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Agreements

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# **Agricultural Reciprocity under Economic Partnership Agreements**

**Christopher Stevens and Jane Kennan<sup>1</sup>**

## **Abstract**

This paper investigates how the formation of Economic Partnership Agreements (EPAs) with the EU might affect the ability of the six Development Cooperation Ireland programme countries in Sub-Saharan Africa to continue to provide protection to their domestic agri-food sectors. Various scenarios are constructed on the assumption that ‘substantially all’ trade with the EU must be liberalised if the EPAs are to be compatible with WTO rules on regional trade agreements. The paper concludes that EPAs are unlikely to require major changes in existing levels of border protection provided to domestic agriculture in Ethiopia, Lesotho, Mozambique and Zambia but that the effects on Tanzania and Uganda could be greater. It argues that the preparation of a ‘defensive’ EPA strategy by these countries should occur in parallel with a strategic review of agricultural trade policy.

**JEL:** Q18, Q12

**Key words:** Economic Partnership Agreements, agriculture, reciprocity

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## Introduction

Despite the heavy (and justifiable) attention given to the Doha Round, most of the trade policy change that has occurred in Africa (and, arguably, in Europe too) has not happened primarily as a result of GATT/WTO negotiations. It has been the result of policy-based lending led by the international financial institutions (IFIs), bilateral/regional trade negotiations among African countries as well as autonomously determined change. The relative unimportance of the WTO Round as a source of change in national trade policy is likely to be particularly marked in respect of agricultural market access for least developed countries (LDCs). This is because, under the provisions of the 1 August 2004 Ministerial Decision (WTO 2004), these states will not be required to liberalise their own policies in the event of a successful conclusion to the Doha Round.

The impetus for any agricultural liberalisation for African LDCs over the next 10–15 years, therefore, is likely to lie outside the WTO. The Economic Partnership Agreements (EPAs) currently being negotiated with the EU are the prime candidates as likely drivers of change. In 2000, the Cotonou Agreement committed signatories to replace by 2008 the trade regime that has governed exports from the African, Caribbean and Pacific (ACP) group to the EU for the last quarter of the 20th century. The new trade arrangements are currently being negotiated between the EU and regional groupings of ACP states. Negotiations on a successor regime began formally in 2002, but only in the past year have they begun to address the details of what might be in EPAs between the EU and six sub-ACP regions.<sup>2</sup>

All ACP states are currently preparing their positions on:

- ◆ what they seek from the EU (their ‘offensive’ agenda);
- ◆ how they should respond to EU requests (their ‘defensive’ position).

One element of the defensive agenda is how to respond to EU demands for ‘reciprocity’. Under Lomé and Cotonou the ACP were required merely to treat the EU no less favourably than any other industrialised trade partner. In complete contrast, under the new EPAs the ACP will offer duty-free access for ‘substantially all’ their imports from the EU.

This requirement for reciprocity is the critical element in the EU Commission’s mandate, even though this includes a range of other demands. It is critical in three senses and is the demand on which the defensive agenda must be researched as the first priority. The three facets of its centrality are:

- ◆ it underpins the WTO justification for EPAs (which in turn must have a bearing on the EU’s own bottom line in the negotiations);

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<sup>2</sup> **West Africa:** Benin, Burkina Faso, Cape Verde, Côte d’Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo.

**Central Africa:** Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, Gabon, Sao Tome and Principe.

**East and Southern Africa:** Burundi, Comoros, Democratic Republic of Congo, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Uganda, Zambia, Zimbabwe.

**Southern Africa Development Community:** Angola, Botswana, Lesotho, Mozambique, Namibia, Swaziland, Tanzania.

**Caribbean:** Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Surinam, Trinidad and Tobago.

**Pacific:** Cook Islands, Federation of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu.

- ◆ it has major implications for the production structure and government revenue of ACP states; and
- ◆ the potential impact can be quantified and scenarios constructed on the basis of reasonably realistic assumptions.

The position of the six programme countries for the Development Cooperation Ireland (DCI) development cooperation programme is ambivalent. They are currently negotiating in two of the EPA groups:

- ◆ Ethiopia, Uganda and Zambia in the East and Southern Africa (ESA) group; and
- ◆ Lesotho, Mozambique and Tanzania in the Southern African Development Community (SADC) group.

But as beneficiaries of the EU's 'Everything but Arms' (EBA) regime they will continue to have duty-free access to Europe regardless of the outcome of the EPA negotiations. Some have openly voiced the view that they might be better off sticking with EBA and forgetting about EPAs. On the other hand, EPAs will include features not found in EBA, including a contractual relationship with the EU and the potential of a coherent trade regime with the neighbouring countries that might foster regional integration.

Even though they have the EBA option, therefore, the six focus countries need to assess what features they might seek in an EPA and which ones would be seriously problematic. Only then can they choose rationally whether the regime that is on offer at the end of the EPA negotiations is better or worse than EBA.

This paper raises the question of how EPAs might affect agriculture in Africa. EPAs, it is said, will be 'development' rather than purely 'trade' agreements. The development components may have many implications for agriculture, but these cannot be discerned at present because so little is known about how the EU-ACP development relationship within EPAs will be different from the *status quo*. What is known about the difference between EPAs and current practice relates to trade policy. Within this realm the impact on agriculture will be determined by how much change results to the market conditions within which the sector operates.

The paper describes the picture painted when some plausible assumptions are added to what is known about the probable trade dimensions of EPAs. And it comes to the conclusion that this may be an appropriate time to re-think agricultural strategies in the countries concerned whilst there is still time to alter the balance of policy – if this is considered a desirable thing to do.

### **Assumptions of the analysis**

One of the distinctive features of EPAs is that the ACP countries will need to liberalise their trade policy towards the EU. Until the negotiations of the EPAs for Ethiopia, Lesotho, Mozambique, Tanzania, Uganda and Zambia are nearing completion, it will not be possible to know exactly which products are to be included or excluded from liberalisation, or the timetable for liberalisation. But it is possible to build some plausible scenarios based upon reasonable assumptions.

At the very least, these can alert observers and policy makers to potential agricultural development issues. This, in turn, may influence negotiating strategies both in terms of which

products to include/exclude from liberalisation and also, equally importantly, on the design of the 'development dimension' to be incorporated into each EPA. It may well be the case, for example, that liberalisation should be preceded by adjustment and support measures for the affected sectors in order to ensure that they are able to thrive in a post-liberalisation environment.

An initial assumption is that the reciprocity measures in an EPA will primarily reflect the requirements of WTO Article XXIV. By offering preferences to the ACP under Cotonou the EU is necessarily discriminating against other countries that do not have equally favourable access to its market. Since non-discrimination between members is a fundamental tenet of the WTO, such behaviour can occur only if it is justified by being 'hung' on one of the 'pegs' that permits exceptions, or if the victims of discrimination choose to acquiesce. For most of last 30 years it has been the latter that has allowed the discrimination in favour of the ACP to occur, but since the mid-1990s the WTO environment has changed. Increasingly, countries that suffer the consequences of this discrimination have shown a willingness to challenge the EU's preference agreements – and to win their cases in the WTO.

