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# IMPACT OF THE URUGUAY ROUND AGREEMENTS ON TRADE IN FOOD PRODUCTS

## ZERO DRAFT

I. INTRODUCTION

II. OVERVIEW ON TRADE IN FOOD PRODUCTS

A. Importance of food products in africa's trade

B. Nature and categories of tradable food products

C. Trend analysis of Africa's trade in food products

D. Africa's exports of food products and competition

III. OVERVIEW OF CURRENT TRADE REGIMES AND URUGUAY ROUND PROVISIONS AFFECTING TRADE IN FOOD PRODUCTS

A. **Current regimes governing trade in food products**

(i) The ACP-EU Lome IV Convention

(ii) The Mediterranean Agreement

(iii) The GSP Scheme

(iv) Food aid

B. **Uruguay Round provisions on trade in food products**

(i) Agreement on Agriculture: Concessions and Commitments on market access, domestic support and export subsidies;

(ii) Agreement on Sanitary and Phytosanitary Measures

(iii) Decision concerning Least-Developed and Net Food-Importing Developing countries

IV. EXPECTED IMPACT OF THE URUGUAY ROUND AGREEMENTS ON TRADE IN FOOD PRODUCTS

A. Impact on food prices

B. Impact on trade preferences

C. Impact on supply and demand of food products

D. Impact on food aid

V. CONCLUSION AND POLICY RECOMMENDATIONS

# INTRODUCTION

1. International trade in food products represents an important part of total trade. In 1992, export of food products represented 9.6 percent of total world exports whereas imports represented 10.2 percent of total world imports. For Africa, this proportion is even more important. For the same year, Africa's exports of food products represented 20.5 percent of the continent's total imports; for the export side, this proportion was 13 percent 1/.

2. The term "food" can be understood differently depending on the context in which it is used. Throughout this paper, "Food" will be understood as "any material consisting of carbohydrates, fats, proteins, and supplementary substances (as minerals, vitamins) that is taken or absorbed into the body of an organism in order to sustain growth, repair, and all vital processes and to furnish energy for all activity of the organism" 2/. This definition is completed by the following classification which shows what is considered to be food in international trade transactions. Food items are listed in section 0, division 01 to 09 of the Standard International Trade Classification (SITC) under the following: (01): Meat and meat preparations; (02): Dairy products; (03): Fish (not including marine mammals), crustaceans, mollusc and aquatic invertebrates, and their preparations; (04): Cereals and cereal preparations; (05): Vegetables and fruit; (06): Sugars, sugar preparations and Honey; (07): Coffee, tea, cocoa, spices, and manufactures thereof; (08): Feeding stuff for animals (not including unmilled cereals); and (09): Miscellaneous edible products and preparations. To these should also be included items of section 1 (beverages and tobacco), section 4 (animal and vegetable oils, fats and waxes) and those from division 22 (oilseeds and oleaginous fruit) 3/.

3. Africa's dependence on food imports has increased over the years. In 1989-1991 for instance, Africa spent almost half of its export earnings on imported food products. With the

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1/ United Nations (1994), UNCTAD Commodity Yearbook 1994

2/ According to Websters Third New International Dictionary.

3/ United Nations (1986), Standard International Trade Classification (SITC), Revision 3, Series M, No. 34, New York.

implementation of the Uruguay Round Agreements. African countries are expected to be more adversely affected by their trade in food products, at least in the short to medium term, for two main reasons. On the one hand, African countries are expected to lose their traditional market shares due to the fact that the liberalization process brought about by the Uruguay Round will erode their preferential trade margins negotiated within the framework of the Lome Convention and the GSP Schemes. Their erosion will have negative consequences on Africa's export earnings. On the other hand, the cut in subsidies to the agricultural sector in developed countries, which constitute the main sources of African countries' food imports, will increase international food prices and hence their food import bills. As a result, African countries will suffer from the depletion of their meagre foreign exchange which will have a negative impact on their balance-of-payments.

4. It is in this perspective that the present study will be carried out. Under the title "**Impact of the Uruguay Round on Trade in Food Products**", this paper will attempt to look into this issue within an African perspective. Chapter one will review the trend in Africa's trade in food products. Chapter two will analyze the different provisions of the Uruguay Round that may affect international trade in food products. Chapter three will attempt to draw the likely impact of these provisions on Africa's trade in food products and the African countries' balance-of-payments. In the light of the developments in chapter three, chapter four will draw conclusions and policy recommendations with the aim of enabling African countries derive maximum advantage from the implementation of the Uruguay Round Agreements.

## CHAPTER I: OVERVIEW ON AFRICA'S TRADE IN FOOD PRODUCTS

### A. AFRICA'S TRADE DEPENDENCE ON FOOD PRODUCTS

5. The African continent is known to be the most vulnerable part of the world to food imports. Among 31 Low-income food deficit countries (LIFDCs) in the world with the lowest capacity to finance their food imports surveyed by FAO in 1990, 19 of them or 61 percent are

from Africa 4. Many African countries have indeed been excessively dependent on food imports for many years, with their situation worsening over the years. This tendency to a continuous overdependence on food imports is shown in table 1.

Table 1: Selected indicators of food-import size and weight in total trade fo Sub-Saharan Africa.

| | Africa's share in world Food imports | Food imports over total imports | Food imports over export earnings | Per capita food imports |
|---|---|---|---|---|
| 1961-63 | 0.2065 | 0.190 | 0.279 | 2.2 |
| 1975-77 | 0.2109 | 0.188 | 0.326 | 6.7 |
| 1989-91 | 0.2534 | 0.208 | 0.477 | 13.1 |

Source: Data extracted from FAO (1995). The State of Food and Agriculture 1995, p. 44
We calculated data on the Africa's share in world food imports.

6. It should be noted that, while Africa is highly dependent on food imports, the continent also exports important quantities of food to its traditional trade partners, namely the European Union, Japan and the United States of America. Data on exports for 1990-1992 shows that, on average, over US$ 40,267 million worth of exports from Sub-Saharan Africa, 34.9 percent came from commodity exports, of which 53.1 percent were food items . In other words, over 18.5 percent of African total exports are food products. In comparison with other developing regions,

4. According to FAO's these are countries who spend at least 25 percent of their export earnings on food imports. With reference to 1988-1990 data, they are: Cape Verde, Gambia, Lesotho, Djibouti, Egypt, Mozambique, Guinea-Bissau, Somalia, Comoros, Sierra Leone, Ethiopia, Burkina Faso, Togo, Senegal, Benin, Rwanda, Mali, Mauritania and Sudan.

Asia's exports of food products represent 7.7 percent of total exports; for Latin America, this proportion is 27.2 percent 5/.

7. This brief statistical description shows that Africa's external trade is dependent on trade in food products, both for its exports and its import. It is however clear that the dependence is more acute for food imports. In the light of this remark, it should be understood, in this study, that the impact of the Uruguay Round on trade in food products will be assessed taking the latter both as imports and as exports, but keeping in mind that the trade balance of Africa in food products is largely negative 6/.

## B. NATURE AND CATEGORIES OF TRADED FOOD PRODUCTS

8. Analysis of Africa's international trade statistics on food products statistics reveals that African countries depend to a large extent on export of food tropical products and import of temperate zone food products. The following table shows the main food products exported by African countries and the main exporters.

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5/ UNCTAD (1995), The Uruguay Round and International Commodity Trade and Prices, Addendum, Statistical Annex, table 1

6/ In 1990-1992, Africa as a whole had a negative trade balance amounting to US$ 3,355 million, of which Sub-Saharan Africa accounted for US$ 3,462 million.

Table 2: Main food products of export interest for African countries

| Product | Exporters | No. of exporters |
|---|---|---|
| **I. TROPICAL BEVERAGES (Coffee, cocoa, tea and their products)** | Uganda, Rwanda, Ethiopia, Kenya, Burundi, Sao Tome, Côte d'Ivoire, United Republic of Tanzania, Ghana, Madagascar, Central African Republic, Togo, Malawi, Equatorial Guinea, Cameroon, Sierra Leone, Benin, Zaire, Guinea, Zimbabwe, Nigeria. | 21 |
| **II. SPICES AND ESSENTIAL OILS** | Comoros, Madagascar, United Republic of Tanzania | 3 |
| **III. OILSEEDS AND VEGETABLE OILS** | Senegal, Guinea Bissau, Sudan, Gambia, Sao Tome, Benin, Cape Verde, Côte d'Ivoire, Malawi, Mozambique | 10 |
| **IV. TROPICAL FRUITS AND NUTS** | Somalia, Cape Verde, Côte d'Ivoire, Kenya, Mozambique, Swaziland, Mali, Madagascar, Cameroon, Tunisia, United Republic of Tanzania, Malawi, Burkina Faso, Guinea Bissau, Benin, Togo | 16 |
| **V. FISH AND FISHERY PRODUCTS** | Seychelles, Gambia, Namibia, Mauritania, Guinea Bissau, Sao Tome, Senegal, Mozambique, Somalia, Cape Verde, Madagascar, Morocco, Sierra Leone, Tunisia, Ghana, Equatorial Guinea, Côte d'Ivoire | 17 |
| **VI. LIVESTOCK AND DAIRY PRODUCTS** | Botswana, Zimbabwe | 2 |

Source: Data collected from UNDP/UNCTAD (1994). Evaluation of the Final Results of the Uruguay Round by African Countries. Table C and D and GATT Secretariat (1994). Les Résultats du Cycle d'Uruguay et les pays africains, table 11.

9. With regard to the main food imports of African countries, information in UNDP/UNCTAD show that all African countries imported, in 1987-1989, a certain amount of the following products which can be grouped in five categories. These are: cereals; dairy products and eggs; animal and vegetal oils; live animals and meat; and sugar and honey. In the net food imports of African countries, cereals accounted for 55 percent of total imports of the five categories of food imports. Indeed, cereals have constituted the single most important category of food products imported by African countries.

10. In the light of table 2 and paragraph 9 above, the focus of the paper in terms of categories of food products traded by African countries (both imports and exports) may now be defined:

(i) Cereals and cereal preparations
(ii) Oilseeds
(iii) Fish and fishery products
(iv) Fruits and vegetables
(v) Dairy products,
(vi) Meat and preparations
(vii) Tropical beverages: coffee, cocoa, tea and mate
(viii) Sugar and honey

## C. TREND ANALYSIS OF AFRICA'S TRADE IN FOOD PRODUCTS

11. The impact of the Uruguay Round on trade in food products differs according to whether a product is imported into Africa or exported. To find out which product or group of products should be considered as an import/export, it is important to analyze food import and export time series for a period of time long enough to give a clear idea on the nature of trade in the product. In this context, negative terms of trade, on average, mean that the product is a net import. Conversely, positive terms of trade, on average, mean that the product is a net export. This

section is going to rely basically on a graphical approach which visualizes the trend in the trade of specific commodity categories.

12. Analysis of the annexed graphs on imports and exports of food products by the main categories already identified allows to determine the sign of the terms of trade for every category of food product 7/:

(i) As a whole, Africa is a net importer of cereals and cereal preparations. The terms of trade for this category of products are therefore negative;

(ii) Africa is a large net exporter of oilseeds, translating into positive global terms of trade;

(iii) Africa exports and imports large amounts of fish and fish products. However, on average for the whole period covered by this study (1961 to 1993), the continent is a net importer and the consolidated balance of trade is negative (even though it is positive starting from 1985. In North Africa, Tunisia and Morocco are relatively big exporters of fish and fish products.

(iv) With respect to the fruit and vegetables group, Africa is, on average, a net exporter. If we include Northern African countries, the positive balance of trade becomes wider, thanks specially to the Moroccan and Tunisian substantial exports of fruit and vegetables.

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7/ Data presented here is on Sub-Saharan Africa. However, analysis of trade data on North African countries shows that the inclusion of these countries in the analysis would not change the nature of the trend given by Sub-Saharan Africa's data. Reference will be made to North African countries in instances when a given country from the subregion contributes substantially to trade of a given commodity. All graphs are prepared using FAO Database, SOFA 95.

(v) Throughout the whole period covered by the study, Africa has remained a net importer of dairy products with a wide negative balance of trade

(vi) Even though Africa was a net exporter of meat and meat preparations up to the mid-1970s, imports have outpaced exports since then and, on average, the balance of trade is negative. In North Africa, Morocco exports and imports important quantities of meat but their insertion into data for Sub-Sahara Africa does not change the trend.

(vii) Africa is a net exporter of tropical beverages (coffee, cocoa, and tea and mate). The balance of trade has been positive throughout the whole period covered by this paper.

(viii) Data for Africa's trade in sugar and honey follows a random walk both for the exports and imports. On average, the balance of trade is positive.

13. Analysis of the impact of the Uruguay Round agreements on trade in food products has to distinguish between products of interest from the export side and import side. This brief discussion pointed out which of the two categories the different groups of products belong to. On the one hand, cereals and preparations; fish and preparations; meat and preparations; and dairy products will be analyzed as products of import interest for African countries. On the other hand, oilseeds; fruit and vegetables; tropical beverages; and sugar and honey will be regarded as products of export interest for African countries.

### D. AFRICA'S EXPORTS OF FOOD PRODUCTS AND COMPETITION 8/

14. As outlined in the previous paragraph, Africa's exports of food products can be grouped in four main categories: oilseeds; fruit and vegetable; tropical beverages; and sugar and honey.

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8/ Refer to graphs in annex.

Africa's trade in the four categories of food products has faced stiff competition throughout the three decades starting from the the early 1960s. As shown in the graphs annexed. Africa's exports have either declined or stagnated. while the other developing regions saw their trade multiplying manifolds for the period from 1961 to 1993. This has to be understood in a context where. at the beginning of the period of observation in 1993. all the three developing regions. namely Africa. Latin America and Asia and the Pacific were at more or less the same level of exports for most of these food commodities as translated in these graphs. The situation in 1993 shows how good these three regions have done with respect to each other in three decades.

