transparency was achieved. However, it is likely that the URAA did not really live up to the high expectations placed on it because too many WTO signatories set out to meet the letter of the agreement and not its spirit. The next Doha round is an opportunity to put this right.

One of the main reasons for URAA's failure stems from its choice of base years against which improvements would be measured. The 1986-88 period was one of exceptionally high tariffs, therefore any reduction from these levels still left tariffs relatively high. Reform of domestic support policies of the developed countries would appear to be the best way to achieve beneficial changes in the trading relationships between developed and developing countries.

While various types of assistance have been available to ADCs, many have been unable to take advantage of them. This is partly because of the lack of adequate resources, in particular the lack of management expertise at all levels of the production - exporting chain.

However, as was shown, the future is not entirely without hope. The developed countries are

beginning to reform their domestic policies in ways that can favour ADCs. In addition, a number of non-reciprocal market access schemes have been set up specifically for developing countries. The question remains ... can ADCs respond quickly enough to take advantage of them?

CHAPTER 3

PRODUCT MARKETS AND COMPETITIVENESS IN INTERNATIONAL TRADE

Overview of Chapter

Here, in the context of the products covered by this study, the main exports of ADCs to developed markets are examined. A comparative analysis of ADC groupings is also made which takes into account their current exports and the extent to which their export structures are suited for expansion of exports into competitive markets. Segmenting ADCs in this way enables an appropriate strategic focus to be maintained for each group.

Because of its significance for ADCs, emphasis is placed on the European market and what follows is a brief description of the trade prospects there for the export products selected. The chapter goes on to describe the main trends in the global market and the factors driving demand growth for agricultural products. Finally it considers what factors will ultimately shape and determine whether ADCs are competitive in international markets and how best they can address these issues within the context of their development and further the implementation of multilateral trade reforms.

Product Selection Criteria

In order to focus on worthwhile market opportunities, it was important to establish criteria about how the study' products would be selected. In the end it was decided that four conditions had to be met for them to be included.

1. The products had to appeal to growth markets;
2. They had to be capable of earning high levels of foreign exchange;
3. They had to provide ADCs with some differential advantage for competing in international markets;
4. They had to be capable of being assessed in the light of the market access opportunities provided by URAA.

Products Chosen

Fresh and processed fruits and vegetables and edible nuts were chosen because over the last 10-15 years they have shown strong growth in developed markets. They continue to do so in some niche segments, such as organic and health foods. Similarly, high-value processed foods are the fastest growing sector in agricultural trade. According to FAO statistics global trade in fruit and vegetables grew from approximately US$50 billion in 1989 to nearly US$79 billion in 1999. Of this, bananas accounted for US$6 billion. Tropical beverages were selected because of their importance in terms of export earnings to ADCs. In addition to this, there has been high growth of some value added processed products in niche markets.

ADCs export a wide range of tropical sub-tropical in temperate products to developed markets. The products which met our criteria are listed below. Their definition is based on Harmonised System (HS) nomenclature. For the purposes of this study, fruit, vegetables and edible nuts (both fresh and processed) are all those included in Chapters 7, 8 and 20 of the HS Nomenclature. Tropical beverages are covered in Chapters 9 and 18. The terms "fresh vegetable" and fresh fruit include products that are only found in Chapters 7 and 8 respectively while "processed" fruits and vegetables refer to products found only in Chapters 20 and 21. These are as follows:

Chapter 07 (Edible vegetables and certain roots and tubers)
Chapter 08 (Edible Fruits and Nuts; Peel of Citrus fruits or melons)
Chapter 09 (Coffee, tea, mate and spices)
Chapter 18 (Cocoa and Cocoa preparations)
Chapter 20 (Preparations of vegetables, fruit, nuts or other parts of plants). These include the more highly processed fruit and vegetable products in contrast to some processed products which are included in Chapters 7 and 8 (e.g. dried or frozen fruit and vegetables)
Chapter 21 (miscellaneous edible preparations)

Product Focus

Outlined below are the main products, both off season and tropical, exported by ADCs to developed markets, mainly the EU, on the basis of the categorisation of countries introduced in Figure 1 of Chapter 1. There may be some overlap in products amongst LDCs and the Low-Income Non-LDC Major Exporting Countries as they compete in the same markets for the same products.

Figure 2
Range of main products exported by ADCs – SSA (excluding South Africa)

LDCs	**Low-income Non-LDC Major Exporting Countries**
Banana	Banana
Pineapples	Pineapples
Mangoes	Mangoes
Papaya	Papaya
Melon	Melon
Passion fruit	Passion Fruit
Lychee	Lychee
Green Beans	Green Beans
Mangetout/Sugar Snap Peas	Mangetout/Sugar Snap Peas
Baby corn	Baby corn
Cherry Tomatoes	Cherry Tomatoes
Chillies	Chillies
Asian vegetables	Asian Vegetables
Other minor vegetables	Other minor vegetables
Some added value fresh fruits and vegetables or minimally processed products (e.g. cut, sliced, mixed vegetable consumer packs, fruit salads peeled & cored pineapples)	Added value fresh fruits and vegetables or minimally processed products (e.g. cut, sliced, mixed vegetable consumer packs, fruit salads, peeled & cored pineapples)
Edible Nuts (raw/unprocessed)	**Tropical Beverages**
Groundnuts/peanuts	
Cashew Nuts	Coffee
Macadamia	Cocoa

	Tea (including organic)
Tropical Beverages (raw/unprocessed)	Semi-Processed/Processed Tropical Beverages
Coffee Tea (including organic) Cocoa	Cocoa Butter, Cocoa Paste Coffee Liquor, Chocolate Coffee Extracts Instant coffee
Semi-Processed Tropical Beverages Cocoa Butter, Cocoa Paste Coffee extracts, Coffee liquor	Processed Fruits &Vegetables
Pockets of processed fruits and vegetables	Canned Pineapples Canned Vegetables Fruit Juice - Orange, Pineapples, Passion fruit, Guava

Figure 3
Range of main products exported by ADCs – South Africa & North Africa

South Africa		**North Africa**	
Fruits	Vegetables	Fruits	Vegetables
Mangoes Pineapples Avocado	Asparagus Green Beans Mangetout/	Citrus Dates	Olive Potatoes Tomatoes Frozen vegetables
Lychee Papaya Melons	Sugar Snap Peas Sweet/Baby Corn Other Vegetables		Added value Fresh Fruits and vegetables or minimally processed products (e.g., cut, sliced, mixed vegetables, consumer packs)
Apples Citrus Pears Table Grapes Plumps Peaches Apricot Cherries	**Processed Fruits & Vegetables** Added value Fresh Fruits and vegetables or minimally processed products (e.g. cut, sliced, mixed vegetables consumer packs, fruit salads, peeled & cored pineapples		Processed Fruits & Vegetables Olive Oil Tomato products/paste Canned fruits & vegetables Fruit Juice
	Various canned fruits and vegetables Pulp and Tropical Fruit Juices		

From the above, it can be seen that South Africa has the widest product range of all ADCs. Even so, individual SSAs (excluding South Africa) export a combination of traditional products, which can account for up to 80 percent of exports, as well as a few air freighted high value vegetables. For example, Uganda exports coffee, tea, chillies and Asian vegetables. In contrast, North African countries specialize in Mediterranean products, which are different from the other groupings, except for tomatoes and citrus.

It is to be noted that seven ADCs countries (excluding North Africa) accounted for over 80 percent (in volume) of exports of exotics/tropical fresh produce to the EU in the mid-90s (bananas are excluded). These are South Africa with a market share of 60 percent, followed by Côte d'Ivoire (19 percent - 130,000 tonnes), Kenya (6 percent – 41,000 tonnes mainly airfreight); and Ghana (4 percent – 30,000 tonnes shared sea charters, containers and air). Other relatively important exporters of fruit amongst ADCs include Madagascar (1 percent – 9,000 tonnes), Zimbabwe (0.5 percent – 3,000 tonnes mainly airfreight) and Cameroon (1,000 tonnes). A large proportion of exports from Côte d'Ivoire and Cameroon are sea freighted bananas.

Large volume exporters of tropical fruit have good sea connections and can exploit opportunities for volume expansion in existing or new markets. Landlocked countries and others without export volumes to fill large-scale refrigerated sea freight containers, which require a minimum of 2000 tonnes per sailing, can share split containers. This strategy can provide new market opportunities as long as the sharers are trading in the same countries.

The pressure for airfreight space and high airfreight rates means that only relatively low volume, high value products, like certain types of fresh vegetables, can bear the cost and still be competitive.

Appendix 2 presents the full range of products and international competition from suppliers.

Market Characteristics and ADCs' Trade with Developed Markets

EU

(i) Fresh Fruits and Vegetables

In 2000, the EU imported US$18.6 billion of fresh fruits and vegetables, with Germany, the UK, France and the Netherlands being the leading importers. Bananas are the leading fresh fruit product, accounting for almost a quarter of the EU's total fruit imports. However, there are signs that the overall demand for fresh fruit and vegetables is saturated and there is now an oversupply. Many of the products exported by ADCs are tropical and off season fruits and vegetables. Exotics are still showing growth albeit at a slower rate than in the past.

Of total imports into the EU of exotics and off-season fruits and vegetables, North African countries had a market share in value of 17.7 percent in 1997 followed by South Africa with 11.4 percent. The share of ACP imports was 13.1 percent. From the ADCs covered in this study, South Africa was the leading exporter of fresh fruits with a 10.6 percent market share in value. This compares with 5.5 percent versus 12.2 percent for the North African countries and 4.2 percent versus 8.9 percent for vegetables for ACP countries.

The leading exporters of mainly air freighted vegetables to the EU from SSA in the mid 90s were Ghana, followed by Burkina Faso and Senegal, Gambia, Cameroon and Côte d'Ivoire. Zambia and Zimbabwe are also significant exporters from Eastern Africa.

Latin American countries (i.e. Chile, Colombia, Mexico, Costa Rica, Ecuador, Brazil, Argentina) provide stiff competition for Sub-Saharan African ADCs in the supply of exotics (e.g. mangoes, melons, papaya) to the EU market. North Africa and South Africa compete with products from the EU in their product range.

(ii) Processed Fruits and Vegetables

The EU is both a leading importer and exporter of processed horticultural products. Imports (7 countries)[23] were valued at US$ 9,565 million while those for exports (6 countries – excluding UK) were around US$ 8,462 million in 1999.

Processed products (e.g. fruit juice, olive oil, tomato paste) make up only a small amount of imports to the EU from ADCs compared to fresh produce. They were only worth Ecu 307.9 million in 1997, compared to Ecu 1566.3 million for fresh items. ACP countries exported Ecu 110.7 million compared to Ecu 101.8 million from North African countries and Ecu 95.4 million from South Africa. Amongst the North African countries, Morocco was by far the leading exporter valued, at Ecu 99.3 million with a market share of 3.7 percent compared to Ecu 1.5 million from Tunisia and Ecu 0.9 million from Egypt.

Dried fruits are exported to the EU market by some ADCs to supply the increasing demands of the health food market for cereals and snacks.

Growth in processed fruits and vegetables through trade amongst EU countries (i.e. export and re-exports) is significant for the EU.

(iii) Tropical Beverages – Raw/Processed

ACP countries of whom 40 are classified as LDCs, exported cocoa valued at US$1,590 million in 1999 to the EU. This compares with exports of coffee valued at US$1,062 million during the same period. Cocoa and coffee exports represented 96.2 percent and 23.5 percent of EU imports respectively.

(iv) Raw/Processed Edible Nuts

ADCs exports of edible nuts are limited to raw groundnuts, mainly from Gambia and Senegal, together with cashew nuts and macadamia. There are some exports of almonds from Tunisia while South Africa produces limited volumes. From a position of productive strength, the opportunities to exploit the growth potential in these high valued processed edible nuts in developed markets has not even begun to be realized. For example, raw cashew nuts are at present exported from Mozambique to India, where they are processed into roasted nuts and mixed consumer packs before being sold on to the EU.

[23] Figures include EU imports of processed horticultural products for 6 countries - the Netherlands, Italy, Belgium, Spain, Germany, France. Exports are for 7 countries - Germany, France, UK, Netherlands, Belgium, Italy and Spain. Figures include intra-EU trade.

There are missed opportunities to make revenues from added value activities like this. Of course there are many reasons given the lack of processing facilities, the problems of meeting the strict phytosanitary regulations in developed markets, the high tariffs in developed markets and even, the recent regulation in the EU on aflatoxin levels for dried fruits and nuts. But these explanations have all been heard before. Behind it all is a lack of willingness to invest in the things that really matter and that will make a difference.

United States

Let us take a look at different markets in some detail.

(i) Fresh Fruits and Vegetables

The US is a major producer of vegetables, sub-tropical fruit and deciduous fruit. Fruit and vegetable imports and exports reached US$8.7 billion and US$8.9 billion respectively in 1999. This represents a share of about 24 percent of total food and agricultural imports. Exports had a market share of 18 percent in 1999. Over the last decade, imports of fresh fruits and vegetables showed rapid growth of 109 percent while exports grew by 107 percent. Fruit imports (including both fresh and processed products and tree nuts) showed strong growth in value from US$2.6 billion in 1990 to US$4.2 billion by 2000. Grapes and melons are the two most important products accounting for a significant share of imports. These were valued at US$552 million and US$261 million respectively. Citrus (US$224 million), mangoes (US$ 145 million) and pineapples (US$134 million) account for significant imports.

Although the US is a major exporter of fresh fruits and vegetables, it also imports a significant amount from the region. Mexico is the main source of winter vegetables and is able to supply with the benefit of the NAFTA agreement. In addition, Chile, Mexico and the Caribbean Basin Initiative provide the US with imports of tropical and off-season fruits and vegetables. Chile’s exports of horticultural products to the US were valued at US$1.01 billion in 2001. The EU is also a major exporter of fruit, particularly citrus.

Opportunities for ADCs to supply the US are limited. This is because of the poor international freight connections and intense competition from Central and South America. However, this notwithstanding, South Africa has succeeded in exporting fruit (40,000 tonnes in mid 1990s). This is evidence of South Africa's ability to produce and pack to specification, and then deliver top quality products on time.

(ii) Processed Fruits and Vegetables

The US is a major exporter of high-value processed foods and beverages. This sector has shown rapid growth over the last five years and in 2000, exports of processed products were valued at US$22.5 billion. This sector accounted for 39 percent of total agricultural and food exports in 2000 compared with 33 percent in 1996 (USDA). ADCs exports of processed fruits and vegetables to the US are negligible. There are some exports from South Africa.

Outlined below are the main US exports of processed foods and vegetables showing strong growth from 1996-2000.

Figure 4
Key US exports products and growth rates - 1996-2000

For convenience, products are shown in descending growth rates.

Product	**Value Million US$ 2000**	**Growth rate %**
Wine	538	14.9
Cocoa products	453	7.8
Potatoes (frozen)	376	7.2
Vegetables (fresh):other	338	6.9
Stone fruit (fresh)	306	6.0
Fresh grapes	455	5.5
Food preparations: mixtures	1,966	3.0
Other nuts and fruit (dried and fresh)	295	2.7
Potatoes (preparations)	357	2.4
Orange Juice	354	1.0
Vegetable (preparations); other	326	1.0

Source: USDA

From the above, it can be seen that wine shows the fastest growth rate over the last five years. This was followed by cocoa products, frozen potatoes, fresh vegetables and fresh stone fruit. These are all products of particular export interest to ADCs.

(iii) Tropical Beverages – Raw/Processed

US exports of high-value cocoa products have shown rapid growth rising from US$ 335 million in 1996 to US$ 453million in 2000. This represents an increase of 7.8 percent over five years.

There are some exports from ADCs of coffee, cocoa and tea to the US market.

(iv) Raw/Processed Edible Nuts

US exports of edible nuts and nut products were valued at US$1.1 billion in 2000. These include shelled almonds, raw shelled peanuts, shelled pistachios, processed peanuts and other types of nuts. With the third largest peanut industry in the world accounting for 5 percent of production in 2000, the US provides stiff competition for ADCs products' in international markets. US exports of raw shelled peanuts were valued at US$174 million in 2000. For processed peanuts, exports were valued at US$58 million in 2000. The main export markets were the EU, Canada and Japan for processed peanuts.

ADCs' exports of high value and processed edible nuts, such as peanut butter and roasted cashew nuts are insignificant. As we shall see in Chapter 4, the market for processed peanut products in the US is protected by high tariffs and as a result domestic prices are high.

Japan

(i) Fresh & Processed Fruits and Vegetables

Japan's main imports are vegetables and fruit, particularly pineapples and citrus fruits. Of these, vegetables have shown strong growth in recent years, particularly frozen vegetables, a phenomenon which is attributed to the rise in fast food outlets. ADCs' exports of fruits and vegetables, both fresh and processed, to this market are negligible. One of the main reasons cited for this are the strict phytosanitary regulations and poor international logistics connections. Even so, South Africa exports successfully some varieties of deciduous fruit, which proves that these barriers are not insurmountable.

With rising incomes and population growth, the economies of the Far East, China and India are promising markets for fresh produce and processed products. Compared to suppliers in the US and to a lesser extent Australasia, both high labour cost producers, ADCs do not seem to have taken advantage of this opportunity.

ADCs' exports of processed fruits & vegetables and edible nuts are insignificant. In 1999, these were valued at around US$236 000, representing less than 1 percent market share. (This figure includes edible fruits & nuts valued at US$96 000 – UNCTAD 2000)

(ii) Tropical Beverages – Raw/Processed

LDC exports of tea in 1999 were valued at around US$621 000 while that for coffee was around US$201 000.

Comments on ADCs' Trade in Tropical Beverages
ADCs export a range of semi-processed products such as coffee extracts, cocoa pastes and cocoa butter to developed markets. However, exports of higher value processed products such as chocolate and instant coffee exports are limited. The trade and marketing of these products is mainly dominated by MNEs who have established branches in developing countries.

MNEs control the supply, distribution and marketing of traditional commodities. Consumption of these products has been declining as have real prices. ADCs are price takers. They obtain a small margin of the retail price in developed markets. There has been growth in some niche markets for speciality products (e.g. so-called "gourmet" or speciality coffee). Unfortunately, ADCs have not benefited from the increased margins reflected in high retail prices in developed markets.

The following section examines the changes taking place in developed markets and what appropriate responses could be made by ADCs if they are to succeed in improving their competitiveness and expand their market share.

Changes in Developed Markets and Competitiveness

World demand for traditional agricultural products is expected to continue its decline compared to the high growth in processed foods. ADCs need to be aware of this and other international trends. This is because such trends have direct implications for their policy making regarding the expansion of exports in developed markets. Furthermore, some of the trends underlie issues that are scheduled for discussion at the forthcoming Doha Round of

negotiations. These include food & safety, the environment and MNE's. Here are the issues likely to affect ADCs.

1. Saturation in consumption of traditional commodities

The consumption of traditional commodities has become saturated in western markets. Coffee, for example, has been hit by a number of factors such as low income elasticity of demand and availability of substitutes. Over supply is also a problem.

2. Slow growth in exotics (fresh produce) in the main market of ADCs - The EU

Over the last two decades exotic fruits and off-season vegetables have shown dynamic growth in an otherwise static fresh fruit and vegetable sector. Growth is now slowing down overall. However, there are some niche products still showing growth, for instance organics and selected fine vegetables.

Forecasters say that the future will be driven by innovative products (new varieties) and technology (extended shelf life or improved packaging). Already this can be seen happening. However, overall the market is oversupplied as ADCs compete for a slice of a smaller cake. As basic economic theory tells us, when supply exceeds demand prices fall. This coupled with the strong purchasing power of supermarkets means that ADCs will need to export significantly more fresh produce which is in demand (estimated at 348,000 tonnes in 1997) if they are to realise similar returns to those enjoyed in the past.

3. Shift and growth in global trade to processed foods

In OECD countries between 1980 and 1996, exports of primary agricultural commodities grew by only 2.5 percent compared to 6.5 percent for processed products. While developed countries captured the bulk of this rapidly growing sector, some developing countries have also benefited. Coffee and cocoa provide two examples where developed countries have gained from the increased growth in processed products.

Exports of the top ten cocoa-exporting developing countries declined as the stage of processing increased. From 1996-99, the market shares of these countries was cocoa beans (83 percent), cocoa butter (30 percent), cocoa powder (18 percent) and chocolate (1 percent). In contrast, the share of chocolate exports in the total trade for cocoa rose from 20 percent in 1970-75 to 56 percent in 1996-99. The share of cocoa-exporting countries' chocolate exports declined from 1.3 percent to 1 percent over the same period. Coffee has followed a similar trend. While the share of the top ten coffee exporters in green coffee remained unchanged at about 67 percent between 1970-75 and 1996-99, their share in roasted coffee declined from ten to two percent during the same period.

4. Diversity of consumer preferences in markets

Consumers are demanding more choice, higher quality and consistency when they buy fresh produce. Also changes in lifestyles mean that consumers are more attracted to convenience foods that have been prepared or processed in some way. This ought to be good news for suppliers because if they add value to their products they have the potential to charge more.

There are differences between markets and in tastes between the US and various European

markets. For example, some markets prefer white to green asparagus or green instead of black avocados. Such sophistication in agricultural product markets calls for a high degree of professionalism to manage and improve supply chain relationships. Greater emphasis will need to be put on creating and adapting products specifically to meet the needs of markets.

5. Lower population growth

Developed economies are experiencing low population growth. This means that the market for products for the young will not be as buoyant as in the past.

6. Ageing population

The population is ageing in developed markets. Products that cater for the needs of this market will have better opportunities. For example, studies indicate that adults consume more fruits and vegetables than the young.

7. Concentration, consolidation and vertical integration of Multinational Enterprises

The trend towards concentration is evident in the US and Europe and is steadily increasing all over the world. MNEs are powerful and dominate the trade in fresh and processed agricultural products. Companies such as Cargill, McDonalds, Con Agra, Nestle, Monsanto and Walmart operate across countries and are prepared to shift production bases whenever that offers the prospect of reducing costs. They control the supply and marketing chain from the farm to the retailers' shelf. The empirical 80:20 law appears to operate here. This means that 80 percent of the market is controlled by 20 percent of the players, a pattern that is certainly true in world trade in cocoa, coffee or tea. This trend raises the issue of the degree of control producing countries are likely to have in future over agricultural exports, including prices and the method by which they are produced. MNEs on the other hand bring technology transfer and other benefits like job creation and training.

Agricultural policies in developed countries also influence the behaviour and organisational structure of MNEs in international markets (e.g. FDI, location, export incentives such as processing aid in the EU for fruits and vegetables, US agricultural assistance programmes, etc). These can have an impact on the development plans and prospects for diversification of ADCs**.** For example, the concentration and consolidation of MNEs have led to their dominance in the trade of many agricultural products and commodities. Many have diversified into the high growth areas of high value and processed products. The high costs associated with processing, packaging, advertising, research, and development, marketing and distribution, knowledge of varying consumer tastes and preferences in various markets and economies of scale required provide MNEs with a competitive edge over Small or Medium-sized enterprises (SMEs).

8. Concerns about Quality and the Environment - Stringent Food and Safety Requirements

Consumer demand for improved food quality has led to the public and private sectors developing and implementing mandatory and voluntary quality control, management, and assurance schemes. These schemes are changing the way in which food products are produced, marketed, and traded in Europe and to some extent in the US.

Increasingly, environment-friendly food production determines customer acceptance of products. Waste disposal, recycling, pollution, worker safety and welfare and child labour are some of the issues that pose an increasing threat for ADCs in developed markets. They risk becoming non-tariff barriers for ADCs without clear, defined rules under the multilateral trading system.

Various food scares, like Mad-Cow disease in Europe, have resulted in consumers demanding more information about production processes and methods. Much of this has to be provided using informative labelling. At the heart of chain management and quality assurance schemes is traceability, being able to track down where errors occurred. Good though these moves may be for consumers, they pose additional problems for suppliers and increase costs. In order not to risk losing markets and market share, ADCs need to constantly monitor changes in their external environment. Consumer concerns for quality and multilateral rules governing quality issues are likely to play a significant role in shaping trade in the future in agricultural products.

9. Diverse and constantly changing regulations and the need for differentiation in markets

As has been shown, in developed markets there are many and constantly changing regulations in the marketing environment, which can be costly and burdensome to comply with. Furthermore, exporters often have to fulfil different standards and requirements when targeting different export markets. This may require using different packaging, recipes, labelling and so on. For some ADCs this is just too much and the costs involved become an insurmountable barrier to trade.

From the above, it can be seen that being able to manage change and the diverse relationships in a fast moving international market is crucial for ADCs if they are to increase exports in developed markets.

Factors Driving Growth

The main factors driving growth are as follows:

1. Urbanization and Rising Incomes

Affluent and educated consumers in developed countries have driven the growth in fresh and processed high value products. The trend of growing urbanisation is spreading to developing countries, for instance East Asia, and fuels additional demand for high value processed foods.

2. Nutrition and Health Concerns

Consumers are increasingly becoming health conscious and are interested in a healthy lifestyle. They demand products that maintain good health or reduce health risks. Usually this means that products must be low in fat and have limited sugar and salt contents. There is also a trend towards natural, nutritious foods grown organically. For example, per capita fruit and vegetable consumption in the US increased 25 percent between 1977 and 1999. The world market for organic foods (albeit from a low base) has been growing at annual rates of 15-30 percent in Europe, the US and Japan for over five years.

3. Convenience

With a busy lifestyle, increased mobility and the rise in the number of women working, developed country consumers show growing demand for convenience foods. This has resulted in increased demand for pre-packed products, consumer packs containing semi-prepared vegetables and prepared, ready-to-eat meals.

4. Rise in Single/Dual Household Families

With a longer life expectancy and a rise in the divorce rates in developed countries, there has been a rise in single headed families. Also, dual-income households (mainly in urban areas) have less time for cooking. The outcome is increased preferences for more highly processed, convenience foods.

5. Product Differentiation

Increased product differentiation and segmentation of the market account for much of the growth in high value added products in developed markets. This phenomenon has become evident in developed markets. Producers and retailers offer a wide range of products in which the merits of particular geographical locations, recipes and brand names are highlighted.

6. Technological advances

The perishable nature of fresh horticultural products formerly limited the opportunities for trade. However, technological advances like extended shelf-life, coupled with improved distribution and logistics, and better post-harvest handling techniques have provided the impetus for increased trade in fresh horticultural products. They have all contributed to increased and stable supply at competitive prices. For example, the trade in chilled vegetables and frozen products has shown strong growth in Japan.

7. The URAA and Reduced Barriers in Trade

The URAA and Regional preferential trading arrangements have reduced barriers to the trade in horticultural products. For example, the North America Free Trade Agreement (NAFTA) has helped provide a more open trading environment within North America. This has contributed to some extent in the large increase in fruit and vegetable trade between the US, Canada and Mexico.

Positioning of Developed Countries for High Value Exports

With the implementation of the URAA, the race is on and competition is intensifying both amongst developed and advanced developing countries for lucrative export markets.

Developed countries are positioning themselves to take advantage of the opportunities in promising export markets in developing countries such as China, India, South-East Asia, Latin America and selected Eastern European markets. Consumers in these markets are becoming more affluent and fill the gap caused by a falling population at home. Again, with growing wealth the erstwhile developing countries' consumers begin to exhibit many of the characteristics of those in developed markets. Since the URAA, the EUs' exports of processed

foods to these markets increased by about 117 percent and are now worth approximately Euro 33.9 billion.

The fact that developed markets are strengthening their competitive position in global trade is not accidental. It is the result of the measures outlined below:

1. The recent US Farm Bill encourages direct aid to farmers. This will have some impact on strengthening their competitive position in the trade in agricultural products.

2. Under the CAP, the EU targets export refunds for value added food products under the non-annex 1 budget (see Appendix 6 for list of products). This means that EU producers are able to target and supply international markets more competitively than they would otherwise be able to without such processing aids.

3. The reduction of raw material costs as a result of the shift away from price support towards the provision of direct aid to farmers is also an important factor. This is particularly the case for dairy and sugar, which are two important ingredients used in processed food products. Here the EU policies directly influence world market prices.

4. The provision of marketing assistance to help exporters and trade associations to capture world markets. For example, the US provided $33.55 million to various trade associations in 2001 for international market development and allocated $11.87 million for the Quality Samples' Programme.

5. Reciprocal Regional Trade Initiatives. Developed markets (particularly the EU) are feverishly negotiating bilateral or regional trade agreements with countries to increase exports and improve their competitiveness. For example, the EU has initiated concrete steps for its enlargement to the East. At the same time it has negotiated some bilateral Association Agreements with a number of other countries, including Chile.

The above policies undertaken by developed countries are clearly aimed to enhance their competitive position in the exports of high value processed products. Unfortunately, for developing countries it restricts market opportunities for value added processed goods. Such an outcome is completely contrary to the pro-development stance espoused by the EU, yet in reality its policies do little to encourage developing countries to build up high-value added food processing industries.

It is debateable whether, as in the case of the EU, the phenomenal growth in exports would have taken place had export refunds not been in place. Nonetheless, it is impossible to imagine that the EU programmes of support to its value added food product exporters have had no impact on the processing industries in developing countries.

Implications for ADCs

The difficulties ADCs face in the export markets of their main trading partners have been discussed earlier. It is not just because of their dependence on traditional commodities, or falling commodity prices, or having a narrow export base, or facing intense competition and reduction in tariff advantages. Nor is it solely due to liberalisation, tied preferences, or oversupply and competition amongst ADCs. It is that if they are to benefit from open markets, ADCs must learn to compete effectively in international markets. This means that they have

to recognise, then **match or exceed,** the standards expected of them by their customers. This may not be a particularly palatable message. In a global economy ADCs must learn that:

1. To shift away from a high dependence on commodities and volatile prices, to higher value added food products for developed and other developing countries, can only come about if serious note is taken of customer demand and preferences and all supporting mechanisms are built around the principle of serving customers.

2. Using limited resources, they must be clearly focused on the best market opportunities. For example, finding new markets for existing products that have not been fully exploited before by others. These are likely to be in the promising or emerging high growth/high income markets of China, South-East Asia and the Middle-East.

3. The main areas of ADC policy must focus on adding value to export products wherever and whenever they can, thereby establishing a differential advantage over their competitors. This means that their products must be juicier, tastier, wholesome, better quality, fresher, of higher nutritional value, available at just the right time, better packed, more convenient, or even unique. Any of these features has the potential to deliver the benefits the customer seeks that cannot be delivered by competitors.

4. It is people that make the difference, and ADC governments and companies therefore need to invest in well thought-out and well-designed training programmes for key staff. Remember that when funds are low it is important to spend on the drivers, not the passengers, if results are needed.

The following table demonstrates how adding value to a product could benefit the seller.

Table 1
Examples of Added-value Products – 1997

Products	Example CIF Value US$/Kg	Added-value over basic product %
Mangetout loose	3.80	0
Pillow Packed Mange Tout	4.50	+18
Trimmed & tray packed Mange Tout	6.40	+68
Mixed pack of Mange Tout Peas & Baby Corn	6.80	+79
Air-Freighted pineapples	1.20	0
Peeled & cored Pineapples for final packing in Europe	3.25	+170
Peeled & Cored Pineapples in consumer pack	5.00	+317

Source: Post Uruguay Round Horticultural Export Opportunities for Countries in Sub-Saharan Africa

Summary of chapter

For ADCs to be successful in exporting and to be able to capitalise on any liberalisation measures, two things are essential. One is to invest in products that will be profitable. The other is to reach markets that will be attractive.

Fresh and processed fruit and vegetables, together with edible nuts and high valued processed tropical beverages (e.g. chocolate) are all products that have shown strong growth in developed markets over recent years. In addition, these all have the potential for high earnings. They also give suppliers an opportunity to establish differential advantages by exploiting factors like quality and seasonality.

Our survey identified the products exported by each group of ADCs and this information provided the backdrop for the rest of the chapter. Arising from this data was some general discussion about problems associated with volume supply and delivery to the customer.

The emphasis then switched from products to markets. This enabled an assessment to be made about the extent to which the selected products matched the characteristics of their markets. The main focus was on the EU, because of its significance for ADCs, although Japan and the US were also covered.

Overall it was possible to discern a number of changes taking place in developed markets. These included changes in the population and consumer needs, increasing demands for variety, quality and purity, and the concentration of buying power with a relatively small number of giant multinationals.