Cotonou is currently justified within the WTO by a 'waiver' that expires at the end of 2007. Unless the waiver is renewed or the regime hung on an alternative 'peg' the EU's trade preferences for the ACP could be subject to challenge from 2008. EPAs have been proposed as the answer to this problem. The WTO allows members that are creating an FTA or customs union (CU) to discriminate in favour of their partners and against outsiders provided that certain conditions are met. Those conditions relating to market access for goods are covered by Article XXIV.

It is likely that EPAs will be considered FTAs. Even if some of the ACP sub-regions are functioning customs unions by 2007 (which is unlikely – see below), it is improbable that they would choose to apply the EU's common external tariff. Hence, even if EPAs are agreements between two customs unions (the EU on the one hand and the ACP sub-region on the other) they will still probably be FTAs rather than forming a single customs union of all parties.

In that case, the key requirement of Article XXIV is that 'substantially all' trade be liberalised within 'a reasonable length of time' (WTO 1995: p. 523–4). The term 'substantially all' trade has never been defined, and even 'a reasonable length of time' is defined only in terms that it 'should exceed 10 years only in exceptional cases' (*ibid.*: p.32, para. 3).

Over a period of some years the EU has argued that the 'substantially all' requirement should be interpreted in what it calls quantitative terms. In other words, the condition of 'substantially all' should be considered met if a certain proportion of the trade between the contracting parties is free of 'duties and other restrictive regulations of commerce' (*ibid.*: p.524, para. 8(b)). An alternative view, advanced by some other WTO Members and dubbed the 'qualitative approach', would require all major sectors to be included in the liberalisation. Unless and until a clarification is provided, either as part of the WTO negotiations or as a consequence of a trade dispute, the issue will remain an open one.

That being the case, the only reasonable working assumption at present is that EPAs will be required to satisfy a 'quantitative' definition of substantially all trade. In the context of the Trade, Development and Co-operation Agreement with South Africa (TDCA), the EU expressed the view that the quantitative target could be met if 90 percent of the value of trade

between the parties in the base year were liberalised by the end of the implementation period. Moreover, the EU asserted that this 90 percent could be achieved asymmetrically, and it is said that the EU is liberalising on 94 percent of its imports from South Africa, with the latter liberalising on 86 percent of its imports, both measured with respect to base year trade flows.

Armed with this precedent, it is possible to develop some plausible scenarios on the level of liberalisation that may be required of ACP states within an EPA. And the results can then be analysed to identify the extent to which there will necessarily be liberalisation of important agricultural products imported from the EU.

## **Scenario building**

This paper builds upon a broader exercise undertaken by the Institute of Development Studies (IDS) designed to encourage informed debates within each ACP country on the design of its EPA liberalisation scenarios. The project has involved creating a dataset for each ACP country with the information needed to calculate which products could be excluded, and which need to be included, in liberalisation on alternative definitions of the term ‘substantially all’ trade.<sup>3</sup> The present paper takes the datasets for Ethiopia, Lesotho, Mozambique, Tanzania, Uganda and Zambia and examines the potential implications for agriculture in these countries of alternative liberalisation scenarios.

### **How much liberalisation?**

Four standard scenarios have been developed, covering all tariff lines for both agricultural and non-agricultural imports at the Harmonised System 6-digit (HS6) level. In the first two cases we seek to identify the ‘marginal tariff’. This is the highest applied tariff currently in force on any item that will be liberalised. Obviously, the competitive ‘shock’ caused by reciprocity will be much smaller in the case of a domestic economic activity currently protected by a tariff of 5 percent than by one of 100 percent. If the marginal tariff is high, liberalisation could expose some sectors to a sharp competitive shock; if it is low, this is unlikely to happen.

Scenario 1 applies the spirit of the TDCA methodology but makes the assumption that the EU offers ‘Everything but Arms’ (EBA) treatment to all EPA members. It is widely expected that the EU will offer improved access to its market for ACP exports in this way. If it were to be the case, then the TDCA ‘average’ of 90 percent could be achieved by ACP states liberalising on just 80 percent of their imports from Europe (because the EU will be liberalising on 100 percent).

The second scenario follows a similar approach by starting with an initial assumption about the minimum share of ACP imports that must be liberalised. But it takes its cue from an informal presentation made by a DG Trade official at a workshop in the University of Stellenbosch in late 2004, in which he identified for each EPA region the proportion of trade that might have to be liberalised (Maerten 2004). These proportions are set out in Table 1. The reason why they vary between regions is that the extent of liberalisation varies according to the relative importance of imports and exports. If the EU is assumed to liberalise on more than 90% then a region that has a trade surplus with Europe will need to liberalise on a

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<sup>3</sup> The information contained in each dataset comprises the value and volume of imports from the EU in 2003 (obtained from figures on EU exports contained in Eurostat’s *Intra- and extra-EU trade* (COMEXT) database) and ACP applied tariffs for the most recent year available (obtained from UNCTAD’s *Trade Analysis and Information System* (TRAINS) database).

smaller share of its imports than one with a trade deficit in order to achieve the target 90% of total trade. Instead of assuming that every ACP state would need to liberalise on 80 percent of its imports from the EU, Scenario 2 applies these different thresholds to countries in the various regions. Of the six focus countries, this only makes a difference to the three that are negotiating in the Southern Africa group (Lesotho, Mozambique, and Tanzania) for which the relevant figure from Table 1 is 76 percent.<sup>4</sup> For the other three, part of the East and Southern Africa group, Scenarios 1 and 2 are identical.

**Table 1. Assumptions of Scenario 2**

EPA sub-region	Proportion of trade to be liberalised (%)
West Africa	81
Central Africa	79
East and Southern Africa	80
Southern Africa	76
Caribbean	83
Pacific	67

*Source: Maerten 2004.*

The third and fourth scenarios take a different approach. Instead of applying a pre-set threshold to the proportion of trade that must be liberalised, the question has been reversed. In Scenario 3 we ask, instead, ‘if country X is to avoid liberalising on any product that currently faces an applied tariff in excess of 20 percent, what proportion of trade would need to be excluded from reciprocity?’ Scenario 4 is identical, save that the benchmark level of applied tariff is set at 10 percent.

The objective of all four scenarios is to determine how great would be the potential reduction in import prices for agricultural products as a result of the liberalisation exercise. In the first two scenarios the aim is to identify the marginal tariff; all reciprocity reductions would be from this level or lower. In the second two scenarios the marginal tariff is pre-set (at 20 percent or 10 percent). Here the point of the research is to form a view on whether the proportion of trade that would need to be excluded from liberalisation in order to achieve this marginal tariff is plausible.

### **Who is negotiating?**

The EU has stated its preference for EPAs that are FTAs between two CUs – itself and its ACP partners. For this to happen, the ACP states must form a CU. Since most of them have this as an objective, this seems to be a desirable outcome.