15. With respect to oilseeds exports. Africa has lost ground. With exports earnings nearing US$ 500 million in 1961. exports in 1993 were worth around US$ 100 million. translating into a seventy-five percent decrease over thirty years. During the same period. Africa's competitors (the other developing regions) tremendously increased their exports. Latin America. which was exporting negligible quantities in 1961 was the main exporter among the three regions for a value over US$ 2 billion. On the other hand. Asia managed to improve its exports from the same level as Africa in 1961 (more or less 400 million) to almost twice that amount in 1993.

16. Exports of fruit and vegetable show a dramatic increase for Latin America and Asia and the Pacific. Both show well pronounced exponential trends. increasing from less than one billion worth of exports in 1961 to almost 10 billion and 8 billion respectively for Asia and the Pacific and Latin America respectively. During this period. Africa's exports' trend is a linear horizontal one and the total export earnings for 1993 did not even approach half a billion dollars.

17. Africa made some progress with respect to tea and mate exports when compared with Latin America. but Asia and the Pacific did much better. Whereas the slope grows steeper for the Asian and Pacific region. that for Africa is flatter and Latin America had an almost horizontal trend. In other words. Asia and the Pacific exports increased by far more faster than Africa. whereas Latin America's remained almost at the same level during the 32-year observation period.

18. The graph on coffee exports illustrates clearly the fact that Latin America has remained the main coffee exporter throughout the whole period of observation. However, the region, like the other two, was also hit by the general decline in coffee markets since the mid 1980s 9/. One interesting feature is that, although Asia and the Pacific region had negligible coffee exports in 1961 when Africa exported for almost 500 million, the Asian exports have increased and Africa's decreased to be at the same level in 1993. This fact in itself shows how well Asia has done and how bad Africa has performed with respect to coffee exports for the last three decades 10/. This fact is therefore well illustrated by the forms of the trends for the three regions: Latin America and Asia have convex curves whereas Africa's export trend is a concave curve.

19. Cocoa is the single product out of our group for which Africa is the main exporter. But the problem also here is that, although the trend has risen for Africa up to the late 1970s, the early 1980s witnessed pronounced instabilities in export earnings and, since the mid 1980s, export earnings have been on a steady decline. At a lower level, the trend for Latin America has followed more or less the same patters. On the contrary, Asia's trend has been consistently upward sloping. If this situation is not reversed, it will be no surprise to learn that Asia exports more cocoa than Africa a few years from now.

20. Regarding sugar and honey exports, the market is dominated by Latin America followed by Asia and then Africa. Since 1961, Africa's exports of sugar and honey have varied very marginally (from around 200 million in 1961 to 500 million in 1963). On the contrary, exports from Latin America increased tremendously from one billion in 1961 to reach eight billion in 1980; since then they have been declining and were half the latter amount in 1993. Asia shows

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9/ As the observation runs from 1961 to 1993, the recent recovery in the coffee sector of the last two years or so is not taken into account here.

10/ Coffee is the most important commodity exported by African countries. It is exported by more than 20 African countries, some of which depending on coffee export earnings in proportioins as high as 90 percent.

a good increasing trend even though it is at relatively low export levels (around two billion in 1993 from around 400 million in 1961).

21. The main lessons from these observations can be summarized as follows:

(i) Although Africa is the most highly dependent on commodity exports, data supports the fact that it is not a major commodity exporter capable of influencing world markets. In the case of trade in food products, this remark holds except for cocoa for which Africa is currently the main exporter (there is no indication to how long this will last) and, to a lesser extent, coffee.

(ii) In real terms, Africa has lost its traditional markets to the profit of its competitors from Asia and Latin America. In the context of this study, this has clearly been the case for oilseeds, fruit and vegetables and maybe sugar and honey.

(iii) Unlike their competitors from the other developing regions, African exporters have failed to take advantage of the increases in the consumption of commodities at the international levels. Latin America increased manifolds its exports for oilseeds; fruit and vegetables; coffee; and sugar and honey. On the other hand, Asia made remarkable progress for oilseeds; fruit and vegetable; tea and mate; as well as for sugar and honey. For Africa, substantial progress was made just for cocoa up to the mid-1980s and "some" progress was recorded for tea and mate.

22. Africa as a continent is a heterogeneous region. The main limitation of a study analyzing regional trends is that it does not capture the national and subregional differences that appear in the course of the analysis. The general trends in the trade patterns do not show individual countries' trends; in fact, the latter can evolve in opposite direction of the former. For instance, although Africa as a whole is seen in this study as a net exporter of tropical beverages, oilseeds, fruit and vegetables and sugar and honey, analysis at the subregional and national level can show completely different trends. For instance, due mainly to different climatic conditions prevailing

there, the North-African subregion as a whole is a net importer of tropical beverages; sugar and honey; oilseeds; and fruit and vegetables (Morocco and Tunisia are big net exporters) although Africa on average is a net exporter of the latter commodities. On the other hand, Morocco from the same subregion is one of the biggest Africa's net exporter of fish and fishery products notwithstanding the fact that Africa is a net importer of these products. It is therefore essential to keep in mind that the trends analyzed under this section may not reflect the situation of individual countries or subregions.

23. These developments are important in the sense that they constitute a "starting point" for the analysis of the impact of the Uruguay Round on Africa's trade in food commodities, at least for the export side. This picture should therefore be kept in mind when one seeks to analyze how Africa's trade will be affected by the overall trade liberalization brought about by the implementation of the Uruguay Round agreements.

## III. OVERVIEW OF TRADE REGIMES AND URUGUAY ROUND PROVISIONS AFFECTING TRADE IN FOOD PRODUCTS

24. To be able to analyze how implementation of the Uruguay Round Agreements will impact on Africa, it is important to first of all analyze current trade regimes in the area of food products. This will be the basis of determining the impact of the Uruguay Round agreements relative to the situation that prevailed before their implementation.

### A. CURRENT REGIMES GOVERNING TRADE IN FOOD PRODUCTS

25. Africa has three major trading partners: the European Union (EU), the United States of America (USA) and Japan. The first group of countries accounts for almost 60 percent of Africa's total exports; with the United States and Japan accounting for more or less 6 and 5 percent respectively. The origin of Africa's imports follows more or less the same patterns. In other words, around 70 percent of Africa's total trade is made with three major partners, with prominence of the EU. This high geographical concentration on a handful of trade partners has

many disadvantages, including paying relatively higher prices for Africa's imports 11/. It is not the intent of this paper to dwell on this important fact, but it should at least be highlighted since it constitutes one of the many problem the continent will have to address in the post-Uruguay Round period. In the light of the preceding remarks, this section is therefore going to focus on Africa's trade in food products with these major trading partners.

26. It should be pointed out that Africa has concluded three main preferential trade arrangements with its main partners. These trade arrangements cover a big range of Africa's exports, including food products. Africa's trade in food products will therefore be analyzed in the framework of three major trade arrangements, namely the Lome Convention between the Europeans Union and the African, Caribbean and Pacific Group of States (ACP); the Mediterranean Agreement between North African States and the European Union; and the Generalized System of Preferences (GSP) between developed and developing countries.

27. These three trade arrangements have benefitted African countries to a certain extent, especially with respect to Africa's exports. With regard to the imports of food products, there is no arrangement as to whether African countries should be treated differently from other countries. What could be said is the provision of food aid or concessional lending provided to needy countries for the purchase of food products. This is the reason why, although it is not a trade regime as such, the issue of food aid in relation with trade in food products will be discussed under this section.

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11/ For a detailed analysis of this problem, see Yeats A. J. (1990): "Do African Countries Pay More for Imports? Yes", The World Bank Economic Review, 2 (1), 1-47.

### (i) The ACP-EU Lomé IV Convention 12/

28. Article 168 of the Lome IV Convention, first indent, summarizes the trade regime governing ACP States' exports to the EU markets: "Products originating in the ACP States shall be imported into the Community (Union) free of customs duties and charges having equivalent effect" 13/. It should be noted that all Sub-Sahara African countries are member of the ACP Group, excluding the Republic of South Africa which is currently negotiating an agreement with the EU. According to this Convention, ACP agricultural products are granted duty-free access to the EU market, subject to specific rules introduced as a result of the implementation of the EU Common Agricultural Policy (CAP).

29. The products of export interest for African countries, which are under analysis in this paper, namely coffee, cocoa, tea and mate; fruit and vegetables; and oilseeds were exported duty-free on the EU market. They enjoyed effective market access protection in comparison with similar products from third countries which were to face an import tax. With respect to sugar, Protocol 8 of Lomé IV Convention which contains the text of Protocol 3 on ACP sugar appearing in the ACP-EEC Convention of Lomé signed on 28 February 1975 and the corresponding declarations annexed to that Convention sets the "agreed" export quantities from ACP countries to the EU market. African countries concerned are: Kenya, Madagascar, Malawi, Mauritius, Swaziland, Tanzania and Uganda. Further developments in the next chapter will specifically show the trade margins enjoyed by African countries members of the ACP Group for certain food products of export interest for African countries and their level of erosion as a result of the implementation of the Uruguay Round Agreements.

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12/ The aim of this section is just to discuss briefly the way in which Africa's trade in food products is affected by the provisions of the Convention. The complete text of the Lomé IV Convention is contained in "The Courrier", No. 120, March-April, 1990.

13/ Ibidem, Article 168

### (ii) The Mediterranean Agreement

30. The Mediterranean Agreement is a trade arrangement between the North African states (except Libya) and the European Union. In 1969, every North African country signed a bilateral agreement with the then European Economic Community covering a range of issues, including trade cooperation. In 1976, these agreements were replaced by new ones considered to be wider in scope and called "cooperation agreements". They included trade, finance and technology components. In their trade component, these agreements accord to the EEC the MFN status in return of duty-free access of the signatories' products to the market of the Community 14/. The widening of the European Union to include Greece, Spain and Portugal had an adverse impact on the North-African countries' exports in the sense that these new comers would flood the market of the Community with the same products as those traditionally exported by the North-African countries. This was the case, for instance, for food products such as wine, olive oil, tomatoes and grapes, for which competition became stiff with the new members of the Community.

31. Since the late 1980s, and during the negotiations of the Uruguay Round, the North-African countries witnessed some difficulties to preserve their trade privileges with the European Union. Among others, market access for agricultural products on the European market became more and more difficult threatening these countries to lose their market shares. In any case, one can note that North African "cooperation agreements" were reached on terms less favourable than those offered to the ACP countries, one major limitation of the agreements being the fact that these countries have never managed to negotiate their cooperation package as a group (as this is the case within the Lome Convention).

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14/ Some restrictions are applied with respect to duty-free market access of both some industrial and agricultural products.

### (iii) The Generalized System of Preferences (GSP) Scheme

32. The GSP was instituted as a way to assist developing countries increase their international trade with their trade partners from developed countries in view of the imbalances in international trade between these groups of countries. This was done by facilitating market access into the preference-giving country of specified products from developing countries by removing or lowering import duties. The GSP is a bilateral agreement between the preference-giving and the preference-seeking country. Preference-giving countries are mainly those belonging to the Organization for Economic Cooperation and Development (OECD); preference-seeking countries are all developing countries.

33. As formulated in Resolution 21 (II) of UNCTAD II held in New Delhi, India, in 1968, "the principles and objectives of the generalized, non-reciprocal, non-discriminatory system of preferences in favour of the developing countries, including special measures in favour of the least advanced among developing countries, should be: (a) to increase their export earnings; (b) to promote their industrialization; (c) to accelerate their economic growth 15/. In 1994, there were 166 developing country GSP beneficiaries among which were virtually all African countries.

34. In markets outside the European Union where African exports of food products enjoy a preferential treatment in the framework of the Lomé Convention, African countries' exports usually enjoy preferential arrangement under the GSP scheme. Due to the high geographical concentration of Africa's exports, the bulk of the latter are destined to the three largest preference-giving countries or group of countries, namely the European Union, the US and Japan which account for 80 percent of total imports from all beneficiaries under the GSP, the Lomé Convention and the Mediterranean Agreement 16/. African countries have therefore,

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15/ See OAU: "The Impact of the Uruguay Round on Trade Preferences: Toward a Forward-looking Trade Agenda for African Countries", document EDECO/TD/12/067.96, p.8

16/ Ibid, pp.7-8

in general, enjoyed one or more of these trade arrangements, and this has been the case for their trade in food products.

### (iv) Food Aid

35. The provision for food aid to developing countries is a feature that is common to all multilateral trade arrangements. Lome IV Convention includes articles on food aid under Title II, Chapter I on "Agricultural Cooperation and food security". In the GATT negotiations, food aid to poor contracting parties has always been given consideration: in the framework of the Uruguay Round, this issue is prominent in the Marrakech Ministerial Declaration. The Food and Agriculture Organization (FAO) of the United Nations has also pioneered the establishment of a "Food Aid Convention" putting together food aid providers and beneficiaries in a more orderly framework. Food aid has gained this importance in multilateral cooperation conventions due to the fact that the latter put together countries at very different levels of development and in an environment characterized by inequalities in trade relations. Rather than dispensing food aid, Africa has been a net beneficiary due to its low level of development.

36. In 1995, 15 African countries required exceptional and/or emergency food assistance 17/ due not only to natural disasters such as drought in the South-African part of the continent, but also to political instability prevailing in countries such as Burundi, Rwanda, southern Sudan, Somalia, Liberia and Sierra Leone. Sub-Saharan Africa remains the major beneficiary of food aid, accounting for more than 40 percent of total shipments to LIFDCs 18/. This situation shows that any analysis of Africa's trade, particularly trade in food products, must take into account the high dependence of many African countries to food aid in order to grasp more fully the strategic importance of the food sector in these countries. Although food aid is not a trade issue per se, policy recommendations in the area of trade in

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17/ See FAO (1995), The State of Food and Agriculture, p.6

18/ Ibid., p.15

food products must integrate this dimension in order to be consistent with the real needs of food-aid dependent countries in Africa.

