'Perspectives on Gender Discourse' is an annual publication of the Heinrich Böll Foundation's Regional Office for East and Horn of Africa.

The publication documents the deliberations and proceedings of the Gender Forum in Nairobi, Kenya. The Gender Forum is a component of the Foundation's Gender Programme, whose objective is to critically examine pertinent social, economic, political and development issues for a gender perspective. It creates a medium for political reflections and discourse on gender related issues in addition to providing a platform for experts to share their expertise with others, in effect making gender issues public issues. Participants in the Gender Forum in Nairobi include NGO practitioners and experts in the field of gender and development; journalists; students and government representatives.

This fifth edition of 'Perspectives on Gender Discourse' analyses the various international agricultural trade agreements that shape and influence Kenyan agricultural trade from a gender perspective. It provides the basis for critical reflection on the implications of globalized trade relations on gender, with particular emphasis on agricultural trade, the mainstay of the Kenyan economy. The objective of these discussions is twofold. Firstly to inform and enlighten the reader on the nature, content and progress of the international agricultural trade agreements that Kenya is a party to, but more importantly, to provide a synopsis of the implications that these agreements have on both men and women's socio-economic concerns.

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Preface

Over the past few decades there has been increasing attention paid to the gender dimensions of poverty and development. More recently academics, NGOs and international organizations have begun to pay close attention to the gender dimensions of international trade regimes, liberalization, and the impact of trade regulations and WTO decisions.

In the East and Horn of Africa, where agricultural trade remains the mainstay of region's economies, women's expertise in local agriculture, trade and marketing is still being undermined by international trade agreements, which largely ignore the socio-environmental issues facing these local farmers and their communities. Women farmers often single-handedly undertake the responsibilities of the family and household which are unpaid, while struggling to compete in the international marketplace - a marketplace that gives little value to traditional crop growing activities and women's knowledge. When control is taken away from the local producers and increasingly moved into corporate hands, women have often found little or none existent social, political and economic safety nets to mitigate their precarious positions, thereby leading to further marginalization. This is often due to their social position, lack of access to credit, land ownership and control and the necessary resources needed to make changes or participate in decision-making. When control moves into corporate hands, therefore, indigenous societies are affected.

In the new global, political economy, trade liberalization and economic development has increasingly focused on labour-intensive industry and increased commodity production (agriculture and minerals) for the export market. Changes to agricultural policies have fundamentally changed women's working relationship with the land; women have often been displaced due to land being given over to export crops and minerals; and women supply cheap labour in often appalling working conditions. Trade policies should inherently contain a gendered perspective if equity and sustainable development are to be achieved.

This backdrop was the motivation to the Heinrich Böll Foundation's engagement in its combined Gender and Environment Fora for the year 2005. The monthly fora, coordinated by the Gender and Environment Programmes, aims at critically examining pertinent social, economic, political and development issues for a gender and environment perspective. They create a medium for political reflections and discourse on gender and environment related issues, in addition to providing a platform for experts to share their expertise with others.

This publication contains a series of presentations and discussions, which prevail upon a general introduction and assessment of trade viz a viz gender to illuminate and sensitize the public at large and particularly those working on gender issues. Thereafter, the presentations embark on a more intensive discussion of the specific international agricultural trade agreements that shape and influence Kenyan agricultural trade. The objective of these latter discussions is twofold. Firstly to inform and enlighten the public on the nature and content of the international agricultural trade agreements that Kenya is a party to, and secondly, to provide a synopsis of the implications that these agreements have on women socio-economic concerns.

This publication benefited from the comments and inputs of the resource persons as outlined herein. Our gratitude goes out to all of them. Particular thanks go to Dr. Mary Kinyanjui for her work in editing the publication, as well as Kiarie Njoroge for his contribution to the introduction and conclusion chapters.

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Regional Environment Programme Coordinator

Agricultural Development and Globalisation in Kenya

By Kiarie Njoroge and Mary Kinyanjui

Introduction

Trade, especially on a global scale is increasingly being seen as the ultimate solution to the poverty problem in the third world countries, especially those in Sub-Saharan Africa. For agriculture based trade in these countries to be successful means agricultural productivity in the relevant farming and industrial sectors must be uplifted to a level where the countries achieve a favourable balance of trade between the industrialized north and the impoverished south. Because agriculture is backbone of the economies these countries, favourable balance in trade shall have to be driven by agriculture and its products. This trade will be carried out in the context of global trends in agriculture inputs and out puts. In Africa, such trade will inevitably be characterised by several issues of great concern.