On the other hand, it is arguable that any such intra-ACP CU would need to fulfil the requirements of WTO Article XXIV, not the much less onerous requirements of the Enabling Clause under which the nascent African CUs are currently justified. This is because the EPAs would be inter-CU regimes and the African organisations might need to have their own legal persona. Only Article XXIV refers to CUs (in relation to goods trade). The Enabling Clause refers merely to "Regional or global arrangements entered into amongst less-developed contracting parties".<sup>5</sup>

It is inconceivable that all of the ACP states in any of the EPAs (with the possible exception of the Caribbean) will belong to such a CU that is fully functioning and implemented by end-2007. Even in EPA groups where a CU is already scheduled to come into effect before this date there are outliers that are not involved or countries that have habitually failed to meet

<sup>4</sup> It is unclear whether Lesotho can in practice have a pattern and schedule of liberalisation that is different from that in the TDCA, but in case it can this paper assesses it on the same basis as the other five states.

<sup>5</sup> I am indebted to Dr Melaku Desta for this argument.



previous deadlines. Still less likely is it that the CUs (again with the exception of the Caribbean) will have a supra-national authority authorised to sign trade agreements on its members' behalf.

It is highly likely, therefore, that any ACP CUs will still be in the process of completion when the EPAs have to be signed. This means that not all EPA states will share a common external tariff on all imports. Both for this reason and because of the absence of a supra-national authority, many – if not all – ACP states will have to sign the EPA separately. And their tariff reduction schedules may well be different from those of their co-signatories.

### **Which domestic production to protect?**

Each ACP state, therefore, must decide which products to exclude from and include in liberalisation. One criterion would be to use the exclusions solely to protect sensitive domestic production. Whether or not liberalisation towards the EU would result in pressure on domestic production is a question that cannot be answered with the data provided in this paper alone. Any increase in competition from imports would be transmitted through a fall in their price. Whilst the removal of a tariff might be expected to result in a price fall there are circumstances in which it would not do so. If the supply chain is uncompetitive, for example, suppliers may prefer to extract an economic rent on the current level of exports rather than increase sales. Such action could be more likely if the EU is not a globally competitive source of supply. On the other hand, if other trade partners seek equivalent treatment to that granted to the EU the competition effects of EPAs could be more substantial.

Forecasting the competitive effects of reciprocity requires, therefore, considerable country-specific market information; the analysis reported in this paper offers a 'long-list' of the products for which such data collection is the highest priority. If it is assumed, as a first approximation, that the current pattern of applied tariffs reflects government's ranking of goods in terms of the need for protection, then the four scenarios can be oriented to exclude the items with the highest tariffs. Hence, Scenario 1 will exclude from liberalisation a basket of the products with the highest tariffs that accounts for 20 percent of the value of a country's imports from the EU. Applied tariffs rather than bound tariffs are taken as the best indicator of sensitive products as they reveal the current preferences of the countries concerned; moreover, the EPA negotiations will be on the basis of change to applied tariffs. However, it would be possible to build the analysis on bound tariffs if these were felt to be more accurate indicators of the sensitivity of domestic production.

The broad picture that arises from a strategy concentrating the exclusions on items with the highest applied tariffs is set out in Table 2, which shows the marginal tariff under Scenarios 1 and 2 and the proportion of trade that would need to be excluded from liberalisation under Scenarios 3 and 4. On Scenario 1 only Ethiopia and, to a lesser extent, Mozambique have marginal tariffs that could be described as being significant in any sense. Lesotho's 'liberalisation' would be concentrated on products that are already duty free, while for Tanzania, Uganda and Zambia the marginal tariff would be 15 percent or less.

Scenario 2 makes little difference. The marginal tariff falls only in the case of Mozambique – to 7.5 percent.

Given these relatively low marginal tariffs, the relevance of Scenarios 3 and 4 is perhaps questionable. However, it is interesting to note that only a tiny increase in the proportion of trade excluded from liberalisation is required in order to make sure that none of the six

countries has a marginal tariff of over 20 percent. For Ethiopia, for example, it is necessary only to expand the exclusion category from 20 percent to 20.3 percent to ensure this result. In the case of Mozambique the increase needs only to be to 21.3 percent.

An aim of limiting liberalisation just to products with a current tariff of 10 percent or less seems less feasible. For three of the countries (Ethiopia, Tanzania and Zambia) an implausibly high proportion of trade would need to be excluded from liberalisation in order to achieve the desired result.

On the other hand, Scenario 4 may provide guidance to the implementation timetable for liberalisation. Not all items will be liberalised on entry into force of the EPA. In order to provide some protection from challenge in the WTO, it would be necessary to have a 'realistic' liberalisation schedule. What is, or is not, 'realistic' would only be determined by scrutiny via the WTO Committee on Regional Trade Agreements (which is unlikely to form a view) or through dispute settlement. But the implication of Table 2 is that all six countries could probably limit their early liberalisation to products facing a current applied tariff of 10 percent or less without driving a coach and horses through Article XXIV. In all cases, over half of trade could be liberalised early without pushing the marginal tariff above 10 percent, and for all countries except Zambia the proportion of trade that could be liberalised is around two-thirds.

The broad picture painted by Table 2, therefore, is that countries which wish to use the leeway of Article XXIV primarily to protect from import competition domestic economic activities will have plenty of scope to do so. They can achieve their objectives either by excluding sectors from any liberalisation or by deferring until the end of the implementation period any significant change to trade policy.

**Table 2. The four scenarios applied to the focus countries**

Country	Marginal tariff (%) <sup>a</sup>		Percentage of trade not liberalised if:	
	Scenario 1 <sup>b</sup>	Scenario 2 <sup>c</sup>	Scenario 3 <sup>d</sup>	Scenario 4 <sup>e</sup>
Ethiopia*	30	30	20.3	38.3
Lesotho*	0	0	3	9.8
Mozambique	25	7.5	21.3	21.3
Tanzania*	15	15	17.8	34.6
Uganda	7	7	0	16.3
Zambia*	15	15	13.2	44.7

Note:

- (a) The highest tariff currently levied on any liberalised item (if it is assumed that highest-tariff items will be excluded from liberalisation). For the countries marked with an asterisk, no account is taken of imports which face specific or complex duties, for which *ad valorem* equivalent tariffs have not been calculated, or those for which no tariff data are included in UNCTAD's TRAINS database.
- (b) 80 percent of imports are liberalised (subject to note (a)).
- (c) Liberalisation on shares of imports indicated in Table 1 (subject to note (a)).
- (d) No liberalisation of any item with a current applied tariff in excess of 20 percent.
- (e) No liberalisation of any item with a current tariff in excess of 10 percent.

## Taking account of revenue

It is improbable that countries will simply exclude the items with the highest tariffs, and even if they did that would still leave open the extent to which such exclusions/deferrals will be concentrated on the agricultural sector. But before moving on to look at the implications in each country for agriculture, account must be taken of another basis for the ACP's reciprocity strategy. This arises from their need to balance revenue needs against the desire to protect domestic activity. Often the two objectives are in conflict. To provide adequate protection tariffs must be high, but then they may reduce the value of imports to low levels so that little

tax revenue is raised. It may be the mid-level tariffs that raise the most revenue. And if exclusions are concentrated on the highest-tariff items, many of the medium-level ones will be liberalised.