## B. URUGUAY ROUND PROVISIONS ON TRADE IN FOOD PRODUCTS

37. Notwithstanding the fact that the implementation of the Uruguay Round agreements will have a cross-cutting impact on different sectors of the national economies of individual countries, the Uruguay Round provisions in four areas will have a direct impact on trade in food products: (i) the Agreement on Agriculture; (ii) the concessions and commitments on market access, domestic support to agriculture and export subsidies; (iii) the Agreement on Sanitary and Phytosanitary measures and; (iv) the Ministerial Decision concerning Least-developed and Net-food Importing Developing countries.

### (i) Agreement on Agriculture: Concessions and commitments on market access, domestic support and export subsidies

38. In the Agriculture sector, commitments taken relate to market access, domestic support and export competition policies.

39. With respect to market access, all non-tariff border protection measures were replaced by tariff measures which provide more or less the same level of protection. There is a minimum reduction requirement for each tariff line and the overall tariff in the sector has to be reduced by 24 percent over ten years as opposed to 36 percent over six years for developed countries. LDCs are not required to reduce their tariffs. The Agreement also provides for the maintenance of current access opportunities and the establishment of minimum access tariff quotas whenever current access is less than 3 percent of domestic consumption. A "special treatment" clause was introduced to facilitate implementation of tariffication in specific sensitive situations: it allows, under specifically defined situations, a country to maintain import restrictions up to the end of the implementation period. Special and differential treatment provisions found in this Agreement

apply to primary agricultural products from a developing country provided the product is the predominant staple in the traditional diet of the country invoking this clause.

40. In the area of domestic support, the Total Aggregate Measurement of Support (Total AMS) covers support measures taken on a product or non-product basis, provided exceptions do not apply. In such a case, developing countries are required to reduce their support by 13.3 percent during the implementation period; LDCs have no requirement to reduce their domestic support. Domestic support measures that do not have a direct impact on trade, "green box" policies, are excluded from reduction commitments. In addition to "green box" measures, other policies excluded from Total AMS are listed in the Agreement.

41. Regarding export subsidies, the Agreement is framed in a way that would ensure substantial progressive reductions in support and protection. No reduction requirements apply to the LDCs. Developed countries are required to reduce the value of direct export subsidies by 36 percent relative to their 1986-1990 base period over the six-year implementation period and the quantity of subsidized exports by 21 percent over the same period. Other developing countries' requirements are two-thirds those of developed countries over a ten-year period. The Agreement sets out criteria for food aid donations and the use of export credits. The Agreement also sets up a committee whose aim is to monitor the implementation of the commitments. It calls for further negotiations in the fifth year of implementation which will also be an occasion of assessing progress made during the first five years.

### (ii) Agreement on Sanitary and Phytosanitary Measures

42. This Agreement deals with food safety and animal and plant health regulations. According to this Agreement, governments have the right to take these types of measures but they should not be taken in a way that discriminates arbitrarily and unjustifiably between members. They are urged to base their measures on international standards and on scientific facts as far as possible. To this end, WTO Member countries may refer to the standards set by the joint FAO/WHO **Codex Alimentarius Commission** for food safety; the International Office

of Epizootic for animal health and to the International Plant Protection Convention for plant health. The equivalence of standards should be accepted by Members whenever the exporting country demonstrates to the importing country that the former's exports meet the latter's standards. The Agreement contains requirements on transparency which should be attained through, among other things, the publication of regulations and the establishment of national inquiry points and notification procedures.

### (iii) Decision concerning Least-Developed and Net Food-Importing Developing Countries

43. The Uruguay Round negotiators recognized that LDCs and Net Food-Importing countries would experience some hardship with respect to the supply of food imports on "reasonable terms and conditions". The special Decision therefore sets out objectives regarding the provision of food aid, the provision of basic foodstuffs in full grant form as well as aid for agricultural development. The possibility of short-term financing of food imports by the International Monetary Fund and the World Bank through concessional debt is also raised. The follow-up to the Decision is entrusted to the Committee of Agriculture established to monitor the implementation of the different commitments in the agriculture sector.

## IV. EXPECTED IMPACT OF THE URUGUAY ROUND AGREEMENTS ON TRADE IN FOOD PRODUCTS

44. Different quantitative studies have attempted to estimate the impact of the Uruguay Round on the world economy. Most of them, focusing on developing countries, were undertaken before the Round was concluded. They therefore base their results on guesses about the final results of the agreements and their trade liberalization scenarios do not lead to accurate results. Ex post studies in general have tended to adjust downwards the results of the earlier studies which were found to be too optimistic. This has been especially the case with the impact on developing countries which was found to be smaller than forecasted by previous studies, with African countries benefitting the least from the implementation of the agreements. It should be

pointed out that all these studies suffer from at least one main limitation: they do not integrate the impact of the Round on several sectors such as the service sector and the impact of a tighter protection of intellectual property rights. They also completely ignore the impact of the strengthening of the multilateral trade system, the economic efficiency resulting from scale economies, as well as environmental impacts. Notwithstanding these limitations, the results presented in this chapter were produced using such models because they still are the "best approximations available at this stage" 19/ for a general evaluation of the impact of the Uruguay Round Agreement. The reader should keep in mind the limitations of the models used.

45. With respect to trade in food products, the main impact of the agreements will be a most likely increase in food prices ranging from 5 to 10 percent, as a result of the liberalization of the agriculture sector in developed countries: this will entail a loss for African countries as a whole, at least in the short-run. In the long run, the effects are not clearly predicted as they will depend upon the extent at which these countries will also liberalize or adapt their agriculture to cope with the new trading system.

## A. IMPACT ON FOOD PRICES

46. As most African countries are net food importing countries, they will be also hurt by the increase in their food import bills as a result of the agriculture reform programmes in developed countries. According to FAO estimates, increase in food import bills of African countries due to the Uruguay Round will increase by 11 percent by the year 2000. Following is a table showing the effects of agriculture liberalization on prices of selected commodities to the year 2002 from benchmark levels.

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19/ FAO (1994). Uruguay Round Agreement: A Preliminary Assessment of its impact on Agriculture. This paper was presented at the International Conference on the Uruguay Round and African Countries, Tunis, Tunisia, 24-27 October 1994.

**Table 3: Change in prices of selected commodities due to the Uruguay Round**

| Commodity | Price change (percent) |
|---|---|
| Wheat | 3.8 |
| Rice | -0.9 |
| Coarse Grains | 2.3 |
| Sugar | 1.8 |
| Beef, veal and mutton | 0.6 |
| Other meats | -0.6 |
| Coffee | -1.5 |
| Cocoa | -0.7 |
| Tea | -1.4 |
| Vegetable oils | -0.3 |
| Dairy products | 1.2 |
| Other food products | -1.4 |

Source: Goldin and van der Mensbrugghe, 1995, cited by FAO (1995), The State of Food and Agriculture, p.262

47. On the one hand, it can be seen from this table that prices of food products presenting a particular interest for Africa's exports such as coffee, cocoa and tea will decline, meaning a decrease in African countries' export earnings. On the other hand, prices of food products presenting a particular interest for African countries' imports such as wheat and dairy products are expected to increase, inflating these countries' import bills. FAO estimates show that for LIFDCs as a whole, 61 percent of its membership being African countries, the food import bill is projected to be US$9.8 billion in the year 2000, translating a 55 percent increase relative to 1987-1989 levels. About US$3.6 billion or 14 percent of the increase will be a result of the Uruguay Round. The combination of the two aspects described above, namely the decrease in the prices of Africa's exported food commodities and the increase in the prices of imported ones

will compound the negative impact the Round is going to have on African countries' balance of payments.

## B. IMPACT ON TRADE PREFERENCES

48. It is now widely accepted that developing countries in general and African countries in particular will experience a dramatic loss in their traditional trade preferences. African countries being traditionally the most dependent on trade preferences, they are expected to experience the highest losses due to the erosion of their traditional trade margins under the GSP, the Lome Convention and other trade arrangements. The following table summarizes the loss of preferences for selected food products on Africa's main three export markets, namely the EEC, Japan and the United States of America.

Table 4: **Erosion of tariff preferences in the EU, USA and Japanese markets**

| | | European Union | | | | Japan | | USA | |
|---|---|---|---|---|---|---|---|---|---|
| Product Group | Average | ACP Loss | % loss | GSP Loss | % Loss | GSP Loss | % Loss | GSP Loss | % Loss |
| Agri Non Tropical | Simple | 6.22 | 31.5 | 4.78 | 50.9 | 4.68 | 57.5 | 2.49 | 36.0 |
| | Weighted | 13.01 | 24.7 | 5.20 | 43.5 | 5.83 | 72.9 | 0.52 | 10.9 |
| Tropical Agricult. | Simple | 6.78 | 38.5 | 6.85 | 80.4 | 3.93 | 63.9 | 3.21 | 40.0 |
| | Weighted | 4.72 | 50.9 | 2.93 | 100 | 3.86 | 83.0 | 3.79 | 49.4 |

Source: UNCTAD data compiled from "The Impact of the Uruguay Round on Trade Preferences: Toward a Forward-Looking Trade Agenda for African Countries" (EDECO/TD/12/067/96).

49. This table illustrates the fact that trade preferences African countries used to enjoy from their main partners will be dramatically reduced as a result of the implementation of the Uruguay Round agreements. The most interesting information conveyed by this table relates to the erosion of preferences of tropical agricultural products which dominate African exports. These products have lost up to 100 percent of their GSP and more than 50 percent of their Lomé traditional preferences in the European Union. For Japan and the United States, GSP losses are as high as 83 percent and 49 percent respectively. These relatively high levels of preference losses are going to affect negatively African countries in the sense that their products in international markets are going to face harsher competition with exporters from other developing regions. The fear is therefore that, in the short term, Africa may not be able to compete, resulting in a loss of the small market share the continent had been able to maintain up to now. The long-run impact cannot be predicted accurately as it will depend on whether African countries are able to increase their competitiveness or give way into economic marginalization.

## C. IMPACT ON SUPPLY AND DEMAND OF FOOD PRODUCTS

50. Analysis of the impact of the implementation of the Uruguay Round Agreements on demand and supply of food products from Africa has to take into account the nature of the food products considered (tropical or non-tropical) and the time horizon of the analysis (short term or long term).

51. Africa is a net exporter of tropical agricultural food products. In the short run, the loss of market preferences by African exports will have a negative impact on African countries' stocks of foreign currency as their exported quantities may decrease and sold at probably the same or lower levels of prices. However, the impact on the production of such commodities may not be important since most of them are agricultural perennial crops whose supply capacity cannot be changed in the short run. In the long run, however, if the short run impact remains the same, the traditional exports may become less interesting for export and production. In this case, traditional exports may become non-tradable and the countries may shift their resources into sectors and products in which they are more competitive, the impact being the reduction of

the supply of traditional exports. This will lead to product substitution effect. On the other hand, if African countries manage to achieve more competitiveness in their traditional export sectors, allowing them to keep their market shares, their current level of supply may either remain unchanged or even increase.

52. With respect to the demand for food products, Africa is a net importer of agriculture non-tropical products from temperate zones. These are products such as wheat, rice, maize, etc. imported from developed countries. As already discussed, the short term impact of the implementation of the Uruguay Round Agreements on developed countries agriculture will be a cut in subsidies which will imply lower incomes for producers, prompting them to cut their production. As a result, consumers will have to pay higher prices. African countries which are net importers of non-tropical agriculture products will have to pay higher import bills. In the long run, other things being equal, production of non-tropical food products or their substitutes will become more interesting for African countries that spend high amounts of foreign currency to import them. As a result, African countries may produce these food products or their substitutes domestically, substituting imports by locally produced goods. This import-substitution policy will increase the supply of food products and probably reduce their price. This, however, cannot be guaranteed as it will largely depend on the capacity of African countries to put in place sound import substitution policies.

## D. IMPACT ON FOOD AID

53. The obvious impact of the situation of supply and demand of food products following the implementation of the Uruguay Round will be the reduction in the international levels of food surplus stocks. Historically, the volume of food aid has been highly correlated with the levels of surplus stocks. Therefore, although the Uruguay Round does not set any limit on genuine food aid, the latter's volume may decrease as surplus stocks are run down. African countries, which are the most in need for food aid, will most probably experience lower levels of aid

transfers from developed countries. It is therefore ironic to see that African countries may be short of their traditional assistance in food aid at a time when they will need it the most 20/.

## V. CONCLUSION AND POLICY RECOMMENDATIONS

54. African countries are more likely to be negatively affected by the changes affecting markets for food products, both tropical and non-tropical. As countries implement the Uruguay Round Agreements, Africa's loss of preferential margins may lead to loss of market shares and hence loss of export revenue. On the other hand, the removal of protection measures in developed countries' agriculture sector will lead to lower production levels, meaning higher prices for importers and lower food aid transfers to developing countries including African countries. Although the short run impact of this situation on African economies seems to be obviously negative, the long run impact cannot be predicted clearly due to the following reasons:

(i) The implementation of Uruguay Round agreements, especially the ones in the agriculture sector, is framed in a way such that some analysts have wondered whether it will make any difference, especially with respect to what is expected from developed countries.

(ii) International agreements of the type of the Uruguay Round are non binding and one may wonder up to which extent developed and developing countries are going to implement the provisions of the Uruguay Round.

(iii) Adaptation of African economies to the new international trade environment will depend on both African willingness and capacity to undertake reforms. Although Africa's willingness to undertake economic reforms has been demonstrated by the number of countries

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20/ Taking into account the fact that these countries will be paying higher import bills and, at the same time, experience a reduction in their export revenue as a result of the loss of their traditional market shares.

in the continent under structural adjustment programmes 21/, the capacity to put in place such reforms is beyond the concerned countries. The success of the adaptation of their economies and their active participation in the international trading system will therefore depend much on the level of assistance developed countries are willing to mobilize for this purpose. But this should not in any case be understood as a relinquishment of Africa's obligation for managing its development. African countries bear the primary responsibility for organizing themselves in a way that will enable them take full advantage of the opportunities offered by the Uruguay Round agreements and mitigate the immediate negative impact.