The rules governing trade in agriculture is formulated by multilateral agreements between governments, both at the international and at the regional levels. Each national government has to adjust to the international rules as enshrined in international agreements; the so called "economic partnership agreements" which are not always written consultatively as may be required by the rules of fair play. More often than not, the global trade agreements are infact outright unfair to many of the stakeholders, especially to the small-scale agricultural producers in the developing world who dominate the lower rungs of the agricultural production chain. The rules and practice of international trade are seen to be oppressive particularly to women who form the bulk of these small-scale producers. The rules in most instances actually perpetuate poverty, which is then clearly seen, principally because many women are involved, to have a feminine face. Many governments, Kenya's included, have of late been rather perturbed by this realization. It has been necessary to refer the problem to development planning specialists to tease out the key factors for inclusion in future development agenda.

In the following pages, these issues have been analysed in the context of Kenyan agriculture. In the first two papers, the Economic Partnership Agreements (EPAs) have been introduced and analysed, highlighting their relevance to Kenya's agricultural sector. The first paper is by John Ochola who shows how the international trade and Economic Partnership Agreements (EPA) are being pushed as the panacea for agricultural systems around the globe. Regional trading blocks are being formed to lead economic-partnership negotiations. Africa has a total of 30 such agreements, and each African country is a member of at least one regional trade agreement. EPA is meant to facilitate free trade, which is presumed to catalyse global economy. Regional trade agreements are tied to the global agreements e.g. Cotonou Partnership Agreement (CPA) between EU and ACP countries was made in conformity to World Trade Organization (WTO) rules. The regional agreements (RIAs) combine to constitute bigger markets and theoretically improved productivity arising from the economies of scale, particularly when smaller countries are involved.

In the second treatise by Dan Owoko, the African Caribbean and Pacific (ACP) countries trading relationship with the European nations during the last fifty years is expounded. The trading relationship between the ACP countries and the European Union (EU) has been governed by a series of conventions that have evolved over the years. EU evolved from European Economic Community (EEC) that was established in 1957 through the Treaty of Rome. In 1963, the EEC signed an agreement with the French speaking countries, in what became Younde I (1963-69). In 1973 UK joined EEC the same time that the former British colonies joined ACP group. In 1975 the first 5 years convention between EEC and ACP was signed as Lome I (1975-80) followed by 3 others: Lome II (1980-85), Lome III (1985-90) and Lome IV (1990-95). The conventions basically granted preferential trade regime to ACP countries so as to access EU market and ensure better balance of trade between former colonial masters and their freed "colonies and overseas territories."

The relationship between ACP countries and the EU has now been firmly been confined and controlled by the World Trade Organisation rules as particularly detailed in the Agreement on Agriculture (AoA). The content and the implication of AoA has been treated by the paper by James Mwangi. AoA came into force with establishment of WTO in 1995. Before this date, the General Agreement on Tariff and Trade (GATT) did not include trade in agriculture and protectionism of farming practices was common globally. Markets were unsustainable and inefficient among members of GATT. Thus AoA sought to regulate liberalization of agricultural products. The aim was to reform trade in agriculture so as to establish fair and market oriented agricultural trading system. Reform was to be based on three pillars: market access, domestic support and export competition. In addition, developing countries were to receive special and differential treatment. Market access meant introduction of tariffs, which meant applying ordinary custom duties. Domestic support also meant provision of monetary support to produce key government assistance (e.g. through developing infrastructure and research). However, support that could distort trade was prohibited.

This AoA can be discussed in the context by Kenya's own agricultural strategy. This has been done by Elizabeth Mueni who states that Agriculture is the overwhelmingly dominant sector of the life of Kenyans and that an historical overview shows that government always formulated and implemented policies that ensured its presence in terms of determining what was to be produced and sold and at what price. This was particularly common throughout the 60s and 70s but during the 80s World Bank and IMF mooted market liberalization policies under the so-called Structural Adjustment Programmes (SAPs). The policies formulated to govern SAPs were generally not consultative and developing countries, Kenya taking a leading role, have consistently demanded a re-negotiation. As these talks are ongoing Kenya has put in place relevant efforts to improve agricultural production in line with current international agreements, such as the Agreement on Agriculture (AoA), which is analyzed in this paper. Among the most important systems put in place are two policy documents: Strategy for Revitalizing Agriculture (SRA) and the Economic Recovery Strategy Paper (ERSP).