Table 3 provides a very rough guide to the extent of this danger. It is based on the ‘theoretical revenue’ that can be derived from each item – a figure obtained simply by applying the tariff rate to the value of imports from the EU. Hence, a 20 percent tariff will yield a theoretical revenue of €200,000 on €1 million in imports of the item. No account is taken, therefore, of any failure to collect revenue, either intended (e.g. because of a duty exemption or drawback arrangement) or unintended.

Except for Lesotho, which is subject to the revenue-sharing formula of the Southern African Customs Union (SACU), all the states would lose a substantial share of their theoretical revenue on imports from the EU if exemptions were concentrated on items with the highest tariffs. On Scenario 1 four states would lose around half their revenue, and on Scenario 3 the proportions would be even higher.

Given the imprecision of the revenue assessment (and the uncertainty over government revenue collection plans), it would be spurious to attempt any very precise balancing of protectionist and revenue-saving criteria. But, at the very least, it must be assumed that most countries will feel obliged to allocate part of the ‘exclusion basket’ to items that are important for revenue raising and the corollary that some items with higher-than-marginal applied tariffs will be liberalised in order to ‘make room’ in the basket.

**Table 3. Revenue share of liberalised items**

Country	Revenue share of liberalised items (%) <sup>a</sup>			
	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Ethiopia <sup>b</sup>	49.7	49.7	49.1	24.8
Lesotho <sup>b</sup>	0	0	66.5	20.4
Mozambique	46.7	43.1	43.1	43.1
Tanzania <sup>b</sup>	52.4	45.4	54.5	28.9
Uganda	25.1	25.1	100	31.8
Zambia <sup>b</sup>	56.8	56.8	66.0	17.2

*Note:*  
(a) Share in total ‘theoretical revenue’, i.e. tariff payable applied to value of imports, of items that would be liberalised (if it is assumed that highest-tariff items will be excluded from liberalisation). Note that the tariff applied is the *maximum* payable on any 8-/10-digit element within an HS6 subhead.  
(b) The percentages shown take no account of imports facing specific or complex duties, for which *ad valorem* equivalent tariffs have not been calculated, or those for which no tariff data are included in UNCTAD’s TRAINS database.

## Applying the scenarios to agriculture

Armed with these assumptions and caveats we can look in more detail at the potential agricultural exclusions (and, by implication, inclusions) for each of the six focus countries. This is done in Tables 4–9.

The scenarios have been applied at the HS6 level, i.e. Scenario 1 has created a basket of the HS6 items with the highest tariffs that account for 20 percent of, say, Ethiopia’s imports from the EU. From within this basket, the products covered by the WTO’s Agreement on Agriculture have been identified and are reproduced in the tables which follow. The number of items in these baskets is quite large, so Tables 4–9 aggregate the data to the 4-digit (HS4) level. Since some subheads within each HS4 heading may be excluded whilst others are included, the tables give the number of HS6 subheads falling into each group.

A first step is for readers to take a view on the extent to which revenue concerns will result in some items in Tables 4–9 being removed from the exclusion basket. In the case of Ethiopia, for example, it seems very likely that this will push the marginal tariff to 40 percent. The revenue loss of concentrating the basket on the highest-tariff items would be almost 50 percent. Only a few items in Table 4 would need to be removed before all of the remainder had applied tariffs of 40 percent. For the other countries there would be little effect on the marginal tariff since all (or almost all) the items listed face the same applied tariff.<sup>6</sup>

The issue then needs to be turned on its head, identifying from within the lists the products for which protection is considered most desirable/undesirable. The plausibility of maintaining an exclusion basket that includes all the most desirable and leaves out all the least desirable products can then be established.

Both the desirability/undesirability test, and the combination of the resulting list with revenue-generating items, requires country-level case studies. But this paper can provide an initial guide to the potential candidates that require further analysis. We take first the case of Ethiopia and then consider whether or not the situation in the other countries is similar.

Table 4 shows the agricultural items that would be excluded from liberalisation in Ethiopia under a Scenario 1 focused on the highest-tariff items. Few are obvious agricultural staples. High tariffs for eight of the bottom nine lines of the table are probably intended to raise revenue. The bulk of the rest are processed foods, and for these any competition would be with agro-industry rather than basic agriculture. It has been alleged that EU exports of these to Africa have increased disproportionately in recent years. This could be something to check further.

**Table 4. Ethiopia: composition of an exclusion basket based on Scenario 1 and applied tariff levels**

HS4	Description	Max. tariff <sup>a</sup>	No. of HS6 subheads	
			Excluded	Not excluded
0406	cheese and curd	30	2	3
0603	cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes,	40	1	-
0901	coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee	40	2	-
0910	ginger, saffron, turmeric 'curcuma', thyme, bay leaves, curry and other spices (excl.	40	1	-
1104	cereal grains otherwise worked, e.g. hulled, rolled, flaked, pearled, sliced or kebbled;	30	1	-
1302	vegetable saps and extracts; pectic substances, pectinates and pectates; agar-agar	30	2	1
1507	soya-bean oil and its fractions, whether or not refined (excl. chemically modified)	40	1	1
1508	groundnut oil and its fractions, whether or not refined, but not chemically modified	40	1	-
1509	olive oil and its fractions obtained from the fruit of the olive tree solely by mechanical or	40	2	-
1510	other oils and their fractions, obtained solely from olives, whether or not refined, but	40	1	-
1512	sunflower-seed, safflower or cotton-seed oil and fractions thereof, whether or not	40	1	-
1515	fixed vegetable fats and oils, incl. jojoba oil, and their fractions, whether or not refined,	40	2	1
1516	animal or vegetable fats and oils and their fractions, partly or wholly hydrogenated,	40	1	-
1517	margarine, other edible mixtures or preparations of animal or vegetable fats or oils and	40	2	-
1601	sausages and similar products, of meat, offal or blood; food preparations based on	40	1	-
1602	prepared or preserved meat, offal or blood (excl. sausages and similar products, and	40	8	-
1704	sugar confectionery not containing cocoa, incl. white chocolate	40	1	-
1805	cocoa powder, not containing added sugar or other sweetening matter	40	1	-
1806	chocolate and other food preparations containing cocoa	40	5	-
1901	malt extract; food preparations of flour, groats, meal, starch or malt extract, not	40	3	-
1902	pasta, whether or not cooked or stuffed with meat or other substances or otherwise	40	5	-
1904	prepared foods obtained by the swelling or roasting of cereals or cereal products, e.g.	40	1	-

<sup>6</sup> Except Lesotho, for which revenue is of little relevance

HS4	Description	Max. tariff <sup>a</sup>	No. of HS6 subheads	
			Excluded	Not excluded
1905	bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing	40	2	-
2007	jams, fruit jellies, marmalades, fruit or nut puree and fruit or nut pastes, obtained by	30	1	1
2103	sauce and preparations therefor; mixed condiments and mixed seasonings; mustard	30	1	3
2106	food preparations, n.e.s.	30	1	1
2201	waters, incl. natural or artificial mineral waters and aerated waters, not containing	40	1	-
2202	waters, incl. mineral waters and aerated waters, containing added sugar or other	40	2	-
2204	wine of fresh grapes, incl. fortified wines; grape must, partly fermented and of an	40	3	-
2205	vermouth and other wine of fresh grapes, flavoured with plants or aromatic substances	40	2	-
2207	undenatured ethyl alcohol of an alcoholic strength by volume of $\geq$ 80%; ethyl alcohol	40	1	-
2208	undenatured ethyl alcohol of an alcoholic strength by volume of $<$ 80%; spirits, liqueurs	40	5	2
2402	cigars, cheroots, cigarillos and cigarettes of tobacco or of tobacco substitutes	30	1	-
2403	manufactured tobacco and manufactured tobacco substitutes and 'homogenised' or	30	1	-
3301	essential oils, whether or not terpenes, incl. concretes and absolutes; resinoids;	30	1	4

Note:  
(a) The maximum *ad valorem* tariff applicable to any HS6 subhead included within the HS4 aggregate.