From this analysis it was possible to identify a number of factors likely to drive growth for the selected products. These centred mainly on the increasing affluence of the developed world and the consequent changes in lifestyle of the population. However, it is one thing to identify opportunities and quite another to make them a reality. At the end of the day ADCs must be imaginative enough to mobilise their scarce resources in more productive ways. For many of them this will not be an easy transition to make, but the prize that awaits is well worth winning.

CHAPTER 4

MARKET ACCESS AND TRADE BARRIERS

Overview of Chapter

This chapter focuses on the degree of protection in developed markets that exists for products that are of export interest to ADCs. In this context the barriers ADCs face in developed markets are examined in some depth. As we saw earlier, barriers can be either tariff or non-tariff based. Analysis of typical examples of protection show that they arise not by accident, but as a consequence of developed countries' trading policies.

The main non-tariff barriers that will be examined include food and safety measures, technical standards such as food labeling, existing trade preference schemes and specific agricultural policies of developed countries. All of these are capable of limiting the potential of ADCs to diversify and/or expand their exports.

The pattern of non-tariff barriers is examined so that ADC exporters will be able to make informed decisions before entering a new market or attempting to increase market share in an existing one. Both existing as well as potential processed products for export are analysed and, as has been the practice throughout this study, wherever possible the main ADC groupings will provide the focal point for the issues raised. This allows for a greater strategic focus.

Trade preference schemes are then considered in terms of how much they have helped ADCs in the past and what value they may have in the future.

Finally there is discussion regarding what might be done to help ADCs to overcome the trade barriers they face. This is considered from two angles (i) what steps could be taken by the international community and (ii) what issues might ADCs be advised to tackle themselves.

How open or protected are markets for ADC exports?

The accepted key indicators used to determine the degree of protection or openness in markets are:

(i) Tariff Peaks - the level of tariff as a percentage of the price of the product. For the purposes of this study tariff peaks are defined as tariffs above 15 percent.

(ii) Tariff Escalation - a mechanism which increases the tariff rate according to how much processing has gone into the product. For example, raw or basic goods would face one level of tariff, whereas a semi-processed or finished product would earn a higher level.

(iii) Managed trade - these are the publicized non-tariff measures that can be used, for example Tariff Rate Quotas, Special Safeguard measures or the EU entry price system.

Tariff peaks, tariff escalation and the allocation and administration of TRQs are some of the most important issues which concern ADCs. Thus, not surprisingly, these are at the top of the agenda during the next Doha Round of negotiations. Given their importance, they will all be examined individually here to assess their contribution to protection in each of the developed markets for the selected products. However, before examining the nature of protection in

developed markets, it is necessary to point out some of the technical difficulties involved in making comparisons across products and markets.

Pattern of Tariff Barriers and Complexity of Tariffs in developed markets

Developed countries have complex tariff regimes (in contrast to the majority of developing countries who use the simple ad valorem rate). The complexity of their tariff and TRQ schedules poses barriers to understanding the nature of protection. The lack of transparency associated with non-ad valorem tariffs hides the actual level of protection in developed markets. This is particularly the case with compound tariffs, or those based on complex technical factors, and makes it difficult to compare protection across countries or products.

For example, imports of grape juice in the EU are subject to double compound tariffs, with specific duties added on the basis of volume and weight. Moreover, there are variable rates depending on the season and product value. In Japan and the EU, some products are assessed the maximum (or minimum) of two rates, while others are assigned a tariff rate based on certain attributes of the product. These include, for example, the percentage weight of sugar or the percentage by volume of alcohol (see appendix 7). Import-sensitive products will often have an additional safeguard duty added when imports reach a certain level or the price falls below a certain point. This last point is fairly common practice in the EU and Japan.

The complexity of tariff schedules in developed markets makes the task of negotiating tariff reductions extremely difficult. For ADCs, this is particularly problematic because of their economic need to increase exports to developed countries. Therefore it is essential that in the next Doha Round of negotiations, one of the main goals should be to increase transparency by formulating stricter rules on the submission of tariff and TRQ schedules.

Processed Products

In this section the analysis will follow two main strands:

1. It will examine the pattern of distribution of tariff peaks and tariff escalation in developed markets

2. It will compare how specific horticultural products are treated in developed markets

1. Examining the Pattern of Distribution of tariff peaks and tariff escalation in developed markets

(i) Tariff Peaks

Comparing tariff peaks for specific product categories of interest to ADCs in the main developed markets is useful because it provides a picture of the nature and extent of protection in these markets. Even so, because tariff lines may be aggregated they can mask the true nature of protection for specific products.

Thus, for example, a broad product category such as Edible Fruit and Nuts, melons (as shown in Chapter 08 of the HS Nomenclature) may have an average tariff peak of 17 percent. However, for a specific product in this category, such as pineapple juice, the true level of protection may be closer to thirty percent. The analysis of tariff peaks that follows includes both MFN and preferential tariffs under the basic GSP scheme and trade concessions granted to LDCs by developed countries.

Tables 2 and 3 show the evidence of tariff peaks in developed markets for various product tariff lines. They also show the effect of tariff peaks on the imports of LDCs and non-LDC developing countries across the various product tariff lines and markets of export interest to ADCs. The interpretation of these figures needs to be taken cautiously. This is because within the various product tariff lines, there may be hidden high tariff peaks for individual products, as was shown with the example of pineapple juice above.

Table 2
United States Tariff Peak Imports by HS 2-digit (1996-98 average)

Tariff Peak at HS 2-digit Product	Developing countries (non LDC)			LDCs		World	
	Non-Mexico $'000	Mexico $'000	Total As % of All Peaks	Imports $'000	As % of All Peaks	Imports $'000	As % of All Peaks
07 Edible vegetables and roots nes	21946	163044	1.0	17	0.0	220214	0.5
08 Edible fruit and nuts; melons	145263	166620	1.7	6	0.0	317574	0.8
20 Prep of vegetable, fruit, nuts	309031	66832	2.0	15	0.0	441239	1.1
21 Miscellaneous edible prep	132	469	0.0	0	0.0	5230	0.0
All Above Peak Products (4)	476372	396965	4.7	38	-	984257	2.4

Source: Computations based on UN COMTRADE Statistics.

The above table shows that the percentage of tariff peaks in the US for product tariff lines of interest to this study is low averaging from 1 to 2 percent. LDC imports to the US for all product tariff lines are negligible. In contrast, the exports of Mexico and Non-LDC developing countries are quite significant, valued at between US$397 million and US$476 million between 1996-1998. It appears from the above that in spite of the low tariff peaks that exist in the US for specific products of export interest, LDCs export performance is poor. Some other factors must explain this.

Table 3
Japan's Tariff Peak Imports by HS 2-digit Product (1996-98 average)

Tariff Peak at HS 2-digit products	DCs (non-LDCs)		LDCs		World	
	Value $'000	As % of All peaks	Value $'000	As % of All Peaks	Value $'000	As % of All Peaks
07 Edible vegetables and roots & Tubers	846	0.0	0	0.0	847	0.0
08 Edible fruit and nuts; melons	632238	13.1	5	0.0	842950	5.3
09 Coffee, tea, mat and spices	26052	0.5	163	0.6	74160	0.5
18 Cocoa and cocoa preparations	85582	1.8	0	0.0	266135	1.7
20 Prep of vegetable, fruit, nuts prod	871435	18.1	5	0.0	1264282	8.0
21 Miscellaneous edible preparations	266046	5.5	51	0.2	747216	4.7
All above Peak Products (6)	1882199	39.0	224	0.8	3195590	20.2

Source: Computations based on UN COMTRADE Statistics

In Japan, the export performance of LDCs is hardly any better (excluding coffee, tea, maté and spices) than in the US. The above table shows that Japan has a significantly higher percentage of tariff peaks in its tariff schedules at 13.1 percent for Chapter 8 compared to the US at 1.7 percent. In spite of these higher tariffs, Non-LDC countries were active in the market with exports valued at around US$632 million. Amongst the product tariff lines shown in this table, food preparations have the highest number of tariff peaks at 18.1 percent. Non-LDCs share of exports were valued at US$871 million compared to US$ 5,000 for LDCs.

Tables 4 to 6 show the concessions granted to LDCs and other countries under the various trade preference schemes of developed countries. A value of 1 in the preference columns indicated means that the products enter developed markets duty-free. There is a 100 percent margin. Please note that individual countries with bilateral and FTA agreements may have better access conditions than those indicated in the tables below.

EU

The table below shows high MFN tariff peaks averaging from 16 percent (Chapter 09) to 26.1 percent (Chapter 07) for products imported into the EU with tariff peaks. The product tariff line showing the highest number of tariff peaks is food preparations (42). The EU is generous in granting both LDC and ACP countries the highest preferential tariffs vis-à-vis other competing countries. Since the EBA initiative LDCs now have significant advantages over other non-LDC ACP members and other competing countries under the basic GSP scheme. ACP members have significant tariff advantages over other countries under the basic EU GSP scheme and countries with FTAs.

Table 4

Preferential access into the EU market in tariff peaks (percentage)

Tariff Peak at HS 2-digit Products	# of 6-digit tariff lines	MFN Tariff	LDC Pref	GSPPref	ACP Pref.	ACP +LDC Pref.	FTA Pref.
07 Edible vegetables and roots & tubers	12	25.4	0.79	0.15	0.66	0.79	0.00
08 Edible fruit and nuts; melons	8	20.2	0.66	0.12	0.64	0.66	0.06
09 Coffee, tea, mat and spices	2	16.0	0.50	0.69	1.00	1.00	0.00
18 Cocoa and cocoa preparations	1	24.0	0.25	0.10	0.25	0.25	0.25
20 Prep of vegetable, fruit, nuts prod	42	26.1	0.88	0.15	0.88	0.90	0.02
21 Miscellaneous edible preparations	8	19.2	0.95	0.28	0.78	0.95	0.28

Source: OECD and WTO tariff files.

US

Table 5 shows that the US has fewer tariff lines with tariff peaks (11 versus 42 compared to the EU) for food preparations (Chapter 20). LDCs enjoy duty-free and quota free access under the EBA imitative in the EU compared to preferential tariff advantages for 55 percent of products in the US. The difference in MFN tariff peaks is marginal - 26.1 percent for the US compared to 28.67 percent for the EU.

Table 5
Preferential Access into the US market in tariff peaks (percentage)

Product Description	# lines	MFN	LDC	GSP	Mexico	ATP	Caribbean
07 Edible vegetables and roots nes	10	20.56	0.88	0.18	0.90	1.00	1.00
08 Edible fruit and nuts; melons	5	16.66	0.80	0.18	0.74	0.80	0.80
20 Prep of vegetable, fruit, nuts	11	28.67	0.55	0.11	0.56	0.55	0.55
21 Miscellaneous edible prep	1	19.80	0.74	0.00	0.43	0.74	0.74

Source: OECD and WTO tariff files.

Japan

Table 6 shows that MFN tariff peaks for the various product tariff lines range from 15.80 percent to 22.77 percent. The highest percentage of tariff peaks is found in food preparations (32) lines. After the EU, the second highest number of tariffs is found in this product category. Japan provides the least percentage of preferential tariffs to LDCs in this category compared to the EU and US.

Table 6
Preferential access into the Japanese market in tariff peaks (percentage)

Tariff Peak at HS 2-digit products	# of 6-digit lines	MFN Tariff	LDC Preferences	GSP Preferences
07 Edible vegetables and roots & tubers	1	15.80	0.00	0.00
08 Edible fruit and nuts; melons	11	19.81	0.15	0.09
09 Coffee, tea, mat and spices	5	17.81	0.49	0.11
18 Cocoa and cocoa preparations	6	22.77	0.49	0.18
20 Prep of vegetable, fruit, nuts prod	32	22.69	0.23	0.06
21 Miscellaneous edible preparations	7	22.35	0.19	0.11

Source: Computations based on UN COMTRADE Statistics

(ii) Tariff Escalation

One of the main concerns of ADCs is that they face difficulty if they try to increase their incomes by processing the agricultural raw materials they produce (WTO 2001). This is because developed countries levy higher rates on processed imports than on raw materials. This situation is known as tariff escalation and is done to protect their domestic processing industries. Japan and the EU are the main importers of horticultural products and levy on average significantly higher tariffs against processed products. In contrast, the tariff schedule of the US shows little evidence of tariff escalation.

Table 7 compares the bound tariffs in the EU, US and Japan on fruit and vegetable products by the level of processing undertaken. It shows significant tariff escalation in the EU rising from 7 percent for unprocessed to 16 percent for processed products. This is equivalent to an increase of 129 percent from the level of unprocessed to processed. A similar level of tariff escalation occurs in Japan as in the EU. The degree of tariff escalation in Japan rises from 6 percent for unprocessed to 14 percent for processed products in Japan, equivalent to an

increase of 133 percent. In contrast to the other two markets, there is significantly less tariff escalation evident in the US compared to the other two markets.

Table 7
Bound tariffs on fruit and vegetable products by state of processing

Country	Tariff	
	Unprocessed %	Processed %
EU	7	16
US	5	6
Japan	6	14

Source: WTO (2001b)
Note: Simple average of MFN rates based on final URAA implementation

Table 8 compares the degree of escalation in developed markets for a wide range of products. These include coffee, tea, cocoa, roots and tubers, tropical fruits and edible nuts. MFN tariff rates are compared in developed markets pre and post implementation of the last URAA.

Table 8
Escalation by stages of processing of MFN tariffs (weighted averages) on the exports of developing countries to the Quad markets (Averages in percent equivalent ad-valorem)

	European Union			Japan			United States		
Product	Pre-UR	Post-UR	Reduction (%)	Pre-UR	Post-UR	Reduction (%)	Pre-UR	Post-UR	Reduction (%)
Coffee									
- raw	5.0	0.0	100.0	0.0	0.0	-	0.0	0.0	–
- roasted, ground	15.1	7.4	51.0	n.a.	n.a.	-	0.0	0.0	–
- extracts, prep.	18.0	9.0	50.0	22.9	14.1	38.6	0.0	0.0	–
Tea									
- in bulk	0.0	0.0	-	11.2	8.8	21.5	0.0	0.0	–
- for retail sale	5.0	0.2	96.1	20.0	13.9	30.6	0.0	0.0	–
- extract, prep.	12.0	6.0	50.0	20.0	10.0	50.0	5.3	4.8	10.0
Cocoa									
- beans	3.0	0.0	100.0	0.0	0.0	-	0.0	0.0	–
- paste	15.0	9.6	36.0	10.0	5.0	50.0	0.0	0.0	–
- butter	12.0	7.7	35.8	2.5	0.0	100.0	0.0	0.0	–
- powder	16.0	8.0	50.0	21.5	12.9	40.0	0.7	0.4	42.9
- chocolate	12.5	10.0	20.0	32.7	26.4	19.3	19.5	17.0	13.0
Manioc, roots, tubers									
- fresh, dried	87.9	56.2	36.0	2.4	1.4	39.9	10.5	5.8	44.4
- flour, meals	19.8	12.7	36.0	24.9	18.6	25.3	3.3	2.1	36.1
- starches	100.0	64.3	36.0	589.0	500.6	15.0	0.1	0.0	100.0
Tropical fruits									
- fresh, dried	9.2	5.1	44.2	16.9	13.8	18.2	6.7	5.3	21.5
- preserved	23.2	18.6	20.0	41.5	25.5	38.6	3.0	2.3	24.9
- prepared; juices	21.0	16.8	20.0	33.2	21.3	35.8	0.7	0.3	57.1
Tropical nuts									
- unshelled, crude	2.8	2.0	27.7	6.3	1.1	82.5	0.2	0.1	50.0
- prepared	14.1	9.3	34.2	26.1	18.1	30.6	19.7	14.6	25.9

Source: OECD (1997a)

Coffee
For coffee products, tariffs tend to vary between countries with imports duty free in the US. This offers market access opportunities for ADCs. There is evidence of steep escalation for processed coffee products in the EU and Japan. Under the URAA, escalation is significantly reduced in the EU, for roasted coffee and coffee extracts. These average around 50 percent.

Tea
The EU and US markets show evidence of tariff escalation in tea at the higher processed level for the extracts, albeit at low MFN rates of 6 percent and 4.8 percent respectively. In contrast, Japan shows tariff de-escalation from 13.9 percent to 10 percent.

Cocoa
Tariff escalation is evident for cocoa products in all developed markets with the highest level of escalation and protection in Japan at an MFN tariff rate of 26.4 percent. Compared to the other markets, the US does not show evidence of tariff escalation at the lower levels of processing. Chocolate, however, attracts an MFN tariff peak of 17 percent.

Roots and Tubers
The highest level of escalation is evident in processed roots and tubers where tariff rates even after the reductions from the last URAA remain prohibitively high for starches at 64.3 percent in the EU and 500.6 percent in Japan. In contrast, the US market shows tariff de-escalation with low MFN rates. MFN tariffs on starches are zero.

Tropical Fruits
The US market shows the lowest level of tariff escalation in processed tropical fruits, with fruit juices attracting a MFN tariff rate of only 0.3 percent. The US therefore provides the most favourable access opportunities for ADCs in processed tropical fruits. In the EU and Japan, MFN tariff rates are much higher at 16.8 percent and 21.3 percent respectively. All markets show evidence of tariff de-escalation[24] from the intermediate to higher levels of processing.

Edible Nuts
Edible nuts show evidence of tariff escalation and high levels of protection particularly in Japan (18.1 percent) and the US (14.6 percent).

(iii) Preferential Tariffs for Cocoa in ADCs
As we saw earlier in Table 8, before the Uruguay Round, tariffs ranged between 3 to 16 percent in developed markets. These were also subject to variable charges and quotas.

Exports of semi-processed products such as liquor, butter and powder to consuming countries enter duty free or face low tariffs. Though tariff escalation still exists in major consuming countries, tariffs have decreased following the Uruguay Round trade negotiations and many producers enjoy preferential market access (see Table 9 below).

[24] Tariff de-escalation - the opposite of tariff escalation. Higher tariffs are placed on bulk commodities raising raw material costs. This places a country's processed exports at a competitive disadvantage to other countries.

Table 9
Post Uruguay Round MFN Tariffs on Cocoa Products in selected Markets (percentage)

	EU	US	Japan	Malaysia/ Indonesia	Brazil	ACP	EBA
Cocoa Beans	0	0	0	0	0.7	0	0
Cocoa Liquor	9.6	0	5	8.4	10.2	0	0
Cocoa Cake (defatted liquor)	9.6	0.2c/Kg	10	n.a.		0	0
Cocoa Butter	7.7	0	0	6.3	7.6	0	0
Cocoa Powder (unsweetened)	8	0.52c/kg	12.9	4.2	8.2	0	0

In the EU, although the MFN tariff schedule clearly shows tariff escalation, ADCs who are ACP members are exempt. The recently negotiated EU Cotonou Partnership Agreement of July 2000 provides a complete exemption of EU tariff barriers on all unprocessed and processed cocoa products from ACP countries. LDCs also have significant advantages under the EBA scheme. When compared with other producers, there is significant tariff escalation: Malaysia and Indonesia face 0 percent tariffs on beans, 8.4 percent on liquor, 6.3 percent on butter and 8.2 percent on powder. ADCs therefore have an advantage over these countries.

Processed Fruits and Vegetables and Edible Nuts
Appendix 4 provides information on tariff rates and relevant TRQs for a wide range of processed food products across all three developed markets. Regional Trade Agreements are included focusing on some of the main suppliers providing competition for the relevant products to ADCs.

Examples of some tariff rates in developed markets for a mix of processed products (Appendix 4) are highlighted below:

(i) Markets

EU

- **Frozen Vegetables** such as frozen french fries and other frozen potato products are over 14 percent. For certain other canned vegetables, such as asparagus, olives and beans MFN tariffs range from 12.8 percent to 19.2 percent.

US

- **Dried vegetables** enter the US duty-free. In contrast, tariffs are less than 5 per cent ad valorem equivalent (AVE) on most fresh vegetables.
- **Frozen Vegetables** have MFN tariffs ranging from about 5 percent to 15 percent.

- **Canned products** includes canned tomatoes and tomato products, canned asparagus and canned homogenized vegetables. MFN tariffs range from 10 percent to 15 percent.

Japan

- **Dried Leguminous vegetables** attract tariffs of around 5 percent to 10 percent

All markets

- **Fruit Juices**

  Tariffs on fruit juices vary significantly amongst the three markets and products.

(ii) Products

EU
Fruit juices in the EU are subject to various types of tariffs, TRQs, other taxes or additional duties. These hinder the exports of ADCs. TRQs are applied on certain types of frozen concentrated orange juice and grape juice. Tariff rates vary by season, container size and the degree of product concentration (see Appendix 7). EU uses Compound Rate tariffs on orange juice, grapefruit juice and lemon juice.

US
In the US, all apple juice enters duty-free except for some non-frozen concentrated apple juice from specific companies in China

Having looked at the overall picture on the extent of tariff peaks and tariff escalation in developed markets, we now examine specific products in the fresh produce industry.

Comparison of tariffs for specific horticultural products in developed markets

The main focus here is on examining both MFN and preferential tariffs for individual products that are the main exports of ADCs. Wherever possible, the tariff rate prevailing before the implementation of the last URAA is compared with that after the reduction in MFN tariffs.

(i) Fresh Fruits and Vegetables - Nature of protection

The EU

In the following section, the MFN and preferential tariffs for specific products of ADCs is examined.

Table 10

Pre/Post URAA on Market Access and Percentage MFN Tariff rates For Main Fresh Horticultural Exports of SSA (including products from South Africa) - 1997 (percentage)

Product	Pre/URAA MFN Tariff	Post/URAA MFN Tariff	Reduction in MFN Tariff (Absolute)	ACP Preferential Rate	LDC EBA
Pineapples	9	5.8	3.2	0	0
Mangoes	4	0	4	0	0
Avocado	8	5.1**	2.9	0	0
Lychees	0	0	0	0	0
Papaya	2	0	2	0	0
Passion fruit	n.a.	0	0	0	0
Melons	11	8.8	2.2	0	0
Strawberries	14	11.2**	2.8	14	0
Apples	6	3.8*	2.2	6	0
Plums	5	4	1	5	0
Peach	22	17.6*	4.4	0	0
Pears	5	4*	1	5	0
Table Grapes	18	11.5	6.5	18	0
Green Beans	13	10.4	1.6	0	0
Mangetout Peas/Sugar Snap Peas	10	8	2	0	0
Asparagus	16	10.2	5.8	0-9.6	0

Source: GATT/WTO

* WTO/Tariff Rate Quota

** Seasonal tariffs

The above table shows the MFN tariff rate and preferential tariffs which ADCs who are ACP members enjoy. It also shows the advantages LDCs have over other LDCs under the EBA scheme.

Tariff peaks are not evident for the majority of fresh fruit and vegetables exported by LDCs and non-LDC major exporting (SSA) countries who are ACP members. The exception is peaches with an MFN tariff rate of 17.6 percent. Most tariffs to the EU on exotics/tropical products which do not compete with domestic production are low. This is in contrast to strawberries and table grapes. These products compete directly with EU domestic production and are therefore considered 'sensitive' products. The most important products exported by LDCs and Non-LDC major exporting countries are pineapples, mango, avocado, lychees, papaya, melons, table grapes (some recent off-season exports by Namibia), green beans and mangetout peas. All of these products entered the EU free of duty prior to the implementation of the URAA under the Lomé Agreement. The URAA therefore did not provide any additional benefits for any of these groupings. These products still continue to enter duty-free under the transitional period of eight years (March 2000 to end 2007) of the Cotonou Partnership Agreement (CPA).

LDCs

Compared to the Low income Non-LDC ACP major exporting countries, LDCs have the most favourable treatment. This is because under the EBA scheme, they have duty-free and quota-free entry for all of the above products.

With duty free and quota free access to the EU, LDC exporters of Southern hemisphere grapes and exporters of deciduous fruit (i.e. apples, pears, plums) have significant tariff advantages over other competing suppliers. This provides them with a competitive edge (see Table 10). This provides opportunities for LDCs perhaps such as Mozambique to enter the EU market, for example, for winter seedless grapes.

The EBA, however, did not bring about any real benefits for Non-Southern hemisphere LDC exporters. This is the case particularly for West African ACP suppliers. The main reason for this is because they already enjoyed duty-free access to the EU for the majority of tropical products and fine vegetables under the former Lomé convention. Furthermore, they are not producers of table grapes and deciduous fruit. The URAA brought no additional benefits to Non-LDC ACP and Non-LDC Southern hemisphere producers.

South Africa and Southern Africa

Non-LDC/ACP countries do not enjoy the same tariff advantages as LDC Southern hemisphere exporters above. They, however, enjoy significant gains from the MFN tariff reductions as a result of the implementation of the URAA.

The country that has gained the most from the post URAA regime is South Africa. As an important exporter of counter season seedless table grapes and Southern hemisphere deciduous fruit the lifting of sanctions and more open markets have provided enormous opportunities. It is to be noted that South Africa has a separate FTA agreement with the EU. The EU-South Africa Agreement and the preferential tariffs granted are beyond the scope of this study. However, a cursory glance of the Agreement indicates that South Africa's most important export commodities are not subject to liberalization under the current Agreement. These include for example, products such as citrus fruits, apples and pears and frozen sweet corn. In addition to this, as we shall see later some of these products are subject to TRQs.

Nevertheless, it can be seen that the reduction in MFN tariffs is particularly significant for grapes (36 percent), peaches (20 percent) and asparagus (36 percent). These are all important products for South Africa. The main competitor to South Africa and other suppliers of Southern hemisphere fruit (e.g. Zimbabwe) is Chile. Chile also has an FTA agreement with the EU. Competitiveness in terms of access will depend on the terms of the agreement negotiated by both parties with the EU.

As can be seen from Table 10 for the above group of exporters, the reduction in MFN tariffs for grapes from 18 percent to 11.5 percent (36 percent) provides new access opportunities for smaller Southern hemisphere exporters. Namibia is one country that has taken advantage of these opportunities by supplying the EU with winter seedless grapes.

As many of the products of Southern Hemisphere suppliers compete with EU domestic production (e.g. deciduous fruit), a number of these are subject to restrictions in imports. These come under developed countries managed trade regimes and will be examined later.

North African countries

In Chapter 3, we saw that the range of products currently exported by North African countries is markedly different from the other groupings in SSA (including South Africa). North African countries mainly produce a range of Mediterranean fruits and vegetables. Many of these compete directly with domestic production in the EU. As we shall see later, a number of these are considered to be sensitive (e.g. tomatoes, citrus) and are subject to certain types of seasonal and price restrictions for market entry to the EU. Market access for these countries will be discussed separately under the section - Managed Trade in the EU.

US

MFN tariffs on tropical and sub-tropical fresh fruits and vegetables are relatively low in the US, averaging around 5 percent. The US differs from other developed markets because 59 percent of its tariffs average around 5 percent or less. In contrast, the majority of Japanese and EU MFN tariffs average between 5-25 percent. In the summer, tariffs are higher because they compete with domestic production. Mexico has a competitive advantage over other suppliers under the NAFTA Agreement. Most tropical and sub-tropical fresh fruits and vegetables enter duty free or MFN tariffs are already low for SSAs who are eligible under AGOA. The US has strict phytosanitary regulations. Exporters who wish to enter this market need to able to meet the requirements.

Japan

Table 11
Pre/Post URAA on Market Access and Percentage MFN Tariff rates For Main Fresh Horticultural Exports of SSA (including products from South Africa) in Japan - 1997 (percentage)

Product	Pre/URAA MFN Tariffs	Post/URAA MFN Tariffs	Reduction in MFN Tariffs (Absolute)	GSP	LDDC
Pineapples	20	17	3	0	0
Mangoes	6	3	3	3	3
Avocado	6	3	3	3	0
Papaya	4	2	2	2	2
Melons	10	6	4	0	0
Apples	20	17	3	0	0
Grapes	20	17	3	0	0
Asparagus	5	3	2	0	0

Source: GATT/WTO

Table 11 shows the reductions in MFN tariffs in Japan as an outcome of the implementation of the URAA. These have been reduced by between 15 percent and 50 percent. It also shows preferential tariffs applied to ADC exports for a selected range of tropical and deciduous fruits. Compared to the EU, MFN tariff rates are higher for pineapples (5.8 percent), apples (3.8 percent) and grapes (11.5 percent). A large number of the products enter duty free-for LDCs and ADCs eligible for preferential tariffs under the GSP scheme. Although low, these products enter the EU duty free.

For the above products, the Japanese LDC scheme does not provide any real tariff advantages over other ADCs who are granted preferential access under the GSP scheme. The exception to this is avocado. Both LDCs and other ADCs under the GSP scheme have significant tariff advantages over other competing suppliers. MFN tariffs are particularly low for mangoes (3 percent), avocado (3 percent) and papaya (2 percent).

The post URAA regime shows evidence of tariff peaks in the MFN tariff rate for pineapples (17 percent), apples (17 percent) and grapes (17 percent). However for those ADCs who enjoy preferential tariffs, this has no effect on their access to the market. Furthermore, it does not provide additional opportunities. The main restrictions ADCs face in exporting to Japan are the strict phytosanitary conditions.

Edible Nuts

EU
Raw shelled peanuts enter the EU duty free under MFN tariffs. Cashew nuts (shelled and unshelled) enter the EU duty-free while macadamia nuts attract a duty of two percent. Because these products are not considered to be sensitive, tariffs are low.

US
The US and Japan maintain TRQs on imports of peanuts and certain peanut products. Under the US TRQ, the duty on in-quota imports of raw shelled peanuts and some peanut products, (excluding peanut butter and peanut paste) was US$0.06/Kg. The above quota rate is subject to mega tariffs of 131.8 percent.

In the US groundnuts are duty-free for Mexico and other designated countries. Imports from Mexico under NAFTA are not subject to quota limitations. They are however subject to a duty of US$0.01.9c/Kg in 2000.

Japan
TRQs in Japan on peanuts cover in-shell and shelled peanuts. In 2000, in-quota imports were subject to a 10 percent duty. However, quantities above the quota were subject to a rate of Yen 617/Kg. Japan's duties on processed peanuts range from 10 percent to 23.8 percent (see Appendix 4).

Managed trade in developed markets

The last URAA sanctioned the use of a number of policy instruments. These allow member countries flexibility within their tariff/commitment reductions and the rules to protect their domestic markets from imports. Three of the most important of these are:

- Minimum import Prices
- Tariff Rate Quotas (TRQs)
- Special Safeguard Measures (SSG).

The widespread use of these instruments by developed countries has considerable impact on the trade of ADCs. They affect the extent to which ADCs can gain market access to developed markets for existing products. Furthermore, they determine the prospects for trade and development in potential exports of higher value processed products.

The EU's Entry Price System (EPS)[25] is an excellent example of the first of the above mechanisms. For this reason and because the EU is the main trading partner of ADCs and its policies have huge implications on their trade, the EPS is examined in some detail.

The EU Entry Price System - How it works

The system operates in the following way. The EU levies different tariffs for each product depending on the product's import price and the season. If a shipment's price equals or exceeds the EUs established entry price, a relatively small ad valorem tariff is applied.

However, if the price of the goods for a particular shipment is lower than the entry price, the following takes place:

[25] The EPS trade regime replaced the old reference price system. This was as a result of tariffication.

- If no more than 8 percent below the entry price, an additional specific tariff is assessed;
- If the import price is more than 8 percent below the entry price, a large specific tariff (called the maximum tariff equivalent) is levied against the shipment.

Although this is a simplified explanation, it shows how The EU 'Entry Price System' works very effectively to restrict imports. The additional duties are high enough to provide a strong incentive for the importer not to undercut the minimum price. For example, fresh tomatoes (imported between June 1 and October 30) priced 8 percent below the reference price of Euro 52.6/100kg face tariffs amounting to 57 percent of its import price. An economic/quota rent[26] results when the CIF import price is below the minimum import price. This rent accrues to the importing or exporting company. Who it goes to depends on their negotiating position.

Because tariffs are higher for some fruits and vegetables in the high season, this affects the continuity and profitability of exporting. For example, in 2000 the EU set a specific tariff for oranges of Ecu 71 per tonne. In addition to this was an ad valorem tariff of 3.2 percent from July 1st to October 15th. From April 1st to 30th, the ad valorem tariff can go up to 10.4 percent.

Higher tariffs correspond to specific periods when domestic production is at its peak. For example, the EU in-season rate for oranges, which runs from December 1 to March 31, exceeds the out-of-season rate by nearly 11 fold.