55. In the light of this, the following actions should be on Africa's agenda:

(i) Resource mobilization, both technical and financial, to ensure a smooth implementation of the Uruguay Round Agreements.

(ii) Diversification of African exports beyond the tropical product sector with a view to decreasing the high dependence on the export of a narrow range of agricultural commodity. In this context, African countries should aim at putting in place policies towards attaining food self sufficiency as acquiring food through international channels (both imports and aid) is going to be more and more difficult.

(iii) Putting in place mechanisms for taking maximum advantage of the differential and preferential treatment provisions contained in most agreements relating to production and trade of food products 22/. This should go hand in hand with initiating efforts aimed at changing

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21/ In 1992-93, 35 or three quarters of Sub-Saharan African countries were undergoing IMF/World Bank Structural adjustment programmes.

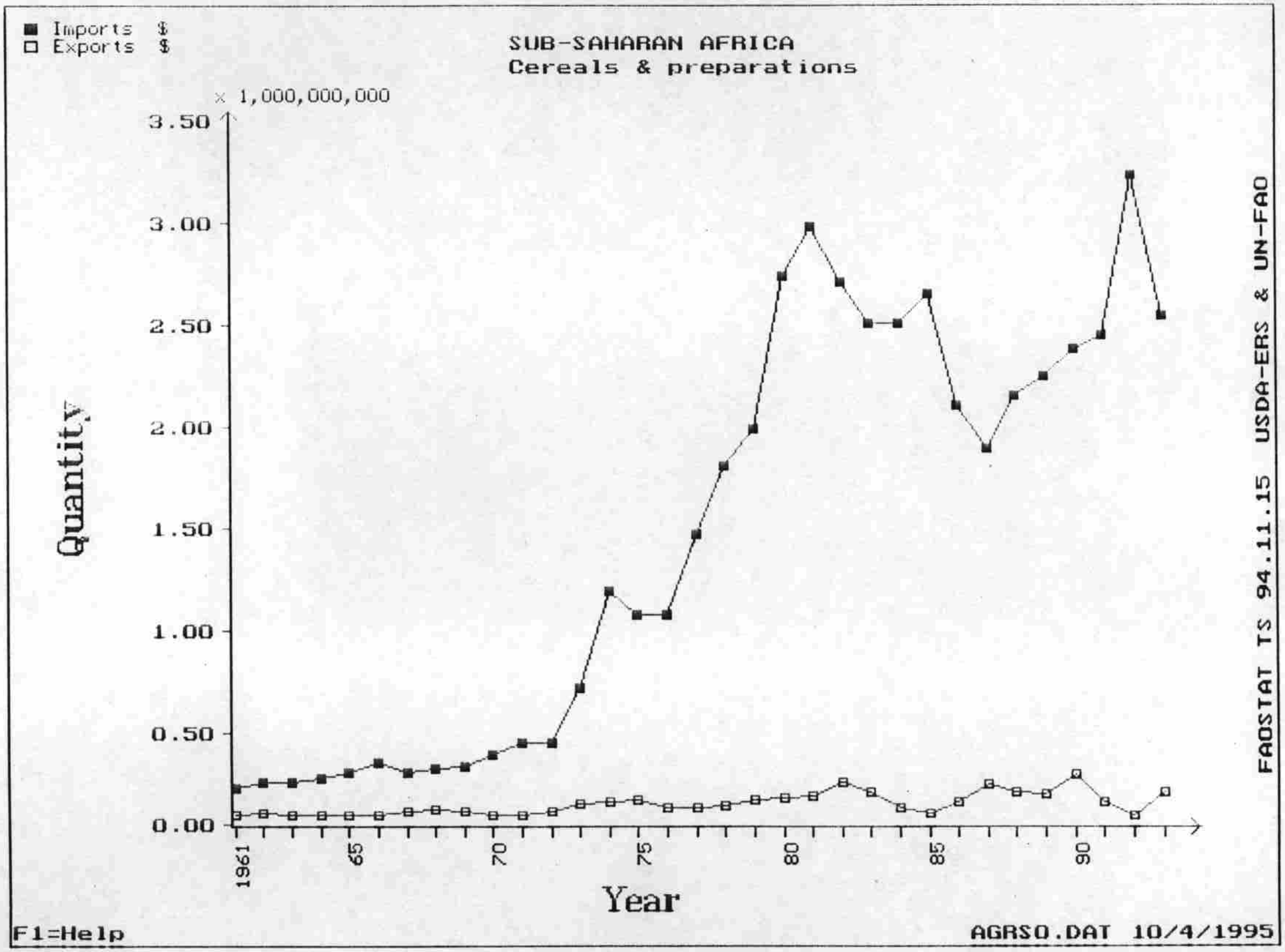
22/ In most of these agreements, African countries, especially LDCs, are not required to implement the changes expected from other countries; in addition, they will have longer transitional periods. There are also provisions pertaining to assistance these countries should expect from developed countries in the implementation process.

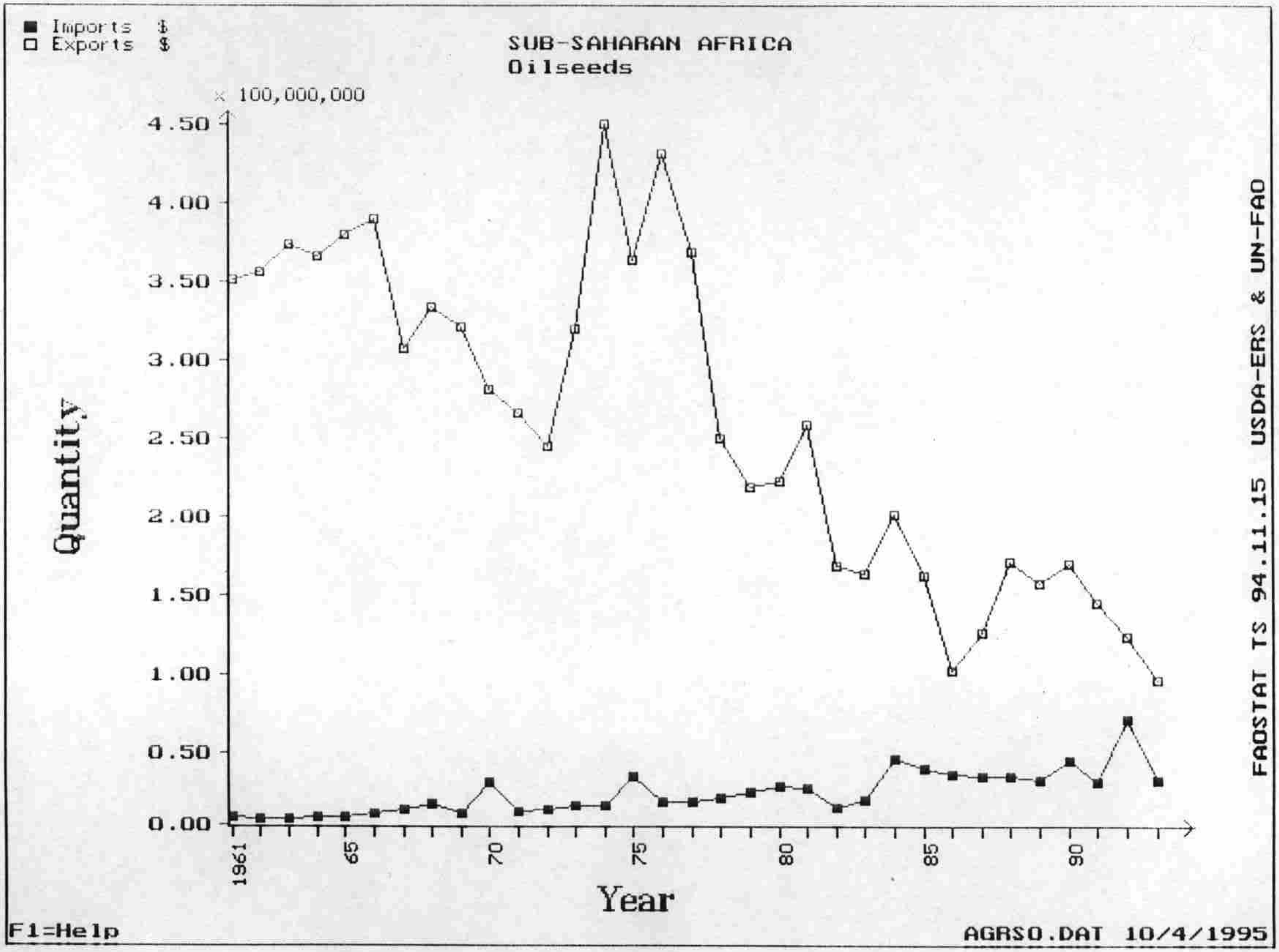
the current policies into those compatible with the provisions of the Uruguay Round. For instance, African countries should understand that price based actions should no more be the main instruments for agricultural policy.

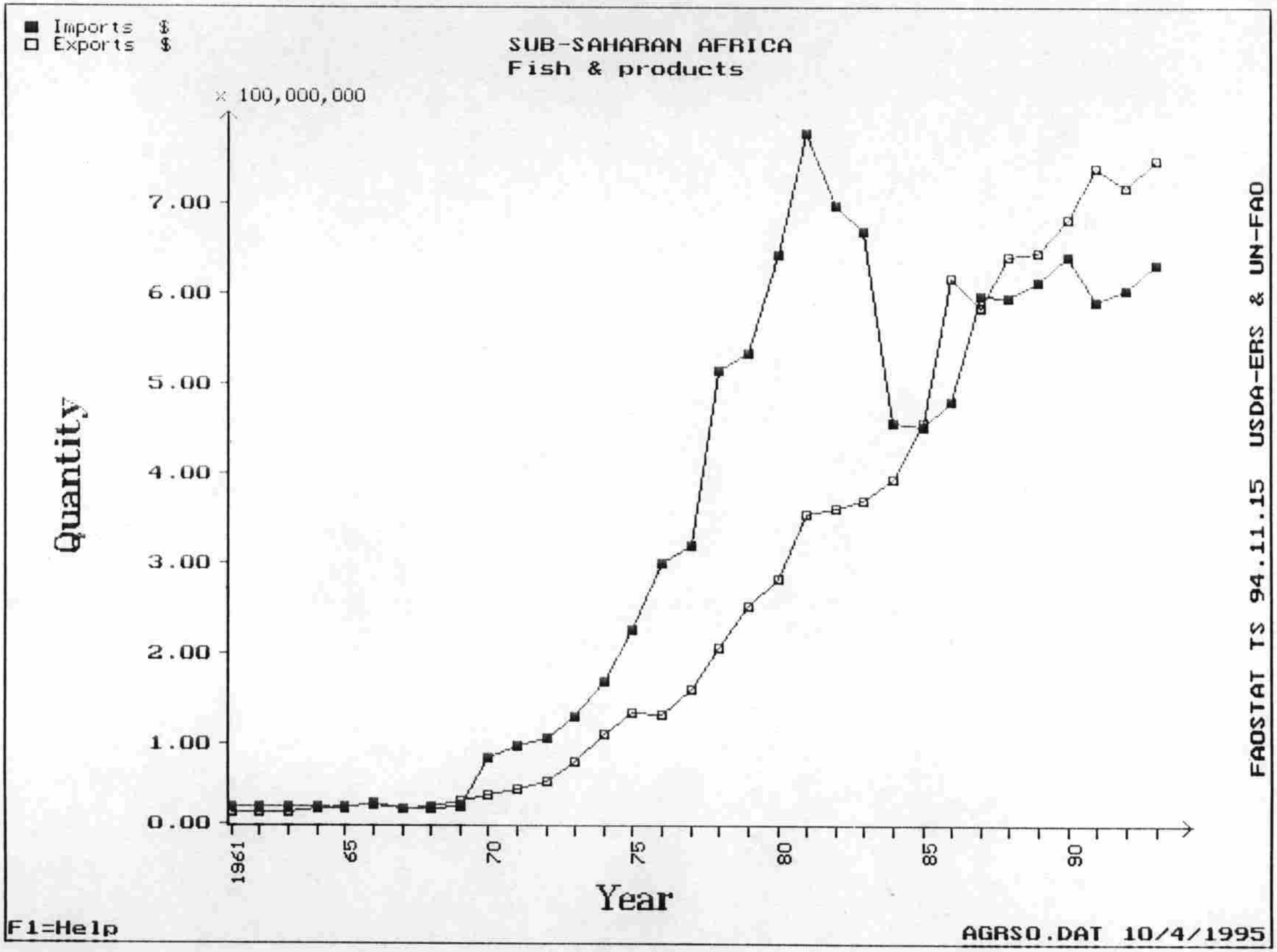
(iv) Appropriate agricultural and marketing policies can help African countries mitigate the negative impact of the Uruguay Round agreements on the food sector and can also contribute to the overall competitiveness of African countries in international markets.