The absence of basic foods does not arise because Ethiopia imports little from the EU. In 2003 its imports of wheat (HS 100190) totalled €48 million. But its tariff was only 5 percent. Reciprocity would not significantly lower the price of imports from the EU (nor of itself result in trade diversion from non-EPA sources). This may be an entirely rational strategy, and one that Ethiopia does not wish to change in future. But before it decides to include wheat in its offer (because the current tariff is so low) it needs to consider whether or not it wishes forever to remove tariffs on imports from the EU. Otherwise a future government wishing to raise the tariff will find that its hands are tied. As Ethiopia is not a member of the WTO it does not need to take account of its bound rates, but the other focus countries do need to do so. A first step for them is to check whether or not the items with low applied rates also have low bound ones. In these cases the scope to raise tariffs in future, that inclusion in an EPA would prejudice, does not exist. But in other cases it does.

In the case of Ethiopia, therefore, the result of the EPA scenario analysis is to suggest a review of current agricultural trade policy. Whilst the EPA does not seem to be incompatible with current agricultural trade policy, it will remove the room for manoeuvre on future policy change that the government currently enjoys. It would be desirable to use the requirement to establish a 'defensive' EPA position to consider strategically the country's agricultural trade interests and how they can best be fostered by market access policy.

Very similar pictures emerge for Lesotho (which has the complication of SACU membership) as well as for Mozambique and Zambia (which do not). Apart from pork, dairy products and vegetables, Mozambique's exclusions are concentrated on processed foods and revenue items (Table 6); imports of wheat from the EU in 2003 totalled €11 million, over a tariff of just 2.5 percent. For Zambia too, one meat item (beef), dairy, a few vegetables plus processed foods and revenue items predominate (Table 7); wheat faces only a 5 percent tariff (although imports from the EU in 2003 were a modest €570,000).

**Table 5. Lesotho: composition of an exclusion basket based on Scenario 1 and applied tariff levels**

HS4	Description	Max. tariff <sup>a</sup>	No. of HS6 subheads	
			Excluded	Not excluded
0713	dried leguminous vegetables, shelled, whether or not skinned or split	30	1	-
1515	fixed vegetable fats and oils, incl. jojoba oil, and their fractions, whether or not refined,	10	1	-
1901	malt extract; food preparations of flour, groats, meal, starch or malt extract, not	20	1	-
2203	beer made from malt	5	1	-
2204	wine of fresh grapes, incl. fortified wines; grape must, partly fermented and of an	25	1	-
3301	essential oils, whether or not terpenes, incl. concretes and absolutes; resinoids;	20	1	-
<i>Note:</i>				
(a) The maximum <i>ad valorem</i> tariff applicable to any HS6 subhead included within the HS4 aggregate.				

**Table 6. Mozambique: composition of an exclusion basket based on Scenario 1 and applied tariff levels**

HS4	Description	Max. tariff <sup>a</sup>	No. of HS6 subheads	
			Excluded	Not excluded
0203	meat of swine, fresh, chilled or frozen	25	1	-
0405	butter, incl. dehydrated butter and ghee, and other fats and oils derived from milk;	25	1	-
0406	cheese and curd	25	2	1
0703	onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled	25	1	-
0713	dried leguminous vegetables, shelled, whether or not skinned or split	25	1	5
0901	coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee	25	1	2
1507	soya-bean oil and its fractions, whether or not refined (excl. chemically modified)	25	1	-
1509	olive oil and its fractions obtained from the fruit of the olive tree solely by mechanical	25	2	-
1514	rape, colza or mustard oil and fractions thereof, whether or not refined, but not	25	1	-
1517	margarine, other edible mixtures or preparations of animal or vegetable fats or oils and	25	1	1
1601	sausages and similar products, of meat, offal or blood; food preparations based on	25	1	-
1602	prepared or preserved meat, offal or blood (excl. sausages and similar products, and	25	1	6
1902	pasta, whether or not cooked or stuffed with meat or other substances or otherwise	25	1	3
1905	bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing	25	2	2
2001	vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by	25	1	1
2002	tomatoes, prepared or preserved otherwise than by vinegar or acetic acid	25	1	1
2003	mushrooms and truffles, prepared or preserved otherwise than by vinegar or acetic	25	1	-
2005	other vegetables prepared or preserved otherwise than by vinegar or acetic acid, not	25	2	7
2103	sauce and preparations therefor; mixed condiments and mixed seasonings; mustard	25	1	3
2104	soups and broths and preparations therefor; food preparations consisting of finely	25	1	1
2106	food preparations, n.e.s.	25	1	1
2201	waters, incl. natural or artificial mineral waters and aerated waters, not containing	25	1	1
2202	waters, incl. mineral waters and aerated waters, containing added sugar or other	25	2	-
2203	beer made from malt	25	1	-
2204	wine of fresh grapes, incl. fortified wines; grape must, partly fermented and of an	25	2	1
2208	undenatured ethyl alcohol of an alcoholic strength by volume of < 80%; spirits, liqueurs	25	2	5
2309	preparations of a kind used in animal feeding	25	1	1
2402	cigars, cheroots, cigarillos and cigarettes of tobacco or of tobacco substitutes	25	1	1
<i>Note:</i>				
(a) The maximum <i>ad valorem</i> tariff applicable to any HS6 subhead included within the HS4 aggregate.				