Overview of Managed Trade in Fruits and Vegetables in Developed Markets

Many developed countries maintain sophisticated and complex tariff schedules for the imports of fruits and vegetables. Tariffs for a specific range of products depend on a number of factors. These include the date of entry, entry price and degree of processing. The EU's 'Entry price system' is not the only system to do this, seasonal tariffs are also used by the US to protect domestic production. Although these are low, they are still a form of protection. These seasonal tariffs have potentially a large impact on the trade in fresh fruits and vegetables. This is because they discriminate selectively according to when a product arrives on the market. Other seasonal tariffs are used to restrict imports with a specified in-quota rate and quantity, such as grapes, apples and lemons. This is shown in Table 12.

Some developed countries also maintain minimum import price regimes to buffer domestic markets against large fluctuations in world prices.

The EU 'Entry Price System' - The North African Mediterranean Experience

The EPS affects a number of the products of ADCs covered in this study (see below). However, the extent to which it affects them varies. This depends on whether or not their products compete with EU domestic production.

North African countries on the other hand produce a range of Mediterranean products which

[26] Quota/economic rents are above-normal profits which can be earned by suppliers in a restricted market – for example, through the allocation of quotas. Depending on the prices, volumes and allocation of quotas, the net effect may be either positive or negative. A foreign supplier may be able to earn some additional profit if it is not either subject to the restrictions or its quota allocations are set at a level that is well above its productive capacity. For example, the additional profit can come from the lowered tariff rates within the quota. It can, however, also arise through higher prices due to supply shortage.

compete with EU domestic production during the same season. Thus they bear the brunt of the EUs Entry Price System which, as we have seen, is a highly effective form of protectionism. South Africa and Southern African countries are similarly affected because their imports are also subject to restrictions by means of seasonal tariffs and TRQs.

The EUs 'Entry Price System' as applied to selected fresh fruits and vegetables as of October 2001 is provided below. These products are considered to be politically 'sensitive' because they compete with EU domestic production. Over the URAA implementation period (1995-2000), the entry price was reduced by 20 percent. Tariffs are generally higher for some 'sensitive' products and during periods of peak EU production.

Products subject to the 'EU 'Entry Price System' are:

Fruits - Oranges, clementines/navels/satsumas/tangerines and other citrus hybrids, Lemons and Limes, Grapes (fresh or dried), Apples, Pears, Peaches, Plums, Apricots, Cherries.

Vegetables - Fresh or chilled Tomatoes, Globe Artichokes, Cucumbers and Gherkins and Courgettes.

The EPS system for Fresh Tomatoes applicable to Non-LDC ACP countries is given below:

(i) Tomatoes other than Cherry Tomatoes - 15th November - 30th April
Reduction 60 percent ad valorem customs duties
In-Quota limit - 2000 tonnes

(ii) Cherry Tomatoes - 15th November - 30th April
Reduction 100% ad valorem customs duties
In-Quota limit - 2000 tonnes

Processed Products - Grape Juice, Wine.

As can be seen from the above many of these products are produced by the ADCs covered in this study, namely North African countries and South Africa/Southern Africa.

Overview of Tariff Rate Quotas

Tariff Rate Quotas are another instrument used by developed countries to protect domestic production. They are an outcome of the 'tariffication' process of the URAA and have become increasingly important to global trade. Because there are no rules as to how much lower the in-quota tariff can be in comparison to above-quota levels, the difference between both levels can be quite significant. TRQs have replaced many non-tariff barriers. However, as will be seen later they often involve complicated regimes and prohibitive over-quota tariffs. The main users of TRQs are developed countries. The majority of developing countries are excluded from applying this instrument. This is because their non-tariff barriers were not subject to tariffication. Amongst the ADCs covered in this study, only South Africa, Morocco and Tunisia can levy TRQs.

From a legal perspective, Tariff Rate Quotas are not considered to be quantitative restrictions. This is because, by having a two tier system, it is possible to export beyond the quota limit by paying the out of quota tariff. In practice, however, they act in similar ways to a non-tariff barrier in-quota. This is because of the ways in which they are administered.

Impact of Tariff Rate Quotas on the Exports of ADCs

Tariff Rate Quotas can have an impact on ADCs exports. This is because, like standard import tariffs, they restrict trade by raising the price of imported goods. Their precise effect will depend on the following conditions:

- World prices;
- Domestic excess demand;
- Size of quota;
- Gap between the in-quota and out-of quota rates.

The last URAA did not define or provide any rules as to how TRQs should be shared amongst competing countries. As a result tariff rate quotas have become a contentious issue akin to the law of the jungle. Tariff Rate quotas may be applied to both MFN tariffs and preferential tariffs if under a GSP scheme as is the case with bananas for ACP members.

Tariff rate quotas are often used for politically sensitive commodities, where there is a perceived need to manage trade and continue protecting producers. They are also used for products that were previously subject to preferential trade agreements. TRQs feature prominently in the trade in fruits and vegetables. The number of TRQs in use in 2000 in developed countries was 355 for fruits and vegetables. This compares with 56 for tropical beverages and processed agricultural products.

The main Tariff Rate Quotas used in the EU for fresh and processed fruits and vegetables is shown in Table 12. If we take the example of garlic, there is an in-quota rate of 9.6 percent and the quantity allowed is 38,370 tonnes. This predetermined quantity is divided amongst various countries. In this case, Argentina (19,147 tonnes) and China (13,200 tonnes) get the lion's share while other countries get a significantly smaller portion. For example, Egypt is allocated 3000 tonnes in its Euro-Mediterranean Free Trade Agreement with the EU. The issue at stake here concerns why some countries get allocated higher quotas while others get hardly anything. It could therefore appear to be a better long-term strategy for some ADCs to work to achieve a higher allotted quota than to struggle to conform to the current status quo.

Examples of restrictions to imports of ADCs

Namibia, a promising Southern hemisphere supplier has been able to find a niche in winter seedless grapes in the EU. However, because table grapes in the EU are subject to TRQs (see table below), it can only export 900 tonnes per year from November to end January. Any exports over the quota are subject to an import tariff of 16.4 percent. Clearly, Namibia is in a position to export more but is restricted from doing so by onerous tariffs.

A further example is the US allocation of peanut butter and paste. In-quota imports are free of duty. As at January 1, 2000, its TRQ was 20,000 tonnes. Of this, Canada was allocated (14,500 tonnes), Argentina (3,650 tonnes), and countries granted GSP (1,600 tonnes). This leaves all other countries who could supply, such as Gambia, Senegal and Malawi, to compete for a market limited to an in-quota TRQ of 250 tonnes, hardly a level playing field. These countries do of course have the option of exporting at the higher out-of-quota rate. However, this is likely to make them less competitive vis a vis other suppliers.

Examples like these, and there are many more that could be listed, demonstrate that without a

shadow of doubt ADCs plans for export expansion can be significantly reduced by decisions made in developed countries.

The table below shows TRQs to confirm this assertion.

Table 12
EU - Tariff Rate Quotas for Selected Products for ADCs - 2001

Product	Quota Quantity Tonnes	Rate of Duty %	Season Applicable	Country of Allocation Tonnes
North African Countries				
Potatoes	4000	3	-	-
Garlic	38,370	9.6	-	Argentina – 19,147 China – 13,200 Other countries – 6,023
Carrots & Turnips	1,200	7	-	-
Cucumbers	1,100	2.5	1st November to 15th May	-
Sweet Pepper	500	1.5	-	-
Dried Onions	12,000	10		
North African Countries/South Africa				
High Quality Oranges	20,000	10	1st February to 30th April	
Minneolas	15,000	2		
Lemons	10,000	6	15th January to 14th June	
Table Grapes	1,500	Ad valorem reduced to 9 percent 21st July to 31st October		
South Africa				
Apples	600	0	1st April to 31st July	

Pears	1,000	5	-	
Cherries (sweet)	800	Ad valorem reduced to 4 percent		
Major Exporting Exporters/LDCs				
Bananas	2,200,000	Eur 75/1000/kg		
Processed Products				
Grape Juice	14,000 tonnes 40 + Euro 20.6/100 Kg net 22.4 – 40%			
Frozen concentrated orange juice	Restrictions – Without added sugar, concentration not exceeding 50 Brix			

The problems tariff rate quotas pose for ADC exporters

The method of administration of Tariff Rate Quotas varies enormously from market to market. Depending on their method of administration, TRQs can create distortions in the market place and introduce a lack of transparency. Some of the problems associated with TRQs include unfulfilled quotas (or under filled)[27] and low take up rates by ADCs. This means that the minimum access commitments within the provisions of the last URAA are not being met because quotas are not being filled. According to the WTO, quota fill rates have fallen from 66 percent in 1995 to 50 percent in 1999.

At first glance this could be interpreted that ADCs are not interested in taking advantage of the few benefits that are presented to them. Indeed, this may be true for some countries. However, there could be another explanation and this centres on the administrative methods employed to implement TRQs. These determine what level of imports occur under the low in-quota tariff of a TRQ and, just as importantly, who gets access to import under the low tariff. Complicated and burdensome administrative methods can be effective non-tariff barriers. Furthermore, by increasing the transaction costs that are loaded on to imports under TRQ policies, developed countries find another way to pacify their domestic producers.

[27] Failure to reallocate licences could also contribute to underfill.

An important aspect of TRQs is the quota rents that can be earned. These can be quite profitable for importers or exporters alike. For example, the in-quota tariff for bananas is zero for ACP countries compared to the over quota price of Euro 275/tonne. The difference between the two is the economic/quota rent that can be earned.

TRQ Methods

The five main types of TRQ methods used in the Fruit and Vegetable industry are described below. Each of these methods has its advantages and disadvantages in quota tariff.

1. Applied Tariffs

This is the most common form of administration and also the most efficient. Importers are not allocated shares with this method. Imports of the products concerned are allowed access into the country in unlimited quantities at the in-quota tariff rate or below. Compared with other administrative methods, the applied tariff method is the least distorting. This is because it does not create the economic rents that allow high cost exporters to enter the market. Around 60 percent of fruit and vegetable TRQs are administered using this method. For example, a number of the products exported by Egypt to the EU are subject to applied tariffs (e.g. mango, dates, grapefruit, citrus hybrids). Some imports are also allowed within specified dates that avoid seasonal conflict.

2. License on Demand

This method is used extensively in the horticultural trade. Here producers are allocated a share of the import market according to a licensed agreement. This is generally negotiated prior to the commencement of the period during which the physical delivery is due to take place. Exporters complain that such licensing timetables put them at a disadvantage when production is seasonal and the products have to be transported long distance**.** This method of TRQ makes planning for importers more difficult. Also, the most efficient producers do not necessarily receive sufficient licenses. This is because the system is not transparent. A certain amount of horse-trading amongst importers for unused licenses can occur and this does not necessarily go to the most efficient producers but the highest bidder.

3. First-come, First-Served

With this method no shares are allocated to importers. Imports are permitted entry at the in-quota tariff rates until the tariff quota is filled. The higher tariff then automatically applies.

The main difficulties exporters face with this method is that they do not know exactly when the quota will be filled. When exporters ship their products they are unsure as to whether they will pay in-quota or out-of-quota rates. Customs agents are sometimes not even sure when a quota is filled. As a result a shipment that may have been within the quota is sold for the out-quota price resulting in a loss of earning for the importer or exporter. To guard against having to pay a higher tariff, importers attempt to have their shipments arrive early. This can create a surge of imports when the quota period opens. There is likelihood that the price for the product is reduced as exporters compete to get their product under the quota level.

4. Historical allocation

Historical allocation is extremely market distorting and considered to be discriminatory. This is because the allocation of licenses does not happen as frequently compared to the other methods of administration. Importers are selected on a one-time drawing. This method appears to be most commonly used to continue concessions under preferential and bilateral trade agreements. Quotas are maintained through historical ties and not influenced by market conditions. Inefficient exporters are protected (e.g. small vulnerable economies in the Caribbean who export bananas as ACP members). It was this method of administration that was the basis for the dispute over the EU banana import regime. It is likely to come into conflict with the MFN principle of the WTO of non-discrimination.

Low fill rates or underfill can also be explained by this particular method. In the EU banana case for example, there are two categories of quotas. An MFN quota open to most exporters and bilateral quotas for ACP countries who had previously received preferences under the Lomé Convention. According to the available evidence, MFN quotas are effectively and routinely filled. However, those quotas given to ACP countries are not. Lack of capacity to export is a well recognized problem for many ADCs as trade preferences may well be carried over to TRQ quotas.

5. Out-of-Quota TRQs

Out-of-quota tariff rates deserve particular mention. This is because they characterize one of the most negative aspects of TRQs. Tariff rates can be prohibitively high, restricting exports of particular interest to ADCs. For example, an ACP banana supplier such as Uganda is allocated preferential tariffs within-quota in the EU. However, bananas which exceed the in-quota level are subsequently subject to out of quota tariffs. In the EU, the MFN tariff rises to 145.6 percent. This compares with 27.5 percent in Japan and zero in US. ACP members, Côte d'Ivoire and Cameroon are considered non-traditional suppliers and are allocated separate quotas. Both countries routinely fulfill their tariff quotas.

Other examples of products in which ADCs have an export interest which are subject to prohibitive out-of-quota tariffs include groundnuts into the US and Japan (132 percent and 470 percent respectively). The in-quota rate for peanut butter paste is free to all supplying countries. This compares with an out-of-quota rate of 132 percent. Dried beans and peas attract duties in Japan of 370-530 percent. (The Development Dimensions of Trade – OECD 2001).

The OECD estimates that the average out-of quota tariff is around 120 percent. For fruits and vegetables, the global average is around 125 percent. This is strong evidence that out-of-quota tariffs can in many cases be prohibitive. The most likely market outcome of this is underutilization of quotas. Many fruit and vegetable quotas remain under-filled. As a result actual imports are less than countries' minimum or current access commitments. The average fill rate for fruits and vegetables was around 66 percent in 1998.

Reform of TRQs

TRQ administration and TRQ liberalization are two topics that will be on the agenda and the focus of the forthcoming Doha Round of negotiations. Some of the reforms proposed by member countries include:

- Replacement of TRQs with low tariffs;
- Increasing the quota size;
- Definition of restricting and non-transparent allocation methods;
- Clarification of what methods are legal or illegal under WTO rules (e.g. historical allocation);

The reality of Managed Trade - A Case Study - Egypt

In previous paragraphs, 'The Entry Price System' in the EU was described together with the various administration methods of TRQs. Let us now look at what this means in reality regarding market access opportunities for a typical exporter from an African country. Here we will use Egypt as an example because:

- It is a middle level exporter in terms of export performance and structure;
- It is a top performer within its ADC grouping of North African countries;
- It has recently negotiated with the EU the European Partnership Free Trade Agreement.

Thus, in some ways, Egypt may be better positioned than many ADCs. However, if Egypt can take advantage of opportunities that have come its way via trade liberalisation, it shows what might be achieved by other ADCs.

Table 13 shows the wide range of products exported by Egypt. Many of these are small items for export. The main export items in 1999 were citrus fruits, potatoes, onions, garlic, various vegetables and frozen and preserved vegetables.

Table 13
Selected Quotas for Egyptian Agricultural Exports to the EU

Product Specification	Original Customs Tariffs %	Reduction In Tariffs %	Quota
Potatoes from Jan. 1st – March 31st	14.0	100.0 (1)	250000 tons
Tomatoes from Nov. 1st – March 31st	9.9	100.0	Open
Onions from Feb. 1st – June 15th	10.8	100.0(1)	15000 tons(4)
Garlic from Feb. 1st – June 15th	10.8	100.0(2)	3000 tons (4)
Cauliflower and cabbage from Nov. 1st – April 15th	10.8 – 15.3	100.0	1500 tons(4)
Lettuce from Nov. 1st – March 31st	11.7	100.0	500 tons (4)
Carrots and turnip from Jan 1st – April 30th	15.3	100.0	500 tons(4)
Cucumber from Jan 1st – end of Feb.	14.4	100.0	500 tons(4)
Frozen and preserved vegetables	5.4 – 16.4	100.0	3000 tons
Dehydrated vegetables	13.1 – 14.4	100.0	16000 tons(4)
Fresh or dehydrated dates	9.8	100.0	Open

Guava and mango	3	100.0	Open
Fresh or dehydrated orange	3.7 – 18.7 + entry price	100.0(1)	60000 tons(3)
Mandarin or tangerine or hybrid citrus	11.9 – 18.7 + entry price	100.0	Open
Fresh or dehydrated grapefruit	1.5 – 2.7	100.0	Open
Fresh grapes from Feb. 1st – July 14th	9.3	100.0	Open
Fresh apples from Jan. 1st – Feb 29th	n.a.	25.0	500 tons
Fresh water melon from - Feb 1st – June 15th	9.9	100.0	Open
Fresh melon from Oct. 15th – May 31st	9.9	100.0	1000 tons(4)
Fresh Pears and quince	3.8 -11.7 + entry price	100.0	500 tons(4)
Peaches and nectarine from March 15th - May 31st	19.8 - 20.5+ entry price	100.0	500 tons(4)
Plums and cherry plums from April 15th – May 31st	7.5	100.0	500 tons(4)
Fresh Cherries	n.a.	25.0	500 tons
Fresh strawberry from Oct. 1st – March 13th	12.6	100.0	1500 tons
Frozen uncooked fruits	3.6 - 23.4	100.0	3000 tons
Prepared or preserved tomatoes (vinegar free)	n.a.	50.0	500 tons
Jams or fruit pastes	(22.2-27) + (46-259 ecu/ton)	100.0	1000 tons(4)
Dried Legumes	n.a.	100.0	3000 tons
Peanuts	12 – 16.4	100.0	3000 tons(4)
Peanut Oil	n.a.	100.0	15,000
Unfermented Fruit and vegetable juices	(12-37.8) + (193 –232 ecu/ton)	100.0	100 tons(4)

Source: Egyptian European Partnership Agreement Protocol # (2)
(1) Reduction of 60 percent over the quota
(2) Reduction of 50 percent over the quota
(3) Special entry price (from the prices of the European markets -264 Euro/ton for oranges)
(4) Increase with a rate of 3 percent annually

It can be seen from the table above that further to the agreement with the EU, preferential tariffs have been significantly improved for many of the products entering the EU with 100 percent reduction. Concessions tend to be more generous for products and seasons in which Egyptian exports do not compete directly with domestic production. Smaller reductions in trade concessions are given for some 'sensitive' products. With the lowering of tariffs in the last URAA, Egypt's preferential tariff was reduced by at least 25 percent. This called for the need for a re-negotiated agreement. The access opportunities have been significantly enhanced compared to the previous Co-operation Agreement. Many products of interest to exporters not previously mentioned in the former agreement are subject to a TRQ or reference quantity (RQ) with a reduction on the ad valorem component. These include certain processed products (e.g. fruit juice, preserved fruits). Although access opportunities for Egypt have been significantly improved, restrictions on imports to the EU still remain with seasonal tariffs and

quantitative limits. There are however, some products that are not subject to quantitative limits. These include citrus hybrids, grapefruit and mango.

An examination of the 1999 export figures for Egypt (see Appendix 5) show that many of the quotas provided for in the agreement currently exceed the exporting abilities of Egypt. These include potatoes, onions, garlic, frozen and preserved vegetables, fruit juice and many stone fruit. Based on the improved access terms seen above to the EU, there are additional opportunities for Egypt to penetrate the EU market. This is, of course, subject to demand. In order to take advantage of the access opportunities, Egypt will need to deal with some of the challenges highlighted in Chapter 1. These include improving its supply capacity, trade/ marketing related issues and training in human resources. Improving the regulatory environment as well as land tenure are other key aspects for reform.

Special Safeguard Measures

Another policy instrument used by developed countries to protect domestic markets is Special Safeguard measures (SSG). These provide a safety net for developed countries to ensure there are minimal disruptions in their domestic markets such as a sudden surge in imports. Few developing countries can use SSG. This is because their products were not subject to tariffication. Amongst the ADCs in this study entitled to use SSG provisions are Botswana (161), Morocco (374), Namibia (166), South Africa (166), Swaziland (166) and Tunisia (32). This compares with the EU (539), Japan (121) and US (189). The numbers in brackets show how many products are involved in each case.

Higher safeguard duties can be triggered automatically when:

a. import volumes increase above a certain level, or
b. if prices fall below a certain level

It is not necessary to show that serious injury is being caused to the domestic industry. These measures can only be used if the government reserved the right to do so in its schedule of commitments on agriculture.

SSG has implications for export expansion of ADCs. This is because it can make duty free access redundant for LDCs or preferential access meaningless if there is a probability that once exports have expanded they will be a target for special safeguards. It is therefore important that duty free access schemes exempt LDCs from the application of antidumping and safeguard measures.

Impact of EU and US policies on value added processed industries in ADCs

Once again the EU is given particular consideration because it is the main trading partner of ADCs and provides the largest subsidies for fresh and processed fruits and vegetables and edible nuts. The US domestic policy on edible nuts is also briefly examined. This is because as a leading producer of groundnuts and processed peanuts, its domestic policies put competitive pressure on ADC exports in third-country markets where they compete with US exports. The US is also the only major producing country of peanuts to have domestic price support programmes.

Here some of the key factors that have contributed to the success of the food processing industry in the EU are examined. We also look at the impact of the CAP on the EBA and show how direct payments made to European producers undermine the competitiveness of

ADCs. It is clear that export subsidies have an impact on the development of processing industries in ADCs.

EU Subsidies for processed horticulture products

As a result of the reforms in the agricultural sector under the last URAA, the EU's exports of processed food products are expected to continue to grow in foreign markets. This is because processed products are exempted from the reduction commitments of the volume of subsidized exports under the URAA. The extent of funding of processed products in the EU is explained below.

In 1999, the EU budget for fruit and vegetables was around US$1,551 million. Of this US$43 million was allocated to export refunds. For processed products, production aid is available for tomatoes, chick peas, lentils, peas, beans, pineapples, grapes and stone fruit. The aid allocated for processed tomato products was US$343.5 million, fruit based products US$100.7 million (includes processing of peaches and pears), citrus fruit US$216.3 million, banana US$189.5 million and dried grapes US$136.4 million. Many of these products are of particular export interest to ADCs. The policies of the CAP put ADC processed agricultural products at a disadvantage on the world market. It is difficult for ADCs to compete internationally with such high EU subsidies.

The EU tree nut sector also receives assistance from various EU and national government programmes for increased nut productivity and quality. The main products that have benefited from this scheme include almonds, walnuts and hazelnuts. These are products that ADCs do not currently produce or produce in sufficient quantities for export (e.g. almonds from South Africa and Tunisia). Walnut producers have benefited from financial assistance to improve production, including grants for machinery and equipment, planting new orchards as well as working capital from the French Fruit and Vegetable Board. The EU provides export refunds for almonds, hazelnuts and walnuts. In 2000, the refunds were around US$ 0.06/Kg for in-shell hazelnuts, US$ 0.11/Kg for shelled hazelnuts, US$0.7/Kg for in-shell walnuts and US$ 0.05/Kg for shelled almonds.

The Impact of the CAP on the EBA

Sugar is not covered in this study. However, it is an important ingredient in processed foods and to a large extent affects the development plans of ADCs for diversification into processed food products. Sugar, one of the most important products of export interest to ADCs, will be liberalized in stages under the EBA between 2006 and 2009 (IMF/World Bank September 27 2002) and (Bjrnskov, C. and Kinvonos, E.). Studies indicate that 60 percent of the benefits from the EBA for LDCs come from sugar. This means that ADCs will receive the benefits for the main bulk of their exports in eight years, hardly an incentive in dealing with their immediate challenges of economic growth. The EUs' assessment of the impact of the EBA on the agricultural support budget is predicted at an increase in support for sugar of around Euro 1 billion.

It is important to note that by subsidizing its sugar beet growers the EU has engineered a surplus supply of sugar. This not only inhibits the opportunity for ADCs to export either raw sugar or processed products, but also the general oversupply of sugar reduces the level of world prices and therefore the returns to ADCs.

CAP policies, the potential interactions between EU subsidies, supply side constraints of

LDCs and complex rules of origin have an impact on exporters who are beneficiaries under the EBA scheme.

The main factors which hinder ADCs from obtaining a larger share of trade in processed agricultural products in developed markets are highlighted below.

Competitive Advantages of the EU in Processed Food Products

1. Well-established food processing industries subsidized in developed markets

Large agricultural processing industries are well established in Europe. Farming industries exist in large regional concentrations. Well organised, heavily supported and protected, they provide reliable and ready supplies of the raw material requirements for the food processing industry. The pattern of low tariffs on unprocessed/raw materials from ADCs and many competing developing countries ensures that EU processing firms have a regular and ready supply.

2. Industrial and Research Institutions

Industrial and research institutions in developed countries play an important role in ensuring that EU firms remain competitive in the global market. They are at the cutting edge of technology. Some of the ways in which this is achieved include monitoring developments in targeted international markets, improving technology, keeping up to date with consumer tastes and preferences, monitoring new trends in health and nutrition and adapting product formulations to meet new market expectations.

These institutions exist to provide the support required to maintain the food processing industries in business and win export markets. Although a significant amount of the funding is private, public funding is sometimes available, particularly if it is in the public interest. For example, if it is health related.

3. High Health and Safety standards

In general, food health and safety standards are high but may vary to some extent according to the national legislation. Harmonization in EU countries and enlargement to Eastern Europe will close the gap. Assurance schemes in food and agricultural production including ISO 9000 and HACCP, as well as industry specific quality schemes and codes of practice are used widely and enforced by law for processed food products. All of this gives consumers confidence that the processed products will be safe and conform to the required national, and often international, standards.

4. Foreign Direct Investment (FDI)

FDI is an important aspect in the growth and development of agro-processing industries and in this arena MNEs are key players. Because of their market power they dominate the trade in many commodities and processed products such as chocolate and coffee. To a large extent their position enables them to determine the outcome of investment decisions in developing countries. Often it is they, rather than governments, who provide the investment required for capital intensive agro-processing industries in developed and developing countries. Furthermore, the significant level of intra-trade that takes place in Europe and North America

only serves to reinforce their position of dominance in the trade of what, for ADCs, are higher valued processed products.

Multinationals and Decisions on FDI in Developing Countries

Tariffs hardly feature on the priority lists of MNEs. When it comes to decisions about FDI in developing countries, decisions regarding whether or not to import products from Country A, or to provide FDI in Country B, depend entirely upon a number of other factors such as:

- delivery costs;
- prospects of regular availability and delivery;
- price;
- guarantees of quality control;
- the level of customer service and the flexibility to revamp products speedily;
- the economies of scale.

The Reality for ADCs of Developed Countries' Agriculture Domestic Policies

Here are three examples of how the CAP undermines the competitiveness of ADCs and demolishes their plans for export expansion and diversification.

1. The case of Danish pre-cooked split peas

This example comes from recent research conducted by DanChurch Aid and serves to illustrate the impact direct aid payments can have on specific markets potentially served by African producers. The market investigated was local purchases under food aid programmes.

The findings of the research were that local African suppliers of pulses were unable to bid competitively for food aid supply contracts because they were being undercut by Danish suppliers of pre-cooked split peas. The Danish pea sector does not provide price subsidies to pea farmers in the form of price subsidies. Neither do split pea processing companies benefit from processing and marketing aids or export refunds. They do, however, benefit from direct aid payments and 46 percent of pea farmers income is derived from this.

Since pea farmers do not have to recover their full production costs from the sale price of the peas supplied to processing companies, the price at which pea farmers supply processing companies is substantially reduced. Consequently, the prices at which pre-cooked split peas could be offered for sale as food aid were substantially below the prices African pulse growers could offer. The provision of direct aid payments thus enabled Danish suppliers of pre-cooked split peas to win food aid contracts. It is doubtful whether they would have been able to supply such contracts in the absence of such direct aid payments. This is in complete opposition to the EUs avowed intent to procure food aid supplies locally, and thereby stimulate local demand and local food production.

2. Tomato processing in West Africa

The EUs aid to Southern European tomato processors under the CAP is causing a crisis in the long-established local processing industries of West Africa. A flood of cheap (mainly) Italian tomato concentrate is undermining local tomato processing. For example, in Senegal one of the two tomato canning factories closed down two years ago. The main reason for this was

competitive pressure from increased imports of subsidized products from the EU. Faced with no other alternative, the only other existing tomato processing firm in Senegal has now turned to importing cheap triple concentrate in bulk from Italy. This is canned into double concentrate and further sold on to the local market. As a result of EU domestic policy, thousands of local farmers lost a market outlet for their tomatoes through this shift in policy. There have been similar cases occurring in Burkina Faso, Mali and Ghana (Eurostep, 2000).

Such is the distortion of trade introduced by these measures that it is now common to find canned Italian tomato paste selling in street markets in the above countries at a price that can even damage the livelihoods of local tomato producers whose products are fresh.

3. South Africa's Fruit Canning Industry

The South African deciduous fruit canning industry has become another casualty as a result of the changes brought about by the implementation of the last URAA and CAP policies. Since the South African Government's General Export Incentive Scheme (GEIS) was scrapped in 1997, exporters have faced difficulties on international markets, particularly in the EU. This is because, with highly subsidized EU products and duties to pay, they can no longer compete on the EU market. This has resulted in the closure of one of the two canning factories of one of the leading food processors in South Africa, Langeberg Foods Ltd. Job losses were around 2000 for seasonal employees and 400 permanent employees. The factories' intake of peaches and pears is expected to decrease by 40,000 tonnes.

These three examples show that the EUs domestic policies under the CAP can have a wide and detrimental effect on processing industries in the ADCs. EUs subsidies have encouraged over-production at home and in turn this has distorted world trade and destabilised prices. These subsidies oppose ADCs exports of processed products regionally or indeed to other markets, since they have the knock-on effect of lowering prices for domestic products on the national market. Any plans by ADCs to invest in processed products must take into account EU subsidies and the direction of any likely reform. Further studies about the EU's subsidies on higher value processed products from ADCs should be undertaken in order to establish how widespread their impact is.

US Domestic Policy and Edible Nuts

The US ensures that its peanut growers benefit from high domestic prices by maintaining a price-support programme for peanuts. The high domestic price for in-shell peanuts has had a spill-over effect on the prices of other related products. Prices and tariffs are also high for shelled peanuts and processed peanuts. Domestic peanut production is controlled in two ways. These are:

1. **National poundage system**
   At the farm level, production is regulated through a national poundage quota system.

2. **Two-tier price support system**
   Prices are maintained through a two-tier price support system. This consists of a higher price for peanuts produced within the quota (in-quota peanuts). There is a lower price for those produced outside the quota ('additional') peanuts.

Peanuts grown by non-quota holders and by quota holders that is in excess of their poundage quota ('additionals') are prohibited for sale in the US edible nut market. Producers must either

export the excess, sell it into the domestic crush market[28] or be placed under loan at the additional support price.

The national average support price was US$610 per short ton for quota peanuts and US$175 per short ton for additional peanuts, for the 2000 crop. Prices for US exports of additional peanuts are usually substantially higher than the additional support price.

Special and Differential Treatment (S&D)

Special and Differential Treatment is of special significance to developing countries. This is because it provides ADCs with one of the few opportunities within the multilateral framework to create the favourable conditions required for their growth and development in the global economy.

S&D is governed by the enabling clause (officially the 'Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries') adopted under GATT in 1979. It enables developed countries to give differential and more favourable treatment to developing countries.

Under the last URAA, LDCs received special consideration in respect of market access, implementation of their various commitments and technical and financial support. They however, remain disappointed with the limited implementation of the S&D provisions of the agreements. Financial and technical assistance are the main areas of concern, particularly with respect to the SPS and TBT Agreements. S&D provisions were often expressed as 'best endeavour' obligations. Amongst the proposals being put forward at the next Doha Round, many LDCs have suggested that these should be included as binding commitments in a development box (see below). This will give them legal certainty.

Some of the other main proposals put forward by WTO members are discussed below within the overall context of the objectives of this study. While there is common agreement amongst members of the need for S&D for developing countries, the format it should take is as yet to be agreed. The final outcome will have significant implications on the agricultural sector of ADCs including their hopes and expectations of improved market access to developed markets. This is particularly true for their plans for diversification into higher value processed products and technical assistance needs.

The Development Box

While the Development Box has the support of many developing countries, there are some who oppose it. The main purpose of the Development Box is to target low-income farmers who lack the necessary resources and to ensure that they have secure supplies of staple foods. Some of the most important methods proposed for achieving this are:

- Exemptions from tariff reduction commitments on specific staples;
- Negotiations on higher tariff;
- The use of simple safeguards to protect staples;
- A ban on developed countries 'dumping' agricultural products;
- An international food security fund.

