

Intra Africa Agricultural Trade – Import and Export Bans



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Background

- The COMESA region brings together 19 Member States and is the largest regional economic bloc in Africa.
- COMESA seeks to promote economic growth and opportunities for its Member States through the liberalization of trade in the region.
- By eliminating tariffs and non-tariff barriers to trade, COMESA seeks to help Member States overcome the challenges faced by small and segmented individual economies in a bid to attract meaningful investment.



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Background

- Free-trade articles under Treaty, Member States agreed to adopt a “maize without borders policy,”
- Regional trade integration for commodity trade remains hampered by the tendency of countries to tightly regulate this trade.
- These regulations include import and export permits and tariffs, quotas, trade bans, and inconsistent implementation of SPS regulations, including GMO prohibitions.
- The commodity trade restrictions are frequently implemented in an unpredictable and *ad hoc* manner, leading to high levels of uncertainty among private sector actors and an inability to develop long-term, reliable trading relationships between surplus and deficit countries and regions.



Price Effects of Commodity Trade Restrictions

- Different segments of the population have different objectives in terms of food prices.
- For surplus producers, higher food prices enable income growth and provide the means and incentives to invest in crop production and intensification.
- Conversely, for consumers, which in much of the region include the majority of the rural population (Poulton *et al* 2006), lower food prices can enable greater economic access to food and frees up disposable income to be used for non-consumption purposes.



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Price Effects of Commodity Trade Restrictions

- When domestic prices trade at higher levels than the price of imported grain, then consumers are being unnecessarily taxed by inefficient marketing systems.
- Conversely, if prices drop below the prices that are available in export markets, then surplus producers are being denied the opportunity to generate greater income from crop sales.



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Price Effects of Commodity Trade Restrictions

- By causing unnecessary price spikes and dips, trade restrictions can have negative effects on both rural producers and consumer welfare. Diao *et al* (2013) measured the effects of maize export bans in Tanzania and found that export bans can lower producer prices by 7 to 26 percent in surplus regions, such as Mbeya.
- By so doing, the bans actually increase the number of households in poverty in those regions relative to if there were no bans in place.



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Market Development Effects

- Trade restrictions on maize deny producer countries much needed tax revenue and foreign exchange; embolden informal trade; and limit the private sectors' incentives to invest in grain markets.
- As a result, trade restrictions can contribute to a negative cycle of chronic under investment in critical trade infrastructure, including storage, roads, rails, and ports, from both the public and private sectors.
- This in turn contributes to high transactions costs of moving grain from surplus to deficit regions, high levels of grain spoilage, and resultantly high costs of maize for consumers and lower prices for producers.



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Market Development Effects

- While trade restrictions limit taxable imports and exports, this does not mean that trade does not continue to occur.
- Instead, trade restrictions embolden informal trade, which is higher cost and is not taxed.
- In September 2013 Malawi witnessed an unprecedented surge in informal maize trade from Zambia. This surge in informal trade coincided with the imposition of a formal export ban in Zambia.
- 80% of the captured informal maize imports were from Zambia while Mozambique, the usual source of Malawi's informal imports, only contributed 20%.



Market Development Effects

- Informal grain trade entails costs that are not incurred through formal trade. These include costs associated with evading tax, or bribing border agents, as well as costs associated with loading and unloading small volumes on bicycles to be successively moved across the border.
- Due to the often *ad hoc* nature of trade restrictions and other state interventions in grain markets, the level of policy induced price uncertainty in the region is extremely high.
- The Private sector are usually unwilling to invest significantly in grain storage, because grain prices can move quickly as a result of governments' imposition or removal of tariffs, and/or import and export bans.



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Market Development Effects

- This leads to a vicious cycle in which the private sector under-invests in grain infrastructure and procurement, leading to pressure on the public sector to continue to intervene in markets.
- According to the Grain Traders' Association of Zambia, the private sector in the country has so far invested approximately US \$30 million to build high quality grain storage with capacity for 550,000 metric tons.
- Unpredictable trade restrictions also undermine potential private investments in input credit to small holder farmers.



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Market Development Effects

- Grain traders in Zambia indicate that if regional trade was permitted, they would be willing to provide input credit, in the form of maize seed and fertilizer, to small-scale farmers, which they would recoup when farmers delivered their crops for sale.



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THEREFORE:-

- Based on the available evidence, high levels of unpredictable intervention in domestic markets and regional trade exacerbates maize price variability, decreases tax revenue and foreign exchange generation for surplus countries, hence undermining private investment in grain market infrastructure and small holder input credit.



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THEREFORE:-

- Unlocking the agricultural potential of the region will require that farmers are given the price incentives and tools to raise yields, that the public sector invests in the road and port infrastructure to facilitate trade, and that the private sector complements public investments to increase storage capacity and to better link producers to consumers. Moving toward a more transparent and predictable set of rules and guidelines around maize trade are a critical part of unlocking this potential.



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COMESA Regional Parliamentary Policy

- In August ACTESA hosted the COMESA Regional Parliamentary Policy Seminar in collaboration with IAPRI, NEPAD Business Forum with support from Food Trade, Department of Foreign Affairs and Trade (formerly AUSAID) and IFAD
- The Members of Parliament and Permanent Secretaries were drawn from the Member States (that are mostly affected by Food Trade Restrictions) and Governments of the Common Market for Eastern and Southern Africa (COMESA)



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- Two Broad Intervention Areas were identified:
 - **To Facilitate a more Predictable and Rules-based Environment for Food Trade,**
 - **To Enhance Food Productivity through Trade,**
- The following are the recommendations:



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To Facilitate a more Predictable and Rules- based Environment for Food Trade,

- There is need to harmonize regional standards to facilitate trade and avoid use of NTBs.
- There is need for genuine Public Private Partnership frameworks to enhance food trade
- There is need to harmonize regional standards to facilitate trade and avoid use of NTBs.
- There is need to establish a robust trade information and facilitation system.
- Countries should conduct crop estimates surveys and early warning systems and share the data through the COMESA structure



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To Enhance Food Productivity through Trade,

- Bans of imports and exports should generally be discouraged as they stifle food productivity and trade expansion. Where this happens, enough notice should be given before bans are imposed. There is also need to consult all relevant stakeholders before bans are imposed. Once bans are enforced, national monitoring committees should always be established to monitor stocks.
- Need for diversification into other crops/foods as well as promote food processing for value additio



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To Enhance Food Productivity through Trade,

- There is need to encourage country specialization. In this regard, there is need to divide regions according to agro-ecological zones and promote specializations based on comparative advantage
- COMESA should domesticate international rules and protocols
- Need to lower the cost of production without affecting quality and reducing competitiveness



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THANK YOU !



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