**Table 7. Zambia: composition of an exclusion basket based on Scenario 1 and applied tariff levels**

HS4	Description	Max. tariff <sup>a</sup>	No. of HS6 subheads	
			Excluded	Not excluded
0202	meat of bovine animals, frozen	25	1	-
0402	milk and cream, concentrated or containing added sugar or other sweetening matter	25	1	-
0405	butter, incl. dehydrated butter and ghee, and other fats and oils derived from milk;	25	2	-
0406	cheese and curd	25	1	-
0603	cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes,	25	1	-

HS4	Description	Max. tariff <sup>a</sup>	No. of HS6 subheads	
			Excluded	Not excluded
0703	onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled	25	1	-
0708	leguminous vegetables, shelled or unshelled, fresh or chilled	25	1	-
0713	dried leguminous vegetables, shelled, whether or not skinned or split	25	1	-
0901	coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee	25	1	-
1509	olive oil and its fractions obtained from the fruit of the olive tree solely by mechanical or	25	2	-
1510	other oils and their fractions, obtained solely from olives, whether or not refined, but	25	1	-
1516	animal or vegetable fats and oils and their fractions, partly or wholly hydrogenated,	25	1	-
1601	sausages and similar products, of meat, offal or blood; food preparations based on	25	1	-
1602	prepared or preserved meat, offal or blood (excl. sausages and similar products, and	25	1	-
1704	sugar confectionery not containing cocoa, incl. white chocolate	25	1	-
1806	chocolate and other food preparations containing cocoa	25	1	-
1902	pasta, whether or not cooked or stuffed with meat or other substances or otherwise	25	1	-
1905	bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing	25	1	-
2002	tomatoes, prepared or preserved otherwise than by vinegar or acetic acid	25	2	-
2101	extracts, essences and concentrates, of coffee, tea or mate and preparations with a	25	1	-
2103	sauce and preparations therefor; mixed condiments and mixed seasonings; mustard	25	1	-
2106	food preparations, n.e.s.	25	2	-
2202	waters, incl. mineral waters and aerated waters, containing added sugar or other	25	1	-
2204	wine of fresh grapes, incl. fortified wines; grape must, partly fermented and of an	25	3	-
2207	undenatured ethyl alcohol of an alcoholic strength by volume of $\geq$ 80%; ethyl alcohol	25	1	1
2208	undenatured ethyl alcohol of an alcoholic strength by volume of $<$ 80%; spirits, liqueurs	25	5	-
2309	preparations of a kind used in animal feeding	25	1	-
2402	cigars, cheroots, cigarillos and cigarettes of tobacco or of tobacco substitutes	25	1	-
3504	peptones and their derivatives; other albuminous substances and their derivatives,	25	1	-
<i>Note:</i>				
(a) The maximum <i>ad valorem</i> tariff applicable to any HS6 subhead included within the HS4 aggregate.				

Tanzania (Table 8) and Uganda (Table 9) have much broader baskets of agricultural exemptions. This is mainly because two-thirds of agricultural items face a 25 percent tariff in Tanzania and a 15 percent tariff in Uganda. The key agricultural issues for these countries would arise if they had to exclude some of the items listed in Tables 8 and 9 either to protect revenue or to make way for non-agricultural products.

When the greater part of the agricultural sections of the HS have identical tariffs, the schedules do not by themselves provide much guidance on the relative priorities within the rural economy. For these countries, as well as for Ethiopia, Mozambique and Zambia, therefore, the EPA scenario analysis has pointed to the importance of ensuring that agricultural priorities are well defined.

**Table 8. Tanzania: composition of an exclusion basket based on Scenario 1 and applied tariff levels**

HS4	Description	Max. tariff <sup>a</sup>	No. of HS6 subheads	
			Excluded	Not excluded
0104	live sheep and goats	25	1	-
0105	live poultry, 'fowls of the species gallus domesticus, ducks, geese, turkeys and guinea	25	1	-
0202	meat of bovine animals, frozen	25	2	-
0203	meat of swine, fresh, chilled or frozen	25	1	-
0204	meat of sheep or goats, fresh, chilled or frozen	25	1	-
0206	edible offal of bovine animals, swine, sheep, goats, horses, asses, mules or hinnies,	25	1	-
0207	meat and edible offal of fowls of the species gallus domesticus, ducks, geese, turkeys	25	1	-
0210	meat and edible offal, salted, in brine, dried or smoked; edible flours and meals of	25	2	-
0401	milk and cream, not concentrated nor containing added sugar or other sweetening	25	3	-

HS4	Description	Max. tariff <sup>a</sup>	No. of HS6 subheads	
			Excluded	Not excluded
0402	milk and cream, concentrated or containing added sugar or other sweetening matter	25	2	-
0403	buttermilk, curdled milk and cream, yogurt, k+phir and other fermented or acidified milk	25	2	-
0404	whey, whether or not concentrated or containing added sugar or other sweetening	25	1	-
0405	butter, incl. dehydrated butter and ghee, and other fats and oils derived from milk;	25	1	-
0406	cheese and curd	25	5	-
0603	cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes,	25	1	-
0710	vegetables, uncooked or cooked by steaming or boiling in water, frozen	25	5	-
0712	dried vegetables, whole, cut, sliced, broken or in powder, but not further prepared	25	2	-
0713	dried leguminous vegetables, shelled, whether or not skinned or split	25	3	-
0802	other nuts, fresh or dried, whether or not shelled or peeled (excl. coconuts, brazil nuts	25	4	-
0813	dried apricots, prunes, apples, peaches, pears, papaws 'papayas', tamarinds and other	25	1	-
0901	coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee	25	1	-
0902	Tea	25	2	-
0904	pepper of the genus piper; dried or crushed or ground fruits of the genus capsicum or	25	2	-
0910	ginger, saffron, turmeric 'curcuma', thyme, bay leaves, curry and other spices (excl.	25	4	-
1008	buckwheat, millet, canary seed and other cereals (excl. wheat and meslin, rye, barley,	25	1	-
1101	wheat or meslin flour	25	1	-
1103	cereal groats, meal and pellets	25	1	-
1104	cereal grains otherwise worked, e.g. hulled, rolled, flaked, pearled, sliced or kebbled;	25	2	-
1108	Starches; inulin	25	1	-
1109	wheat gluten, whether or not dried	25	1	-
1207	other oil seeds and oleaginous fruits, whether or not broken (excl. edible nuts, olives,	25	1	-
1212	locust beans, seaweeds and other algae, sugar beet and sugar cane, fresh, chilled,	25	1	-
1508	groundnut oil and its fractions, whether or not refined, but not chemically modified	25	1	-
1509	olive oil and its fractions obtained from the fruit of the olive tree solely by mechanical	25	1	1
1510	other oils and their fractions, obtained solely from olives, whether or not refined, but	25	1	-
1511	palm oil and its fractions, whether or not refined (excl. chemically modified)	25	1	-
1512	sunflower-seed, safflower or cotton-seed oil and fractions thereof, whether or not	25	1	-
1515	fixed vegetable fats and oils, incl. jojoba oil, and their fractions, whether or not refined,	25	4	1
1516	animal or vegetable fats and oils and their fractions, partly or wholly hydrogenated,	25	1	-
1517	margarine, other edible mixtures or preparations of animal or vegetable fats or oils and	25	2	-
1518	animal or vegetable fats and oils and their fractions, boiled, oxidised, dehydrated,	25	1	-
1601	sausages and similar products, of meat, offal or blood; food preparations based on	25	1	-
1602	prepared or preserved meat, offal or blood (excl. sausages and similar products, and	25	4	-
1701	cane or beet sugar and chemically pure sucrose, in solid form	25	2	-
1702	other sugars, incl. chemically pure lactose, maltose, glucose and fructose, in solid	25	2	-
1704	sugar confectionery not containing cocoa, incl. white chocolate	25	2	-
1806	chocolate and other food preparations containing cocoa	25	5	-
1901	malt extract; food preparations of flour, groats, meal, starch or malt extract, not	25	2	1
1902	pasta, whether or not cooked or stuffed with meat or other substances or otherwise	25	4	-
1903	tapioca and substitutes therefor prepared from starch, in the form of flakes, grains,	25	1	-
1904	prepared foods obtained by the swelling or roasting of cereals or cereal products, e.g.	25	2	-
1905	bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing	25	3	-
2001	vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by	25	2	-
2208	undenatured ethyl alcohol of an alcoholic strength by volume of < 80%; spirits, liqueurs	25	7	-
2005	other vegetables prepared or preserved otherwise than by vinegar or acetic acid, not	25	6	-
2008	fruits, nuts and other edible parts of plants, prepared or preserved, whether or not	25	6	-
2009	fruit juices, incl. grape must, and vegetable juices, unfermented, not containing added	25	4	-
2103	sauce and preparations therefor; mixed condiments and mixed seasonings; mustard	25	3	-
2204	wine of fresh grapes, incl. fortified wines; grape must, partly fermented and of an	25	3	-
2002	tomatoes, prepared or preserved otherwise than by vinegar or acetic acid	25	2	-
2102	yeasts, active or inactive; other dead single-cell micro-organisms, prepared baking	25	2	-
2104	soups and broths and preparations therefor; food preparations consisting of finely	25	2	-
2202	waters, incl. mineral waters and aerated waters, containing added sugar or other	25	2	-