[28] The majority of the world's production of peanuts is shelled and crushed for oil and oil meal. The oil is used for human consumption and the meal is used as a high protein animal feed.

The main opposition to this proposal is its anti-trade bias. Many developing countries oppose it because they say it will harm trade between developing countries whereas it should be aiming to encourage it. Others oppose it on the grounds that it establishes different sets of rules for developed and developing countries, thereby creating trade distortions.

Single Commodity Producers
This proposal is in tune with the issues highlighted in this study and several of the challenges ADCs face. This is because it envisages special treatment for the majority of ADCs who depend on one or a few commodities. Making this proposal a reality could make a great difference in assisting ADCs in their efforts to diversify and increase exports. Amongst the proposals put forward include:

- Transparency in the operations of multinational enterprises (making them similar to those applying to state trading enterprises)
- Improved market access (including removal of tariff peaks, tariff escalation and non-tariff barriers)
- Price stabilization schemes
- Access to technology
- Diversification and capacity building

Many developing countries support the above proposals in total. The dissenters tend to argue about specific aspects.

For instance, they are in favour of the need for domestic reform or prefer to lay the finger of blame on the dependency on single commodities on trade preferences in developed countries. Others claim that diversification is not always possible.

Small Island Developing States (SIDS)
Special treatment here takes into consideration the needs of small island developing states. These countries have been singled out as a special case because they suffer from specific conditions such as remoteness, vulnerability to natural hazards, lack of resources and lack of economies of scale. Among some of the proposals put forward for them are:

- Continued trade preferences
- Numerous derogations or exemptions from tariff reduction commitments

While many countries sympathize with the problems small islands face, this proposal also has its detractors. Some caution against having too many categories of countries. Others question whether or not additional protection and support is the best solution. There is however a general recognition about the need for increased technical assistance and help to integrate these countries into a more market-oriented world economy.

Summary of ADCs concerns on diversification into high value processed foods

Whatever the debates, ADCs will need the support of the multilateral trading system if they are to stand a chance of achieving their development objectives in the face of rapid globalisation and changes taking place in international trade.

The table below provides a summary of the main areas in which ADCs concerns should be focused as regards non-tariff barriers in developed markets.

Figure 5
Summary of selected trade measures in processed foods and concerns of ADCs

Product Category	Selected trade measures and concerns for ADCs
Fruits and Vegetables	• High tariffs on fruits, vegetables and juices in developed markets • Complex tariffs on certain types of juices in the EU (e.g. grape juice) • Labelling restrictions • Composition, formulation and analytical testing standards • Product classification, registration and licensing • Domestic assistance
Edible Nuts and Nut Products	• TRQs on peanuts in the US and Japan • Sanitary and Phytosanitary restrictions • Export subsidies

Trade Effects of Food Safety and TBT Standards on ADC Exports

It has been shown that as import tariffs fall, protective barriers to trade are not necessarily reduced. What tends to take their place are increasingly stringent product and process standards and technical regulations.

Product standards relate to factors associated with the product itself, like quality, safety, variety type and origin. Other examples include minimum nutrition content of a food item, maximum pesticide residues on an agricultural product and performance requirements.

Process standards on the other hand refer to the conditions under which products are produced, packaged or refined. Examples of this include the use (or absence of) particular inputs into crops, the technical processes and rules for the production of high valued processed products, traceability, the management practices and work and environmental conditions. As we saw in Chapter 3, these factors are becoming increasingly important in developed markets, since they enable retailers to differentiate their products from the competition.

The Precautionary Principle

In Chapter 2, we also saw under what is known as the Uruguay Round Agreements on the application of Sanitary and Phytosanitary measures (SPS) and Technical Barriers to Trade (TBT) that it is legitimate for countries to restrict imports if they compromise human, animal or plant health. Both these Agreements encourage the international harmonization of food standards.

The 'Precautionary Principle' is a fancy term for a simple idea, 'better safe than sorry'. Under

this principle, Governments of importing countries are allowed to restrict trade to protect the environment and public health, even in cases where the scientific arguments for doing so may be inconclusive. In practice, however, standards and technical regulations become a strategic weapon for countries or individual firms determined to keep food imports out. For this reason, although the 'precautionary principle' can be invoked under the WTO rules of the SPS, it is heavily criticized by some WTO members because of the way it is used by developed countries. Cases where the precautionary principle has been at issue at the WTO dispute settlement include GMOs, EU-US beef hormone treatments and Japanese fumigation testing on imported fruit.

We shall see later how some developed countries may attempt to create protectionist measures that are not justifiable and how the WTO dispute settlement provides a check and balance. The key challenge for the international community is to design programmes to streamline and rationalize the complex and often discriminatory web of domestic and international regulations.

Non-Tariff Barriers and the Risk of ADCs Losing Export Markets

It is important that non-tariff barriers such as SPS and TBT are transparent if ADCs are not to be denied access to developed markets. With their scarce resources, ADCs are vulnerable to the differing, duplicative testing standards or discriminative requirements in developed markets. Even if they are not a complete deterrent, they still burden exporters with additional costs they can ill afford.

Developed countries have many advantages over ADCs in domestic as well as international markets. They are at the heart of developments in technology and, as a result, they have access to the best equipment available to test quality and food safety aspects of products. This has resulted in them being able to set increasingly higher standards for imports, standards many ADCs will find to be almost impossible to meet. Most of the benefits gained from reduced MFN and preferential tariffs can be nullified with these new SPS and TBT measures. In most cases, ADCs are not in a position to finance compliance with new and more restrictive health, quality and safety standards in developed countries. The cost of compliance with WTO obligations related to the WTO Agreement on SPS in LDCs can exceed total government budgets for all expenditures (Finger and Schuler World Bank Mimeo).

Furthermore, although in theory the WTO dispute mechanism exists to help ADCs to challenge any new measures, in practice they cannot effectively make use of it because of the lengthy process and costs involved. While waiting for a dispute to be settled, ADCs risk losing important export markets and the jobs of many people, already living on the margin, are endangered.

In addition, the traditional dependence of ADCs on a few products and the existing pattern of colonial trading ties, which now makes the EU their main trading partner, places them in a particularly vulnerable position with no alternative markets. In contrast to this, Asian and Latin American countries have developed substantial intra-regional trade and invested heavily to ensure they have diversified markets outside their original trading region.

Challenges and the Impact of Food Safety and TBT standards on ADC Exports

Some of the main concerns and challenges ADCs face with regards to the SPS Agreement are:

- Restriction on Market Access;

- Capacity Problems for ADCs;
- Barriers to Entry - High compliance costs associated with SPS & TBT Agreements;
- Shelf-life/Compulsory Eco-Labeling Proposals;
- Composition, Formulation and Analytical Testing Standards.

Let us now look at each of these in more detail.

1. Restriction on Market Access

Here some recent case studies are used to demonstrate some of the protectionist measures used by developed countries to disguise trade restrictions.

Case 1 - New EU Stringent Aflatoxin Harmonized standards
A specific EU food safety regulation, which has caused concern among WTO members, particularly ADCs, relates to aflatoxins. These are compounds found in cereals, dried fruit and edible nuts. It is believed that aflatoxins may contribute to liver cancer in humans. However, a study forecast that reducing these compounds would lead to an annual reduction in European deaths from liver cancer of around 1.4 deaths per billion people (the EU population is around 500 million). Even so, a new stringent standard was introduced which is higher than the International standard set by Codex Alimentarius Commission. Moreover, the EU directive on aflatoxins required EU members to implement the necessary laws to comply with the new standards no later than 31st December 2000.

The implementation of this new standard by the EU has, according to The World Bank's Development Research Group, led to an estimated loss in revenue to African countries of around US$400 million for the above products. The study further indicated that trade flow of these products could increase by nearly US$700 million if instead a standard was imposed based on extension of the CODEX standard. The July 1998 Commission's directive established the total aflatoxin standard in groundnuts subject to further processing at 15 ppb (8 ppb for B1). For other edible nuts and dried fruit, that are subject to further processing this was established at 10 ppb (5ppb for B1). It established more stringent standards on cereals and dried fruits and edible nuts intended for direct human consumption at 4 ppb (2 ppb for B1). In contrast, US regulations set a 20 ppb standard for all types of groundnuts. This would effectively allow B1 contamination levels that are as high as 14 ppb.[29]

Implications for ADCs
In this example the EU has clearly been able to take advantage of an SPS loophole. This allows countries to introduce measures that result in a higher level of protection than would be yielded by those based on international standards for as long as there is scientific justification for departure from those standards (Oyejide, et al. 2001).

Differences in standards for aflatoxin in various markets will increase costs and the ability of ADCs to export. For example, differing standards on aflatoxin imposed worldwide divert trade towards regions where regulations are less restrictive and consumption is growing [Economic Commission for Africa (ECA), Latin America and Caribbean (LAC)]. Standards affecting edible nuts increase trade between industrialized countries where regulation is already restrictive (Otsuki and Wilson 2001). Clearly, the lack of consensus on an

[29] Aflatoxin B1 (AFBI) – Toxic chemicals produced by moulds.

international standard based on sound science puts developing countries at a disadvantage and restricts their exports.

Case 2 - EU: Pesticide Residue Standards - Maximum Residue Levels (MRLs)
Since 1993 the EU has been implementing a programme to harmonize MRLs of pesticides in food sold. The MRL restricts the levels of chemical pesticides that can be used on horticultural products. The MRLs allowed on specific horticultural products were established in July 2000. They were approved and implemented as national legislation by all of the EU member countries in July 2001. A further set of MRLs for 585 pesticides were to be implemented and made into legislation in December 2001. Products with MRLs above the zero analytical level will not be allowed into the EU after the enforcement date.

Implications for ADCs
Farmers, particularly small-scale farmers will find it difficult to meet these high standards. Failure to implement this requirement is likely to sideline most small-scale producers and exporters.

Case 3 - Japan: Fumigation tests on imported fruit
Another example of trade barriers includes Japan's insistence on fumigation tests on imported fruit. Previous to a ruling against Japan by its trading partners in the WTO, Japan mandated separate tests for pests in each variety of imported fruit. There was no scientific or other evidence for the need for such tests (Hufbauer, Kotschwar and Wilson 2000). Developing country exporters seeking to enter the Japanese market were at an especially severe disadvantage in meeting these costly requirements.

2. Capacity Problems for ADCs
As we saw earlier in Chapter 2, ADCs face capacity problems in meeting SPS and TBT regulations in developed markets. Some of these are outlined below.

- **Limited Technical Skills for Effective Participation in International Standards Setting.** ADCs' limited technical expertise and inadequate participation in international standards setting, testing and risk analysis remains an obstacle for shaping and giving direction to policy which may affect them in the future. Lack of continuity and follow-up on issues may also effectively limit any benefits gained from any such participation in international committees. This is because personnel may change frequently or Governments may lack commitment or the resources to send personnel regularly.

- **Need for transparency in developed markets on notification and setting of standards.** Inadequate information flow on standards and health and sanitary regulations applicable to ADC products in target markets, places ADCs at a disadvantage in terms of competitiveness in developed markets.

- **Inadequate Training and Dissemination of information.** The need to provide training and dissemination of information of the required standards to firms and farmers provides additional challenges for ADCs. Moreover, the problem is exacerbated by limited resources to undertake these activities (Nyangito et al., 2002; and Jooste et al. 2002). There are huge differences amongst ADCs across the continent regarding their capacities (organization, infrastructure and technical) in standards setting and implementation related to SPS (standards setting, risk analysis, testing, surveillance, training and surveillance, training and dissemination). For example, more advanced countries such as

South Africa have adequate capacity. Non-LDCs such as Kenya have a modest capacity while LDCs usually have a low capacity.

In general, inadequate funds and lack of technical skills pose problems in terms of the effectiveness of implementation of SPS requirements. The challenge ADCs therefore face is to create adequate human, capital and physical capacity for SPS related work. Although currently inadequate, existing technical and financial support under S&D treatment provided by UNCTAD in these areas provides ADCs with some opportunities. More active lobbying is required to mobilize funds internationally and targeting of specific financial institutions is necessary. A pre-requisite for this is a bankable document including a well-conceived national development strategy and a realistic plan of action.

Examples of ADCs that have been successful in sourcing funds from the World Bank in 1999 include Ghana with the Trade and Investment Gateway project. This project was able to attract funding amounting to US$2.25 million. The main objective of this project was to attract export-oriented investors to Ghana and enhance export-led growth. To achieve this goal it was necessary to address trade facilitation measures. These included measures related to technical regulations and standards and the implementation of Customs Excise and Preventive Services (CEPS). This covered among other things changes in operational procedures and ISO 9000 compliance.

Others include Cape Verde's Privatization and Regulatory Capacity Building Project. The aim of this project was to achieve higher, private sector-based economic growth through (i) changing the role of the government to one that provides a conducive environment for private sector growth and (ii) increasing private sector participation in key economic sectors such as utilities, trade and transport.

3. Barriers to Entry - High compliance costs associated with SPS & TBT Agreements

How to find the money to comply with food safety, health and quality requirements as well as technical regulations in developed markets presents an enormous challenge for ADCs both at the national and the enterprise level.

Other barriers to entry for ADCs occur if the rules for foreign firms are different (e.g. higher standards) compared to those for domestic firms or if they deviate from international norms. Similarly potent blocking can come from a bureaucratic application of rules in the developed markets and conformity assessment. Conformity assessment presents the largest potential technical barrier to trade. By this, governments in importing countries may refuse to recognize tests performed by exporting firms or their public authorities and may not accept conformity declarations. Government authorities may also insist on performing inspections of exporter premises and inspecting imported shipments. These measures effectively restrict trade and may deny ADCs access to developed markets.

To overcome barriers to entry in developed markets, ADCs need to:

- Source the necessary funds in order to make the required investments in new facilities and education, particularly in higher valued processed products (see above).

- Establish the administrative systems, competent expertise and authorities together with equipment and technical capacity to implement quality control measures. These will

initially increase the cost of production but there are other side benefits. For example, it provides ADCs with the opportunity to adopt modern processes and carry out investments in infrastructure and technical skills, which are currently much needed. This will assist them in improving competitiveness of their products in both the domestic and export markets in the medium and long term;

- Establish the recurrent costs involved in maintaining quality control and testing and certification for the long-term viability and sustainability of enterprises and to ensure security of markets.

Policy issues:

Some of the indirect costs and policy decisions ADC exporters may face in developed markets include:

(i) Reformulating the ingredients of a food product because of a requirement to list nutrition contents (see below for a more detailed discussion). This can be costly. Firms will need to decide whether to establish a platform design, which can be modified slightly to accommodate particular markets. The alternative is to design a product initially solely for the domestic market but with costly modifications required for export.

The former strategy is more common among larger firms, while the latter characterizes smaller firms (OECD 1999). Compliance costs can therefore provide an advantage to large multinational firms in global competition.

(ii) The costs associated with lack of consensus on an international standard can be high, especially for LDCs seeking to expand food exports.

4. Shelf-life/Compulsory Eco-Labeling Proposals

There are various shelf-life and labeling restrictions that are applied to a wide range of processed fruit, vegetable and fruit juice products. In the EU, for example, a product's shelf-life is required to be printed on the label. Furthermore, in some markets at least 50 percent of a product’s shelf-life is expected to remain when it enters the country. This can present difficulties at the distribution level. A product can take up to 3 months before it arrives in some markets. As most products would have spent at least a few months in storage before shipment, the 50 percent shelf-life regulation sometimes hinders the orderly year-round distribution of products.

Eco-labeling deserves particular mention. This is because ADCs have a comparative advantage in natural products. Eco-labeling refers to the labeling of consumer products to indicate that they are environmentally-friendly. An eco-labeling scheme can be voluntary or compulsory. Moreover, it can relate to the product itself or the production process. The main purpose of an eco-labeling scheme is to give consumers relevant environmental information about a product so that they can make informed decisions about purchases.

Under the EUs current voluntary labeling scheme for consumer products, manufacturers are encouraged, but not obliged, to provide environmental information with their products. Where a voluntary scheme is designed only to provide information, it may not violate WTO rules. This is particularly the case if firms try to differentiate themselves through brands or

marketing programmes. Nevertheless, voluntary labeling schemes may deny ADCs access to developed markets for certain products. Examples of this include the proliferation of eco-labeling schemes for various products in different developed markets. This can become prohibitive and administratively time consuming for ADCs. The EU has put forward proposals during the forthcoming Doha Round for compulsory eco-labeling. This has met with the resistance of some WTO members, including the US.

ADCs need to be vigilant that the EU or for that matter other developed countries do not impose internationally compulsory environmental standards, especially with regard to production processes. Active participation by ADCs in the relevant committees - for example - the WTO Committee on Trade and the Environment is one way of ensuring that ADCs are not caught unawares and their voice is heard.

5. Composition, Formulation and Analytical Testing Standards

When it comes to the production of fruit juice, the EU has different standards compared to the US. An EU directive regulates the composition of fruit juice as well as the labeling of such products. This directive allows only fruit juices that are formulated using mechanical extraction methods. It bans the use of the in-line pulp wash method which is currently used by US juice processors. Moreover, the EUs Code of Practice (COP) sets out numerous compositional standards and analytical methods for all the main types of fruit juices. Some of the provisions of this code differ from commercial juice production standards in the US. For example, the COP does not allow the use of tangerine juice in frozen concentrated orange juice, deacidification and debittering of fruit juices. Both of these produce a smoother, less-acidic product with improved flavour. Furthermore, the addition of pulp and aromatics to juices not made from concentrate is not allowed. These latter restrictions, are supposedly intended to support the consumption of EU produced juice at the expense of other supplying countries.

Opportunities and Action Plans for Change in SPS and TBT for ADCs

Although ADCs face an uphill task in meeting the challenges of SPS and TBT post the URAA in developed markets, all is not bad news. The changes taking place internationally provide ADCs with the opportunity to wipe the slate clean and start afresh, provided policy makers and those in authority are prepared to introduce change. Two main areas need to be addressed i) strengthening the public sector and regulatory framework and ii) creating a vibrant private sector to take full advantage of the opportunities available both in international markets and intra-regional trade.

Simplified bureaucratic structures, transparent rules, innovation and capacity building in accordance with the priorities and stages of economic level of development of ADCs can provide a kick-start to improved access and export-led growth. With some effort, professionalism and sensible use of limited resources, many of the difficulties which have been outlined above can be overcome. This process can, however, only become reality if ADCs are prepared to do the following: (i) take stock of the past and learn lessons; (ii) ADCs do not allow themselves to be burdened and paralyzed by past failures and mistakes leading to inertia and inaction (iii) a commitment to finding workable solutions appropriate for the conditions and long-term interest of each ADC.

Some of the opportunities available to ADCs include:

1. Improved standards provide incentives for firms in ADCs to modernize, upgrade the quality and reliability of their products to the required international levels in order to compete both for exports to developed markets and intra-regional trade.
2. Modern technical and production standard processes will oblige ADCs to focus on competitiveness issues and address market failures. These will be required both at the national and enterprise level of the private sector. An important outcome of this are well thought out export policy strategies for diversification and export expansion.

3. Improved international standards will provide ADCs with a clearer focus and facilitate efficient transactions. This will assist ADCs in becoming integrated in global markets and provide conducive conditions for intra-regional trade.

In Box 5 we have a concrete example of the differing standards for a processed product in both the EU and US markets. This case study also shows the need for ADC exporters to be aware of the market's requirements for nutritional labeling. Delays or failure to do so can lead to rejected consignments and become costly for the exporter.

Box 5
Differing Standards in Developed Markets: The Case of Nali Sauce and Access to the US Market

Nali is a wholly owned Malawian company whose flagship product for export is a chilli hot sauce that it markets as "Africa's hottest peri-peri sauce". Established in 1974 as a small home business producing chilli sauce for the local community, Nali has grown to be one of the most profitable and well-known food product companies in Malawi employing 800 people. Nali began with the owner growing his own chillies but as demand increased, Nali began sourcing chillies from other smallholder farmers. Nali chilli sauce soon became the market leader in Malawi. Having reached full market penetration domestically, the company began exporting to neighbouring countries in the SADC (South Africa, Zimbabwe, Zambia etc).

With an established brand and reputation in the Southern African region, Nali then targeted the lucrative European and US markets with chilli sauce. However, strict food safety and product standards have prevented expansion into these markets. In particular, Nali is having difficulty meeting the requirements of the Food and Drug Administration (FDA) in the US market.

In 1999, a shipment of 150 cases of Nali sauce was denied entry into the US market and subsequently destroyed. The shipment was detained by FDA officials on the basis of misbranding and adulteration violations. The misbranding violation occurred because the product label did not provide nutritional information in accordance with the Food Products Labeling Act and the address of the manufacturer. This violation occurred because of an oversight by the importing agent, who was awaiting FDA approval before authorizing the printing of US labels.

The adulteration violation resulted from the discovery of excessive insects and insect fragments, rodent and human hair and feather barb. MBS analysts suspect the contamination occurs on the farms where the chillies are grown and dried. They cited that sourcing from smallholder farmers is problematic because the drying and storage procedures are crude and tracing the source of contamination on smallholder farms is impossible.

FDA also requires another set of specifications because the Nali chilli is a low acid product. This means that specific stages in the processing system must be documented in order to ensure a safe finished product. In particular, Nali needs to establish a system of documentation to confirm the time and temperature of processing at several stages. A complete HACCP plan is not required. However, these specifications would be part of what would be covered by a complete HACCP plan.

Thus Nali, one of Malawi's most successful export companies, is currently excluded from the US market for a product that meets EU standards. The applicable US standards have not been successfully communicated to Nali and MBS because of the current poor state of communications infrastructure in Malawi. The result being that implementation of proper low acid documentation is further delayed. Until, if ever, this issue is resolved, Nali is forced to limit its trading to regional and EU markets.

Source: Southern African Grades and Standards Assessment: Malawi Michigan State University for USAID/RCSA

Underperformance and Impact of the URAA on Trade Preference schemes for ADCs

As we saw earlier in Chapter 2, ADCs have traditionally been able to achieve export competitiveness through a system of preferences that provide them with favourable market access to developed markets. This has been particularly the case with their main trading partner, the EU. However, the multilateral trading system is forcing change upon the nature and future direction of Trade Preference schemes. As a result, trade preferences are currently in a state of flux and uncertainty.

The group most affected by these forthcoming changes are Non-LDC ACP countries. LDCs are to a lesser extent affected by these changes because special trade preferences for LDCs are allowed under the WTO's Enabling Clause. This comes under S&D Treatment.

It must be pointed out that, as far as ADCs are concerned, trade preference schemes have an increasingly reducing commercial value. The reduction in MFN tariffs and the rise in RTAs have led to an erosion in the preference margins that ADCs received under the various GSP schemes, the former Lomé Convention for ACP countries and the Euro-Mediterranean Agreements.

The main forces of change are:

1. The implementation of the URAA and Erosion of Preferences

The last URAA has undoubtedly had an effect on ADCs, particularly in two main areas.

(i) the stringent rules and disciplines within which WTO members are now required to conduct their domestic policies.

(ii) The lowering of MFN tariffs and the establishment of Regional Trade Agreements (RTAs).

For example, the establishment of the Free Trade Area of the Americas (FTAA) will further reduce eventually any competitive edge enjoyed by ADCs under the GSP of the US. It is estimated that as a result of the URAA, there has been average loss in preferential margins for all GSP receiving imports from non-LDC beneficiaries of about 2.9 percent (1.4 percent for LDCs) in the EU, 2.6 percent (4.1 percent for LDCs) in Japan and 2.8 percent (2.7 percent for LDCs) in the US (UNCTAD 1998).

2. Non-compatibility with GATT/WTO provisions/EU Harmonization

For a long time, the GATT tolerated special preferential schemes for limited groups of developing countries such as the EU's preferences for ACP countries under the Lomé Convention. However, it was recently made clear that such regimes are incompatible with the GATT principle of providing non-reciprocal preferences to all developing countries without discrimination. This principle was put to the test with the recent banana dispute between ACP member countries and Central American Dollar banana producers. As a result of the banana dispute, the EU has had to revise its banana regime in order to comply with GATT/WTO rules and also achieve EU harmonization.

The recently negotiated EU-ACP Cotonou Partnership Agreement is a direct outcome of these events. A new trade regime is envisaged between ACP members and the EU. This will be in the form of reciprocal trade agreements with individual or sub-regional groupings of ADCs. These should eventually lead to Regional Economic Partnership Agreements (REPAs) which are WTO compatible. The negotiations for the preparatory phase of the REPAs commenced in September 2002. The REPAs should take effect as from 1st January 2008. For those ACP States that do not accept an REPA arrangement, alternative trading arrangements would be established in consultation with the EU. LDC-ACP members can opt out, and benefit from the special preferences provided under the EBA. REPAs are outside the scope of this study. It has been highlighted here because of its future significance to ACP members.

The revival and intensification of Regional Trade Agreements

Following on from the above, regional integration will play an increasingly important role in the future for ADCs. The progressive lowering of MFN tariffs amongst ADCs will provide an additional avenue for export expansion, diversification and intra-regional trade. The first obstacle ADCs, however, face is harmonization of the many overlapping sub-regional/regional schemes on the continent.

Poor Performance of ADCs and Limited Utilization of Trade Preference Schemes

Recent preference initiatives such as the EBA for LDCs and AGOA are most welcome. However, the mere granting of tariff preferences or duty-free and quota-free access to LDCs does not automatically lead to the effective utilization of trade preferences. These initiatives might not bring the desired results unless the specific interests of LDCs are properly reflected in their design. Some of the current weaknesses and ways in which these schemes can be improved are discussed below. However, the benefits of existing non-reciprocal trade preference schemes granted to ADCs have become a controversial subject. They have become increasingly open to criticism as a development tool and many are questioning the development impact of the former Lomé conventions.

The reason why their value is being questioned is because statistical evidence seems to suggest that these schemes have not contributed significantly to either generating export growth or improving the market shares of ADCs. In other words, ADCs performance has been

disappointing. For example, in 1976, 6.7 percent of total EU imports originated in ACP countries. By 1999, this share had decreased to 4.4 percent.

Also, during the period 1975-99, when the Lomé Conventions was in existence non-ACP developing countries grew more than twice as fast as the ACP group. This was in spite of the fact that the latter group had preferential access to the EU market and was given more development aid.

Explanations for this failure might include restrictions on key products to the EU under the former Lomé Conventions. Others can be explained by counter productive domestic policies of ADCs which were highlighted in Chapter 1. Described below are some of the shortcomings of current trade preference schemes and why they may go some way towards explaining ADCs poor export performance.

The Current Drawbacks of Trade Preference Schemes

The conventional wisdom in some circles is that market access is not a major issue for ADCs because of limited supply capacity. While supply-side constraints are an obstacle for many ADCs, there is another dimension to the problem, the low take-up of trade preferences by ADCs.

Existing trade preference schemes have many restrictions which hinder ADC exporters from taking full advantage of the opportunities of preferential market access. This goes some way to explaining the low take-up rates or 'missed preferences' by ADCs. According to UNCTAD (1998), the utilization of available preferences under existing trade preference schemes are often around 40-60 percent in the case of non-LDC developing countries and 50-70 percent for LDCs.

Lower than average utilization rates are recorded for food preparations.

Improvements of the type outlined below could help ADCs to gain enhanced access to developed markets.

1. Making unilateral and voluntary schemes legally binding

The lack of legal security and predictability of preferences is frequently found to be the main cause of the low utilization of available preferential schemes for developing countries. Developed countries are not legally committed to providing preferences. They can decide unilaterally on preference margins and also withdraw preferences, without violating GATT/WTO commitments.

Without the necessary legal framework of such preference schemes the interests of ADCs for long-term security and stability is compromised. As a result, planning for production and attracting the necessary export oriented investment to generate supply capacity is made difficult. Legally binding the trade preference schemes in GATT/WTO could make the trading environment more secure and predictable for both LDCs and Non-LDC GSP beneficiaries.

2. Increasing the duration of schemes requiring periodic renewal

Various developed countries' GSP schemes are of a limited duration and subject to periodic

reviews. The EBA scheme provides an exception (see below). For example, the current EU GSP scheme is valid for a period of 3-4 years within a 10 year period (1995 to 2004). The current scheme commenced from 1st January 2002 and will expire on 31st December 2004. It will be the third and last scheme to be implemented within the 10 year period. One of the main benefits of the EBA scheme is that the duty/quota-free treatment will be maintained for an unlimited period of time. It will not be subject to the periodic EU GSP renewals.

3. Revised non-trade conditionalities

Preferences are conditional upon fulfilling a wide range of requirements. In many instances LDCs in particular have difficulty being able to satisfy these conditions. The linking of eligibility criteria to non-trade concerns such as good governance, human and labour rights or environmental standards can deter the use of preference schemes. For example, both AGOA and the EU-ACP Cotonou Partnership Agreement use good governance as an eligibility criteria for ADCs.

A recent innovation of the EU under its GSP scheme is to offer developing countries special arrangements to promote sustainable development. These are commonly referred to as 'incentive clauses'. They operate on a voluntary basis (a request needs to be made by the beneficiary country). Their main purpose is to grant additional preferences to beneficiary countries that comply with certain core labour standards (the social clause) or with environmental standards (the environmental clause). As we saw earlier in Chapter 2, the new EU GSP provides an additional 5 percent tariff reduction for countries who meet additional environmental and labour conditions.

4. Simplified rules of origin

Complex and varying rules of origin under the various GSP schemes of developed countries can be highly restrictive and may deny ADCs access to developed markets. This is particularly the case for higher valued processed foods. For example, rules of origin that do not match the industrial capacity of LDCs and which reflect a vertical model of the production stages of the food industry are still required under the EU and Japanese GSP rules. This can act as a disincentive to FDI.

In some cases, exports at MFN tariffs have been observed even where the TRQs were not fully utilised. The main reason for this is often because of the administrative hassle of meeting the rules of origin including the many types of export documentation required. Simplifying the rules of origin so that they take into account the industrial capacity of ADCs will be beneficial.

An added complication for ADCs is the question of the outsourcing of inputs from a single customs territory (cumulation of origin) for further processing. There are strict rules of origin requirements by developed countries as to which country’s or region’s inputs can be outsourced to form part of the final product for export to developed markets. These often specify conditions such as inputs must not exceed a certain percentage of the total. For example, the Cotonou trade regime allows an ACP country to regard products that are wholly obtained in the EU, in the overseas countries and territories (OCT) or in any other ACP country as having been wholly obtained in the exporting ACP country. In addition, any working or processing carried out in the EU, in the OCT or in any other ACP country is regarded as having been carried out in the exporting ACP State. Under full cumulation, all

ACP States are considered, for the purposes of origin determination, as being one single customs territory (UNCTAD 2001).

Decisions on rules of origin are therefore out of the control of ADCs and can add significantly to the final cost of the product. They can eventually even make the product uncompetitive excluding it from the target developed market.

5. Reducing Top-Heavy Administrative Requirements and Lack of Knowledge

Cumbersome administrative requirements and frequently a lack of awareness of the availability of the preferences among Government trade officials and private sector representatives can result in ADCs losing out on preference opportunities. Other constraints faced by both existing and new exporters include the associated difficulties customs personnel may come across in understanding tariff classifications and changes in such classifications and modifications or amendments made to the preferential schemes. The costs of this lack of technical knowledge can be quite significant and may include: unnecessary payment of customs duties, rejected imports, unnecessary testing, spoilage, legal fees.

A one-stop shop, for example, Trade Promotion Organisations (TPOs) where specialists in key sectors can explain the options for exports available to ADC exporters so they can make informed decisions would be useful.

6. Reduce the frequent changes in criteria for eligibility of Preferential Schemes

ADCs can be removed from the scheme in certain products or all products altogether if certain criteria linked to market share of the products in question or economic development indicators are met. For example, Hong Kong, Singapore and the Republic of Korea were excluded from the EU GSP scheme in 1998. It has been observed that the specialisation and development indices some schemes employ tend to favour producers of raw materials and low-processed goods while penalising more advanced suppliers. Ceilings or TRQs limit the quantity of product imported.

Under certain preferential schemes, quantitative limits limit the predictability of obtaining preferential market access. For those ADCs whose exports are currently constrained by TRQs either within or outside preferential schemes, expanding TRQs will assist in improving their overall export performance and market share. For example, Namibia with its winter seedless grapes and citrus fruit for Swaziland.

