

## **Will agricultural producers be able to increase their exports to Europe?**

Claudius Preville

### **Introduction**

Given their heavy dependence on this sector, the expectation of the countries of the African, Caribbean and Pacific (ACP) Group of states, in the negotiations of their various Economic Partnership Agreements (EPAs) is enhanced market access for all goods in general and specifically agricultural produce. But there is a gap between theory and practice.

Europe has made an offer of duty and quota free (DFQF) market access to all ACP regions in their separate EPA negotiations. The offer covers most agricultural products except bananas, rice and sugar for which special regimes will apply for a transitional period.<sup>1</sup>

### **Europe's market access offer, a solution ?**

#### **Can market access be converted to market presence ?**

Yet, the question remains: will ACP agricultural producers be able to increase their exports to Europe upon completion of their EPAs? The answer to this question is that it depends on a number of factors including: domestic support, and other norms, standards and knowledge of the European market that are not covered in the negotiations. Let us briefly discuss some of these.

#### ***Domestic support, subjected to multilateral negotiations***

Domestic support – the ability of a country to provide subsidies to its own producers – has become the preferred route of the EU for increasing competitiveness of its agricultural sector. This has been the central pillar in the reform of the EU's common agricultural policy (CAP) with a shift away from price stability. It does not significantly impact EU producers as they are paid a subsidy and hence a fixed income for their produce which is independent of market price fluctuations. However, the potential problem for ACP countries is that the price of commodities can fall significantly to levels that are simply not remunerative for trade, hence driving the lesser efficient countries out of the market.

Given the very nature of subsidies it is not possible for the EU to adopt disciplines in relation to the ACP while not applying those disciplines to the rest of the world. Hence disciplines for subsidies are being negotiated multilaterally. Whether or not the levels of EU subsidies will significantly reduce depends on the progress that is made in the Doha

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<sup>1</sup> Although not originally included in the EU market access offer, the EU has since signaled that bananas will be subjected to special trading arrangements over a transition period. Rice will be subjected to a tariff quota for a brief transitional period during which the quota will expand and the in-quota tariff will be zero. Sugar will be subjected to the most lengthy and comprehensive treatment spanning the period 2008 to 2015. The final regime which will be DFQF will continue to be subjected to a special safeguard (cf. p23).

Round of negotiations. As of this writing it remains unclear whether these negotiations will conclude by the end of 2007.

***Supply-side capacity constraints***

Another challenge to converting market access secured in EPAs to market presence is addressing supply-side capacity constraints of the ACP countries. Many of the ACP countries are small either in physical size or domestic markets measured by effective demand. Hence, there is a need for special considerations for ACP countries that take into account the difficulties these countries face in realizing economies of scale, as their cost structures are inherently higher than others. These should include provision of technical and financial resources for investment in the specific commodities and sectors where ACP countries already have, or hope to develop, comparative advantage.

***Non-tariff measures (NTM)***

Non-tariff measures constitute the next set of potential obstacles to enhanced market presence in the EU for ACP countries after completion of EPAs. They are mainly SPS measures. Such NTM can include standards in packaging and presentation of goods and special information about markets not readily available to ACP exporters. Therefore, ACP farmers can encounter difficulties in establishing market presence in the EU due to a lack of local knowledge and continuous imperfect knowledge of local norms in member states.

Securing enhanced market presence would require technical and financial assistance for ACP exporters in getting to know EU residents; understanding local norms and customs in member states; and technical assistance in building business relationships including establishment of local presence.

ACP agricultural producers may be able to increase their exports to Europe upon completion of the EPA. However, this cannot be guaranteed by the generous EU market access offer of DFQF alone. Ultimately, whether or not ACP countries enjoy enhanced market presence in the EU depends upon several factors including: the extent of EU domestic support to its own producers; addressing supply-side capacity constraints and disciplines for non-tariff measures, among others.