HS4	Description	Max. tariff <sup>a</sup>	No. of HS6 subheads	
			Excluded	Not excluded
2402	cigars, cheroots, cigarillos and cigarettes of tobacco or of tobacco substitutes	25	2	-
2004	vegetables prepared or preserved otherwise than by vinegar or acetic acid, frozen	25	1	-
2007	jams, fruit jellies, marmalades, fruit or nut puree and fruit or nut pastes, obtained by	25	1	-
2105	ice cream and other edible ice, whether or not containing cocoa	25	1	-
2106	food preparations, n.e.s.	25	1	1
2203	beer made from malt	25	1	-
2205	vermouth and other wine of fresh grapes, flavoured with plants or aromatic substances	25	1	-
2206	cider, perry, mead and other fermented beverages (excl. beer, wine of fresh grapes,	25	1	-
2209	vinegar, fermented vinegar and substitutes for vinegar obtained from acetic acid	25	1	-
2403	Manufactured tobacco and manufactured tobacco substitutes and 'homogenised' or	25	1	-

Note:  
(a) The maximum *ad valorem* tariff applicable to any HS6 subhead included within the HS4 aggregate.

**Table 9. Uganda: composition of an exclusion basket based on Scenario 1 and applied tariff levels**

HS4	Description	Max. tariff <sup>a</sup>	No. of HS6 subheads	
			Excluded	Not excluded
0210	meat and edible offal, salted, in brine, dried or smoked; edible flours and meals of	15	1	-
0401	milk and cream, not concentrated nor containing added sugar or other sweetening	15	1	-
0402	milk and cream, concentrated or containing added sugar or other sweetening matter	15	3	-
0403	butter, curdled milk and cream, yogurt, k+phir and other fermented or acidified milk	15	2	-
0405	butter, incl. dehydrated butter and ghee, and other fats and oils derived from milk;	15	1	-
0406	cheese and curd	15	4	-
0407	birds' eggs, in shell, fresh, preserved or cooked	15	1	-
0409	natural honey	15	1	-
0712	dried vegetables, whole, cut, sliced, broken or in powder, but not further prepared	15	2	-
0713	dried leguminous vegetables, shelled, whether or not skinned or split	15	2	-
0802	other nuts, fresh or dried, whether or not shelled or peeled (excl. coconuts, brazil nuts	15	1	-
0808	apples, pears and quinces, fresh	15	2	-
1101	wheat or meslin flour	15	1	-
1103	cereal groats, meal and pellets	15	1	-
1104	cereal grains otherwise worked, e.g. hulled, rolled, flaked, pearled, sliced or kebbled;	15	1	-
1508	groundnut oil and its fractions, whether or not refined, but not chemically modified	15	1	-
1509	olive oil and its fractions obtained from the fruit of the olive tree solely by mechanical or	15	1	1
1510	other oils and their fractions, obtained solely from olives, whether or not refined, but	15	1	-
1512	sunflower-seed, safflower or cotton-seed oil and fractions thereof, whether or not	15	1	-
1514	rape, colza or mustard oil and fractions thereof, whether or not refined, but not	15	1	-
1601	sausages and similar products, of meat, offal or blood; food preparations based on	15	1	-
1602	prepared or preserved meat, offal or blood (excl. sausages and similar products, and	15	1	-
1701	cane or beet sugar and chemically pure sucrose, in solid form	15	1	-
1704	sugar confectionery not containing cocoa, incl. white chocolate	15	2	-
1806	chocolate and other food preparations containing cocoa	15	4	-
1901	malt extract; food preparations of flour, groats, meal, starch or malt extract, not	15	3	-
1902	pasta, whether or not cooked or stuffed with meat or other substances or otherwise	15	3	-
1903	tapioca and substitutes therefor prepared from starch, in the form of flakes, grains,	15	1	-
1904	prepared foods obtained by the swelling or roasting of cereals or cereal products, e.g.	15	2	-
1905	bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing	15	3	-
2001	vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by	15	2	-
2002	tomatoes, prepared or preserved otherwise than by vinegar or acetic acid	15	2	-
2005	other vegetables prepared or preserved otherwise than by vinegar or acetic acid, not	15	3	-
2007	jams, fruit jellies, marmalades, fruit or nut puree and fruit or nut pastes, obtained by	15	2	-
2008	fruits, nuts and other edible parts of plants, prepared or preserved, whether or not	15	1	-
2009	fruit juices, incl. grape must, and vegetable juices, unfermented, not containing added	15	2	-
2103	sauce and preparations therefor; mixed condiments and mixed seasonings; mustard	15	4	-

HS4	Description	Max. tariff <sup>a</sup>	No. of HS6 subheads	
			Excluded	Not excluded
2104	soups and broths and preparations therefor; food preparations consisting of finely	15	2	-
2105	ice cream and other edible ice, whether or not containing cocoa	15	1	-
2106	food preparations, n.e.s.	7	1	1
2201	waters, incl. natural or artificial mineral waters and aerated waters, not containing	15	1	-
2202	waters, incl. mineral waters and aerated waters, containing added sugar or other	15	2	-
2203	beer made from malt	15	1	-
2204	wine of fresh grapes, incl. fortified wines; grape must, partly fermented and of an	15	3	-
2205	vermouth and other wine of fresh grapes, flavoured with plants or aromatic substances	15	1	-
2207	undenatured ethyl alcohol of an alcoholic strength by volume of $\geq 80\%$ ; ethyl alcohol	15	1	-
2208	undenatured ethyl alcohol of an alcoholic strength by volume of $< 80\%$ ; spirits, liqueurs	15	7	-
2209	vinegar, fermented vinegar and substitutes for vinegar obtained from acetic acid	15	1	-
2402	cigars, cheroots, cigarillos and cigarettes of tobacco or of tobacco substitutes	15	1	-
3301	essential oils, whether or not terpenes, incl. concretes and absolutes; resinoids;	15	2	-

Note:  
(a) The maximum *ad valorem* tariff applicable to any HS6 subhead included within the HS4 aggregate.