7. More appropriate Product coverage to the export potential of ADCs

Product coverage is sometimes not appropriate to the export potential of ADCs. For example, sensitive products in agriculture are granted limited preferential margins or excluded altogether from GSP schemes. For example, in the EU Non-LDC ACP countries are subject to specific duties from EUR 2.6-20.6/100 Kg for specific types of fruit/vegetable juice. Three products under the EBA which are of particular significance to ADCs - rice, sugar and banana - are quarantined and ADCs will not benefit from immediate tariff reductions because they are sensitive to EU producers.

In the US, product coverage for minerals and in particular petroleum products and some apparel articles is available under AGOA. Minerals and oils account for almost 95 percent

among the covered products. There is scope for further product coverage for many food and agricultural products. For example, chocolate, groundnuts, peanut butter, olives and some specific types of fruit juice are currently excluded (see Appendix 8).

In Japan, there is scope for further product coverage in food and agriculture. Specific products of LDC interest such as tea, edible nuts, chocolate and prepared foods are not covered[30] and attract high duties in the Japanese market (See Appendix 9).

8. Higher preferential margins

Low preferential margins might discourage exporters from utilizing the scheme. This is because the cost of compliance to qualify products under the GSP might result higher than the MFN duty. Setting preferential tariffs relative to MFN tariffs (instead of in absolute terms) could help to overcome this problem as they will at least have some commercial value. Increasing preference margins where there is evidence of peaks and tariff escalation in MFN tariffs may also be beneficial to ADCs.

9. Reduced use of Safeguard provisions

As has been mentioned elsewhere, this contingency measure can act as a psychological deterrent. The benefit of GSP preference schemes may be suspended for certain products originating from certain countries in the event that those imports 'cause or threaten to cause' serious difficulties to a Community Producer of like or directly competing products. An EU member state or the Commission can ask for normal duties to be established.

Other non-tariff barriers

The application of non-tariff barriers such as too stringent product standards, labeling and blending requirements in different consumer markets may hinder the importation of products benefiting from GSP treatment.

Assessment of the EBA Scheme

The EBA has become the benchmark for providing the most favourable trade preference scheme currently available to LDCs in developed markets. It therefore deserves special attention. Here, we briefly assess the advantages and disadvantages.

Benefits:

1. The EBA initiative abolished the specific duties that were previously applicable for certain categories of agricultural and processed foodstuffs under both the Cotonou Partnership Agreement and the GSP. However, the EBA only reduces tariff rates faced by LDCs for a small number of products (Stevens and Keenan 2001). The number pf product lines abolished of interest to this study at the HS 8 digit level include: Chapter 20 (Preparation of vegetables and fruits - 74 product lines); Chapter 08 (Fruits - 25 product lines); Chapter 07 (Vegetables - 19 product lines); Chapter 18 (Cocoa and Cocoa preparations -19 product lines). Most EU imports from LDCs already enter duty-free. This

[30] Throughout this study the 1999 GSP data is used for LDCs for Japan. The extended and revised Japanese GSP scheme of 2001 has introduced a positive list of agricultural products for the exclusive benefit of LDCs at duty and quota-free rate. There are, however, still many products not covered under the specific list for LDCs.

is partly because they were covered by the GSP scheme. Furthermore, they are tropical products for which the EU maintains relatively low non-preferential tariff rates. The results of a recent quantitative assessment of the impact of the EBA agreement found that most of the benefits to LDCs would arise from greater preferential access for sugar and rice (UNCTAD 2001). Whatever the case, LDCs need to act now rather than later in taking advantage of the market access opportunities before preference margins are further eroded.

2. Another important feature of the EBA is the stability imparted to these preferences. As was previously mentioned, although the EBA is an integral part of the EU GSP scheme, its duration is not subject to the periodic GSP reviews. It also has no time limitation. This means that LDCs are in a better position to plan ahead and attract the necessary investment to increase their supply capacity. The EU will review the functioning of the EBA in 2005, when amendments can be introduced, if necessary.

Despite the above benefits, the EBA is not exactly a bed of roses for LDCs. It comes with its share of difficulties which is consistent with the shortcomings of GSP schemes highlighted above.

Disadvantages

1. The initiative is subject to all the disciplines and various limitations of the EU GSP scheme, such as the unilateral and unbound character of the GSP, the provisions on temporary withdrawal of the preferences (Article 22 of Regulation 28209/98, especially reinforced by the EBA amendment itself), strengthened safeguard provisions and rules of origin.

2. In particular, the current initiative does not bring any improvement in the field of rules of origin since current GSP rules are still applicable. Thus, given the cumulation regime applicable under GSP, some ACP/LDCs may be placed in an unfavourable situation in respect to the cumulation regime granted to LDCs under the EU-ACP Cotonou Partnership Agreement.

Given the absence of improvements in the field of origin, eligibility, conditionalities or procedural constraints, the low utilization rate recorded under the EU GSP scheme by LDCs may also feature under this recent initiative. Unless there are significant improvements to the GSP scheme and initial investment in the basic things that are essential to attract private sector participation (e.g. marketing infrastructure), the impact for LDC exports under the EBA initiative could be quite low, particularly in terms of diversification into higher valued processed foods. There is, however, some hope on the horizon as there are attempts to simplify and harmonize preferential and non-preferential rules of origin. A lack of agreement on harmonization is currently impeding progress.

Trade Preference Schemes - What Future?

Existing GSP schemes still have a role to play as a development tool if they are better targeted to those who need them most, for example, LDCs. They should be extended to include other groups such as small, vulnerable, Small Island and landlocked countries under S&D Treatment.

Another helpful move would be if the US and Japan extended their product coverage so that

the concessions are similar to those under the EBA initiative. However, for ADCs to gain from improved access and effective utilization of preferential market access opportunities to developed markets strengthening and harmonizing the current GSP regimes so that they are in the long-term interest of LDCs would be beneficial. Most importantly, developed countries should focus on providing ADCs, particularly LDCs with assistance designed to directly improve their overall efficiency and competitiveness while helping them to overcome their short term needs.

It is important for Non-LDC ACP countries to recognize that the privileges enjoyed in the past from trade preferences now have a limited shelf-life. The culture of dependency leading to high cost, uncompetitive exports based on preferential trade schemes no longer has a future. Non-LDC ACP countries should make the most of whatever opportunities are currently available, for example from sharing quota rents with importers in preference giving countries or other means to improve their export structures. Important negotiating capital should not be wasted trying to maintain the status quo. Successive lowering of MFN tariffs will erode further any benefits currently enjoyed.

ADCs should focus their attention on creating viable and sustainable export structures to cope with the new challenges of trade liberalization and globalization. Technical assistance and financial assistance in coping with transition costs and stabilization of export earnings are constructive avenues for development. There is also a need for ADCs to establish efficient institutions to monitor, administer and promote exports under existing preferential and non-preferential arrangements. For many ADCs, some of the costs associated with some preferential tariffs may outweigh the benefits, particularly if they are small to begin with. But then what is the alternative? Waiting and hoping that something will turn up is not a very feasible alternative option either.

As any good farmer would say, ‘unless you plant some seeds you don’t get any crop’. If ADCs are to become serious competitors internationally, there is a cost for involvement. Whether it is to obtain better and more up to date information, providing courses for training local producers and exporters, strengthening human resources and institutional capacities to comply with administrative and customs procedures under the various GSP schemes, or establishing a network of cooperating institutions. These are all necessary pre-requisites for success in export growth and development..... and they all cost money.

Improved international standards will provide ADCs with a clearer focus and facilitate efficient transactions. This will assist ADCs in becoming integrated in global markets and provide conducive conditions for intra-regional trade.

ADCs and International Co-operation

The multilateral trading system and international co-operation will be crucial to ADCs making the necessary transition to meet higher compliance standards in developed markets. Mobilising the necessary funds for investment in modern equipment will be a prerequisite for success. At the same time, Governments of ADCs need to be aware and take action regarding the difficulties exporters in the private sector currently face. They need to be prepared to work with them vigorously in effecting change.

ADC Governments also need to be fully committed to any plan of action agreed with the international community (including NGOs, donors etc) in order to be successful in achieving enhanced access to developed markets in the future. Voluntary standards development

activities will become increasingly important in the future at the level of international co-operation if ADCs are not to be denied access to developed markets. Voluntary standards need to be taken as equally seriously because they can negate the effects of the benefits of multilateral trade negotiations.

The international community can assist ADCs in the following ways:

1. By Promoting Institutional and Regulatory Reform

At the heart of any activities to address standards and remove technical barriers in discriminatory standards, testing and certification programmes is the need to promote centres of development and excellence in both ADCs and developed countries. Such work is in the long-term benefit of both developed and developing countries;

2. By setting up a Co-ordinated International Framework for Standards and Global Trust Fund

There is currently no co-ordinated international framework for addressing key development needs in standards. A Standards Development Forum (SDF) can fill such a gap (Wilson, World Bank 2001). Its main purpose will be to develop the framework for a plan which targets financial assistance in the modernization of standards infrastructures for LDCs. As ADCs currently lack capacity to take up and adopt best practice international standards, the SDF could also develop a strategic plan. The aim of this will be to ensure developing countries are able to participate in standards development activities. Ways in which this goal can be achieved innovatively include exploring the use of global information technology networks.[31]

3. Accelerating progress and consensus in harmonization of international standards

Reaching consensus and making further progress towards harmonized, internationally accepted standards will be beneficial to ADCs. Lack of progress in this area can seriously erode the gains made through removal of import tariffs. The wide range of differing sanitary and phytosanitary standards imposed by importers that lack a foundation in sound science and are not based on risk, are particularly costly to ADCs who depend on a few agricultural commodities for their exports;

4. By providing a Global initiative for pre and post-market surveillance systems

A plan to provide technical assistance and funds to support mechanisms which inform and prepare ADCs in advance about forthcoming SPS and TBT measures in developed markets and post-market surveillance systems will be beneficial to ADCs. In this way, ADCs will not be caught unawares and can plan ahead for SPS and TBT measures of developed markets. ADCs can pool resources on a sub-regional/regional level to reduce the costs and co-ordinate and share information amongst members. Trade Promotion Organizations (TPOs) can play an expanded role and be useful in this area, provided they are strengthened.

[31] Leveraging information technology networks to assist developing countries to achieve best practice information on standards and expand access is being examined in SSA through a new Trust Fund established by the US at the World Bank)

Summary of chapter

This final chapter focused on market access and trade barriers. It started by showing that the key indicators for determining the degree of protection are.... the level of peak tariffs, the extent of tariff escalation and how non-tariff measures are applied, in particular tariff rate quotas. Developed countries tend to protect their domestic producers by using a complex combination of these three tools and among those hardest hit by this are ADCs.

Tariff/mega peaks are prevalent in developed markets for some high valued processed foods of particular export interest to ADCs. These mainly include chocolate, some fruit juices, various food preparations and shelled groundnuts and peanut products in Japan and US respectively. The complexity of the tariff structure of tariff peaks resulting in a lack of transparency makes it difficult to make meaningful comparisons across markets because of the different characteristics of the products (e.g. varying sugar or dairy levels). The lack of data on value-added products and costs to convert complex tariffs into ad valorem equivalents makes it particularly difficult for ADCs to have a clear picture of the extent of protection and the specific reduction in tariffs required for individual products during negotiations.

Tariff escalation has a damaging effect because it penalises those exporters who strive to improve their prospects and escape the trap of being solely suppliers of raw materials. Moreover, this mechanism undermines attempts that ADCs make to set up domestic processing industries.

Considerable evidence was provided to show how these two measures worked against the interests of potential exporters in ADCs. However, the most impenetrable (some might say cynical) of the protection mechanisms are the non-tariff measures, falling under managed trade. Here three of the most important of these measures were analysed in some detail, namely...minimum import prices (of which the EU's Entry Price System is a prime example), tariff rate quotas and SPS.

A regime based on import price measures, where the prices allowed for imported products can fluctuate according to the season or the production pattern of domestic producers, makes life difficult for exporters in terms of planning. The price they can expect bears no relationship to the usual economic factors of supply and demand. Instead it is hostage to an arbitrary, politically inspired formula.

Much the same argument can be leveled against tariff rate quotas, for they too are designed to protect politically sensitive commodities and products in the developed countries. A key issue here is how the TRQs are established. Because of historical accident or clever negotiation to become a favoured nation supplier, some countries automatically get the lion's share of the total import quota. This leaves all other suppliers to fight among themselves for what remains.

As was shown, "out of quota tariff rates" can be prohibitively high and thereby deter many exporters who have the capacity to supply excellent produce. Not surprisingly the topic of TRQs is high on the agenda of the next Doha round of negotiations.

The final and, for many ADCs, toughest barrier to trade discussed in this chapter centred on SPS. In themselves these measures are quite legal and, at least on the surface, appear to make good sense since they purport to protect consumers. However, it is how these measures are interpreted and applied that presents problems for ADCs.

As was shown in the example of the aflatoxin scare, with very little scientific evidence to back it up, the rules could be bent to the advantage of the developed countries. With these seemingly arbitrary decisions being made about issues such as quality, product safety and labeling, a farcical situation is created where exports from ADCs are perfectly acceptable in one country yet they are banned in another.

The impact of URRA on Trade Preference Schemes was examined. It was shown that such schemes had failed to help ADCs as originally envisaged. Closer analysis revealed that Trade Preference Schemes had a number of drawbacks as far as ADCs are concerned. For example, they were not legally binding and could be changed after relatively short periods, also they could be tied to a number of conditions which are difficult for exporters to meet.

Regardless of all this, it is thought that the days of Trade Preference Schemes are numbered because of the general trend of reducing MFN tariffs and the growing importance of the rules and disciplines within which WTO members have to operate.

ADCs ignore these early warning signals at their peril, for to remain a passive on-looker while the world around them is changing is a recipe for disaster.

The chapter finished by looking at what ADCs might do to compete more effectively in developed markets and overcome these barriers. It was suggested that there had to be greater international cooperation, either with governments or multinational enterprises, if ADCs are to have a chance of meeting the higher compliance standards required of them in developed markets. Steps that would be helpful in this context would involve institutional and regulatory reform, setting up a coordinated framework for standards, accelerating consensus in the harmonization of international standards and establishing pre and post marketing surveillance systems.

For their part ADCs must work harder to put their own houses in order by investing in those areas which will help their exporters. This will require them to address facilities, administrative systems, technical capacity and managerial competence.

CONCLUSIONS

The foregoing report is of necessity long and complex because it had to cover so much ground. However, some very clear messages emerged from this study and these are summarized here.

1. Trade liberalisation post URRA has had mixed success. While some actions such as tariffication, have in some ways improved transparency, not very much has changed as far as the exporting record of ADCs is concerned. It is therefore important for ADCs to try to influence the next Doha negotiations in ways that will actually benefit them.

2. Developing countries have much to gain from improved market access opportunities in developed markets. However, for them to benefit they must be able to participate in fair, transparent, functioning international markets. This has not been achieved so far.

3. Distortions in trade, brought about by protectionist policies in developed countries, are significant and hinder the export prospects and opportunities of ADCs. Furthermore, new non-tariff barriers that are being introduced, such as in food safety and environmental standards, can often cancel out any gains from market access opportunities that developed countries provide.

4. The signs are that the financial importance of preferential trade agreements is reducing as new and stringent rules dictate what can and cannot be done in the trading world.

5. Despite all this there is much ADCs can do themselves to address internal constraints and become more competitive in international markets. However, time is pressing and they must act soon. Delays in making the investment required to keep pace with the rapidly changing international trading environment will make it even more difficult for ADCs to catch up.

6. Past evidence shows that improved access opportunities to developed markets does not by itself automatically lead to economic growth or poverty reduction. While some of the reasons for this lack of success can be attributed to hidden trade barriers, many more are due to not matching products to the sophisticated demands of consumers in developed countries.

7. To overcome this latter problem requires a coherent and multifaceted development strategy which links trade to development and recognizes that to be a player in international markets means operating at international standards. It is these standards that must be used as a benchmark against which to measure progress.

8. Few foreign and domestic investors are willing to take the risks implied in investing in countries with a weak regulatory environment, large infrastructure problems and often unstable economic or political environments.

9. Concrete and positive action to create favourable conditions in which a vibrant and dynamic private sector is able to thrive together with a network of strengthened support systems is essential for export-led growth. Strong political will and a long-term commitment to see through trade reforms and supportive domestic policies are pre-requisites for export-oriented, economic growth. Real change can only come from within

ADCs themselves. Delays lead to missed opportunities for exporters and significant losses of export revenue for governments.

10. International organisations, Non Governmental Organisations (NGOs), Donors and the multilateral trading system can assist ADCs to create conditions which are favourable so that they are able to make the necessary adjustments and transition to a more efficient and market-oriented economy. Any plan of action needs to take into account ADCs special circumstances and development needs such as food security, rural development and the environment.

11. Prospects for many of the selected products covered in this report remain good as long as exporters continue to meet consumer standards or exceed them. They may even be able to obtain higher prices if they can establish or build in differential benefits, such as... better taste, higher quality or greater freshness.

12. ADCs have advantages of low labour costs compared to developed countries and ought to be able to use this to advantage in doing extras like topping and tailing which create added value to fruits and vegetables, improving the packaging design and cosmetic appearance of goods, or indeed, any of the part preparation tasks at present undertaken in their export markets. Again, this type of added value brings with it the prospect of charging higher prices.

13. The prospects for traditional commodities are less favourable because they invariably fetch low prices and incur high transport costs when compared to their value. High volume, low value commodities can only be made to pay if the logistics of getting them to the customer are streamlined and efficient. Sadly, for many ADCs this is not the case.

14. Competitiveness, product differentiation, exacting standards and economies of scale are of overriding importance in the increasingly complex global marketplace. ADCs need to recognise the need to change from an individualistic mind-set to one that understands the benefits to be gained from a more professional and organised approach to exports. The prevalence of a large number of small scale farmers calls for a more imaginative approach if they are not to become increasingly marginalised in the global economy.

15. At the farm level, some options ADCs can consider include promoting farmer groups and associations and promoting contract farming ventures. As the nature of international business is changing, contracts will also need to be enforceable with farmers so that the private sector can meet its delivery commitments with overseas buyers. Reform of land tenure will also be crucial for success in export-led growth.

16. To achieve the economies of scale required and compete effectively, national and regional strategies where alliances can be formed amongst exporters can be an appropriate survival strategy. This will assist some of the small/medium size exporters in ADCs not to become excluded and provide opportunities for supplying all year round to large buying groups in developed markets. Sadly, a high degree of strategic focus, co-ordination and management capability which are key to success, are in short supply in ADCs.

17. At the national and regional level, ADCs need to be able to improve co-ordination and co-operation to gain benefits from improved access and efficient use of resources. At the national level, improved marketing co-ordination amongst the various institutions,

producers, exporters, business associations – and forging links with private sector firms internationally will become increasingly important to achieve export led growth.

18. At present SPS measures and tariff escalation deter ADCs from developing their processing industries and exporting higher valued goods. It is perhaps this area that ought to be the battleground, not seeking to maintain preferential trade agreements.

19. Similarly, tariff rate quotas appear to hold back many potential exporters, but then again some will argue that not all ADCs fill their existing quotas anyway. Seen in this light maybe other factors are at work here.

20. Regardless of all the problems associated with various types of trade barriers, there is ample evidence that ADCs perform less well in terms of global trade than developing countries in other parts of the world. Geographical distance from developed markets does not explain this discrepancy, because countries in the Far East and South America have better records, starting from a comparable economic base. Clearly something is going wrong.

21. In the light of this it would be thought that ADCs would take advantage of all the aid packages that are available. Again, sadly this is not the case.

Drawing on these main conclusions we make the following recommendations.

Recommendations

Recommendations fall into four main categories:

1.1 Enhanced Market Access – The Broader Picture

a. Even though preferential trade agreements are likely to become less important in the future, in the short-term ADCs ought to try to clarify/legalise and extend any existing schemes, even negotiate better terms if that is possible. This will buy them some time to adjust to a more competitive international trading climate.

b. It will be important for ADCs to maximise their input at the next Doha negotiations, focusing on issues that will help their exporters the most, such as concessions (or time to adapt) on SPS and revision of tariff rate quotas.

c. Developed countries should be encouraged to review their importing policies in order to make them more transparent and fairer to developing countries. At present they spend far more on protective measures than they give in aid to developing countries. Even a minor reversal of these policies would greatly benefit ADCs.

d. Regular monitoring and vigilance of standards and regulations in developed markets by appropriate institutions will be required. This is necessary if ADCs are not to lose out on market opportunities in developed markets. These will need to be disseminated to the various concerned interest groups such as business associations.

e. Trade Promotion Organisations in ADCs need to take a more pro-active role and strategic focus in the development and expansion of exports. They need to go beyond their

traditional duties of responding to requests from overseas buyers, providing market contacts for exporters, arranging study tours for exporters or basic market information. Their responsibilities need to include providing up-to-date information and an early warning system on changes in regulations and standards in developed markets in priority sectors for which action must be taken well rapidly. Once these major changes have been identified they need to be disseminated as quickly as possible to the appropriate institutions and the private sector through the respective trade associations. These activities, although costly are a necessity if ADCs are to compete effectively in developed markets.

f. The training of Trade Promotion Officers in the complex and sophisticated tariff schedules of developed countries will be an important part of any export development strategy.

1.2 Improved marketing infrastructure

a. ADCs must make a strategic decision whether or not they are to remain largely passive exporters (in which case they carry on in much the same way) or become serious players in the global economy.

b. Depending on a. above, ADCs must invest in marketing infrastructure for their best earning products. This may call for improved warehousing, collection, transport, packaging, quality control facilities, etc.

c. Above all ADCs must try to create a skilled workforce, particularly at managerial levels, capable of competing in international markets.

d. Information systems and appropriate institutions must be set up to support exporters.

e. Where possible expertise from developed countries must be tapped via joint ventures, exchange schemes and the like.

1.3 Funding

a. All existing aid packages should be exploited if they support the overall strategy of improving education or marketing infrastructure.

b. ADCs should become more proactive in seeking funding from governments, donor organisations or enterprises in developed countries, not purely as aid but as business propositions.

c. ADCs might reappraise the priorities of their domestic investment focusing on improving their trading prospects.

The following recommendations specifically address the multilateral trading system and the variety of ways in which improved access can be achieved by ADCs:

1.4 Tariff Policy

a. The structure of tariffs in the food and agricultural sector needs to be simplified so as to allow greater transparency. Specific and compound tariffs should be eliminated. This would make it easier to make comparisons across products and markets. ADCs will then be in a better position to see which products and markets are most protected and negotiate reductions more effectively.

b. Tariff peaks and Tariff Escalation hinder the exports of ADCs into developed markets. Tariff peaks should be lowered. In the case of tariff escalation, this should be eliminated by both developed and developing countries. This will assist ADCs in their efforts to diversify into some of the higher valued processed products and become less dependent on traditional commodities. It will also encourage intra-regional trade.

c. The method of administration of TRQs in developed markets needs to be improved and made more transparent. This is so that (also non-traditional) exporters from developing countries can enjoy new access opportunities.

d. The current system of TRQs needs to be replaced so that it is fair to all members and eliminates the problem of quota underfill and other current weaknesses. Two methods proposed are to increase the amount of the quota or use low applied rates with quotas.

e. In order that ADCs do not lose any benefits previously enjoyed under preferential tariffs of tariff rate quotas, any change in the system should take these earlier preferences into account. If necessary, they should be compensated for losses due to increased quotas granted to “new” quota recipients.

f. The System of minimum import prices or variable levies in developed markets such as the EUs entry price system and seasonal tariffs should be eliminated. This will open up the market for some North African ADCs and Southern hemisphere ADCs, whose products are now subject to restricted volumes.

g. The use of Special Safeguard Provisions should be extended and made into permanent instruments to be used by producers in developing countries where necessary to safeguard food security in vulnerable agricultural sectors.

2. Recommendations for Preferences

a. Initiatives such as the EBA should be extended to other markets such as Japan and the US. These should be targeted at specific developing countries who need it most and not just LDCs. For example, vulnerable, small island and landlocked countries. This will provide ADCs with more options for their diversification into new or alternative markets and reduce dependence on a few buyers or traditional markets such as the EU. Current restrictions such as complex rules of origin, strict eligibility criteria, exclusion of many products from coverage which create market uncertainty and burdensome and onerous administrative procedures should be eliminated.

b. Preferential tariffs on LDC exports should be set at zero and bound in order to provide more certainty and security in exports and attract the required investment. LDCs should

make the most out of the current access opportunities before these are further eroded by the lowering of MFN tariffs.

c. Current preferential systems should be reviewed. This is essential in order to derive permanent benefits from the access opportunities and with the prospect of inevitably declining levels of preference. As the value of preferential tariffs will inevitably decline over time it is not worth expending a large amount of negotiating 'capital' in preserving them at current levels. More important is settling the issue of their role in the trading system so as to achieve the stability needed for investment and growth.

d. The safeguard provisions in the GSP and other preference agreements should be eliminated as they relate to LDCs.

e. The different and complex rules of origin in existence in developed markets need to be revised and made simpler taking into account the industrial capacity of ADCs. For example, countries eligible under the GSP should be granted the unlimited cumulation of pre-products. Outmoded methods of production such as the vertical model for processing in the rules of origin of the EU need to be upgraded to more modern methods.

3. Recommendations for Food Safety and Compositional Food Standards

a. ADCs should be provided with technical and financial assistance so that they are able to meet the international standards for food safety and quality. This includes making use of the regulations of the SPS and TBT agreements, including the WTO dispute settlement mechanism. They also need to be vigilant that these do not replace import tariffs as barriers to trade.

b. The support for developing countries in both SPS and TBT agreements should be made binding and the resulting measures should be institutionalized. One way of achieving this is to ensure that importing countries provide technical assistance, should they implement new policies detrimental to exporters from ADCs.

c. Further clarification is required on 'equivalent' regulations on a national level. ADCs in particular require flexibility in procedures for securing food quality and safety. Mutual recognition agreements between developing and developed countries should be supported.

d. The participation of developing countries in the institutions which set standards needs to be facilitated. The current method of voting needs to be reformed. Standards set in the Codex Alimentarius Commission should require consensus or a two-thirds majority. There needs to be some form of minimum representation from developing countries from different regions. In order to provide a counterweight to the strong influence of industry representatives, government advisers need to come equally from industry, non governmental and consumer organizations.

4. Others

a. Special and Differential Treatment

ADCs should ensure that they take advantage of S&D provisions in addressing concerns such as food security, rural development etc in the next Doha Round through the proposed

Development Box or other means. Significant amounts of technical and financial assistance will be required if ADCs are to compete internationally in markets. The resources currently allocated for this by the WTO to assist ADCs to make the necessary adjustments is grossly inadequate. A special fund should be set up specifically for this purpose. ADCs should also ensure that S&D provisions are binding to ensure security of commitments.

b. Multinational Enterprises

Given the dominance of Multinational Enterprises in agricultural trade, their actions need to be closely monitored for the benefit of ADCs. Some form of compromise needs to be reached whereby multinationals can operate in a secure environment and achieve their business objectives while taking into account the development needs and priorities of ADCs.

c. Diversification into Higher Valued Processed Products

Diversification into higher valued processed products for exports is a necessary and logical step for ADCs to move into from exporting traditional raw materials. However caution needs to prevail as to how this is approached for the export market if white elephants are to be avoided. A well thought out integrated strategy for products which caters to the needs of both the developed and regional developing markets could be a good starting point. ADCs need to be assured that their efforts in the development of this sector will not be undermined by developed countries through processing aids and other means. Furthermore, a regional approach should be undertaken for key strategic products for export. This is in order to provide for economies of scale and to avoid dependence on one or a few developed markets.

The above recommendations may not be the complete answer, they will not even be easy to achieve, but they will help ADCs to become more competitive. In this report we have talked about opportunities and challenges. Being brave enough to be dissatisfied with the status quo...and then doing something about it may prove to be the greatest challenge of all.

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APPENDICES

APPENDIX 1

Appendix 1
African Developing Countries and Territories: Shares of the Leading Agricultural Commodities in Total Exports 1997-99

Export earnings of top single agricultural export commodity					
Country/ territory	**% of share**			**Top export commodity**	**Others amongst Top 3 agricultural exports**
	Total merchandise exports	**Total agricultural exports**	**Earnings as a percentage of GDP (1998)**		
Tropical beverages					
Angola	<1	77	0.3	Coffee, green	n.a.
Burundi	75	83	7.2	Coffee, green	Tea
Somalia					Coffee, green
Ethiopia	62	69	5.4	Coffee, green	
Uganda	54	69	4.0	Coffee, green	Tea
Madgascar	12	34	0.8	Coffee, green	
Rwanda	43	60	1.3	Coffee, green	Tea
Côte d'Ivoire	36	58	14.4	Cocoa beans	Coffee, green Cocoa paste
Kenya	26	42	6.5	Tea	Coffee, green
Democratic Republic of the Congo	10	71	1.4	Coffee, green	Cocoa beans
Cameroon	5	28	5.1	Cocoa beans	Coffee, green
Guinea	3	45	1.3	Coffee, green	n.a.
Congo					Cocoa beans
Gabon					Cocoa beans
Nigeria	2	39	0.2	Cocoa beans	n.a.
Malawi					Tea
Equatorial Guinea	2	99	0.7	Cocoa beans	Cocoa Coffee, green
Liberia					Cocoa beans
Ghana	24	76	5.5	Cocoa beans	Cocoa butter
Togo	n.a.	n.a.	n.a.	n.a.	Coffee, green
Central African Republic					Coffee, green
Fresh fruits & vegetables					
Tunisia	n.a.	n.a.	n.a.	Olive oil	Dates
Egypt	n.a.	n.a.	n.a.		Potatoes
Algeria	<1	42	0.2	Dates	n.a.
Cape Verde	1	35	n.a.	Apples	n.a.
Morocco	2	16	0.7	Oranges	Tangerines; Tomatoes

Appendix 1 - Continued
African Developing Countries and Territories: Shares of the Leading Agricultural Commodities in Total Exports 1997-99

Export earnings of top single agricultural export commodity					
Country/ territory	**% of share**			**Top export commodity**	**Others amongst Top 3 agricultural exports**
	Total merchandise exports	**Total agricultural exports**	**Earnings as a percentage of GDP (1998)**		
Edible Nuts					
Gambia	20	43	12.9	Groundnuts shelled	Groundnut oil; cake (ground nuts)
Guinea Bissau	48	91	6.3	Cashew Nuts	
United Republic of Tanzania	16	24	1.2	Cashew Nuts	Coffee, green
Senegal	n.a.	n.a.	n.a.	n.a.	Groundnuts, Cashew Nuts
Mozambique	n.a.	n.a.	n.a.	n.a.	Cashew Nuts (shelled)

Source: Computed from FAOSTAT, January 2002, and World Bank, World Development Indicators, 2000

Notes: <1: a percentage less than 1
n.a.: not available

APPENDIX 2

Appendix 2
African Developing Countries: Selected Fresh and Processed Fruits & Vegetables and Edible Nut Exports including International Competitors

FRUIT

Product	**ADC Exporters**	**International Competition**
Mainstream Fruits		
Banana	Cameroon, Côte d'Ivoire Somalia, Uganda	Ecuador, Colombia, Costa Rica, Jamaica
Citrus	Egypt, Tunisia, Morocco Swaziland, S. Africa	Spain, US, Brazil
Fresh Pineapples	Ghana, Côte d'Ivoire	Chile, Central America
Avocado	Kenya, South Africa	Spain, Mexico, Israel
Grapes	Namibia, S. Africa, Swaziland	EU
Mango	Kenya, S. Africa, Gambia Burkina Faso, Mali, Côte d'Ivoire, Swaziland, Guinea	Mexico, Venezuela, Brazil Jamaica, Peru, Israel, India, Costa Rica
High Value Fruits		
Lychee	Mauritius, S. Africa, Madagascar	Thailand
Papaya Solo	Ghana, Côte d'Ivoire Burundi, South Africa	Brazil, Jamaica, Israel, Costa Rica, Thailand
Sweet Melons	Egypt, Tunisia, Morocco, Senegal, Gambia, Ethiopia, Kenya, Zambia, South Africa	Europe (including Spain, France), Turkey, Brazil, Costa Rica, Israel, Chile
Dates	Tunisia, Aleria, Morocco	Israel
Passion Fruit	Kenya, Zimbabwe, Zambia Uganda, South Africa, Burundi, Nigeria, Gambia	Colombia, Australia, Chile

VEGETABLES

Product	ADC Exporters	International Competition
Mainsteam Vegetables		
Tomatoes	Gambia, Morocco	EU
Potatoes	Egypt	Cyprus, Israel
Sweet Corn	Zambia	US
Olives	Morocco, Tunisia	Italy, Greece
Okra	Uganda, Gambia, Senegal Nigeria, Zambia, Zimbabwe, Ghana, Egypt, Kenya	Mexico
Fine Vegetables		
Fresh Baby Corn	Zambia, Zimbabwe, South Africa Kenya, Nigeria	Thailand, Sri Lanka
Mangetout (Snow Peas)	Zimbabwe, Zambia, Kenya South Africa, Morocco, Egypt, Nigeria	Spain, Guatemala
Fine Beans	Zimbabwe, Zambia, Kenya, Morocco, Egypt	Spain, Guatemala
Opportunities for Added Value	Minimal Processing (e.g. top and tail)	
EDIBLE NUTS		
Groundnuts	Senegal, Gambia, Malawi	USA, Mexico
Cashew Nuts	Tanzania, Mozambique, Nigeria Kenya, Côte d'Ivoire, Burkina Faso, Benin, Ghana	India, Brazil, Viet Nam

Fruit Juice

Product	ADC Exporters	International Competition
Pineapple juice, concentrate & Pulp/ Puree	Kenya, Swaziland	Thailand, Indonesia and the Philippines
Mango Pulp Puree	Kenya, South Africa	India, Mexico, Brazil, Colombia, Peru, Venezuela, Guatemala, Thailand, Philippines
Guava Pulp/Puree	South Africa	India, Malaysia, Philppines, Thailand, Latin America (Mexico, Brazil, Peru, Colombia and Venezuela)
Banana Puree	South Africa	US, Central & South America (Honduras, Guatemala, El Salvador, Nicaragua, Panama, Costa Rica, Brazil, Ecuador, Peru), India
Papaya Pulp	n.a.	Latin America (Mexico, Bazil, Peru, Costa Rica, Malaysia, Taiwan
Passion Fruit	Kenya	Brazil, Ecuador, Colombia, Peru, Venezuela, Costa Rica

APPENDIX 3

Appendix 3

DISTRIBUTION OF TARIFF PEAKS[32] IN MAIN DEVELOPED MARKETS OF AFRICAN DEVELOPING COUNTRIES

Product group[33]	Number of tariff lines within a tariff range				No. of peaks	Share in total %
	Total	20-29%	30-99%	>100%		
European Union						
Fruit and vegetables (7-8)	407	10	5	1	16	4
Sugar, cocoa and pre. (17,18)	75	34	6	0	40	53
Prepared fruit, vegetables (20)	310	70	39	1	110	35
Other food industry prod. (19,21)	90	27	8	0	35	39
Japan						
Fruit and vegetables (7-8)	209	1	2	7	10	5
Sugar, cocoa and pre. (17,18)	80	26	19	6	51	64
Prepared fruit, vegetables (20)	231	52	5	2	59	26
Other food industry prod. (19,21)	232	113	2	15	130	56
United States						
Fruit and vegetables (7-8)	269	13	0	0	13	5
Sugar, cocoa and pre. (17,18)	144	6	1	2	21	15
Prepared fruit, vegetables (20)	156	3	2	3	8	5
Other food industry prod. (19,21)	126	11	18	2	31	20

Source: UNCTAD (1997), Tables 1-3.

