Africa’s agricultural trade has seen a dramatic shift over the past four decades. The region maintained a positive and relatively stable agricultural trade balance through the 1960s and 1970s, but it suddenly moved toward a persistent deficit in the early 1980s. A sharp decline in agricultural exports caused the deficit, which stood at US$4.7 billion in 1997. Agricultural imports have been relatively stable over the long term (see figure). Given the region’s high dependency on agriculture for jobs, national income, and export earnings, Africa has a large stake in any global trade negotiations.

Before the Uruguay Round (UR), trade in agricultural goods had become virtually anarchic, with a host of protective measures preventing developing countries from securing access to markets in developed countries. At the same time, the escalation of domestic and export subsidies in developed countries led to depressed world prices. Many African nations compounded these external problems by instituting policies that led to a mix of internal distortions. In particular, policies such as overvalued exchange rates, taxes on agricultural exports, and establishment of state or parastatal buying agencies that paid producers less than world prices effectively discriminated against agriculture. Governments in some countries also provided subsidies for some agricultural inputs, such as credit, fertilizer, and water, but the net effect was to favor urban consumers over agricultural producers. In the past 5-10 years a number of African countries have had to institute structural adjustment programs, which have effectively removed much of this policy bias against agriculture.

The UR began to correct some of the most obvious external problems, but left both developed and developing countries with ample latitude to maintain domestic distortions in the agricultural sector and still remain in compliance with UR agreements. Much of the agenda for the UR was set by the developed countries; as a result, developing countries outside the Cairns Group—and that means all African countries—had only a limited impact on the agenda and remained tangential to the outcome of the negotiations.

Changes in the global economy are raising the stakes for domestic policy reform in Africa. Globalization simultaneously expands opportunities and amplifies the costs of policy failures and inherent structural weaknesses. Prospects for higher growth in Africa will come largely from new crops rather than traditional primary commodities (the prices of and demand for which are unlikely to rise much). But trade barriers, such as those not eliminated in the last round of agricultural negotiations, are likely to discourage the agricultural supply responses needed for diversification into new products. The elimination of these barriers could result in an improved position for African agricultural producers, with wide-ranging effects on poverty alleviation.

THE URUGUAY ROUND AND AFRICA

It is still too early to estimate the actual impact of the UR on Africa. Any evaluation looking at recent experience will include the influence of weather events (such as the recent El Niño) and the financial turmoil that began in Asia in 1997. Research indicates that trade liberalization under the UR, by itself, will have adverse terms-of-trade effects for Sub-Saharan African countries, which are mostly net importers of food and manufactures. The welfare losses are significant and are made worse if these countries fail to undertake needed domestic reforms. Without such reforms, they are less able to respond effectively to changes in world prices and new opportunities arising from more liberalized world trade.

The structure of international agricultural trade accounts for this outcome. About three-fourths of all countries classified as least developed by the United Nations are in Africa, and almost all of them showed net deficits in basic foodstuffs in the first half of the 1990s. Also, 7 of the 18 developing countries recognized by the World Trade Organization (WTO) as net food importers (though with incomes above the least-developed levels) are located in Africa.
Although world relative prices are beyond the control of the African nations, there are many internal factors hindering growth that can be controlled. Indeed, appropriate domestic policies may offset the adverse terms-of-trade effects, particularly by dismantling the systems that prevent domestic producers from taking advantage of better world prices. Policies that are implicitly biased against agriculture—for example, public investments in urban infrastructure rather than rural—will not help increase domestic agricultural supply and make agricultural exports more competitive. But, countries can devise policies to ensure that the benefits of trade are widely shared, including domestic tax reform and land reform that can help prevent worsening income distribution. Increased government investment in education and infrastructure will also help alleviate possible negative effects of trade reforms on the poor.

It will behoove African countries in the coming “millennium round” negotiations to evaluate trade scenarios in concert with domestic macroeconomic and sectoral policy changes that are aimed at increasing the elasticity of agricultural supply and distributing the welfare-enhancing effects of trade throughout the whole society.

AFRICA’S POSITION IN THE MILLENNIUM ROUND

In the aftermath of the UR, many African countries complained about their effective nonparticipation in the negotiations and inability to negotiate more favorable conditions for themselves. By all accounts, African countries were tangential to the talks. Unfortunately, developing economies in Africa may not fare much better during the upcoming millennium round. Pessimists argue that most African countries are not bound by WTO agreements in the first place, so their participation in the meetings would be irrelevant and, worse still, a waste of resources. However, this is not the full story, and there are potential gains for Sub-Saharan Africa if they can participate more fully in the growing world economy and gain access to developed-country markets for their exports.

Despite fears that the global economy is on the brink of a recession and that the weaker economies in the region could be badly damaged, recent developments in Africa should provide some optimism and spur the countries of the region to prepare seriously for the WTO meetings. The political environment in the region has begun to change, with a new generation of decisionmakers emerging at all levels of public service. Together with a renewal of African leadership have come improving economic signs. In 1996, 31 of the 48 countries in Sub-Saharan Africa showed positive per capita GDP growth. Economic growth in 1997 for the continent as a whole was 3.4 percent, down somewhat from 5 percent in 1996, but on par with the growth rate in 1995 and above the 0.9 percent rate in 1994.

Recent trends in African agriculture have also been encouraging. Agricultural terms of trade have been rising since 1992 (although the effects of the Asian crisis are still unclear), along with the prices of export products such as coffee, cocoa, and tea. Furthermore, the import-to-production ratio of cereals has been on a downward trend since 1992 and fruit and vegetable exports have grown dramatically.

These positive signs have not occurred evenly throughout the continent and the region is certainly heterogeneous. Nonetheless, these developments, together with increased global liberalization and expanded global trade, present the most favorable configuration of factors to have presented itself in a very long time. Thus the new negotiations represent not a threatening erosion of preferences, such as those granted in the Lomé Convention, but rather a promising access to new markets. Important issues to be considered in the millennium round talks include:

- improvements in market access, particularly free entry for goods from the least-developed countries and the elimination of tariff escalation;
- elimination of export subsidies that displace domestic production and of export taxes and controls that exacerbate price fluctuations in world markets;
- provision of technical assistance and financial support to develop African agricultural sectors as indicated in the ministerial declaration approved in Marrakesh in April 1994;
- continuation of a strong sanitary and phytosanitary framework and the provision of technical support to develop the capabilities to produce at the standards expected in the markets of developed countries; and
- provision of adequate levels of food aid targeted to poor groups, in ways that do not displace domestic production.

In order to attain these goals, the formation of an effective African lobby could be beneficial. Such a group could draw on the experience of the Cairns Group. Indeed, there are some common interests with the Cairns Group, which could be an important ally. An African lobby should come well prepared to the negotiating table and represent the diversity of the continent, from countries like South Africa, which exports agricultural products and has joined the Cairns Group, to a large number of least-developed and net-food-importing countries.

If the new opportunities offered by the WTO are not exploited, the prospects for African development will remain unsatisfactory, making the continent increasingly vulnerable to global forces over which it has little control.

African countries will benefit most from the new opportunities if they continue to reform their domestic policies and institutions. Reform efforts would include maintaining prudent fiscal and monetary policies, avoiding exchange-rate overvaluation, facilitating the free operation of markets, investing in human capital and productive infrastructure, particularly in agricultural production and rural areas, and ensuring equitable access to land and water. Such reforms will not only improve the operation of their economies, but also encourage and facilitate productivity increases in agriculture through new research and dissemination of improved technologies. Countries that focus on internal reforms, especially those benefiting agriculture and the poor, will be positioned to gain more from the next round of trade negotiations.