Kenya's agricultural trade is first and foremost carried out in the neighbouring regional block of countries called COMESA that groups together most of the Eastern and Southern African countries as a common market. The implication of COMESA to Kenya's trade in agriculture is the next paper written by Mary Kinyanjui. The Common Market for Eastern and Southern Africa (COMESA) traces its origin to 1965 when UN Economic Commission for Africa (ECA) convened a meeting for newly independent countries of Eastern and Southern Africa to consider a proposal to form a regional block for economic integration. In 1978, a Preferential Trade Area (PTA) for the region was proposed although negotiations were never completed until 1981 when the treaty establishing PTA was signed although it never came into force until September 1982. The PTA treaty was envisaged to evolve into an economic community, which was realised in 1993 with the signing of the Common Market for Eastern and Southern Africa (COMESA). COMESA, as a trade entity was viewed by OAU as one building block in the process of establishing an eventual African Economic Community (AEC). Covering a total land area of 13 million km^2 and with a population of 374 million people, the COMESA countries have generally recorded economic decline over the years. For example export values have reduced remarkably, external debts have increased greatly, debt service ratios have fallen vastly making the region one of the most heavily indebted in the world. Thus development has not been significant e.g. industrial output have declined due to structural rigidities that have been entrenched. In addition, annual per capita growths in real incomes have been negative, in favourable weather, civil strife, policy flaws and other external shocks made the 1980s become the "lost decade". The 1990s saw introduction of market oriented reforms and economic liberalisation policies but economic performance did not improve in the COMESA region. Illiteracy, poverty and disease continued to rule supreme. No wonder the COMESA grouping includes 15 of the 23 least developed countries in Africa. UNDP in 1998 reported 14 out of 21 COMESA countries were under low human development, 5 under medium and only 2 under high. But COMESA has instituted goals to reverse all these negatives.

The issue of women as the major primary producers in agriculture and as prime workers and therefore movers, of agriculture based industry is formally discussed by the last two presentations. Oduor Ong'wen powerfully argues that the concept of globalisation as the "removal of regulation over capital and goods (including services) is not new and is not workable in the third world, in its present form". The concept goes back 600 years in time and has evolved in phases from the early trade in ivory and slaves, to the "scramble for Africa" era of colonial economies to the present neo-colonial globalisation led by corporate interests. He observes that globalisation is infact not beneficial to the third world and is exploitative and marginalizes women. The last paper by Steve O. Okoth is a case study that clearly demonstrates this reality of Oduor Ong'wen in Kenya's Export Processing Zones (EPZs). EPZ is an old concept dating 300BC. During the Phoenician, Greek, Roman and British Empires free trade zones were established as zones for non-enforcement of tariffs and excise tax. In the 20th century industrialization and diffusion were introduced into the concept that was later adopted by the 3rd world countries to actualise the "globalisation" concept. In their hurry to industrialize, these countries added incentives to manufacturers such as exemption from paying VAT, custom duties, income tax, capital flow restrictions and exchange rate controls. Into these goodies have been added low cost duty free imports of raw materials good government developed infrastructure, low cost lend factory rental etc. The process has led to more economic stagnation and low human resource development in the Southern hemispheric countries, further marginalizing them in the global economy.

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CHAPTER ONE

Trade as if Women Mattered

By Oduor Ong'wen

Introduction

Globalization, although often preached as a concept to liberalize economies for the common good of all, is in reality a clever manoeuvre of the developed North to keep the under developed South in particular poverty. The poverty in the South is particularly harsh to women and children, trade liberalization encourages polices that increase hazards to the women–folk. Daily chores for women, such as ensuring availability of water and food are made difficult and their health is put to great risks. Similarly, the daily routines of the female gender that generate incomes, such as coffee production are unnecessarily exploitative to the beneficiaries when the international trade agreements are crafted with no consultation with the lower ranks of the production chain. Access to markets is a great concern that needs to be addressed and the areas required to do this are outlined. These include lowering tariffs and reducing quantitative restriction for agricultural products of interest to women and formulating rules that would provide greater benefits to developing countries. At the WTO governance and decision mailing levels, more affirmative action favouring men less and promoting women interest more is required.

Finally it is argued that there is a greater need to create alternatives to corporate-led globalization that will require radical revision of the international agreements, such as TRIPs agreement, improve women remuneration at the work place, including gender specialists in all national regional and international negotiations and developing tools, targets and indicators that systematically incorporate gender in analytical frameworks. It is also necessary to adopt and enforce policies that secure the rights of women workers and strengthen their capabilities, ownership and control of productive resources.

"Globalization is good for all people, is here to stay and is unstoppable. It offers opportunities to all and presents the only opportunity to save the world from the apocalypse of war and ecological abyss. It is the new way to govern our relations and those who are unable to adjust to it will simply be swept by the wayside." This and similar unsolicited advice is often freely given to countries of Third World by those at the driving seat of the world economy.

Simply put, globalization is premised on removal of regulation over capital and goods (including services). It is worth noting that this disenfranchising of the state from exercising its legitimate discretion is couched in terminology suggesting freedom: liberalization. The choice and popularization of this language by neoclassical economists is deceptive but deliberate to depict a phenomenon that ultimately empowers and enriches those with money while impoverishing those without, as a liberating experience. This has enabled them to argue that the state's regulatory framework is oppressive and freedom from the state is, therefore, a feat of emancipation. The institutions and authorities of regulation are seen as equivalent of circuit breakers.