[32] Tariff peaks are defined as tariff rates that are 20 percent or more (UNCTAD). All are MFN tariffs.
[33] The numbers within the parenthesis in the product are SITC numbers.

APPENDIX 4

Appendix 4

COMPARISON OF SELECTED TARIFFS FOR HIGH VALUE PROCESSED FRUITS & VEGETABLES / EDIBLE NUTS AND TROPICAL BEVERAGES IN DEVELOPED MARKETS

Regional agreement abbreviations

NAFTA: Preferential tariff rates that apply to all members of North America Free Trade Agreement (United States, Canada, and Mexico).

EUPREF: Preferential tariff rates given by the EU to the following countries: Bulgaria, Switzerland, Czech Republic, Estonia, Hungary, Iceland, Liechtenstein, Lithuania, Latvia, Mexico, Norway, Poland, Romania, Slovak Republic, and South Africa.

MED: Preferential tariff rates given by the EU to the following countries: Albania, Bosnia-Herzegovina, Cyprus, Algeria, Egypt, Croatia, Israel, Jordan, Lebanon, Morocco, Macedonia, Malta, Palestinian Territories, Slovenia, Syria, Tunisia, Turkey, Kosovo, and Yugoslav Federative Republic (Serbia and Montenegro).

ACP: Preferential tariff rates given by the EU to selected African, Caribbean, and Pacific countries on account of being former colonies and members of the Lomé convention.

GSP: The EU gives GSP treatment to 122 developing countries, with different types of tariff treatment provided depending on the level of development. **GSPE** countries are designated Central and Latin American countries, such as Costa Rica, Guatemala, Honduras, Nicaragua, Panama, El Salvador, Bolivia, Colombia, Ecuador, Peru, and Venezuela, that receive differential GSP treatment from the EU. **GSPL** countries are least-developed countries that generally receive duty-free access for all but the most sensitive commodities.

JPREF: Preferential tariffs given by Japan to designated countries under Article 8-2 of the Temporary Tariff Measures Law. Major countries receiving preference include China, Viet Nam, Malaysia, Philippines, Indonesia, India, Pakistan, Sri Lanka, Poland, Hungary, Romania, Bulgaria, Turkey, Czech Republic, Slovakia, Mexico, Colombia, Venezuela, Brazil, Chile, Argentina, and South Africa. Most Eastern European, Central American, South American, and African countries also receive these types of preferential tariffs. Other countries receive preferential tariffs as least developing countries (see JLDC). Until 2000, Korea, Taiwan, Hong Kong, and Singapore received preferential tariff access.

JLDC: Preferential tariffs given by Japan to designated countries under Article 8-2 of the Temporary Tariff Measures Law. Countries covered include Cambodia, Laos, Myanmar, Bangladesh, Afghanistan, Nepal, Yemen, Haiti, Guinea, Sierra Leone, Togo, Benin, Mali, Niger, Rwanda, Angola, Ethiopia, Uganda, Tanzania, Mozambique, and Madagascar. A number of smaller Asian, African, and Pacific Island countries are also included.

Tariff nomenclature abbreviations

EA: agricultural component added by the EU for certain products on the basis of the percentage by weight of milk fat, milk protein, sucrose/isoglucose, and starch/glucose. From July 1, 2000, the agricultural component ranged from EUR 0/100 kg – EUR 275.82/100 kg.

AD S/Z: additional duty on sugar added by the EU for certain products on the basis of the percentage by weight of milk fat, milk protein, sucrose/isoglucose, and starch/glucose. From July 1, 2000, the additional duty on sugar ranged from EUR 0/100 kg – EUR 38.99/100 kg.

EX: The abbreviation 'ex' means that the countries listed are excepted from the specified tariff preference.

IQTR: In-Quota Tariff Rate.

MIN: abbreviation used by the EU to denote that the applicable tariff is the larger of the two tariff rates provided.

MAX: abbreviation used by the EU to denote that the applicable tariff is the smaller of the two tariff rates provided.

MX: Mixed allocation methods involving several of the methods listed above.

OQTR: Over-Quota Tariff Rate.

PT: The abbreviation 'pt' means that the listed country and/or group receives preferential treatment for only a subset of the tariff lines under a six-digit subheading.

SEL: The abbreviation 'sel' next to a group means that only selected countries under a regional or preferential trade agreement receive the preferential rate.

TRQ: Tariff Rate Quota

Country abbreviations

AR: Argentina
BR: Brazil
CL: Chile
MX: Mexico
TR: Turkey

Description of Tariffs

Ad valorem tariff: An ad valorem tariff is a tariff that is applied as a certain percentage of the dutiable value of a product. It is either calculated on a FOB basis (i.e. the value at the port of export, as in the United States) or on a CIF basis (the dutiable value including transportation and insurance, as in the European Union and Japan).

Specific tariff: A specific tariff is a tariff that is applied as a fixed value per unit quantity.

Compound tariff: A compound tariff is a tariff that has an ad valorem and a specific component.

Other tariffs: Other tariffs refer to tariff forms that do not adhere to the previous three tariff types. They are sometimes represented as an ad valorem rate “but not less than” a specific rate. They are also sometimes represented as the greater of two different types of tariffs.

Appendix 4
Fruits and vegetables: Selected tariffs for processed products in main developed markets of African Developing Countries, 2000

HS Item/product description	Market	2000 applied MFN tariff ranges						Bilateral/ FTA's	LDCs	ACP	OTHERS
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs					
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines				
0806.20 Raisins	United States			1.8¢/kg-3.5¢/kg (2.8¢/kg)	3			NAFTA (Free)			
	EU-15	2.4%	6					EUPREF (sel.) (Free-1.8%); MED (sel.) (Free)	EBA (Free)	Free	GSP (sel.) (2%)
	Japan	1.2%	1								
0813.20 Dried plums	United States	14%	1	2¢/kg	1			NAFTA (Free)			
	EU-15	9.6%	1					EUPREF (sel.) MED (sel.) (Free)	EBA (Free)	Free	GSP (sel.) (free-8.1%)
	Japan	2.4%	1								
Canned peaches 2008.70	United States	17%	1								
	EU-15	17.6%-25.6% (24%)	7			25.6% plus EUR 4.2/100kg/net	2	EUPREF (sel.) (numerous) MED (sel.) (numerous)	EBA (Free)	100% ad valorem reduction EUR 4.2/100kg	
	Japan	6.7%-29.8% (13.4%)	9					JPREF (pt.) (6.7%-12%)	JLDC (Free)		

Appendix 4 - Continued
Fruits and vegetables: Selected tariffs for processed products in main developed markets of African Developing Countries, 2000

HS Item/product description	Market	2000 applied MFN tariff ranges						Bilateral/ FTA's	LDCs	ACP	OTHERS
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs					
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines				
All other fruits: 0804.10 Dates	United States	29.8%	1	1¢/kg-13.2¢/kg (2.8¢/kg)	3			NAFTA (Free)			
	EU-15	7.7%	1					MED (sel.) (Free)	EBA (Free)	Free	GSP (sel.) (Free-5.3%)
	Japan	Free	1								
0804.20 Figs	United States			6.2¢/kg-8.8¢/kg (7.9¢/kg)	3			NAFTA (Free)			
	EU-15	5.6% or 8%	2					MED (sel.) (Free)	EBA (Free)		GSP (sel.) (4.7%-6.8%)
	Japan	6%	1					JPREF (5%)	JLDC (Free)		
0811.10 Frozen strawberries	United States	11.2%	1								
	EU-15	14.4% or 20.8%	2			20.8% plus EUR 8.4/100kg/net	1	EUPREF (sel.) MED (sel.)	EBA (Free)	100% ad valorem reduction EUR 8/100kg	GSP (sel.) (numerous)
	Japan	9.6% or 12%	2								

Appendix 4 - Continued
Fruits and vegetables: Selected tariffs for processed products in main developed markets of African Developing Countries, 2000

HS Item/product description	Market	2000 applied MFN tariff ranges						Bilateral/ FTA's	LDCs	ACP	OTHERS
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs					
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines				
0811.20 Other frozen berries	United States	4.5% or 9%	2					NAFTA (Free)			
	EU-15	14.4%-20.8% (14.4%)	3			20.8% plus EUR 8.4/100kg/net	1	EUPREF (sel.) MED (sel.)	EBA (Free)		GSP (sel.) (numerous)
	Japan	6% or 9.6%	2								
0811.90 Other frozen fruit	United States	Free-14.5% (10.9%)	10	0.25¢/kg	1						
	EU-15					13%-20.8% plus EUR 5.3/100kg/net-EUR 8.4/100kg/net	2	EUPREF (sel.) MED (sel.)	EBA (Free)		(GSP (sel.) (numerous)
	Japan	6%-23.8% (12%)	11					JPREF (pt.) (12%)	JLDC (pt.) (Free)		
0813.10 Dried apricots	United States			1.8¢/kg	1			NAFTA (Free)			
	EU-15	5.6%	1					EUPREF (sel.) (Free-4.3%); MED (sel.) (Free)	EBA (Free)	Exemption	GSP (sel.) (4.7%)
	Japan	9%	1								

Appendix 4 - Continued
Fruits and vegetables: Selected tariffs for processed products in main developed markets of African Developing Countries, 2000

HS Item/product description	Market	2000 applied MFN tariff ranges						Bilateral/ FTA's	LDCs	ACP	OTHERS
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs					
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines				
0813.30 Dried apples	United States			0.74¢/kg	1			NAFTA (Free)			
	EU-15	3.2%	1					EUPREF (sel.) MED (sel.) (Free)	EBA (Free)	Free	GSP (sel.) (2.7%)
	Japan	9.0%	1								
0813.40 Other dried fruit	United States	1.8%-6.8% (2.5%)	3	1.4¢/kg-10.6 ¢/kg (3.5¢/kg)	4			NAFTA (Free)			
	EU-15	Free-6.4% (2.4%)	6					EUPREF (sel.) MED (sel.)	EBA (Free)	Free	GSP (sel.) (numerous)
	Japan	7.5%-9% (9%)	5					JPREF (pt.) (7.5%)	JLDC (pt.) (Free)		
0813.50 Mixtures of nuts or dried fruits	United States	14%	1					NAFTA (Free)			
	EU-15	4%-9.6% (6.4%)	3					EUPREF (sel.) MED (sel.)	EBA (Free)		GSP (sel.) (numerous)
	Japan	6% or 12%	2								
0814.00 Citrus or melon peel	United States	Free	1	1.6¢/kg	2			NAFTA (Free)			
	EU-15	1.6%	1					EUPREF (sel.) MED (sel.)	EBA (Free)	Free	(GSP (sel.) (Free)
	Japan	1.5%	1								

Appendix 4 - Continued
Fruits and vegetables: Selected tariffs for processed products in main developed markets of African Developing Countries, 2000

HS Item/product description	Market	2000 applied MFN tariff ranges						Bilateral/ FTA's	LDCs	ACP	OTHERS
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs					
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines				
2007.10 Homogenized preparations of fruits or nuts	United States	12%	1					NAFTA (Free)			
	EU-15	15% or 24%	2			24% plus EUR 4.2/100kg/net		EUPREF (sel.) MED (sel.)	EBA (Free)	Free	GSP (sel.) (numerous)
	Japan	21.3% or 34%	2								
2007.91 Citrus marmalades, pureés, and pastes	United States	3.5%-11.2% (4.5%)	3								
	EU-15					24% plus EUR 4.2/100kg/net-EUR 23/100kg/net	2	EUPREF (sel.) MED (sel.)	EBA (Free)	100% ad valorem reduction EUR 23/100kg	GSP (sel.) (numerous)
	Japan	12%-34% (21.3%)	4								
2007.99 Other fruit jams, marmalades, pureés, and pastes	United States	Free-14% (4%)	16								
	EU-15	22.4%	1			24% plus EUR 4.2/100kg/net-EUR 23/100kg/net	8	EUPREF (sel.) MED (sel.)	EBA (Free)	Free	GSP (sel.) (numerous)
	Japan	12%-34% (21.3%)	4								

Appendix 4 - Continued
Fruits and vegetables: Selected tariffs for processed products in main developed markets of African Developing Countries, 2000

HS Item/product description	Market	2000 applied MFN tariff ranges						Bilateral/ FTA's	LDCs	ACP	OTHERS
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs					
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines				
2008.20 Other prepared or preserved pineapples	United States			0.35¢/kg	1			NAFTA (Free)			
	EU-15	17.6%-25.6% (19.2%)	8			25.6% plus EUR 2.5/100kg/net	2	EUPREF (sel.), MED (sel)	EBA (Free)	Free	GSP (sel.) (numerous)
	Japan	Free-46.8% (25.5%)	4	¥33/kg	2						
2008.30 Other prepared or preserved citrus fruit	United States	Free-14% (14%)	6	0.28¢/kg-11.3¢/kg (1.4¢/kg)	10						
	EU-15	15.2%-25.6% (24%)	6			25.6% plus EUR 4.2/100kg/net	1	EUPREF (sel.), MED (sel)	EBA (Free)	100% ad valorem reduction EUR 4.2/100kg	GSP (sel.) (numerous)
	Japan	17%-29.8% (23.8%)	4								
2008.40 Other prepared or preserved pears	United States	15.3%	1					NAFTA (Free)			
	EU-15	16%-25.6% (24%)	7			25.6% plus EUR 4.2/100kg/net	2	EUPREF (sel.), MED (sel)	EBA (Free)	Free	GSP (sel.) (numerous)
	Japan	9%-21% (15%)	8					JPREF (pt.) (9%-12%)	JLDC (pt.) (Free)		

Appendix 4 - Continued
Fruits and vegetables: Selected tariffs for processed products in main developed markets of African Developing Countries, 2000

HS Item/product description	Market	2000 applied MFN tariff ranges						Bilateral/ FTA's	LDCs	ACP	OTHERS
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs					
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines				
2008.50 Other prepared or preserved apricots	United States	10% or 29.8%	2					NAFTA (Free)			
	EU-15	17.6%-25.6% (24%)	7			25.6% plus EUR 4.2/100kg/net	2	EUPREF (sel.), MED (sel.)	EBA (Free)	100% reduction ad valorem EUR4.2/ 100kg	GSP (sel.) (numerous)
	Japan	12%-15% (15%)	4					JPREF (pt.) (9.6%-12%)	JLDC (pt.) (Free)		
2008.60 Other prepared or preserved cherries	United States					6.9¢/kg plus 4.5%	1	NAFTA (Free)			
	EU-15	17.6%-25.6% (24%)	5			25.6% plus EUR 4.2/100kg/net	1	EUPREF (sel.), MED (sel)	EBA (Free)	100% ad valorem reduction EUR4.2/ 100kg	GSP (sel.) (numerous)
	Japan	12%-15% (15%)	4					JPREF (pt.) (12%)	JLDC (pt.) (Free)		
2008.80 Other prepared or preserved strawberries	United States	11.9%	1					NAFTA (Free)			
	EU-15	17.6%-25.6% (20.8%)	7			25.6% plus EUR 4.2/100kg/net	1	EUPREF (sel.), MED (sel)	EBA (Free)	100% ad valorem reduction EUR4.2/ 100kg	GSP (sel.) (numerous)
	Japan	11%-21% (15%)	4								

Appendix 4 - Continued
Fruits and vegetables: Selected tariffs for processed products in main developed markets of African Developing Countries, 2000

HS Item/product description	Market	2000 applied MFN tariff ranges						Bilateral/ FTA's	LDCs	ACP	OTHERS
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs					
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines				
2008.92 Other prepared or preserved mixtures of fruit or nuts	United States	5.6% or 14.9%	2								
	EU-15	15%-25.6% (16%)	5			16%-25.6% plus EUR 2.6/100kg/net-EUR 4.2/100kg/net	2	EUPREF (sel.), MED (sel)	EBA (Free)	Free	GSP (sel.) (numerous)
	Japan	6%-29.8% (21.3%)	6					JPREF (pt.) (4.8%)	JLDC (pt.) (Free)		
2008.99 Other prepared or preserved fruits or nuts	United States	Free-22.4% (6%)	19	0.9¢/kg-10.6¢/kg (1.5¢/kg)	3						
	EU-15	10%-25.6% (16%)	6			16%-25.6% plus EUR 2.6/100kg/net-EUR 4.2/100kg/net	4	EUPREF (sel.), MED (sel)	EBA (Free)	100% ad valorem reduction EUR 2.6/ 100kg for (3390,34,91)	GSP (sel.) (numerous)
	Japan	7.7%-29.8% (12%)	17					JPREF (pt.) (3.6%-16.8%)	JLDC (pt.) (Free)		

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Fruits and vegetables: Selected tariffs for processed products in main developed markets of African Developing Countries, 2000

HS Item/product description	Market	2000 applied MFN tariff ranges						Bilateral/ FTA's	LDCs	ACP	OTHERS
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs					
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff Lines				
Frozen potato products: 0710.10 Frozen potatoes	United States	14%	1					NAFTA (Free)			
	EU-15	14.4%	1					MED (sel.) (Free)	EBA (Free)	Free	GSP (sel.) (Free-12.2%)
	Japan	8.5%	1								
2004.10 Frozen potato products	United States	6.4% or 8%	2					NAFTA (Free)			
	EU-15	14.4% or 17.6%	2			7.6% plus EA	1	EUPREF (sel.) MED (sel.) (numerous)	EBA (Free)		GSP (sel.)
	Japan	8.5%-13.6% (9%)	3								
Dried vegetables: 0712.20 Dried onions	United States	21.3% or 29.8%	2								
	EU-15	([2])							EBA (Free)	Free	
	Japan	9%	1								
0712.90 Other dried vegetables	United States	Free-29.8%[3] (3.8%)	8	2.3¢/kg-5.5¢/kg-	3						
	EU-15	Free-12.8% (12.8%)	5	EUR 9.4/100kg/net	1			EUPREF (sel.) MED (sel.)	EBA (Free)	100% ad valorem reduction EUR 1.81/tonne = EUR 9.4 100/kg	(GSP (sel.) (numerous)
	Japan	Free-12.8% (9%)	4	¥9/kg	1						

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Fruits and vegetables: Selected tariffs for processed products in main developed markets of African Developing Countries, 2000

HS Item/product description	Market	2000 applied MFN tariff ranges						Bilateral/ FTA's	LDCs	ACP	OTHERS
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs					
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines				
0713.10 Dried peas	United States	Free	1	0.4¢/kg or 1.5¢/kg	2			NAFTA (Free)	EBA (Free)	Free	
	EU-15	Free	2								
	Japan	Free-6%[2]	2	([2])							
0713.20 Dried chickpeas	United States			1.4¢/kg-1.5¢/kg	2			NAFTA (Free)	EBA (Free)	Free	
	EU-15	Free	1								
	Japan	Free or 8.5%	2								
0713.31 Dried Vigna beans	United States	Free	1	0.3¢/kg-0.8¢/kg	2			NAFTA (Free)	EBA (Free)	Free	
	EU-15	Free	1								
	Japan	Free	1								
0713.32 Dried adzuki beans	United States			1.2¢/kg-1.5¢/kg	2			NAFTA (Free)	EBA (Free)	Free	
	EU-15	Free	1								
	Japan	([2])	1	([2])	1						

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Fruits and vegetables: Selected tariffs for processed products in main developed markets of African Developing Countries, 2000

HS Item/product description	Market	2000 applied MFN tariff ranges						Bilateral/ FTA's	LDCs	ACP	OTHERS
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs					
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines				
0713.33 Dried kidney beans	United States			1¢/kg or 1.5¢/kg (1.5¢/kg)	3			NAFTA (Free)	EBA (Free)	Free	
	EU-15	Free	2								
	Japan	Free-6%[2]	2	([2])							
0713.39 Other dried beans	United States	Free	1	0.8¢/kg-1.5¢/kg	3			NAFTA (Free)	EBA (Free)	Free	
	EU-15	Free	1								
	Japan	Free-6%[2]	2	([2])							
0713.40 Dried lentils	United States			0.15¢/kg-1.5¢/kg	2			NAFTA (Free)	EBA (Free)	Free	
	EU-15	Free	1								
	Japan	Free or 8.5%	2								
0713.50 Dried broad beans	United States			1.2¢/kg-1.5¢/kg	2			NAFTA (Free)	EBA (Free)	Free	
	EU-15	3.2%	1								
	Japan	Free or 6%[2]	2	([2])							

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Fruits and vegetables: Selected tariffs for processed products in main developed markets of African Developing Countries, 2000

HS Item/product description	Market	2000 applied MFN tariff ranges						Bilateral/ FTA's	LDCs	ACP	OTHERS
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs					
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines				
0713.90 Other dried vegetables	United States	Free	1	0.8¢/kg-1.5¢/kg	3			NAFTA (Free)			
	EU-15	3.2%	2					EUPREF (sel.) (Free-1.6%) MED (sel.) (Free)	EBA (Free)	Free	GSP (sel.) (Free-2.2%)
	Japan	Free or 6%[2]	2	([2])							
Processed tomato products: 2002.10 Whole tomatoes and pieces	United States[4]	12.5%	1								
	EU-15	14.4%	2					MED (sel.)	EBA (Free)		GSPE, GSPL (Free)
	Japan	9%	1					JPREF (7.6%)	JLDC (Free)		
2002.90 Tomato paste and puree	United States	11.6%	2								
	EU-15	14.4%	6					MED (sel.)	EBA (Free)		GSPE, GSPL (Free)
	Japan	Free-16% (13.4%)	6					JPREF (pt.) (7.6%-13.4%)	JLDC (pt.) (Free)		

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Fruits and vegetables: Selected tariffs for processed products in main developed markets of African Developing Countries, 2000

HS Item/product description	Market	2000 applied MFN tariff ranges						Bilateral/ FTA's	LDCs	ACP	OTHERS
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs					
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines				
2009.50 Tomato juice	United States			0.14¢/l	1			NAFTA (Free)			
	EU-15	16% or 16.8%	2					MED (sel.) (Free-6.4%)	EBA (Free)	Free	GSPE, GSPL (Free)
	Japan	21.3% or 29.8%	2								
2103.20 Tomato ketchup and sauces	United States	6% or 11.6%	2								
	EU-15	10.2%	1					EUPREF (sel.) (Free-10%); MED (Free)	EBA (Free)	Free	GSP (sel.) (Free-7.1%)
	Japan	17% or 21.3%	2								
0710.21 Frozen peas	United States			1¢/kg-2¢/kg	2			NAFTA (Free)			
	EU-15	14.4%	1					MED (sel.) (Free)	EBA (Free)	Free	GSP (Free-12.2%)
	Japan	8.5%	1								
0710.22 Frozen beans	United States	Free or 11.2%	2	2.3¢/kg-4.9¢/kg (4.9¢/kg)	4			NAFTA			
	EU-15	14.4%	1					MED (sel.) (Free)	EBA (Free)	Free	GSP (Free-12.2%)
	Japan	8.5%	1								

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Fruits and vegetables: Selected tariffs for processed products in main developed markets of African Developing Countries, 2000

HS Item/product description	Market	2000 applied MFN tariff ranges						Bilateral/ FTA's	LDCs	ACP	OTHERS
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs					
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines				
0710.40 Frozen corn	United States	14%	1					NAFTA (Free)			
	EU-15					5.1% plus EUR 9.4/100kg/net		EUPREF (sel.), MED (sel.)	EBA (Free)	100% ad valorem reduction	GSP (sel.) (numerous)
	Japan	10.6%	1								
0710.80 Other frozen vegetables	United States	Free-14.9% (12.5%)	7	2.1¢/kg-2.9¢/kg (2.1¢/kg)	3	5.7¢/kg plus 8%	1				
	EU-15	6.3%-15.2% (14.4%)	9					EUPREF (sel.); MED (sel.)	EBA (Free)		GSP (sel.) (numerous)
	Japan	6% or 12%	2								
0710.90 Frozen mixed vegetables	United States	7.9% or 14%	2					NAFTA (Free)			
	EU-15	14.4%	1					MED (sel.) (Free)	EBA (Free)		GSP (sel.) (Free-12.2%)
	Japan	6% or 10.6%	2					NAFTA (Free)			
0714.20 Sweet potatoes	United States	4.5% or 6%	2					NAFTA (Free)	EBA (Free)	Free	
	EU-15	3.8%	1	([2])							
	Japan	12% or 12.8%	2								

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Fruits and vegetables: Selected tariffs for processed products in main developed markets of African Developing Countries, 2000

HS Item/product description	Market	2000 applied MFN tariff ranges						Bilateral/ FTA's	LDCs	ACP	OTHERS
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs					
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines				
2001.10 Canned marinated cucumber	United States	9.6%	1					NAFTA (Free)			
	EU-15	17.6%	1					EUPREF (sel.), MED (sel.)	EBA (Free)	Free	GSP (sel.) (numerous)
	Japan	12% or 15%	2								
2001.90 Other canned marinated vegetables	United States	5.8%-14% (8.1%)	8	1.5¢/kg-7¢/kg (4.9¢/kg)	3						
	EU-15	Free (16%)	12					EUPREF (sel.); MED (sel.)	EBA (Free)		GSP (sel.) (numerous)
	Japan	6% -16.8% (10.5%)	9					JPREF (pt.) (3%-12%)	JLDC (pt.) (Free)		
2004.90 Frozen processed vegetables	United States	3.2% or 11.2%	2	2.1¢/kg on entire contents of container	1						
	EU-15	14.4%-19.2%	4			5.1% plus EUR 9.4/100kg/net	1	EUPREF (sel.), MED (sel.)	EBA (Free)		GSP (sel.) (numerous)
	Japan	7.5%-23.8% (13.6%)	7					JPREF (pt.) (9%)	JLDC (pt.) (Free)		
2005.10 Homogenized vegetables	United States	11.2%	1					NAFTA (Free)			
	EU-15	17.6%	1					MED (sel.) (Free)	EBA (Free)	Free	GSP (sel.) (Free-14.9%)
	Japan	12% or 16.8%	2					JPREF (pt.) (9.6%)	JLDC (Free)		

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Fruits and vegetables: Selected tariffs for processed products in main developed markets of African Developing Countries, 2000

HS Item/product description	Market	2000 applied MFN tariff ranges						Bilateral/ FTA's	LDCs	ACP	OTHERS
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs					
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines				
2005.20 Potato chips	United States	6.4%	1					NAFTA (Free)			
	EU-15	14.1%	2			8.8% plus EA	1	EUPREF (sel.), MED (sel.)			GSP (sel.) (numerous)
	Japan	9%-13.6% (12%)	3					JPREF (pt.) (9.6%)	JLDC (pt.) (Free)		
2005.40 Canned peas	United States	Free	1								
	EU-15	19.2%	1					MED (sel.) (Free)	EBA (Free)	Free	GSP (sel.) (Free-16.3%)
	Japan	9% -23.8% (13.6%)	6					JPREF (pt.) (9.6%-13.4%)	JLDC (pt.) (Free)		
2005.51 Canned shelled beans	United States			1.5¢/kg-2.1¢/kg on entire contents of container	2			NAFTA (Free)			
	EU-15	17.6%	1					MED (sel.) (Free)	EBA (Free)	Free	GSP (sel.) (Free-14.9%)
	Japan	14%-23.8% (17%)	3								

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Fruits and vegetables: Selected tariffs for processed products in main developed markets of African Developing Countries, 2000

HS Item/product description	Market	2000 applied MFN tariff ranges						Bilateral/ FTA's	LDCs	ACP	OTHERS
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs					
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines				
2005.59 Other canned beans	United States			1.5¢/kg on entire contents of container	1			NAFTA (Free)			
	EU-15	19.2%	1					MED (sel.) (Free)	EBA (Free)	Free	GSP (sel.) (Free-16.3%)
	Japan	9%-13.4% (12%)	3					JPREF (pt.) (9.6%-13.4%)	JLDC (pt.) (Free)		
2005.60 Canned asparagus	United States	14.9%	1								
	EU-15	17.6%	1					MED (sel.) (Free)	EBA (Free)	Free	GSP (sel.) (Free-14.9%)
	Japan	12% or 16%	2								
2005.70 Canned olives	United States			3.7¢/kg-10.1¢/kg on drained weight	16						
	EU-15	12.8%	2					EUPREF (sel.) (Free-5.3%), MED (sel.) (Free)	EBA (Free)	Free	GSP (sel.) (Free-8.9%)
	Japan	5.4% or 9%	2						JLDC (pt.) (Free)		

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Fruits and vegetables: Selected tariffs for processed products in main developed markets of African Developing Countries, 2000

HS Item/product description	Market	2000 applied MFN tariff ranges						Bilateral/ FTA's	LDCs	ACP	OTHERS
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs					
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines				
2005.80 Canned corn	United States	5.6%	1					NAFTA (Free)			
	EU-15					5.1% plus EUR 9.4/100kg/net	1	EUPREF (sel.), MED (sel.)	EBA (Free)	100% ad valorem reduction	GSP (sel.) (numerous)
	Japan	10% or 14.9%	2								
2005.90 Miscellaneous canned vegetables	United States	Free-14.9% (4.8%)	8	0.8¢/kg on entire contents of container	1						
	EU-15	6.4%-17.6% (17.6%)	7					EUPREF (sel.), MED (sel.)	EBA (Free)	Free	GSP (sel.) (numerous)
	Japan	9%-23.8% (13.4%)	11					JPREF (pt.) (8%-13.4%)	JLDC (pt.) (Free)		
Fruit juices: 2009.11 Frozen orange juice	United States			7.85¢/l	1						
	EU-15	33.6%[2]	1			15.2%-33.6% plus EUR 20.61/100kg/net	2	EUPREF (sel.), MED (sel.)	EBA (Free)	100% ad valorem reduction EUR 20.6/100kg	GSP (sel.) (numerous)
	Japan	21.3%-25.5% (25.5%)	3			Greater of 29.8% or ¥23/kg	1				