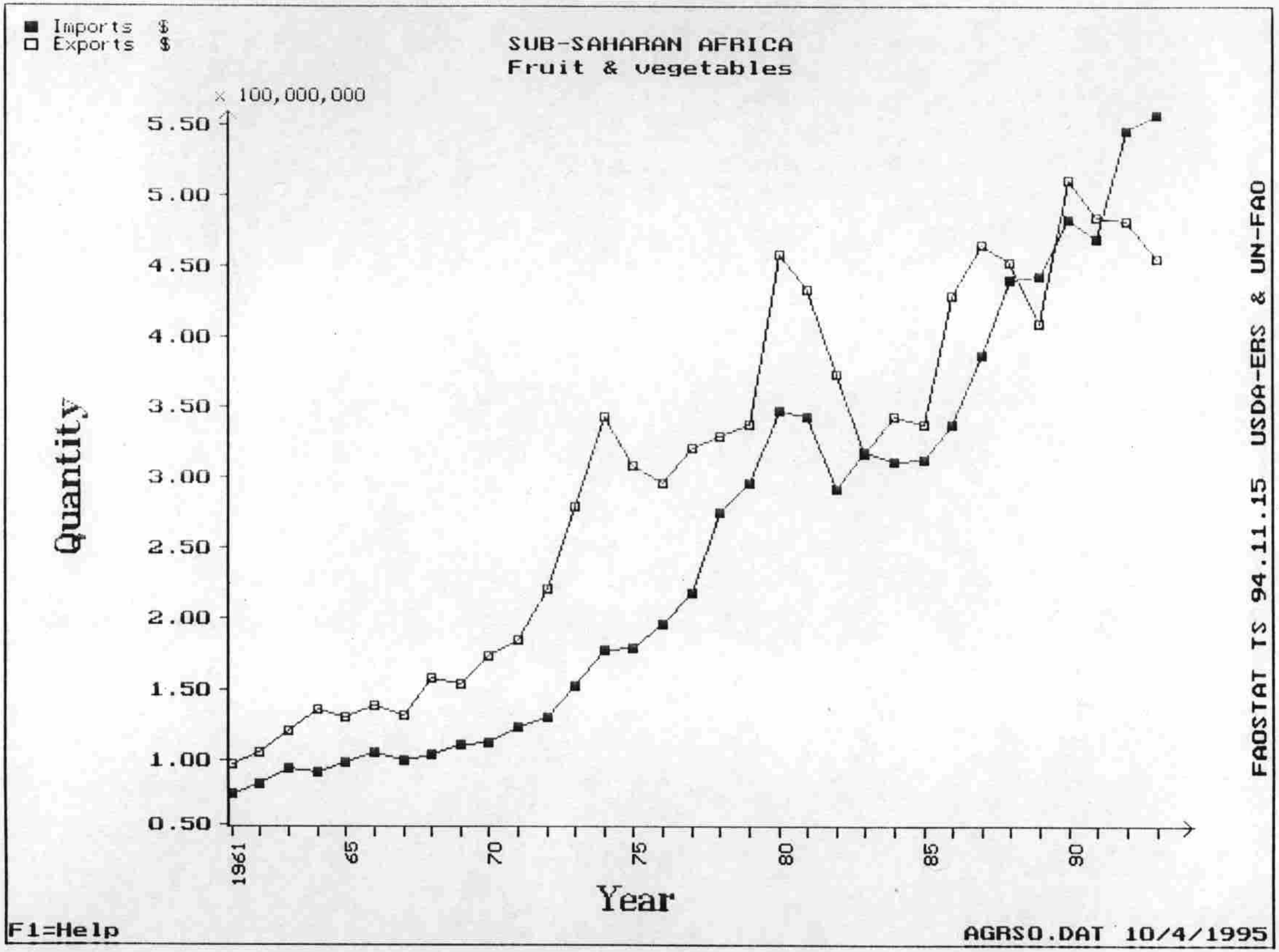
# ANNEX I:

# AFRICA'S TRADE IN FOOD PRODUCTS: COMPARISON OF IMPORTS AND EXPORTS

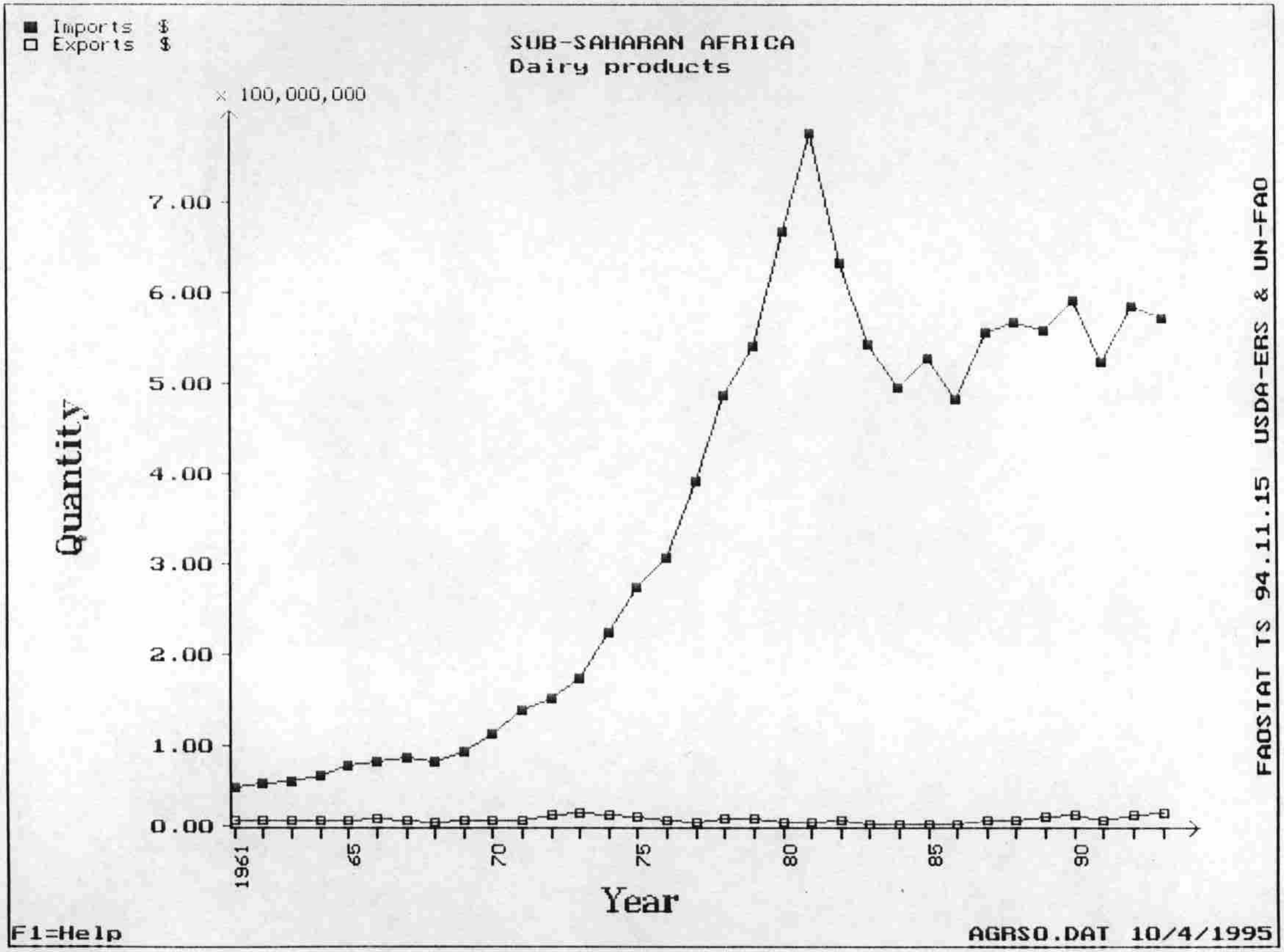

Imports $
Exports $
SUB-SAHARAN AFRICA
Cereals & preparations
× 1,000,000,000
3.50
3.00
2.50
2.00
1.50
1.00
0.50
0.00
Quantity
1961
65
70
75
80
85
90
Year
FAOSTAT TS 94.11.15 USDA-ERS & UN-FAO
F1=Help
AGRSO.DAT 10/4/1995


■ Imports $
□ Exports $
SUB-SAHARAN AFRICA
Oilseeds
× 100,000,000
4.50
4.00
3.50
3.00
2.50
2.00
1.50
1.00
0.50
0.00
Quantity
1961
65
70
75
80
85
90
Year
FAOSTAT TS 94.11.15 USDA-ERS & UN-FAO
F1=Help
AGRSO.DAT 10/4/1995

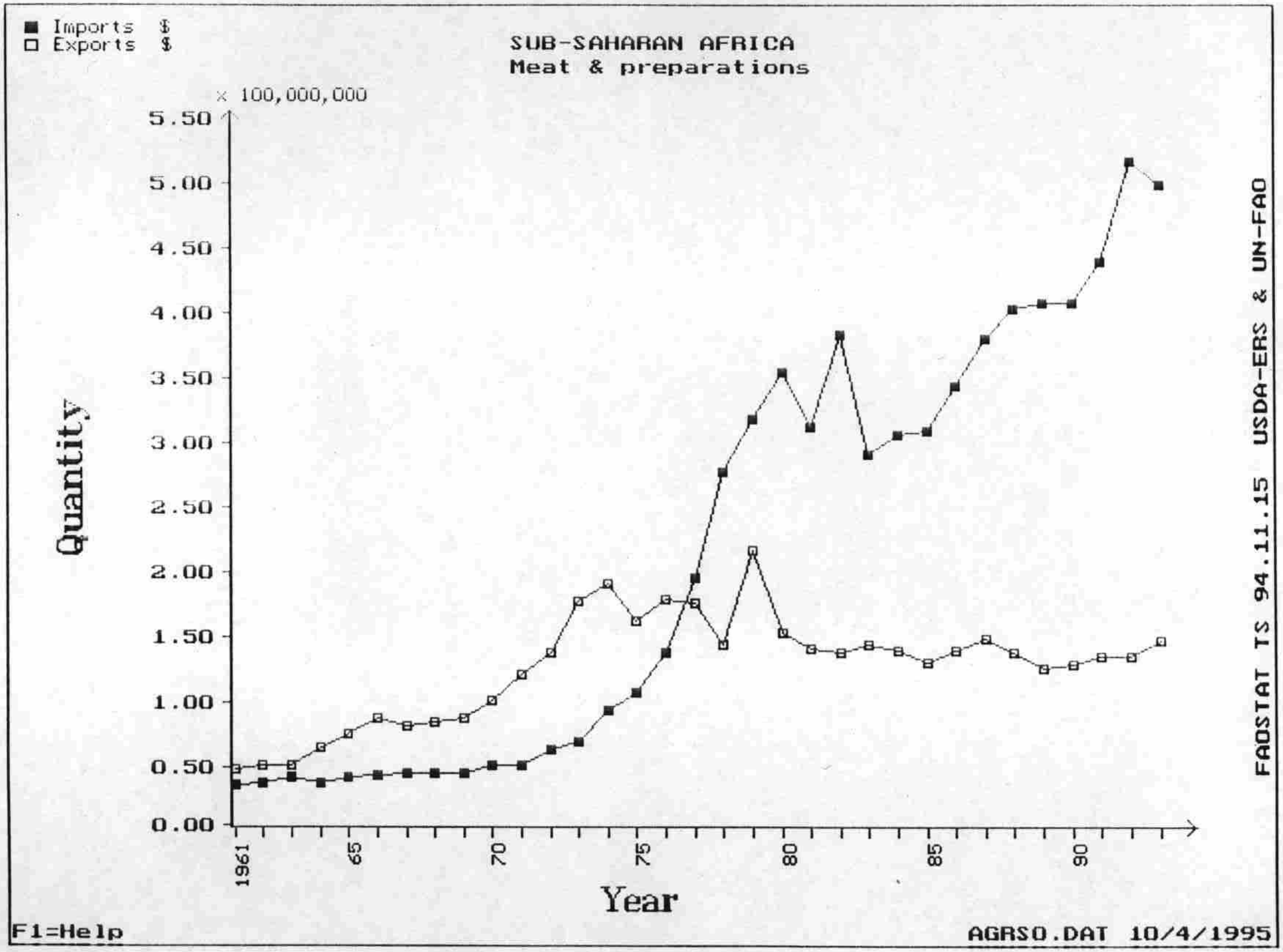

Imports $
Exports $
SUB-SAHARAN AFRICA
Fish & products
× 100,000,000
Quantity
7.00
6.00
5.00
4.00
3.00
2.00
1.00
0.00
1961
65
70
75
80
85
90
Year
FAOSTAT TS 94.11.15 USDA-ERS & UN-FAO
F1=Help
AGRSO.DAT 10/4/1995



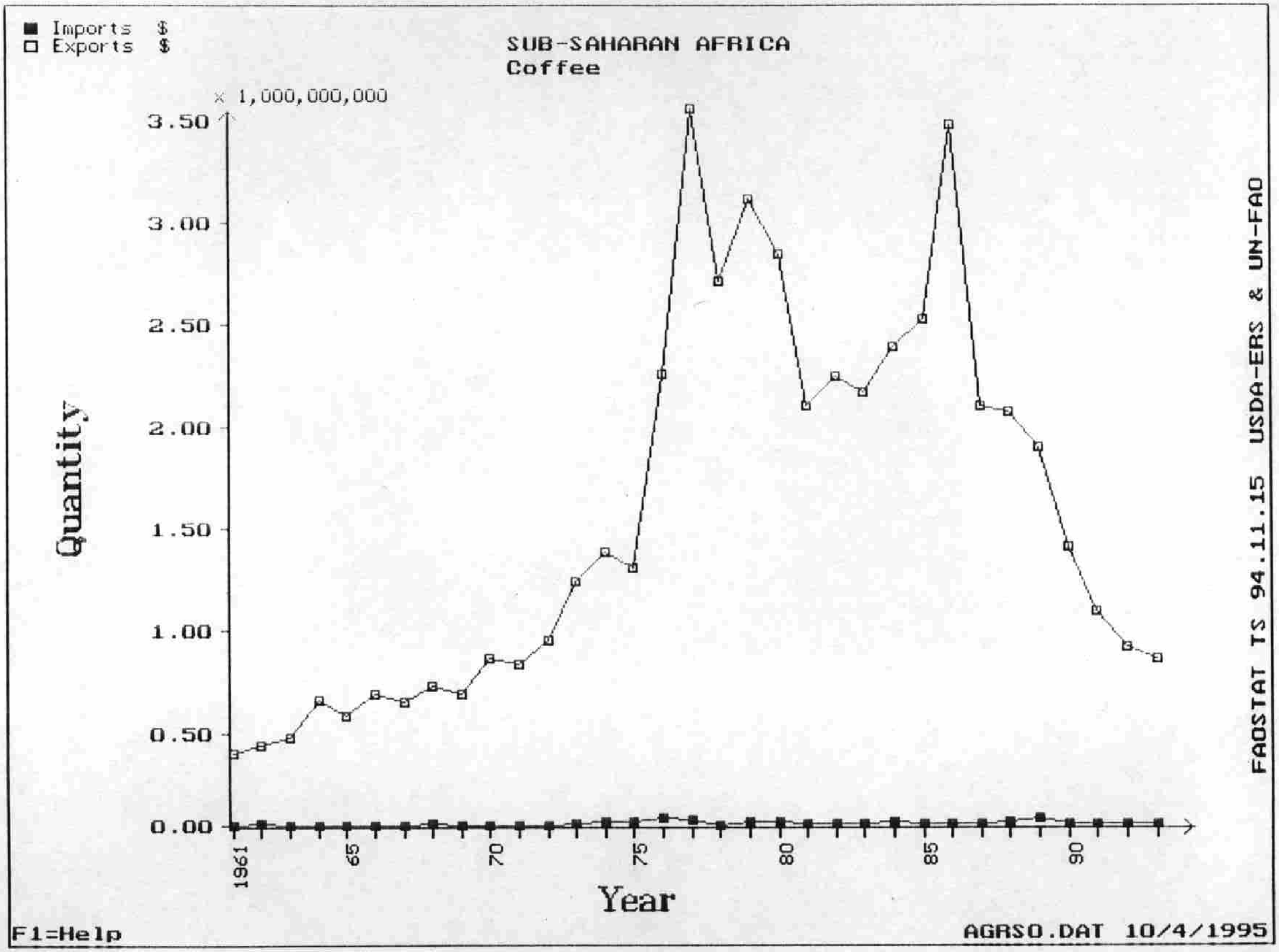
Imports $
Exports $
SUB-SAHARAN AFRICA
Fruit & vegetables
× 100,000,000
5.50
5.00
4.50
4.00
3.50
3.00
2.50
2.00
1.50
1.00
0.50
Quantity
1961
65
70
75
80
85
90
Year
FAOSTAT TS 94.11.15 USDA-ERS & UN-FAO
F1=Help
AGRSO.DAT 10/4/1995



