

Development: The G8, Obama, and food insecurity in Africa

Geneva, 13 Jul (Martin Khor*) — Last week, Barack Obama visited Ghana on his first trip to Africa as President of the United States. In his speech in Ghana's Parliament, he stressed the role of good governance and the need for democratic practices and correct policies if the continent is to develop out of poverty.

Just before that, the G8 Summit in Italy agreed on a US\$20 billion programme to promote food security in Africa, to help the countries produce their own food instead of relying on food aid or imports.

In a press conference, Obama compared Kenya to South Korea, saying that both countries once had the same per capita income but Kenya remains poor while Korea had become an economic powerhouse.

The implication of all this is that East Asian countries like South Korea did well because they had good governance and democracy while African countries have lagged behind because of undemocratic practices and bad policies.

The assumptions of the G8 Summit, and of Obama, are correct only to a limited degree (for example, Korea's development took off while the country was under dictatorship) and miss the main reasons why Africa has become food dependent. As a result, the large funds pledged may miss the opportunity of helping Africa become food secure.

Of course, governance and good policies are crucial elements. But any comparison between developments in Africa and East Asia must take into account that most African countries were unfortunate enough to come under the influence of World Bank and IMF conditionalities whereas most East Asian countries did not and were free to adopt their own policies.

The decline in agriculture in many African countries was due to the structural adjustment policies of the IMF and World Bank. The countries were asked or advised to dismantle marketing boards and guaranteed prices for farmers' products; phase out or eliminate subsidies and support such as fertilizer, machines, agricultural infrastructure, and reduce tariffs of food products to very low levels.

Many countries that were net exporters or self-sufficient in many food crops experienced a decline in local production and a rise in imports which had become cheaper because of the tariff reduction. Some of the imports are from developed countries which heavily subsidize their food products.

The local farmers' produce were subjected to unfair competition, and in many cases could not survive. The effects on farm incomes, on human welfare, on national food production and food security were severe.

The case of Ghana itself, which Obama chose for his first African visit, illustrates this. The policies of food self-sufficiency and government encouragement of the agriculture sector (through marketing, credit and subsidies for inputs) had assisted in an expansion of food production.

The policies were reversed starting from the mid-1980s and especially in the 1990s, when Ghana relied on loans from the World Bank and IMF and these two bodies conditioned their loans on new agriculture policies.

The fertilizer subsidy was eliminated, and its price rose very significantly. The marketing role of the state was phased out. The minimum guaranteed prices for rice and wheat was abolished, as were many state agricultural trading enterprises and the seed agency responsible for producing and distributing seeds to farmers, and subsidized credit was also ended.

Applied tariffs for most agricultural imports were reduced significantly to the present 20%, even though the WTO bound rate is around 99%. This, together with the dismantling of state support, led to local farmers being unable to compete with imports that are artificially cheapened by high subsidies, especially in rice, tomato and poultry.

Rice output in Ghana in the 1970s could meet all the local needs, but by 2002, imports made up 64% of domestic supply. In 2003, the US exported 111,000 tonnes of rice to Ghana. In the same year, the US government gave US\$1.3 billion in subsidies for rice.

A government study found that 57% of US rice farms would not have covered their cost if they did not receive subsidies. In 2000-2003, the average costs of production and milling of US white rice was US\$415 per tonne, but it was exported for just \$274 per tonne, a price 34% below its costs. No wonder farmers in Ghana could not compete with imported American rice.

Tomato was a thriving sector in Ghana. As part of a privatization programme, tomato-canning factories were sold off and closed, while tariffs were reduced. This enabled the heavily subsidized EU tomato industry to penetrate Ghana, and this displaced livelihoods of tomato farmers and industry employees.

Tomato paste imported in Ghana rose from 3,200 tonnes in 1994 to 24,077 tonnes in 2002. Local tomato production has stagnated since 1995. Tomato-based products from Europe have made inroads into African markets. In 2004, EU aid for processed tomato products was 298 million Euros, and there are many more millions of Euros in indirect aid such as export refunds.

Ghana's poultry sector started its growth in the late 1950s, reached its prime in the late 1980s and declined steeply in the 1990s. The decline was due to withdrawal of government support and the reduction of tariffs. Poultry imports rose by 144% between 1993 and 2003, and a significant share of this were heavily subsidized poultry from Europe.

In 2002, 15 European countries exported 9,010 million tonnes of poultry meat for Euro 928 million, at an average of Euro 809 per tonne, while the subsidy for the exported poultry was an estimated Euro 254 per tonne.

Between 1996 and 2002, EU frozen chicken exports to West Africa rose eight-fold, due mainly to import liberalization. In Ghana, half a million chicken farmers have suffered from this situation. In 1992, domestic farmers supplied 95% of Ghana's market, but this share fell to 11% in 2001, as imported poultry sells cheaper.

In 2003, Ghana's parliament raised the poultry tariff from 20% to 40%. This was still much below the bound rate of 99%. However, the IMF objected to this move and thus the new approved tariff was not implemented.

Another major problem facing Ghana and other African countries is the free trade agreements (known as the Economic Partnership Agreements) they are scheduled to sign with the European Union this year.

Under the EPA, African countries are asked to lower their tariffs to zero on 80% of their products. Agricultural products are among those affected. This will lock them into a trade policy that will perpetuate what the IMF and World Bank started, with artificially cheapened imports continuing to overwhelm the domestic food market.

Thus, if the G8 countries really want to assist Africa to boost its domestic food production, their US\$20 billion in funds has to be accompanied by a change in policies. Unless this is done, the programme will not succeed. And Africa will most likely continue to be blamed for its lack of good governance.

The following needs to be done if Africa is to increase its domestic food production:

1. The countries' economic and trade policies, often the result of advice of international financial institutions, have contributed to the stunting of their agriculture sector. African countries must be allowed to provide adequate support to their agriculture sector and to have a realistic tariff policy to advance their agriculture, especially since developed countries' subsidies are continuing at a high level. The developed countries should quickly reduce their actual levels of subsidy.
2. The agriculture policy paradigm in developing countries must be allowed to change. Countries should have the policy space to expand public expenditure on agriculture. African governments must be allowed to provide and expand support to the agriculture sector.
3. Developing countries should place high priority on expanding local food production. Accompanying measures and policies should thus be put in place. The countries should be allowed to calibrate their agricultural tariffs in such a way as to ensure that the local products can be competitive and the farmers' livelihoods and incomes are sustained, and national food security is assured.
4. The proposals of developing countries (led by the G33) on special products and special safeguard mechanism, aimed at food security, farmers' livelihoods and rural development, at the WTO should be supported. Effective instruments that can meet the aims should be established.
5. The policies of the World Bank, IMF and regional development banks should be reviewed and revised as soon as possible, so that they do not continue to be barriers to food security and agricultural development in developing countries.
6. The actual levels (and not just the bound levels) of agricultural domestic subsidies in developed countries should be effectively and substantially reduced. There should also be new and effective disciplines on the Green Box subsidies to ensure that this category does not remain an "escape clause" that allows distorting subsidies that are detrimental to developing countries.
7. There should be a review of the EPAs between the EU and African countries. In light of the food crisis and the global economic crisis, developing countries that have signed or are in the process of negotiating FTAs should ensure that the FTAs provide enough policy space to allow sufficiently high tariffs on agricultural imports that enable the fulfilment of the principles of food security, farmers' livelihoods and rural development. In the case of the EPAs, there should not be any pressure on African countries to sign them until the proper policy framework is put in place.

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