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Fruits and vegetables: Selected tariffs for processed products in main developed markets of African Developing Countries, 2000

HS Item/product description	Market	2000 applied MFN tariff ranges						Bilateral/ FTA's	LDCs	ACP	OTHERS
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs					
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines				
2009.19 Other orange juice	United States			4.5¢/l or 7.85¢/l	2						
	EU-15	12.2% or 33.6%	2			15.2%-33.6% plus EUR 20.6/100kg/net	2	EUPREF (sel.), MED (sel.)	EBA (Free)	100% ad valorem reduction EUR 20.6/100kg	GSP (sel.) (numerous)
	Japan	21.3%-25.5% (25.5%)	3			Greater of 29.8% or ¥23/kg	1				
2009.20 Grapefruit juice	United States			4.5¢/l or 7.9¢/l	2						
	EU-15	12% or 33.6%	2			12%-33.6% plus EUR 20.6/100kg/net	2	EUPREF (sel.), MED (sel.)	EBA (Free)	Free	GSP (sel.) (numerous)
	Japan	19.1%-25.5% (23%)	3			Greater of 29.8% or ¥23/kg	1				
2009.30 Lemon, lime and any other single citrus juice	United States			1.8¢/kg OR 1.7¢/l-7.9¢/l	4						
	EU-15	14.4% or 33.6%	7			14.4%-33.6% plus EUR 20.6/100kg/net	3	EUPREF (sel.), MED (sel.)	EBA (Free)	100% ad valorem reduction EUR 20.6/100kg	GSP (sel.) (numerous)
	Japan	6%-25.5% (19.1%)	5			Greater of 29.8% or ¥23/kg	1				
2009.40 Pineapple juice	United States			1¢/l or 4.2¢/l	2						
	EU-15	15.2% or 33.6% (16%)	4			15.2%-33.6% plus EUR 20.6/100kg/net	2	EUPREF (sel), MED (sel.)	EBA (Free)	Free	GSP (sel.) (numerous)

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HS Item/product description	Market	2000 applied MFN tariff ranges						Bilateral/ FTA's	LDCs	ACP	OTHERS
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs					
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines				
	Japan	19.1%-25.5% (23%)	3			Greater of 29.8% or ¥23/kg	1				
2009.60 Grape juice	United States			4.4¢/l	1						
	EU-15	([2])				22.4% plus EUR 0.8-EUR 131/hl plus EUR 0.0-Eur 20.6/100kg/net[2,9]	16	EUPREF (sel.), MED (sel.)	EBA (Free)	Free subject to entry price system	GSP (sel.) (numerous)
	Japan	19.1%-25.5% (23%)	3			Greater of 29.8% or ¥23/kg	1				
2009.70 Apple juice	United States	Free	1								
	EU-15	18%-30% (18%)	4			18%-30% plus EUR 18.4/100kg/net-EUR 19.3/100kg/net	2	EUPREF (sel.), MED (sel.)	EBA (Free)	Free 20097011& 20097091 100% ad valorem reduction EUR 19.3/100kg	GSP (sel.) (numerous)
	Japan	19.1%-29.8% (23%)	3			Greater of 34% or ¥23/kg	1				
2009.80 Juice of any other single fruit or vegetable juice	United States	Free	1	0.2¢/l-0.64¢/l (0.5¢/l)	3			NAFTA (Free)			
	EU-15	10.5% or 33.6% (17.6%)	15			10.5%-33.6% plus EUR 12.9/100kg/net-EUR 20.6/100kg/net	8	EUPREF (sel), MED (sel.)	EBA (Free)	100% ad valorem reduction EUR 12.9-20.6/100kg	GSP (sel.) (numerous)
	Japan	7.2%-25.5% (14.4%)	7			Greater of 29.8% or ¥23/kg	1				

Appendix 4 - Continued
Fruits and vegetables: Selected tariffs for processed products in main developed markets of African Developing Countries, 2000

HS Item/product description	Market	2000 applied MFN tariff ranges						Bilateral/ FTA's	LDCs	ACP	OTHERS
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs					
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines				
2009.90 Mixture of juices of fruit or vegetable	United States			0.2¢/l or 7.4¢/l	2						
	EU-15	10.5%-33.6% (16.8%)	13			10.5%-33.6% plus EUR 12.9/100kg/net-EUR 20.6/100kg/net	6	EUPREF (sel.), MED (sel.)	EBA (Free)	100% ad valorem reduction EUR 12.9/100kg-EUR 20.6/100kg	GSP (sel.) (numerous)
	Japan	5.4%-25.5% (19.1%)	5			Greater of 29.8% or ¥23/kg	1				

1 Selected preferential tariffs in Appendix 4 do not include preferential rates for products subject to a TRQ.
2 Certain items in this subheading are subject to TRQs.
3 Dried carrots, whole, cut, sliced, broken or in powder, but not further prepared (provided for in subheading 0712.90.10), if the product is from Austria, Belgium, Finland, France, the Federal Republic of Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, or Sweden, have a tariff of 100 percent.
9 Includes tariffs applied during Sept. 1-Dec. 31, 2000; tariff rates for Jan. 1-Aug. 31, 2000 are slightly higher.
For fortified juices of any single fruit or vegetable, the applicable tariff is the one on the natural juice product found in HS 2009.
Source: AdApted from Processed Foods and Beverages: A Description of Tariff and Non-Tariff Barriers for Major Products and Their Impact on Trade – US International Trade Commission (October 2001). Tariffs for the United States were obtained from USITC, *Harmonized Tariff Schedule of the United States (2000)*, USITC Publication 3249 (rev. 3) (Washington, DC: U.S. Government Printing Office, 2000). Tariffs for the EU were obtained from *Official Journal of the European Communities, L 278, Vol. 42,* Oct. 28, 1999 and the integrated tariff of the European Communities (TARIC), found at Internet address *http://www.taric.com/scripts/eNetTaric.dll/home?c=*. Tariffs for Japan were obtained from Japan Tariff Association, *Schedules of Japan 2000*.

Appendix 4a
Tropical beverages and spices: Selected tariffs for processed products in main developed markets of African Developing Countries, 2000

HS Item/product description	Market	2000 applied MFN tariff ranges						Bilateral/ FTA's	LDCs	ACP	OTHERS
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs					
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines				
Coffee and tea: 0901.11 Coffee not roasted	United States	Free	1								
	EU-15	Free	1						EBA (Free)	Free	
	Japan	Free	1				1				
0901.21 Coffee roasted	United States	Free	1								
	EU-15	7.5%	1					EUPREF, S. Africa (Free 1.5%)	EBA (Free)	Free	GSPE, GSPL (Free) , GSP (ex. BR) (2.6%)
	Japan	12%	1					JPREF (10%)	JLDC (Free)		
0901.22 Coffee roasted, decaf	United States	Free	1								
	EU-15	9%	1					EUPREF, S. Africa (Free 1.8%)), MED (sel.)	EBA (Free)	Free	GSPE, GSPL (Free) GSP (ex. BR) (3.1%)
	Japan	12%	1					JPREF (10%)	JLDC (Free)		
0902.30 Tea, black fermended in tea bags and other	United States	Free	1								
	EU-15	Free	1						EBA (Free)	Free	
	Japan	12%-20% (17%)	3					JPREF (12%)	JLDC (Free)		

Appendix 4a - *Continued*

Tropical beverages and spices: Selected tariffs for processed products in main developed markets of African Developing Countries, 2000

HS Item/product description	Market	2000 applied MFN tariff ranges						Bilateral/ FTA's	LDCs	ACP	OTHERS
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs					
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines				
2101.11 Coffee extracts, essences (instant)	United States	Free	2								
	EU-15	9%	2					EUPREF[2] S. Africa (numerous)	EBA (Free)	Free	GSPE, GSPL (Free), GSP (ex. AR, BR, TH) (3.1%)
	Japan	8.8%-24% (15%)	3					JPREF (pt.) (15%)	JLDC (pt.) (Free)		
2101.12 Coffee extracts, essences containing sugar	United States	8.5%[3]	1			([3])		NAFTA			
	EU-15	11.5%	1			9% plus EA	1	EUPREF[2] (pt.) (sel.) (Free-8.4% or EA) MED (ex. TR)	EBA (Free)	Free	GSPE (Free or EA), GSP (ex. AR, BR, TH) (8% or 6.3% plus EA), GSPL (Free)
	Japan	8.8%-29.8% (24%)[4]	8			([4])		JPREF (pt.) (15%)	JLDC (pt.) (Free)		

Appendix 4a - ***Continued***

Tropical beverages and spices: Selected tariffs for processed products in main developed markets of African Developing Countries, 2000

HS Item/product description	Market	2000 applied MFN tariff ranges						Bilateral/ FTA's	LDCs	ACP	OTHERS
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs					
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines				
2101.20 Tea extracts, essences containing sugar	United States	Free or 8.5%[3]	2			([3])		NAFTA			
	EU-15	6%	2			6.5% plus EA	1	EUPREF[2] (pt.) (sel.) (Free-2.2% or Free-4.4% plus EA), MED	EBA (Free)	Free	GSP (ex. AR, BR, TH), GSPE (Free or EA), GSPL (Free)
	Japan	8%-29.8%[4] (16.8%)	6			([4])		JPREF (pt.) (8%)	JLDC (pt.) (Free)		
Spices 0904.12 Pepper black crushed or ground	United States	Free	1								
	EU-15	4%	1					EUPREF (sel.) MED (sel.)	EBA (Free)	Free	GSP (ex BR) GSPE, GSPL (Free)
	Japan	Free or 3%	2					JPREF	JLDC (Free)		
0904.20 Pepper other ground or crushed including, cayenne, paprika, red pepper	United States	Free-5¢/kg (3¢/kg)	6								
	EU-15	Free-9.6% (Free)	5					EUPREF (sel.) MED (sel.) (Free)	EBA (Free)	Free	GSP (ex BR) (Free-8.1%), GSPE, GSPL (Free)
	Japan	Free-6% (Free)	4					JPREF	JLDC (Free)		

Appendix 4a - ***Continued***

Tropical beverages and spices: Selected tariffs for processed products in main developed markets of African Developing Countries, 2000

HS Item/product description	Market	2000 applied MFN tariff ranges						Bilateral/ FTA's	LDCs	ACP	OTHERS
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs					
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines				
2110.91 Other, spice mixtures	United States	1.9%	1					NAFTA			
	EU-15	Free-12.5%	2					EUPREF (sel.) MED (sel.)	EBA (Free)		GSPE,), GSPL (Free) GSP (ex. BR) (4.3%)
	Japan	Free-3.6%	2					JPREF	JLDC (Free)		

[3] Certain items in this subheading are subject to TRQs on sugar.

[4] Certain items in this subheading are subject to TRQs on dairy products.

Source: Adapted from Processed Foods and Beverages: A Description of Tariff and Non-Tariff Barriers for Major Products and Their Impact on Trade – US International Trade Commission (October 2001). Tariffs for the United States were obtained from USITC, *Harmonized Tariff Schedule of the United States (2000)*, USITC Publication 3249 (rev. 3) (Washington, DC: U.S. Government Printing Office, 2000). Tariffs for the EU were obtained from *Official Journal of the European Communities, L 278, Vol. 42,* Oct. 28, 1999 and the integrated tariff of the European Communities (TARIC), found at Internet address *http://www.taric.com/scripts/eNetTaric.dll/home?c=.* Tariffs for Japan were obtained from Japan Tariff Association, *Customs Tariff Schedules of Japan 2000*.

Appendix 4b

Edible Nuts and Nut products: Selected tariffs for processed products in main developed markets of African Developing Countries, 2000

HS Item/product description	Market	2000 applied MFN tariff ranges						Bilateral/ FTA's	LDCs	ACP	OTHERS
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs					
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines				
0802.12 Shelled almonds	United States			24¢/kg	1			NAFTA (Free)	EBA (Free)		
	EU-15	Free[2]	1								
	Japan	Free or 2.4%	2						JLDC (Free)		
1202.20 Raw shelled peanuts	United States	([2])		([2])							
	EU-15	Free	1						EBA (Free)		
	Japan	([2])		([2])							
0802.50 Pistachios, shelled	United States			0.9¢/kg-1.9¢/kg	2			NAFTA (Free)			
	EU-15	1.6%	1					EUPREF (sel), MED (sel.)	EBA (Free)		GSPL, GSP (ex. MX.CL, TH) (Free)
	Japan	Free	1								
2008.11 Processed peanut products	United States	([2])		([2])							
	EU-15	112%-12.8% (12%)	5					EUPREF (numerous) MED (sel.)	EBA (Free)		GSP (ex. AR, BR, TH) (7.8%-8.9%), GSPL
	Japan	10%-23.8% (21.3%)	4						JLDC (pt.) (Free)		

Appendix 4b - *Continued*

Edible Nuts and Nut products: Selected tariffs for processed products in main developed markets of African Developing Countries, 2000

HS Item/product description	Market	2000 applied MFN tariff ranges						Bilateral/ FTA's	LDCs	ACP	OTHERS
		Ad valorem tariffs		Specific tariffs		Compound and other tariffs					
		Tariff range (median tariff)	Tariff lines	Tariff range (median tariff)	Tariff lines	Tariff range	Tariff lines				
0802.90 Other raw shelled or unshelled nuts	United States			0.7¢/kg-17.6¢/kg (5¢/kg)	7			NAFTA (Free)			
	EU-15	Free-3.2%	5					EUPREF, MED	EBA (Free)	Free	GSP, GSPL (Free)
	Japan	Free-12% (5%)	4					JPREF (pt.) (3%)	JLDC (pt.) (Free)		
2008.19 Other prepared nuts, including mixtures	United States	Free-22.4% (6.4%)	5	0.35¢/kg-32.6¢/kg (9.9¢/kg)	5			NAFTA (Free)			
	EU-15	7%-12.8% (10.2%)	8					EUPREF (sel), MED (sel.)	EBA (Free)	Free	GSPL, GSP (ex. AR, BR, TH) (Free)
	Japan	5%-21% (10%)	11					JPREF (pt.) (3%-16.8%)	JLDC (pt.) (Free)		

1 Preferential tariffs do not include preferential rates for products subject to a TRQ.
2 Certain items in this subheading are subject to TRQs.

Source: Adapted from Processed Foods and Beverages: A Description of Tariff and Non-Tariff Barriers for Major Products and Their Impact on Trade – US International Trade Commission (October 2001)
Tariffs for the United States were obtained from USITC, *Harmonized Tariff Schedule of the United States (2000)*, USITC Publication 3249 (rev. 3) (Washington, DC: U.S. Government Printing Office, 2000).*Customs Tariff:* Tariffs for the EU were obtained from *Official Journal of the European Communities, L 278, Vol. 42,* Oct. 28, 1999 and the integrated tariff of the European Communities (TARIC), found at Internet address *http://www.taric.com/scripts/eNetTaric.dll/home?c=*. Tariffs for Japan were obtained from Japan Tariff Association, Custom Tariffs *Schedules of Japan 2000*.

Appendix 4b - Continued

Edible Nuts and Nut products: Selected tariffs for processed products in main developed markets of African Developing Countries, 1998-2000

Country	TRQ Group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS codes	2000 applied MFN tariffs	
			1998	1999	2000			In-Quota Tariff Rate	Out-Quota Tariff Rate
United States	Peanuts	52,906[3,4,5,6]	100	100	([7])	FC	2008.11.25-.35 2008.11.45-.60 1202.20.40-.80	6.6¢/kg	131.8%
	Peanut butter and paste	20,000	92	87	([7])	FC	2008.11.05-.15	Free	131.8%[8]
EU	Almonds	90,000[9]	100	100	100	FC	0802.12	2%	3.5%
Japan	Peanuts	75,000[10]	57	58	60	LD	1202.20.0910-.099	10%	¥617/kg

1 TRQ group refers to the description of products provided for in each country's notification of TRQ commitments as reported to the WTO.
2 The WTO Secretariat has the following categories of TRQ administration methods that are applicable to edible nuts and nut products:
FC-First-come, first-served; no shares are allocated until the quota is filled.
LD-Licenses on demand, generally on a first-come, first-served basis.
ST-Imports undertaken by state-trading entities that allocate quota entirely or mainly to a producer group.
3 TRQ quantity is for the period Apr.-Mar.
4 Israel has a separate TRQ quantity of 113 tons. In-quota rate of duty is free.
5 Mexico is subject to an aggregate quantity limitation on peanuts and certain peanut products under NAFTA of 4,032 tons in 2000. Peanuts imported within the TRQ enter free of duty. Imports over the TRQ are subject to numerous rates of duties.
6 Also includes imports under HS 1202.10.00 (peanuts in-shell)
7 Not available.
8 Imports of peanut butter and peanut paste are not subject to the TRQ limitations, but are subject to provisions of NAFTA that provide for a rate of duty of 1.9¢/kg on imports from Mexico.
9 This TRQ also includes HS 0802.11
10 This category also includes HS 1202.10.40-.80 (peanuts in-shell)

Source: Adapted from Processed Foods and Beverages: A Description of Tariff and Non-Tariff Barriers for Major Products and Their Impact on Trade – US International Trade Commission (October 2001)
Product categories, TRQ quantities, and fill rates were obtained from the WTO Document Dissemination Facility, found at Internet address *http://docsonline.wto.org/gen_search.asp*. TRQ administration methods were obtained from WTO, Tariffs and Other Quotas: Background paper by the Secretariat AIE/SI/Rev. May 26, 1998. Tariff rates were obtained from country tariff schedules.

Appendix 4b - Continued
Edible Nuts and Nut products: Non-tariff barriers and U.S. industry concerns

Non-tariff measure	Market	Products	Nature of measure
Aflatoxin levels permitted on walnuts	EU	Edible nuts (General)	EU Regulation 1625/98 established new aflatoxin tolerance levels for tree nuts that are more stringent than those imposed under the Codex. The regulation has no scientific risk assessment to support its standard.
Phytosanitary restrictions	Japan	Edible nuts (General)	Japan requires repeated testing of established quarantine treatments for each variety of an already approved commodity.

Sources: Adapted from Processed Foods and Beverages: A Description of Tariff and Non-Tariff Barriers for Major Products and Their Impact on Trade – US International Trade Commission (October 2001)

USTR, *2000 National Trade Estimate Report on Foreign Trade Barriers;* Dan Haley, Haley & Associates

APPENDIX 5

Appendix 5

Comparison of Egyptian Fresh and Processed Exports (1999) and Horticulture Quotas in the Euro-Mediterranean Partnership Agreement

Product	Product in the Partnership Agreement (tons)	Egyptian Exports (tons)		
		1997	1998	1999
Potatoes	250000	140964	197429	128247
Onion	15000	8691	15885	5674
Fresh or chilled garlic	3000	2697	1923	1924
Cabbage, cauliflower, or similar vegetables	1500	-	-	-
Lettuce	500	-	4	19
Carrots and turnip	500	7	-	44
Cucumber	500	69	56	62
Frozen and preserved vegetables	3000	695	1231	1365
Legumes	20000	14140	18082	19237
Dry legumes	Open	2042	2188	2041
Sweet potatoes	3000	1039	1176	2555
Fresh or dried oranges	60000	9732	8569	7977
Fresh melon	1000	16	184	512
Fresh peas and quinces	500	-	-	-
Peaches and nectarines	500	14	2	15
Plums and cherry plums	500	-	-	-
Fresh strawberry	1500	423	389	759
Fruits jams and jellies	1000	12	32	12
Non roasted peanuts	Open	5493	4400	1777
Vegetable oils and fats	500	2	3	1
Fruit juices	1000	330	385	508

Source: Cooperation Agreement (1997) – Partnership Agreement Protocol # (1) - EUROSTAT

APPENDIX 6

Appendix 6

EU NON-ANNEX 1 PROCESSED PRODUCTS
(Relevant to the Study)

Code	Product
0710	Vegetables
1302	Vegetable juices & extracts
1806	Chocolate & other food preparations contain cocoa
2001	Veg. preserved in viniger
2004	Other veg. frozen
2005	Other Preserved no-frozen veg.
2008	Preserved fruit and nuts (without sugar)
2101	Extracts of coffee, tea, etc.
2106	Other food preparations

APPENDIX 7

Appendix 7

EU Selected agricultural products not covered by the EU-ACP Cotonou Partnership Agreement

HS8	DESCRIPTION OF PRODUCT	ACP
20019040	Yams, sweet potatoes and similar parts of plants	100% reduction of ad valorem tariff + 38 ECU/tonne
20019043+ 20019010	Sweet corn “Zea mays var, zaccharata”, prepared or preserved otherwise than by vinegar or acetic acid (excl.)	100% reduction of ad valorem tariff + 94 ECU/tonne
20060035	Guavas, mangoes, mangosteens, papaws “papayas”, tamarinds, cashew apples, lychees, jackfruit, sapodillo, preserved by sugar, drained, glace or crystallized	100% reduction of ad valorem tariff + 150 ECU/tonne
20083019	Citrus fruit, prepared or preserved, containing added spirit, with sugar content of >9% and actual alcoholic strenght	100% reduction of ad valorem tariff + 42 ECU/tonne
20087019	Peaches, prepared or preserved, containing added spirit, with sugar content of >9% and actual alcoholic strength	100% reduction of ad valorem tariff + 42 ECU/tonne
20098061	Pear juice, density of =<1,33 g/ccm at 20,c, value of =<18 ECU per 100 kg. containing >30% added sugar (excl. fermented)	100% reduction of ad valorem tariff + 206 ECU/tonne
20098084	Juice of mangoes, mangosteens, papaws “papayas”, tamarinds, cashew apples, lychees, jackfruit, sapodillo	100% reduction of ad valorem tariff + 129 ECU/tonne
20098086	Juice of fruit or vegetables, unfermented, not containing added spirit, of a density not exceeding 1.33 g/ccm at 20xC	100% of reduction ad valorem tariff + 206 ECU/tonne
20099011	Mixtures of apple and pear juice, density of >1,33 g/ccm at 20.c value of =<22 ECU per 100 kg	100% of reduction ad valorem tariff + 206 ECU/tonne
20099021	Mixtures of fruit juices, incl. grape must, and vegetable juices, density of >1.33 g.ccm at 20 c. value of =<30 ecu	100% of reduction ad valorem tariff + 206 ECU/tonne

APPENDIX 8

Appendix 8a

US: Selected products of interest to ADCs not covered by AGOA

Product Code (HS)	Description	MFN Applied Rate (% or specific)
07	**EDIBLE VEGETABLES AND CERTAIN ROOTS AND TUBERS**	
07112028	Olives, n/pitted, green, in saline sol., in contain. >8 kg, drained wt, for repacking or sale	**$0.059/KG**
07122020	Dried onion powder or flour	**29.8**
07122040	Dried onions whole, cut, sliced or broken, but not further prepared	**21.3**
07129040	Dried garlic, whole, cut, sliced, broken or in powder, but not further prepared	**29.8**
18	**COCOA AND COCOA PREPARATIONS**	
18061015	Cocoa powder, sweetened, w/less than 65% by dry wt. sugar, not subject to gen note 15 or add US	**$0.217/KG**
18061024	Cocoa powder, o/65% but less than 90% by dry wt of sugar, described in add US note 2 to Ch. 17:	**10.0**
18061028	Cocoa powder, o/65% but less than 90% by dry wt of sugar, described in add US note 2 to Ch. 17:	**$0.336/KG**
18061038	Cocoa powder, sweetened, neosi, not subject to add US note 1 to Ch. 18	**$0.336/KG**
18061045	Cocoa powder, o/90% by dry wt of sugar, described in add US note 2 to Ch. 17: subject to add US	**10.0**
18061055	Cocoa powder, o/90% by dry wt of sugar, described in add US note 2 to Ch. 17: not subject to add US	**$0.336/KG**
18061075	Cocoa powder, o/90% by dry wt of sugar	**$0.336/KG**
18062026	Chocolate, ov 2kg, cont. milk solids, not in blocks 4.5 kg or more, not subj. Ch 18 US note 2/GN	**4.30% plus $0.372/KG**
18062028	Chocolate, ov 2kg, cont. milk solids, not in blocks 4.5 kg or more, not GN15, ov 5.5 pc bf ov 2	**4.30% plus $0.528/KG**
18062036	Chocolate, ov 2kg, cont. milk solids, not in blocks 4.5 kg or more, les than 21 pc milk solids	**4.30% plus $0.372/KG**
18062038	Chocolate, ov 2kg, cont. milk solids, not in blocks 4.5 kg or more, 21 pc or more milk solids	**4.30% plus $0.528/KG**
18062071	Chocolate/oth preps with cocoa, ov 2kg, but n/o 4.5 kg, o/65% by wt of sugar, desc in add US nte	**10.0**
18062073	Chocolate/oth preps with cocoa, ov 2kg, but n/o 4.5 kg, o/65% by wt of sugar, desc in Ch17 US nte	**8.50% plus $0.305/KG**
18062077	Chocolate/oth preps with cocoa, ov 2kg, but n/o 4.5 kg, o/65% by wt of sugar, desc in add US nte	**8.50% plus $0.305/KG**
18062082	Chocolate/oth preps w/cocoa, o/2kg, but n/o 4.5 kg (dairy prod. of Ch4 US note 1), n/o 65% sugar	**8.50% plus $0.372/KG**
18062083	Chocolate/oth preps w/cocoa, o/2kg, but n/o 4.5 kg (dairy prod. of Ch4 US note 10), n/o 65% sugar	**8.50% plus $0.528/KG**
18062087	Low-fat chocolate crumb, n/o 65% by wt of sugar ov 2kg but n/o 4.5 kg less than 21% milk	**8.50% plus $0.372/KG**
18062089	Low-fat chocolate crumb, n/o 65% by wt of sugar, 21% or more milk solids, not ov 2kg, not GN15	**8.50% plus $0.528/KG**
18062091	Blended syrups w/chocolate or cocoa, o/2kg but n/o 4.5 kg. n/o 65% sugar, descr in Ch17 US note	**10.0**
18062094	Blended syrups w/chocolate or cocoa, o/2kg but n/o 4.5 kg. n/o 65% sugar, descr in Ch 17 US note	**8.50% plus $0.372/KG**
18062098	Chocolate and preps w/cocoa, neosi, o/2kg but n/o 4.5 kg, n/o 65% sugar, desc in Ch17 US note 3	**8.50% plus $0.372/KG**
18063206	Chocolate, not filled, less than 21% milk solids, in blocks/slabs/bars 2kg or less	**4.30% plus $0.372/KG**
18063208	Chocolate, not filled 21% or more milk solids, in blocks/slabs/bars 2kg or less	**4.30% plus $0.528/KG**
18063216	Chocolate, not filled, less than 21% milk solids, in blocks/slabs/bars 2kg or less	**4.30% plus $0.372/KG**

18063218	Chocolate, not filled 21% or more milk solids, in blocks/slabs/bars 2kg or less	**4.30% plus $0.528/KG**
18063270	Cocoa preps, (dairy prod. of Ch4 US note 1), less than 21% milk solids, not filled, in blocks/s	**6.00% plus $0.372/KG**
18063280	Cocoa preps, (dairy prod. of Ch4 US note 1), 21% or more milk solids, not filled, in blocks	**6.00% plus $0.528/KG**
18069008	Cocoa preps, (dairy prod. descr. in add US note 1 to Ch.4), less than 21% milk solids, not in blocks	**6.00% plus $0.372/KG**
18069010	Cocoa preps, (dairy prod. descr. in Ch4 US note 1), 21% or more milk solids, not in blocks	**6.00% plus $0.528/KG**
18069018	Cocoa preps, o/5.5% butterfat by wt, w/less than 21% milk solids, not in blcks/slabs/bars	**6.00% plus $0.372/KG**
18069020	Cocoa preps, o/5.5% butterfat by wt, 21% or more milk solids, not in blcks/slabs/bars, not GN1	**6.00% plus $0.528/KG**
18069028	Cocoa preps, cont. milk solids, n/o 5.5% butterfat by wt, w/less than 21% milk solids, not blocks	**6.00% plus $0.372/KG**
18069030	Cocoa preps, cont. milk solids n/o 5.5% butterfat by wt, 21% or more milk solids, not in block	**6.00% plus $0.528/KG**
18069035	Blended syrups w/chocolate or cocoa, nesoi, described in add US note 4 to Ch. 17: subj. to add US	**3.5**
18069039	Blended syrups w/chocolate or cocoa, nesoi, described in add US note 4 to Ch. 17: subj. to ad US	**6.00% plus $0.372/KG**
18069045	Chocolate and preps w/cocoa, nesoi, o/65% by dry wt of sugar, described in add US note 2 to CH.	**3.5**
18069049	Chocolate and preps w/cocoa, nesoi, o/65% by dry wt of sugar, described in add US note 2 to CH.	**6.00% plus $0.372/KG**
18069059	Chocolate and preps w/cocoa, nesoi, o/10% by dry wt of sugar, described in add US note 3 to CH.	**6.00% plus $0.372/KG**
20	**PREPARATIONS OF VEGETABLES, FRUIT, NUTS OR PARTS OF PLANTS**	
20057004	Olives, green, not pitted, in saline, ripe, in containers holding 13 kg or less	**$0.037/KG**
20057008	Olives, green, not pitted, in saline, ripe, in containers holding o/8 kg for repkg	**$0.037/KG**
20057018	Olives, green, in saline, place packed, stuffed, in containers holding n/o 1 kg	**$0.069/KG**
20057093	Olives, green, container less than 13 kg, exceed 550 m tons/year, prepared or preserved otherwise	**$0.088/KG**
20081115	Peanut butter and paste, nesoi, not subject to gen note 15 or add US note 5 to CH. 20	**131.8**
20081135	Blanched peanuts, nesoi, not subject to gen note 15 or add US note 2 to Ch. 12	**131.8**
20081160	Peanuts, otherwise prepared or preserved, nesoi, not subject to gen note 15 or add US note 2	**131.8**

Appendix 8b

US: Selected products of interest to ADCs covered by AGOA

Product Code (HS)	Description	MFN Applied Rate (% or specific)
07	**EDIBLE VEGETABLES AND CERTAIN ROOTS AND TUBERS**	
07020020	Tomatoes, fresh or chilled, entered during Mar.1 to July 14, or the period Sept. 1 to Nov. 14	**$0.039/KG**
07020040	Tomatoes, fresh or chilled, entered during July 15 to Aug.31 in any year	**$0.028/KG**
07070050	Cucumbers, including gherkins, fresh or chilled, if entered May 1 to June 30, inclusive, or Sept	**$0.056/KG**
07094020	Celery, other than celeriac, fresh or chilled, reduced in size	**14.9**
07094060	Celery, other than celeriac, fresh or chilled, not reduced in size, if entered August 1 through	**$0.019/KG**
07099045	Sweet corn, fresh or chilled	**21.3**
07108040	Tomatoes, uncooked or cooked by steaming or boiling in water, frozen, if entered Mar. 1 thru June	**$0.029/KG**
08	**EDIBLE FRUIT AND NUTS; PEEL OF CITRUS FRUITS OR MELONS**	
08051000	Oranges, fresh or dried	**$0.019/KG**
08052000	Mandarins (including tangerines and satsumas); clementines, wilkings and similar citrus hybris	**$0.019/KG**
08054040	Grapefruit, fresh or dried, entered during the period August 1 through September 30, inclusive	**$0.019/KG**
08054060	Grapefruit, fresh or dried, if entered during the month of October	**$0.015/KG**
08054080	Grapefruit, fresh or dried, if entered during the period November 1 through the following July	**$0.025/KG**
20	**PREPARATIONS OF VEGETABLES, FRUIT, NUTS OR PARTS OF PLANTS**	
20083055	Clementines, wilkings and similar citrus hybrids (other than peel or pulp), otherwise prepared	**$0.014/KG**
20091100	Orange juice, frozen, unfermented and not containing added spirit	**$0.0785/L**
20091925	Orange juice, nt concentrated & nt made from a juice of 1.5 or more degree concentration, not frozen	**$0.045/L**
20091945	Orange juice, not frozen, concentrated, or not concentrated	**$0.0785/L**
20092020	Grapefruit juice, not frozen, not concentrated, and not made from a juice of 1.5 or more degrees	**$0.045/L**
20092040	Grapefruit juice, nesi, frozen or not frozen, concentrated or not concentrated	**$0.079/L**
20093040	Citrus juice of any single citrus fruit, nesi, (including lemon), not concentrated	**$0.034/L**
20093060	Citrus juice of any single citrus fruit, nesi, (including lemon), concentrated	**$0.079/L**