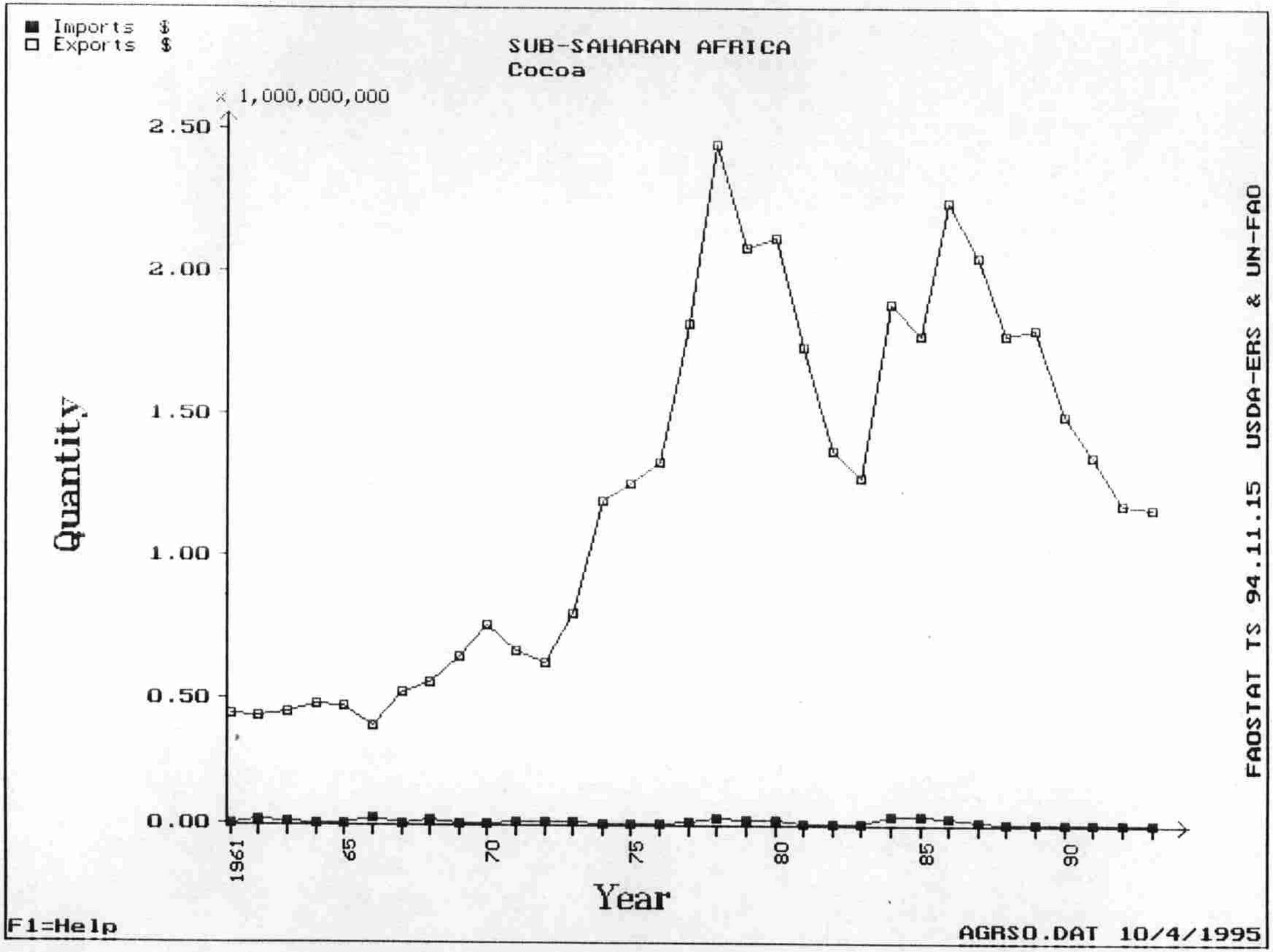
Imports $
Exports $
SUB-SAHARAN AFRICA
Dairy products
× 100,000,000
Quantity
7.00
6.00
5.00
4.00
3.00
2.00
1.00
0.00
1961
65
70
75
80
85
90
Year
FAOSTAT TS 94.11.15 USDA-ERS & UN-FAO
F1=Help
AGRSO.DAT 10/4/1995



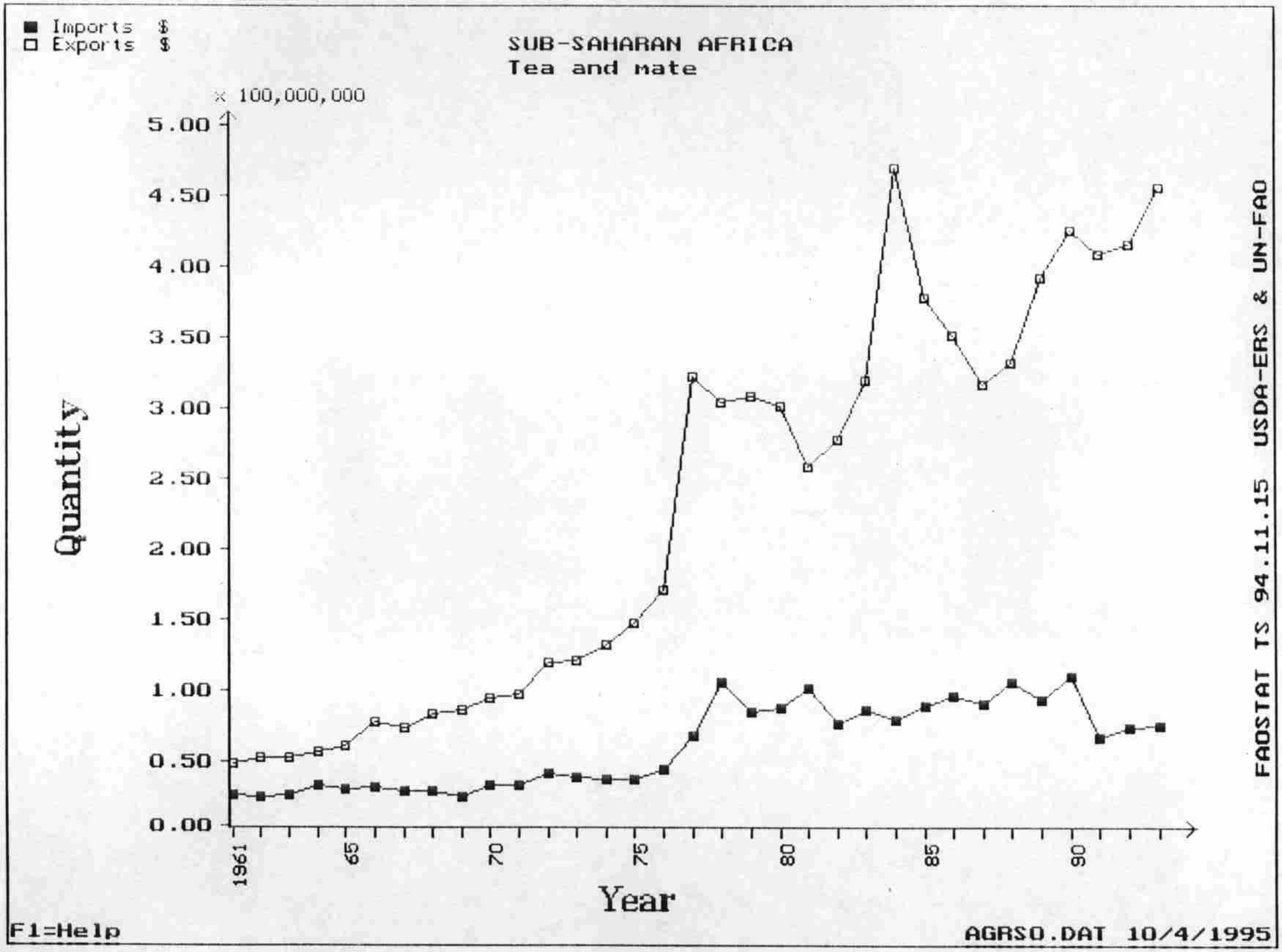
■ Imports $
□ Exports $
SUB-SAHARAN AFRICA
Meat & preparations
× 100,000,000
5.50
5.00
4.50
4.00
3.50
3.00
2.50
2.00
1.50
1.00
0.50
0.00
Quantity
1961
65
70
75
80
85
90
Year
FAOSTAT TS 94.11.15 USDA-ERS & UN-FAO
F1=Help
AGRSO.DAT 10/4/1995



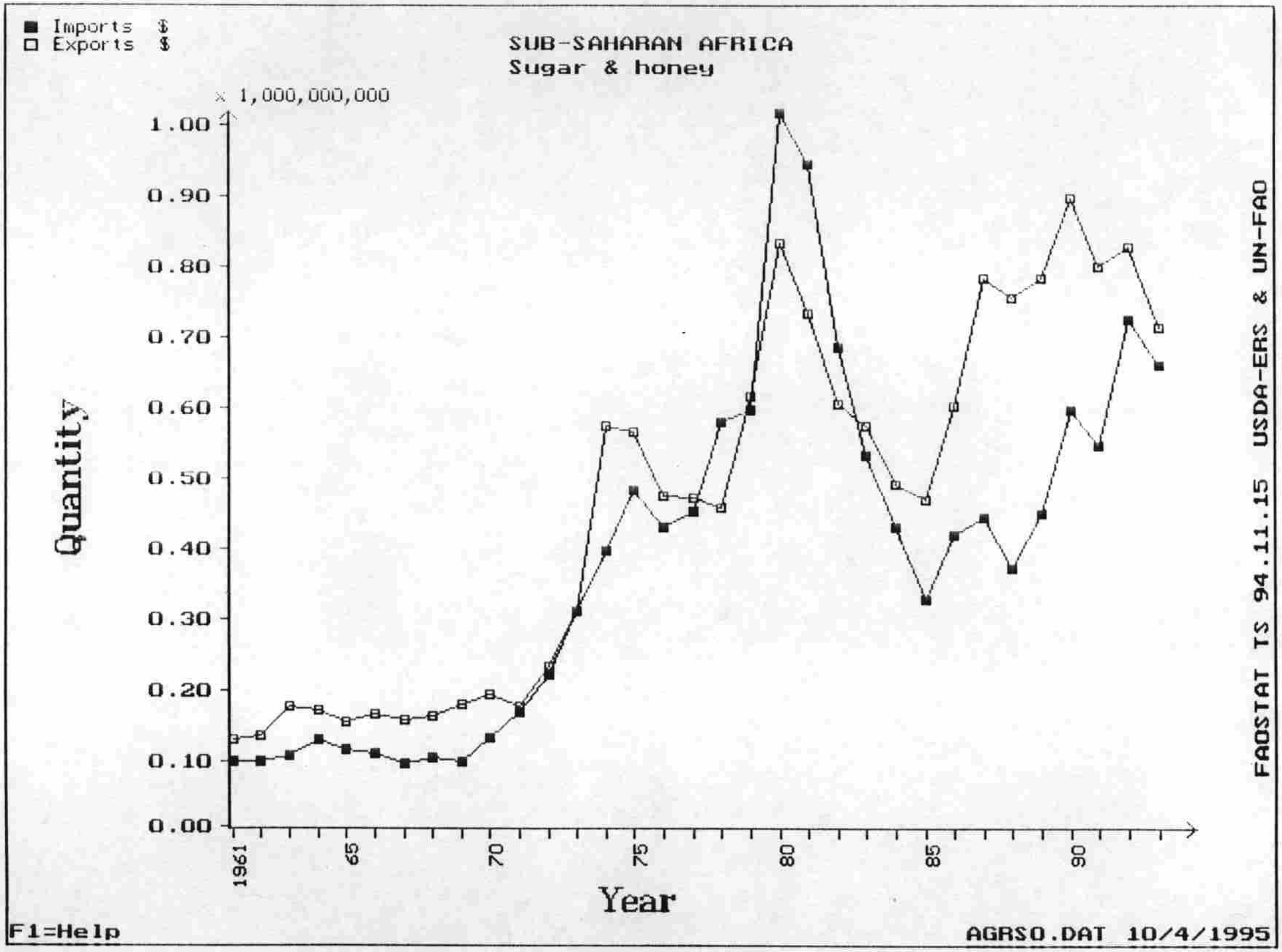
Imports $
Exports $
SUB-SAHARAN AFRICA
Coffee
× 1,000,000,000
Quantity
3.50
3.00
2.50
2.00
1.50
1.00
0.50
0.00
1961
65
70
75
80
85
90
Year
FAOSTAT TS 94.11.15 USDA-ERS & UN-FAO
F1=Help
AGRSO.DAT 10/4/1995