## Conclusions

When assessing the potential effects of reciprocity on agriculture the six focus countries fall into two groups. There appear unlikely to be major changes to the *status quo* in Ethiopia, Lesotho, Mozambique and Zambia because these countries tend currently to levy low tariffs on the basic agricultural products that they import from the EU. If tariffs are currently low, their removal entirely over a transition period of 12–15 years is unlikely to have significant price effects. It is agro-industry rather than crop and livestock production that receives import protection at present and which will experience a significant price change as a result of EPAs. In Tanzania and Uganda, by contrast, there is more extensive protection of agriculture at present. For this reason, EPAs could have effects that might be significant although not huge (as the tariffs involved are only moderately high). On the other hand, it appears to be relatively easy for most of these price effects to be deferred until the end of the transition period or to be removed altogether by excluding the items from the basket of products to be liberalised. This strategy, though, could cause revenue problems for the governments since it will require them to concentrate the tariff cuts on items that currently generate relatively high taxes.

In the case of both groups, though, there is a strong case to be made that the preparation of a ‘defensive’ EPA strategy should occur in parallel with a strategic review of agricultural trade policy. What role should trade play in these countries’ agricultural strategies both in aggregate and, especially, in relation to specific products? What is the appropriate government trade policy to facilitate this role?

The research results described in this paper explain why such a review is feasible. Contrary to much popular comment, EPAs need not (and very probably will not) result in 100 percent liberalisation by an ACP state. If the popular view were correct no useful purpose would be served by the recommended strategic review: if all import barriers have to be removed, there is no point considering which should remain! But in practice quite a few will remain for 10–15 years, and other even after that. Which ones?

The paper also indicates one reason why such a review is timely. EPAs are likely to be followed by other trade negotiations (e.g. with the USA). What sorts of government support does African agriculture require? Are the first group of countries right to protect their agro-

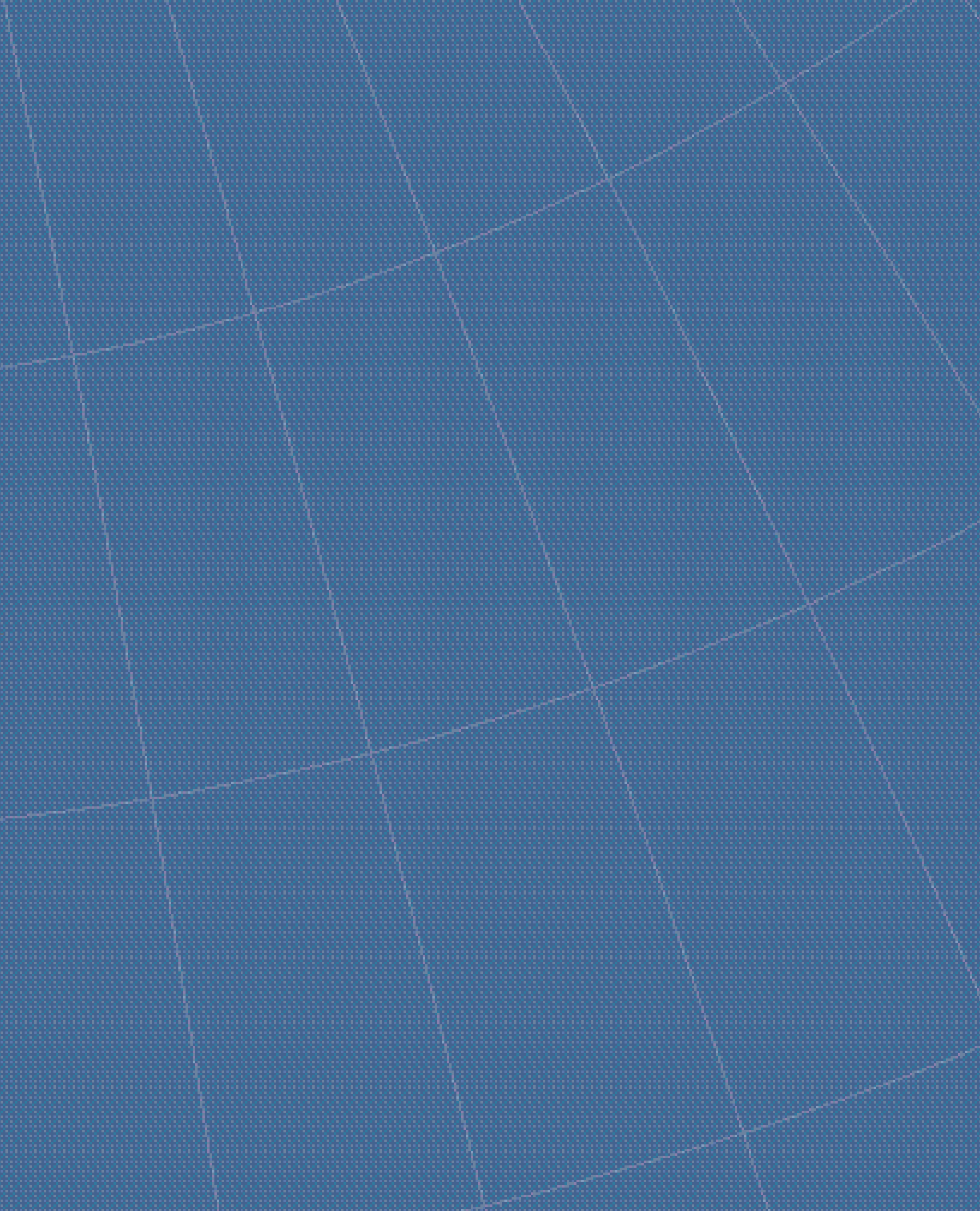
industries and not their basic agriculture? If not, perhaps some tariffs should be raised (or at least freedom to do so retained) whilst others are slashed. Answers to such questions are needed before, not after, binding agreements have been signed.

There is another consideration to be taken into account in this review that falls outside the scope of the paper but could be included in the EPA negotiations. This concerns what to do about EU exports that are subsidised (directly or indirectly) or contain inputs that are subsidised (as is the case, for example, with some processed food). The quantitative interpretation of Article XXIV appears to leave no scope for the additional exclusion of such goods. But the EU's other agreements, most notably the TDCA, provide for the flexible use of agricultural safeguards. In some cases it might be appropriate for tariffs on agricultural goods to be removed but for a countervailing levy to be imposed to offset EU subsidies until such time as these disappear. By contrast to the reciprocity issues analysed in this paper there are no precise precedents on which to build scenarios. But it is a matter that should be included in the negotiations – and one that should not be overlooked by in-country analysis.

Finally, the in-country analysis needs to consider the development assistance required to support agricultural strategies within the context of EPAs. There will be a need for adjustment assistance both to deal with the consequences of reciprocity and to take advantage of any improved access to the EU market. One intriguing possibility is that the ACP liberalisation timetable for some products could be set in relation to the effective delivery of such support. To be effective, sectoral needs would have to be specified with sufficient precision that the extent of delivery could be measured.

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