Source: Improving Market Access for Least Developed Countries (UNCTAD/DITC/TNCD/x) – May 2001

APPENDIX 9

Appendix 9
JAPAN: SELECTED PRODUCTS OF INTEREST TO ADCS NOT COVERED BY THE GSP SCHEME FOR LDCS - 1999*

Product Code (HS)	Description	MFN Applied Rate (% or specific)
070990010	Sweet corn, fresh or chilled	6.7%
070990091	Pumpkins, fresh or chilled	3.3%
071010000	Potatoes, uncooked or cooked by steaming or boiling in water, frozen	8.8%
071021000	Peas (Pisum sativum), uncooked or cooked by steaming or boiling in water, frozen	8.8%
071040000	Sweet corn, uncooked or cooked by steaming or boiling in water, frozen	10.9%
071080010	Broccoli, uncooked or cooked by steaming or boileng in water, frozen	6.7%
071110000	Onions, provisionally preserved	10%
071120000	Olives, provisionally preserved	10%
071130000	Capers, provisionally preserved	10%
071140000	Cucumbers and gherkins, provisionally preserved	10%
071190099	Other vegetables; mixtures of vegetables, provisionally preserved	10%
071332010	Small red(Adzuki) beans (Phaseolus or vignaangularis), shelled, dried	10%
071332090	Small red (Adzuki) beans (Phaseolus or vignaangularis), shelled, dried, n.e	417 yen/kg
071333210	Kidney beans,including white pea beans (Phaseolus vulgaris), certified as seed	6.7%
071333221	Kidney beans, including white pea beans (Phaseolus vulgaris)	10%
071333229	Kidney beans, including white pea beans (Phaseolus vulgaris)	417 yen/kg
071339210	Other beans (Vigna spp.,Phaseolus spp.,),certified as seeds for the sowing	6.7%
071339221	Pegin beans (Phaseculus calcaratus)	10%
071339222	Pegin beans (Phaseculus calcaratus)	417 yen/kg
071339226	Other beans (Vigna spp., Phaseolus spp.,), excluding pegin beans (Phaseculu	10%
071339227	Other beans (Vigna spp., Phaseolus spp.,), excluding pegin beans (Phaseculu	417 yen/kg
071340020	Lentils, excluding those rendered suitable solely for sowing by chemical tr	8.8%
071350210	Broad beans (Vicia faba var. major) and horse beans (Vicia faba var, equina	6.7%
071350221	Broad beans (Vicia faba var. major) and horse beans (Vicia faba var. equina	10%
071350229	Broad beans (Vicia faba var. major) and horse beans (Vicia faba var. equina	417 yen/kg
071420100	Sweet potatoes, frozen	13.3%
071420200	Sweet potatoes, fresh, chilled or dried	13.2%
080290400	Other nuts, fresh or dried	13.3%
080430010	Pineapples, fresh	17.5%
080510000	1 Oranges: If imported during the period from 1st June to 30th November	16.7%

* Revised in 2001

Product Code (HS)	Description	MFN Applied Rate (% or specific)
080520000	Mandarins (including tangerines and satsumas); clementines, wilkings	17.5%
080540000	Grapefruits: If imported during the period from 1st June to 30th November	10%
080610000	1 Grapes, fresh: If imported during the period from 1st March to 31st October	17.5%
080820000	Pears and quinces, fresh	5.3%
080910000	Apricots, fresh	6.7%
080930000	Peaches, including nectarines, fresh	6.7%
081010000	Strawberries, fresh	6.7%
081090290	Other fruits, fresh	6.7%
081190110	Pineapples, containing added sugar, uncooked or cooked by steaming or boiling	24.5%
081190150	Peaches and pears, containing added sugar, uncooked or cooked by steaming or boiling	9.2%
081190190	Other fruit and nuts, containing added sugar, uncooked or cooked by steaming or boiling	13.3%
081190210	Pineapples, not containing added sugar, uncooked or cooked by steaming or boiling	24.5%
081190240	Peaches and pears, not containing added sugar, uncooked or cooked by steaming	9.2%
081190290	Other fruit and nuts, not added sugar, uncooked or cooked by steaming or boiling	13.3%
081290100	(1) Bananas: If imported during the period from 1st April to 30th September	23.3%
081290200	(1) Oranges: If imported during the period from 1st June to 30th November	16.7%
081290300	(1) Grapefruits: If imported during the period from 1st June to 30th November	11.7%
081290410	Lemons and limes, provisionally preserved	1.7%
081310000	Apricots, dried	10%
081320000	Prunes, dried	2.7%
081330000	Apples, dried	10%
081340029	Other fruit, dried	10%
081340029	Other fruit, dried	10%
081350010	Mixtures of nuts or dried fruits of this Chapter, containing more than 50%	6.7%
081350090	Mixtures of nuts or dried fruits of this Chapter, n.e.s.	13.3%
081400000	Peel of citrus fruit or melons (including watermelons), fresh, frozen, dried	1.7%
180610100	Cocoa powder, containing added sugar	30.7%
180620111	Chocolate and other food preparations containing cocoa (chewing gum and other)	30.7%
180620119	Chocolate and other food preparations containing cocoa in blocks, slabs	30.7%
180620191	Chocolate and other food preparations containing cocoa, in liquid, powder	28%
180620199	Chocolate and other food preparations containing Cocoa, in liquid, powder	28%

Product Code (HS)	Description	MFN Applied Rate (% or specific)
180620311	Food preparations of goods of heading Nos. 04.01 to 04.04, containing cocoa	21%
180620319	Food preparations of goods of heading Nos. 04.01 to 04.04, containing cocoa	28%+799 yen/kg
180620321	Food preparations of goods of heading Nos. 04.01 to 04.04, containing cocoa	24.5%
180620322	Food preparations of heading Nos. 04.01 to 04.04, containing cocoa powder	21.9%
180631000	Chocolate and other food preparations containing cocoa, in blocks, slabs	10%
180632100	Chocolate confectionery, in blocks, slabs or bars, not filled	10%
180632211	Chocolate and other food preparations containing cocoa (chewing gum and other)	30.7%
180632219	Chocolate and other food preparations containing cocoa, in blocks, slabs	30.7%
180690100	Chocolate confectionery, other than in blocks, slabs or Bars	10%
180690211	Chocolate and other food preparations containing cocoa (chewing gum and other)	30.7%
180690219	Chocolate and other food preparations, containing cocoa, other than in block	30.7%
180690311	Food preparations of goods of heading Nos. 04.01 to 04.04, containing cocoa	21%
180690319	Food prerarations of goods of heading Nos. 04.01 to 04.04, containing cocoa	28%+799 yen/kg
180690321	Food preparations of goods of heading Nos. 04.01 to 04.04, containing cocoa	24.5%
180690322	Food preparations of goods of heading Nos. 04.01 to 04.04, containing cocoa	21.9%
200190120	Sweet corn prepared or preserved by vinegar or acetic Acid	11.7%
200190130	Young corncobs, prepared or preserved by vinegar or acetic acid	18.7%
200190230	Sweet corn, prepared or preserved by vinegar or acetic Acid	8.3%
200290219	Tomato puree and tomato paste, prepared or preserved, in airtight container	17.5%
200290219	Tomato puree and tomato paste, prepared or preserved, in airtight container	17.5%
200290229	Tomato puree and tomato paste, prepared or preserved, not added sugar	16.7%
200290229	Tomato puree and tomato paste, prepared or preserved, not added sugar	16.7%
200310211	French mushrooms, prepared or preserved, in airtight containers not more th	14%
200310219	Mushroooms, prepared or preserved, in airtight containers not more than 10k	10.7%
200410220	Potatoes, prepared or preserved, frozen, n.e.s.	9.6%
200490110	Sweet corn, prepared or preserved, containing added sugar, frozen	11.7%

Product Code (HS)	Description	MFN Applied Rate (% or specific)
200490120	Vegetables, prepared or preserved, containing added sugar, frozen	24.5%
200490210	Asparagus and leguminous Vegetables, prepared or Preserved	17.5%
200490220	Bamboo shoots, prepared or preserved, not containing added sugar, frozen	14%
200490230	Sweet corn, prepared or preserved, not containing added sugar, frozen	8.3%
200490291	Vegetables, prepared or preserved, not containing added sugar, frozen	16.7%
200490299	Vegetables, prepared or preserved, not containing added sugar, frozen	9.6%
200510100	Homogenised vegetables, containing added sugar, not frozen	18.7%
200520100	Mashed potatoes and potato flakes, prepared or preserved, not frozen	14%
200520220	Potatoes, prepared or preserved, not frozen, n.e.s.	9.6%
200540190	Peas (Pisum sativum), prepared or preserved, shelled, containing added sugar	24.5%
200540221	Peas (Pisum sativum), prepared or preserved, unshelled	9.6%
200551110	Beans (Vigna spp., Phaseolus spp.), prepared or preserved, unshelled	14%
200551190	Beans (Vigna spp., Phaseolus spp.), prepared or preserved, unshelled	24.5%
200551200	Beans (Vigna spp., Phaseolus spp.), prepared or preserved, shelled	17.5%
200559220	Beans (Vigna spp., Phaseolus spp.), prepared or preserved, unshelled	9.6%
200560010	Asparagus, prepared or preserved, in airtight containers not more than 10kg	16%
200560020	Asparagus, prepared or preserved, not containing added sugar, not frozen	13.3%
200570020	Olives, prepared or preserved, not containing added sugar, not frozen	9.6%
200580100	Sweet corn (Zea mays var. saccharata), prepared or preserved	15.3%
200580200	Sweet corn (Zea mays var. saccharata), prepared or preserved	10.4%
200590111	Leguminous vegetables (podded out),prepared or preserved in airtight container	14%
200590119	Leguminous vegetables (podded out), prepared or Preserved	24.5%
200590210	Bamboo shoots, prepared or preserved, not containing added sugar, not frozen	14%
200590229	Young corncobs, other than in airtight containers, containing added sugar,	16.7%
200590230	Leguminous vegetables (podded out), prepared or preserved, not containing added sugar	17.5%
200590299	Other vegetables, prepared or preserved, not containing added sugar, not frozen	9.6%

Product Code (HS)	Description	MFN Applied Rate (% or specific)
200590299	Other vegetables, prepared or preserved, not containing added sugar, not frozen	9.6%
200590299	Other vegetables, prepared or preserved, not containing added sugar, not frozen	9.6%
200710100	Homogenised preparations, containing added sugar	35%
200710200	Homogenised preparations, not containing added sugar	21.9%
200791111	Jams, containing added sugar, of citrus fruit	18.7%
200791119	Fruit jellies and marmalades, containing added sugar, of citrus fruit	18.7%
200791121	Jams, not containing added sugar, of citrus fruit	13.3%
200791129	Fruit jellies and marmalades, not containing added sugar, of citrus fruit	13.3%
200791210	Fruit puree and fruit pastes, containing added sugar, of citrus fruit	35%
200791220	Fruit puree and fruit pastes, not containing added sugar, of citrus fruit	21.9%
200799111	Jams, containing added sugar, excluding those of citrus fruit	18.7%
200799119	Fruit jellies, containing added sugar, excluding those of citrus fruit	18.7%
200799121	Jams, not containing added sugar, excluding those of citrus fruit	13.3%
200799129	Fruit jellies, not containing added sugar, excluding those of citrus fruit	13.3%
200799211	Fruit puree and fruit paste, containing added sugar, excluding those of citrus fruit	35%
200799219	Fruit or nut puree and fruit or nut pastes, containing added sugar, excluding	40%
200799221	Fruit puree and fruit paste, not containing added sugar	21.9%
200799229	Fruit or nut puree and fruit or nut pastes, not containing added sugar	25%
200811120	Ground-nuts, except peanut butter, prepared or preserved, containing added sugar	24.5%
200811291	Roasted ground nuts, unshelled, not containing added Sugar	21.9%
200811292	Roasted ground nuts, shelled, not containing added sugar	21.9%
200811299	Ground nuts, prepared or preserved, not containing added Sugar	21.9%
200819111	Preserved nuts, in pulp form, containing added sugar	23.3%
200819119	Preserved mixture nuts, in pulp form, containing added Sugar	23.3%
200819192	Roasted nuts, except cashew nuts, containing added Sugar	12.9%
200819199	Preserved nuts, containing added sugar	18.7%
200819199	Preserved nuts, containing added sugar	18.7%
200819199	Preserved nuts, containing added sugar	18.7%
200819219	Nuts, in pulp form, prepared or preserved, not containing added sugar	11.7%
200819219	Nuts, in pulp form, prepared or preserved, not containing added sugar	11.7%

Product Code (HS)	Description	MFN Applied Rate (% or specific)
200819219	Nuts, in pulp form, prepared or preserved, not containing added sugar	11.7%
200819228	Nuts, roasted, not containing added sugar	6%
200819229	Nuts, prepared or preserved, not roasted, not containing added sugar	12.8%
200819229	Nuts, prepared or preserved, not roasted, not containing added sugar	12.8%
200819229	Nuts, prepared or preserved, not roasted, not containing added sugar	12.8%
200819229	Nuts, prepared or preserved, not roasted, not containing added sugar	12.8%
200819229	Nuts, prepared or preserved, not roasted, not containing added sugar	12.8%
200820119	Pineapples, prepared or preserved, in airtight containers not more than 10k	39 yen/kg
200820119	Pineapples, prepared or preserved, in airtight containers not more than 10k	39 yen/kg
200820191	Pineapples, prepared or preserved, in airtight containers not more than 10k	26.3%
200820199	Pineapples, prepared or preserved, containing added Sugar	48.2%
200820219	Pineapples, prepared or preserved, in airtight containers not more than 10k	39 yen/kg
200820219	Pineapples, prepared or preserved, in airtight containers not more than 10k	39 yen/kg
200820290	Pineapples, prepared or preserved, not containing added sugar	26.3%
200830110	Citrus fruit, prepared or preserved, in pulp form, containing added sugar	30.7%
200830190	Citrus fruit, prepared or preserved, containing added Sugar	24.5%
200830210	Citrus fruit, prepared or preserved, in pulp form, not containing added sugar	21.9%
200830290	Citrus fruit, prepared or preserved, not containing added sugar	17.5%
200840111	Pears, prepared or preserved, containig added sugar, in pulp form, in airtight containers	16.7%
200840119	Pears, prepared or preserved, containing added sugar, in pulp form	23.3%
200840191	Pears, prepared or preserved, containing added sugar, other than pulp form,	12%
200840199	Pears, prepared or preserved, containing added sugar, other than pulp form,	16.7%
200850110	Apricots, prepared or preserved, containing added sugar, in pulp form	16.7%
200850190	Apricots, prepared or preserved, containing added sugar, other than pulp form	16%
200860110	Cherries, prepared or preserved, containing added sugar, in pulp form	16.7%
200860190	Cherries, prepared or preserved, containing added sugar, other than pulp form	16%

Product Code (HS)	Description	MFN Applied Rate (% or specific)
200870111	Peaches, prepared or preserved, containing added sugar, in pulp form, in airtight continaers	21.9%
200870119	Peaches, prepared or preserved, containing added sugar, in pulp form, n.e.s	30.7%
200870191	Peaches, prepared or preserved, containing added sugar, other than pulp form	8.1%
200870192	Peaches, prepared or preserved, containing added sugar, other than pulp form	9.7%
200870199	Peaches, prepared or preserved, containing added sugar, other than pulp form	14.9%
200880110	Strawberries, prepared or preserved, containing added sugar, in pulp form	23.3%
200880190	Strawberries, prepared or preserved, containing added sugar, n.e.s.	12.2%
200880210	Strawberries, prepared or preserved, not containing added sugar, in pulp form	16.7%
200880290	Strawberries, prepared or preserved, not containing added sugar, n.e.s.	13.3%
200892110	Mixed fruit, fruit salad and fruit cocktail, prepared or preserved, containners	7.3%
200892211	Mixtures of fruit, prepared or preserved, containing added sugar, in pulp form	30.7%
200892219	Mixtures of fruit, prepared or preserved, containing added Sugar	24.5%
200892221	Mixtures of fruit, prepared or preserved, not containing added sugar, in pulp form	21.9%
200892229	Mixtures of fruit, prepared or preserved, not containing added sugar	17.5%
200899100	Ume (fruit of Mume plum), prepared or preserved	13.3%
200899215	Fruit, prepared or preserved, containing added sugar, in pulp form, n.e.s.	30.7%
200899219	Fruit, containing added sugar, prepared or preserved, other than pulp form	18.7%
200899219	Fruit, containing added sugar, prepared or preserved, other than pulp form	18.7%
200899219	Fruit, containing added sugar, prepared or preserved, other than pulp form	18.7%
200899219	Fruit, containing added sugar, prepared or preserved, other than pulp form	18.7%
200899219	Fruit, containing added sugar, prepared or preserved, other than pulp form	18.7%
200899219	Fruit, containing added sugar, prepared or preserved, other than pulp form	18.7%
200899221	Bananas and avocados, prepared or preserved, not containing added sugar	16.7%
200899222	Prunes, prepared or preserved, not containing added sugar, in pulp form	16.7%
200899223	Prunes, prepared or preserved, not containing added sugar, other than pulp	8.6%
200899225	Bananas, avocados, mangoes, guavas and mangosteens, prepared or preserved	10.7%

Product Code (HS)	Description	MFN Applied Rate (% or specific)
200899226	Mangoes, guavas and mangosteens, prepared or preserved, not containing added sugar	16.7%
200899227	Fruit, prepared or preserved, not containing added sugar, in pulp form, n.e s.	21.9%
200899228	Frozen taros, not containing added sugar, other than pulp form	10%
200899229	Fruit, prepared or preserved, not containing added sugar, other than pulp	13.3%
200899231	Durians, rambutan, passion-fruit, litchi and carambola (star-fruit)	11.7%
200899232	Popcorn, corn which is explosive withheating under normalair pressure	10.8%
200911110	Orange juice, frozen, containing added sugar, not more than 10% by weight of sucrose	26.3%
200911190	Orange juice, frozen, containing added sugar, n.e.s.	30.7%
200911210	Orange juice, frozen, not containing added sugar, not more than 10% by weight of sucrose	21.9%
200911290	Orange juice, frozen, not containing added sugar, n.e.s.	26.3%
200919110	Orange juice, not frozen, containing added sugar, not more than 10% by weight of sucrose	26.3%
200919190	Orange juice, not frozen, containing added sugar, n.e.s.	30.7%
200919210	Orange juice, not frozen, not containing added sugar, not more than 10%	21.9%
200919290	Orange juice, not frozen, not containing added sugar, n.e.s.	26.3%
200920110	Grapefruit juice, containing added sugar, not more than 10% by weight of sucrose	23.7%
200920190	Grapefruit juice, containing added sugar, n.e.s.	30.7%
200920210	Grapefruit juice, not containing added sugar, not more than 10% by weight of sucrose	19.7%
200920290	Grapefruit juice, not containing added sugar, n.e.s.	26.3%
200930110	Juice of any other single citrus fruit, containing added sugar	23.7%
200930190	Juice of any other single citrus fruit, containing added sugar, n.e.s.	30.7%
200930211	Lemon juice, not containing added sugar, not more than 10% by weight of sucrose	6.7%
200930212	Lime juice, not containing added sugar, not more than 10% by weight of sucrose	13.3%
200930219	Juice of any other single citrus fruit, not containing added sugar	19.7%
200930290	Juice of any other single citrus fruit, not containing added sugar, n.e.s.	26.3%
200940110	Pineapple juice, containing added sugar, not more than 10% by weight of sucrose	23.7%
200940190	Pineapple juice, containing added sugar, n.e.s.	30.7%
200940210	Pineapple juice, not containing added sugar, not more than 10% by weight of sucrose	19.7%
200940290	Pineapple juice, not containing added sugar, n.e.s.	26.3%
200950100	Tomato juice, containing added sugar	30.7%
200950200	Tomato juice, not containing added sugar	21.9%
200960110	Grape juice (including grape must), containing added sugar	23.7%

Product Code (HS)	Description	MFN Applied Rate (% or specific)
200960190	Grape juice (including grape must), containing added sugar, n.e.s.	30.7%
200960210	Grape juice (including grape must), not containing added sugar, not more th	19.7%
200960290	Grape juice (including grape must), not containing added sugar, n.e.s.	26.3%
200970110	Apple juice, containing added sugar, not more than 10% by weight of sucrose	23.7%
200970190	Applle juice, containing added sugar, n.e.s.	35%
200970210	Apple juice, not containing added sugar, not more than 10% by weight of sucrose	19.7%
200970290	Apple juice, not containing added sugar, n.e.s.	30.7%
200980111	Juice of any other single fruit, containing added sugar, not more than 10% by weight of sucrose	23.7%
200980119	Juice of any other single fruit, containing added sugar, n.e.s.	30.7%
200980122	Prune jyice of any other single fruit, not containing added sugar	15.8%
200980123	Juice of any other single fruit, not containing added sugar	19.7%
200980129	Juice of any other single fruit, not containing added sugar, n.e.s.	26.3%
200990111	Mixtures of juices, containing added sugar, not more than 10% by weight of sucrose	23.7%
200990119	Mixtures of juice, containing added sugar, n.e.s.	30.7%
200990121	Mixtures of juice, not containing added sugar, not more than 10% by weight of sucrose	19.7%
200990129	Mixtures of juice, not containing added sugar, n.e.s.	26.3%
21	**MISCELLANEOUS EDIBLE PREPARATIONS**	
210111210	Extracts, essences and concentrates, of coffee, instant coffee	10.3%
210112121	Preparations with a basis of extracts, essences or concentrates	10.3%
210112121	Preparations with a basis of extracts, essences or concentrates	10.3%
210112231	Preparations with a basis of coffee, not less than 30% natural milk	25%
210112232	Preparations with a basis of coffee, not less than 30% natural milk	35%+799 yen/kg
210112236	Preparations with a basis of coffee, not less than 30% natural milk	25%
210112237	Preparations with a basis of coffee, not less than 30% natural milk	35%+1,363 yen/kg
210112241	Preparations with a basis of coffee, containing added sugar	28%
210112242	Preparations with a basis of coffee, containing added sugar	21%
210112246	Preparations with a basis of coffee, containing added sugar	30.7%
210112249	Preparations with a basis of coffee, not containing added sugar	16.7%
210120231	Preparations with a basis of tea or mate not less than 30% natural milk	25%

Product Code (HS)	Description	MFN Applied Rate (% or specific)
210120232	Preparations with a basis of tea or mate not less than 30% natural milk	35%+799 yen/kg
210120236	Preparations with a basis of tea or mate not less than 30% natural milk	25%
210120237	Preparations with a basis of tea or mate not less than 30% natural milk	35%+1,363 yen/kg
210120241	Preparations with a basis of tea or mate containing added sugar	23.3%
210120242	Preparations with a basis of tea or mate containing added sugar	18.7%
210120246	Preparations with a basis of tea or mate containing added sugar	30.7%
210120247	Preparations with a basis of tea or mate not containing added sugar	16.7%
210320010	Tomato ketchup	21.9%
210320090	Tomato sauces	17.5%

Source: Improving Market Access for Least Developed Countries (UNCTAD/DITC/TNCD/x) – May 2001

APPENDIX 10

Appendix 10

The Case of EU Stringent Aflatoxin Standards

Stricter food safety standards currently emerging in developed countries can have enormous implications on the ability of ADCs to gain access to those markets. The main objective of these standards is to protect the health and safety of consumers. While the scientific basis of this objective may or may not be questionable, the side effects of reduced market access for developing countries will continue to pose challenges for exporters from those countries. The most recent food safety regulatory change that could present the greatest challenge for ADC exports is the harmonization of aflatoxin levels in the EU.

Aflatoxins are a group of structurally related toxic compounds that contaminate certain foods and result in the production of acute liver carcinogens in the human body. They are found in a wide variety of foods including corn and corn products, groundnuts and groundnut products, cottonseed, milk, dried spices, and tree nuts such as Brazil nuts, pecan, pistacchio nuts and walnuts. Aflatoxins are categorized as B1, B2, G1 and G2. These toxins are usually found together in foods with aflatoxin B1 being the most predominantly found and most toxic of the four categories (Otsuki et al.)

In July 1998, the European Commission issued a directive which established standards for total aflatoxin levels and levels of B1 aflatoxin. According to the directive, EU members are to comply with the new standards by the end of 2000. For eight EU members, Belgium, Greece, Ireland, Italy, Luxembourg, the Netherlands, Spain and Sweden, the new directive means they must reduce the acceptable aflatoxin levels in their imports of groundnuts by more than 50 percent.

The EU standards differ from international standards in the specification of maximum levels for B1 aflatoxins and the sampling procedures. For example, CODEX standards for cereals, groundnuts, other nuts and dried fruit intended for direct human consumption only specifies total aflatoxin levels and does not set a specific level for B1 aflatoxins. The CODEX standards assume 50 to 70 percent of total aflatoxins will be B1 and thus, the B1 level would be 7.5 to 10.5 parts per billion (ppb) of the total allowable amount of 15 ppb. This level is significantly higher than the EU level for B1 of 2 ppb. Compared to US regulations, a 20 ppb standard is set for all types of groundnuts. This would effectively allow B1 contamination levels that are as high as 14 ppb.

The second area of contention is the sampling procedure proposed in the directive. Sampling is one of the most important contributors to the variability of analysis and identification of aflatoxin contamination. This is because of the non-homogeneous nature of aflatoxin distribution in foods. Under the EU directive, three tests need to be conducted on a randomly drawn 30 kilograms. Each individual sample must meet the standards before the shipment is allowed into the market. This presents difficulties since the levels of aflatoxins are not disturbed evenly throughout shipments. Under US and CODEX standards, the average aflatoxin levels of the samples must meet the standards, not each individual sample (Otsuki et al).

Consequently, the new aflatoxin standards present barriers to entry for ADC exports to the EU, particularly for groundnuts and spices. Exporters'ability to meet these new standards must

be taken into account when considering whether or not certain commodities have potential for increased exports.

No estimate of compliance costs for food safety regulation exists. However, the US groundnut industry has estimated that complying with the EU sampling method would result in an additional US$150 cost per lot (a lot consists of on average 16 tonnes) for raw groundnuts. It has also estimated that rejection levels would rise to around 30 percent of US groundnut exports using this method (National Peanut Council of America Memo to the Ministry of Agriculture, Fisheries and Food. April 18, 1997). Based on this data, estimates of costs and rejection are likely to be much higher for African countries (National Peanut Council of America, Memo to the Ministry of Agriculture, Fisheries and Food. April 18, 1997). Australia, in a submission to the WTO estimated that under the EU sampling plan it is estimated that up to 75 percent of lots rejected would be 'good lots' (WTO,G/SPS/GEN/61, 1998).

Source: Adapted from Southern Africa Grades and Standards Assessment: Malawi - Michigan State University for USAID/RCSA

APPENDIX 11

Appendix 11a
Fruits and vegetables: Tariff-Rate Quotas for the Main Markets of African Developing Countries, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS Codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
EU	Carrots and turnips	1,200	100	100	3	FC	0706.10	7%	13.6%
	Dried onions	12,000	100	100	100	FC	0712.20	10%	12.8%
	Sweet potatoes	605,000[3]	0	0	0	LD	0714.20	0%	EUR 6.4/100kg/net
	Orange juice	1,500	27	20	18	FC	2009.11.99	13%	15.2%
	Grape juice	14,000	4[4]	3[4]	6[4]	LD	2009.60.11	40% plus EUR 20.6/100kg[5]	40% plus EUR 121/hl plus EUR 20.6/100kg[5]
							2009.60.19	40%[5]	40% plus EUR 0/hl- EUR 121/hl[5]
							2009.60.51	22.4%[5]	22.4% plus EUR 0/hl-EUR 136.5/hl[5]
							2009.60.90	22.4%[5]	22.4% plus EUR 27/hl[5]
Japan	Dried leguminous vegetables	120,000	94	95	([6])	LD	0713.10	10%	¥354/kg
							0713.32	10%	¥354/kg
							0713.33	10%	¥354/kg
							0713.39	10%	¥354/kg
							0713.50	10%	¥354/kg
							0713.90	10%	¥354/kg

Appendix 11a
Fruits and vegetables: Tariff-Rate Quotas for the Main Markets of African Developing Countries, 1998-2000

[1] TRQ group refers to the description of products provided for in each country's notification of TRQ commitments as reported to the WTO.
[2] The WTO Secretariat has the following categories of TRQ administration methods for fruits and vegetables:
FC-First-come, first-served; no shares are allocated until the quota is filled.
LD-Licenses on demand, generally on a first-come, first-served basis.
[3] 600,000 tons of the quota are allocated to China.
[4] Based on imports from Sept. of the previous year to Aug. of the listed year.
[5] Tariff rates are applicable for imports between Sept. and Dec. 31, 2000; tariffs for Jan. 1-Aug. 31, 2000 are slightly higher.

Source: Adapted from Processed Foods and Beverages: A Description of Tariff and Non-Tariff Barriers for Major Products and Their Impact on Trade – US International Trade Commission (October 2001).
Product categories, TRQ quantities, and fill rates were obtained from the WTO Document Dissemination Facility, found at Internet address *http://docsonline.wto.org/gen_search.asp*. TRQ administration methods were obtained from WTO, Tariffs and Other Quotas: Background paper by the Secretariat AIE/SI/Rev. 1, May 26, 1998. Tariff rates were obtained from country tariff schedules.

Appendix 11b
Edible nuts and nut products: Tariff-rate quotas for the main markets of African Developing Countries, 1998-2000

Country	TRQ group[1]	2000 TRQ quantity (metric tons)	Fill rate (percent)			Administration[2]	HS Codes	2000 applied MFN tariffs	
			1998	1999	2000			IQTR	OQTR
United States	Peanuts	52,906[3,4,5,6]	100	100	([7])	FC	2008.11.25-.35 2008.11.45-.60 1202.20.40-.80	6.6¢/kg	131.8%
	Peanut butter and paste	20,000	92	87	([7])	FC	2008.11.05-15	Free	131.8%[8]
EU	Almonds	90,000[9]	100	100	100	FC	0802.12	2%	3.5%
Japan	Peanuts	75,000[10]	57	58	60	LD	1202.20.0910-.099	10%	¥617/kg

[1] TRQ group refers to the description of products provided for in each country's notification of TRQ commitments as reported to the WTO.
[2] The WTO Secretariat has the following categories of TRQ administration methods that are applicable to edible nuts and nut products:
FC-First-come, first-served; no shares are allocated until the quota is filled.
LD-Licenses on demand, generally on a first-come, first-served basis.
ST-Imports undertaken by state-trading entities that allocate quota entirely or mainly to a producer group.
[3] TRQ quantity is for the period Apr.-Mar.
[4] Israel has a separate TRQ quantity of 113 tons. In-quota rate of duty is free.
[5] Mexico is subject to an aggregate quantity limitation on peanuts and certain peanut products under NAFTA of 4,032 tons in 2000. Peanuts imported within the TRQ enter free of duty. Imports over the TRQ are subject to numerous rates of duties.
[6] Also includes imports under HS 1202.10.00 (peanuts in-shell)
[7] Not available.
[8] Imports of peanut butter and peanut paste are not subject to the TRQ limitations, but are subject to provisions of NAFTA that provide for a rate of duty of 1.9¢/kg on imports from Mexico.
[9] This TRQ also includes HS 0802.11.
[10] This category also includes HS 1202.10.40-.80 (peanuts in-shell)
Sources: Adapted from Processed Foods and Beverages: A Description of Tariff and Non-Tariff Barriers for Major Products and Their Impact on Trade – US International Trade Commission (October 2001).
Product categories, TRQ quantities, and fill rates were obtained from the WTO Document Dissemination Facility, found at Internet address *http://docsonline.wto.org/gen_search.asp*. TRQ administration methods were obtained from WTO, Tariffs and Other Quotas: Background paper by the Secretariat AIE/SI/Rev. 1, May 26, 1998. Tariff rates were obtained from country tariff schedules