Imports $
Exports $
SUB-SAHARAN AFRICA
Cocoa
× 1,000,000,000
2.50
2.00
1.50
1.00
0.50
0.00
Quantity
1961
65
70
75
80
85
90
Year
FAOSTAT TS 94.11.15 USDA-ERS & UN-FAO
F1=Help
AGRSO.DAT 10/4/1995



■ Imports $
□ Exports $
SUB-SAHARAN AFRICA
Tea and mate
× 100,000,000
Quantity
5.00
4.50
4.00
3.50
3.00
2.50
2.00
1.50
1.00
0.50
0.00
1961
65
70
75
80
85
90
Year
FAOSTAT TS 94.11.15 USDA-ERS & UN-FAO
F1=Help
AGRSO.DAT 10/4/1995


■ Imports $
□ Exports $
SUB-SAHARAN AFRICA
Sugar & honey
× 1,000,000,000
1.00
0.90
0.80
0.70
0.60
0.50
0.40
0.30
0.20
0.10
0.00
Quantity
1961
65
70
75
80
85
90
Year
FAOSTAT TS 94.11.15 USDA-ERS & UN-FAO
F1=Help
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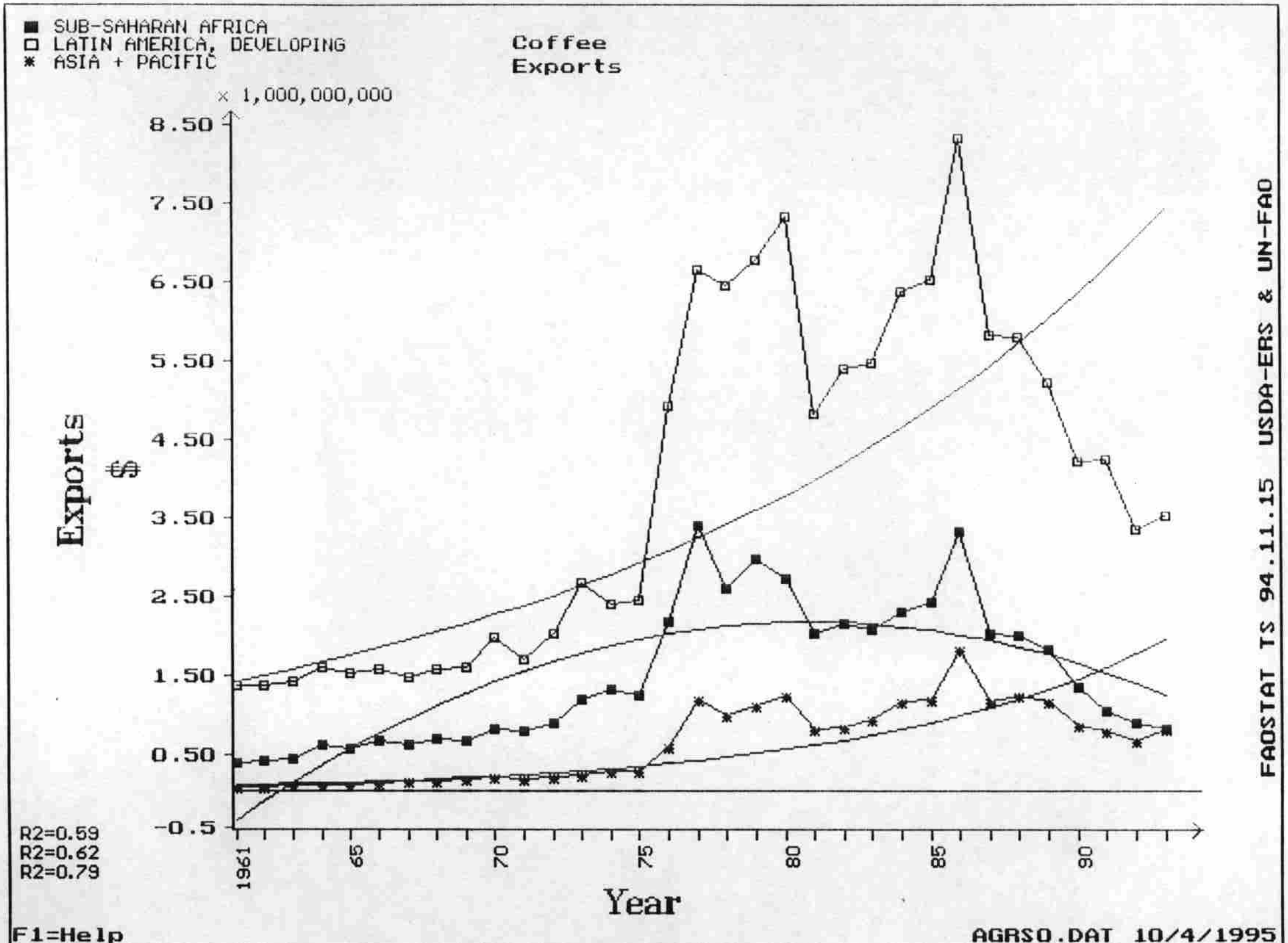
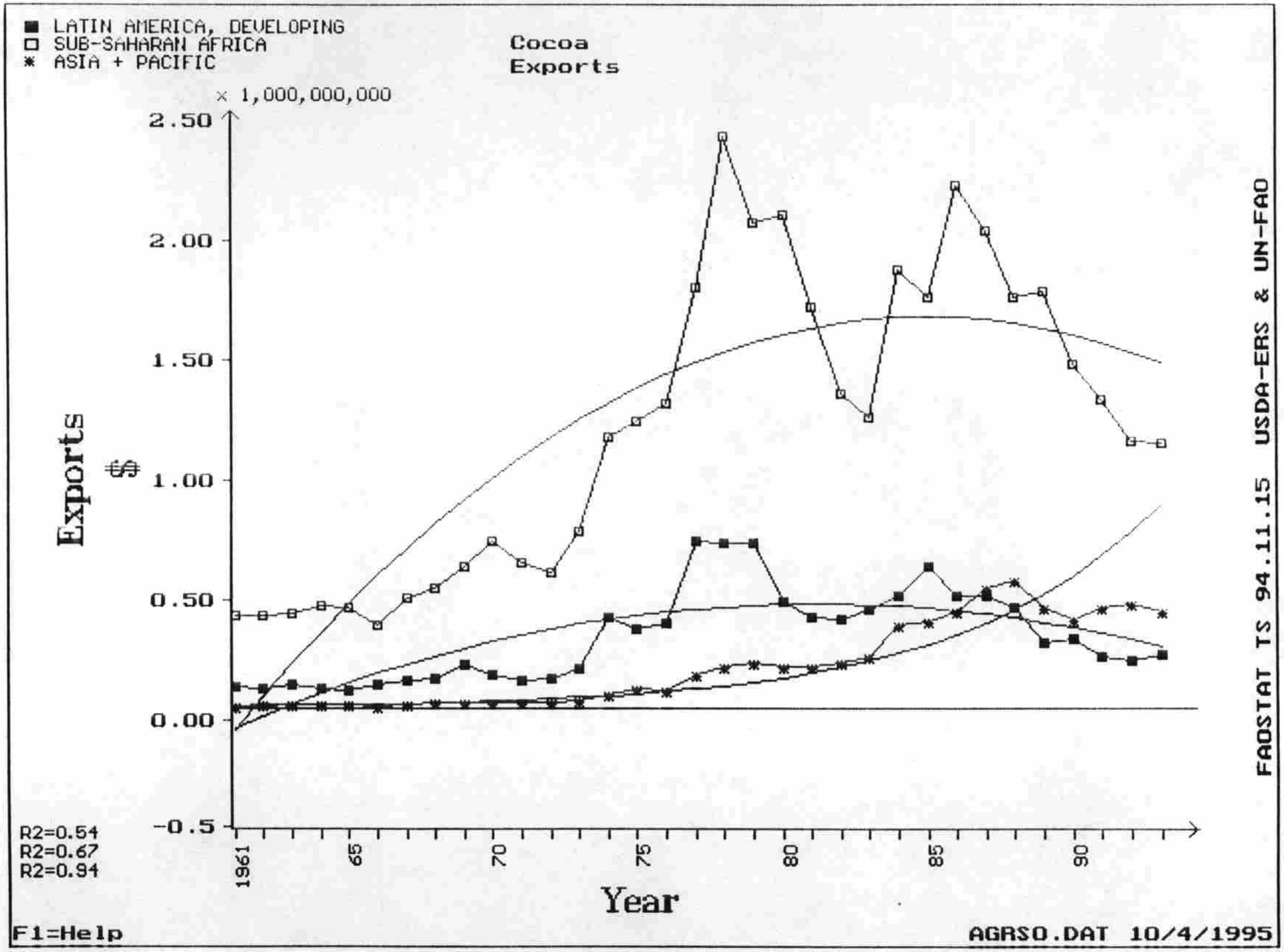
# ANNEX II:

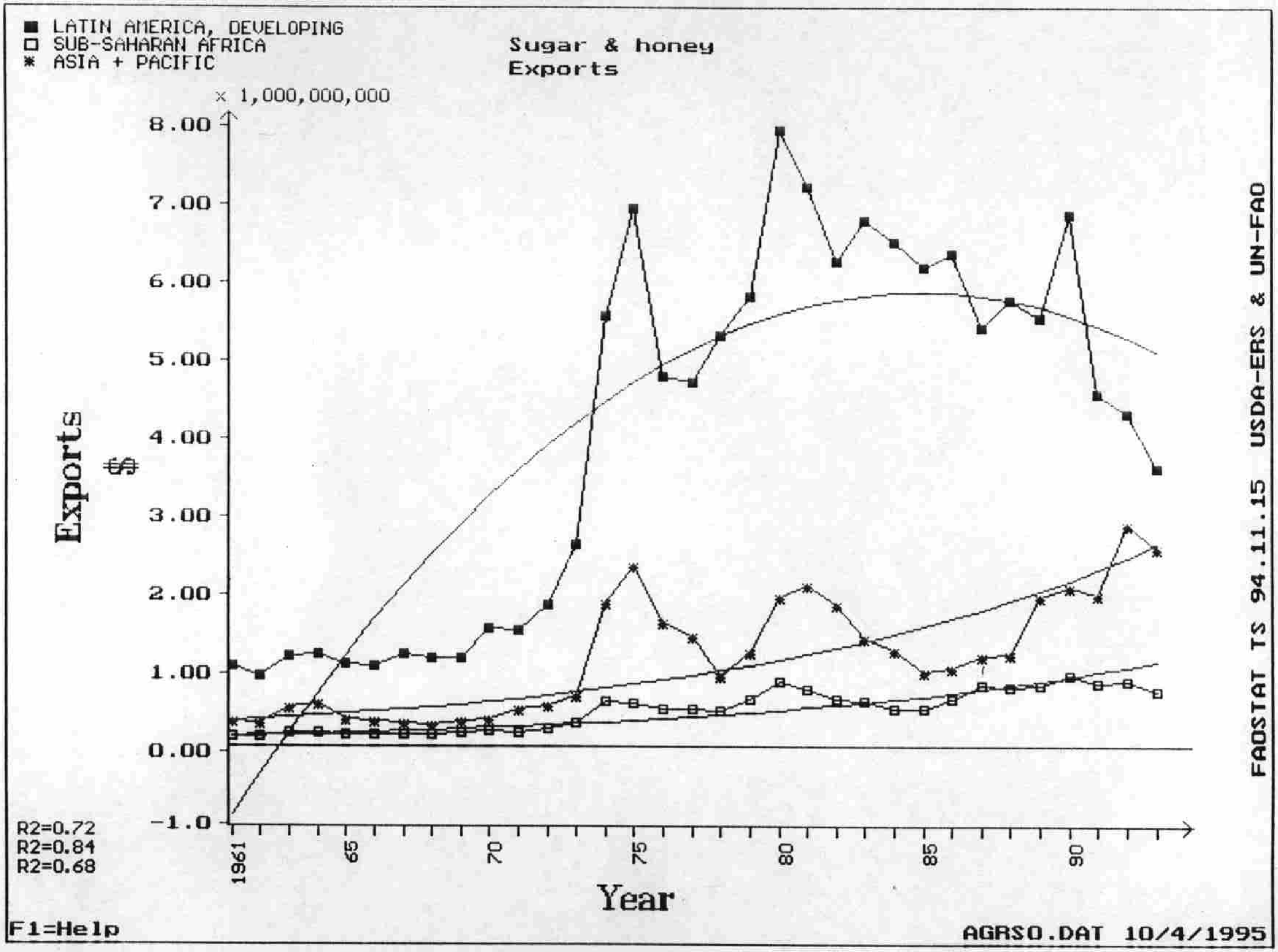
# TRADE IN FOOD PRODUCTS: COMPARISON OF AFRICA WITH ASIA AND LATIN AMERICA

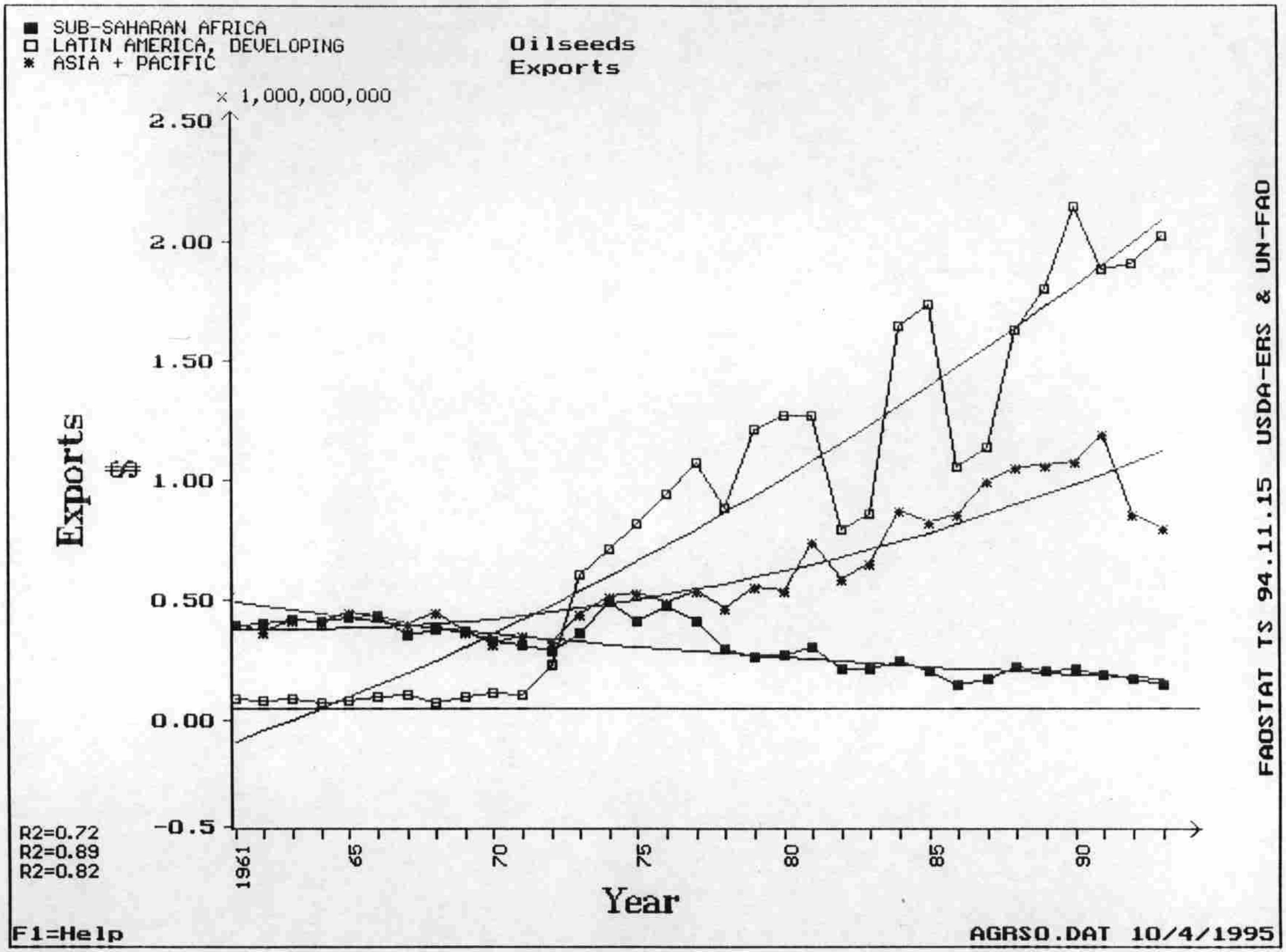


■ SUB-SAHARAN AFRICA
□ LATIN AMERICA, DEVELOPING
✱ ASIA + PACIFIC
Coffee
Exports
× 1,000,000,000
8.50
7.50
6.50
5.50
4.50
3.50
2.50
1.50
0.50
-0.5
Exports
$
1961
65
70
75
80
85
90
Year
R2=0.59
R2=0.62
R2=0.79
F1=Help
AGRSO.DAT 10/4/1995
FAOSTAT TS 94.11.15 USDA-ERS & UN-FAO



■ LATIN AMERICA, DEVELOPING
□ SUB-SAHARAN AFRICA
* ASIA + PACIFIC
Cocoa
Exports
× 1,000,000,000
2.50
2.00
1.50
1.00
0.50
0.00
−0.5
Exports
$
1961
65
70
75
80
85
90
Year
R2=0.54
R2=0.67
R2=0.94
FAOSTAT TS 94.11.15 USDA-ERS & UN-FAO
F1=Help
AGRSO.DAT 10/4/1995


■ LATIN AMERICA, DEVELOPING
□ SUB-SAHARAN AFRICA
* ASIA + PACIFIC
Sugar & honey
Exports
× 1,000,000,000
8.00
7.00
6.00
5.00
4.00
3.00
2.00
1.00
0.00
-1.0
Exports
$
R2=0.72
R2=0.84
R2=0.68
1961
65
70
75
80
85
90
Year
FAOSTAT TS 94.11.15 USDA-ERS & UN-FAO
F1=Help
AGRSO.DAT 10/4/1995


■ SUB-SAHARAN AFRICA
□ LATIN AMERICA, DEVELOPING
* ASIA + PACIFIC
Oilseeds
Exports
× 1,000,000,000
2.50
2.00
1.50
1.00
0.50
0.00
-0.5
Exports
$
1961
65
70
75
80
85
90
Year
R2=0.72
R2=0.89
R2=0.82
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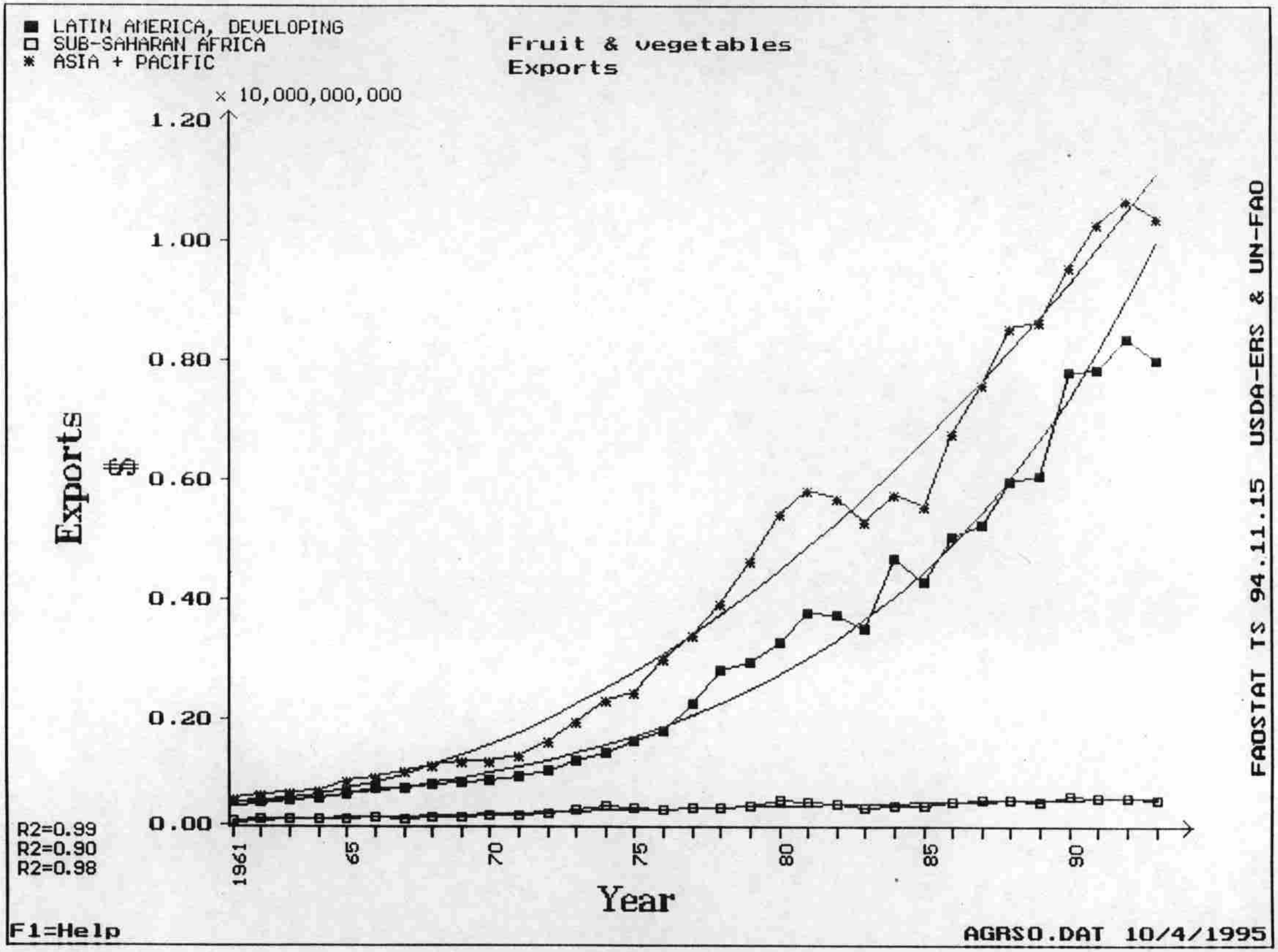
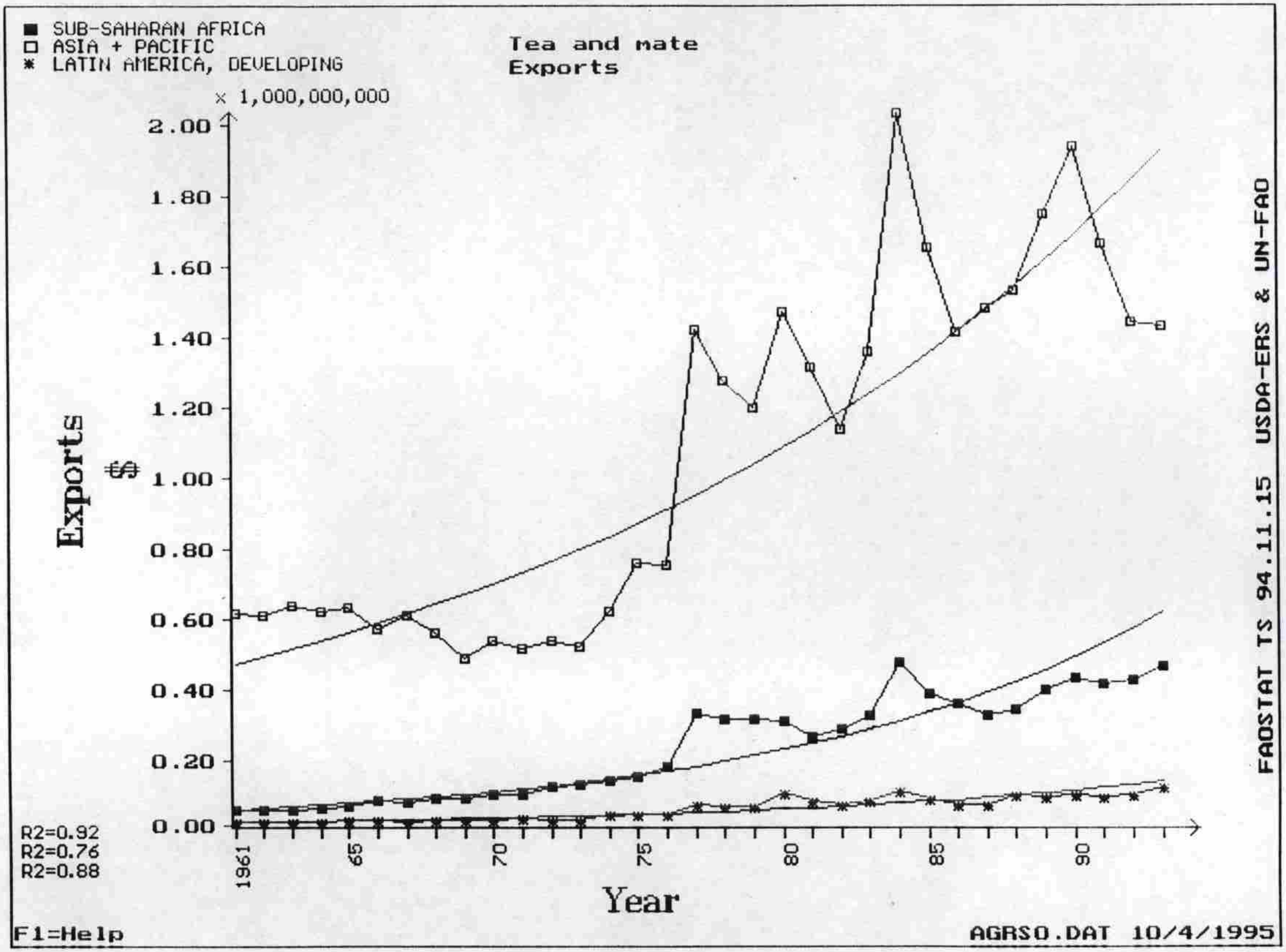
F1=Help
AGRSO.DAT 10/4/1995


■ LATIN AMERICA, DEVELOPING
□ SUB-SAHARAN AFRICA
* ASIA + PACIFIC
Fruit & vegetables
Exports
× 10,000,000,000
1.20
1.00
0.80
0.60
0.40
0.20
0.00
Exports
$
1961
65
70
75
80
85
90
Year
R2=0.99
R2=0.90
R2=0.98
FAOSTAT TS 94.11.15 USDA-ERS & UN-FAO
F1=Help
AGRSO.DAT 10/4/1995


■ SUB-SAHARAN AFRICA
□ ASIA + PACIFIC
✱ LATIN AMERICA, DEVELOPING
Tea and mate
Exports
× 1,000,000,000
2.00
1.80
1.60
1.40
1.20
1.00
0.80
0.60
0.40
0.20
0.00
Exports
$
1961
65
70
75
80
85
90
Year
R2=0.92
R2=0.76
R2=0.88
FAOSTAT TS 94.11.15 USDA-ERS & UN-FAO
F1=Help
AGRSO.DAT 10/4/1995