> *To contain the evils that market systems can inflict, capitalist economies developed sets of institutions and authorities, which can be characterized as the equivalent of circuit breakers.*[1]

The removal of regulation and controls over capital – of 'circuit breakers' – from capital is therefore seen as the most revolutionary of the economic doctrines promoted by neoliberal economists. Any measure at regulating the establishment and operations of firms in pursuit of broad social and/or environmental goals is quickly condemned and branded "command economy", suggesting lack of freedom.

Governments of poor countries have suffered inordinate pressures from the financial mandarins – acting at behest of corporate interests - from the North. Their creditors are often lumped together as 'global capital markets' and include not only investors, bondholders, official institutions like the IMF and the World Bank, but also rich country Treasuries. To satisfy these predatory institutions and agencies and repay their chocking debts, impoverished country governments have been 'advised' by these agencies to adjust and re-orient their economies towards foreign creditors, and to expand exports to raise foreign cash for debt repayments.

While one of the world's biggest debtors – the United States of America – is able to repay its debts in a currency it prints itself, this option is not open to poor countries in Sub-Saharan Africa who have to repay in 'hard' currency (dollar, euro, yen and sterling) – the only currencies that international creditors recognize, or will accept.

[1] Minsky, H.P, D.Delli Gatti, and M. Gallegati, "Financial Institutions, Economic Policy and the Dynamic Behavior of the Economy" Working Paper No. 126, Levy Institute, 1994, quoted in *Minsky's Analysis of Financial capitalism* by D. Papdimitriou and L. Randal Wray, Levy Institute, July 1999.

The pressure, therefore, is to subordinate domestic priorities like feeding the people or providing for the people's health and elevate the measures to expand exports, which generate hard currencies. These have often meant ruthless stripping of forests; over-fishing our lakes, rivers and seas; the handing over of our natural assets (minerals, oil) and merciless exploitation of the land.

In this paper we wish to show:

- That globalization has been with us for more than 600 years.
- That it does not benefit countries of the Third World. To the contrary, it is the countries now regarded as "least developed" that have contributed to its sustenance, leading to the differentiated ecological footprints that we are currently seeing.
- It marginalizes and exploits women and other productive strata in our society.
- That it is stoppable, but least developed countries are left with the "prerogative of the harlot".

Predicting and Re-inventing the Past

While those in control of the commanding heights of the global economy – mainly the captains of industry in the North - would like to convince us that globalization is a new phenomenon made inevitable by qualitative development of productive forces and that Africa needs to put its act together so that it may be integrated therein, we know better from our history. Africa has been integrated into the global economic system since the mid 15th century and no sooner did we encounter the forces of globalization than we were immediately integrated therein.

Unwillingly, Africa was part of the then dominant international trading system where its role in the then international division of labor was to supply natural resources in the form of gold, ivory, cloves etc and human resources in the form of slaves that helped to economically transform what is now regarded as the "developed" world.

The second wave of globalization was the physical establishment by the North, where in 1884 at Berlin Conference, the "scramble for Africa" was concluded with partitioning of the continent into arbitrary units and divided among the leading colonial powers. The division of labor then assigned Africa the role of producing primary commodities (agricultural products, minerals, wildlife resources etc) to processing and manufacturing interests in the so-called "mother countries."

The poverty in Sub-Saharan Africa's environmental landscape finds its root firmly in the colonial economy. The colonial rule imposed a number of economic measures that turned the entire continent into an enclave for extractive enterprise. First, it imposed racially biased land tenure systems that created overcrowding in the so-called native reserves. Vast tracts of arable lands were set aside for European commercial agriculture. The immediate effect of this was land degradation, deforestation, loss of biodiversity, chemical poisoning of underground water sources from the overuse of fertilizers and pesticides.

This concentration of indigenous Africans into reserves served dual purposes – creating a reservoir of cheap farm and mines labor and reserving the most productive land to European commercial farming. The history of urbanization in Africa is, therefore, unlike Europe not associated with progress but rather with a phenomenon where the poor are escaping from a rural environment that can no longer offer a quality of life beyond the subsistence level.

Almost half a century after the formal defeat of colonialism, the division of labor still does not only persist but has been revised and reinforced through globalization led by corporate interests.

The Central Role of Trade in Corporate-led Globalization

Throughout history, international trade has generated considerable controversy. While conceding that some trade was imperative, Aristotle observed that trade was disruptive of community life.[2] Until the 19th Century, most European powers viewed trade as a form of undeclared warfare. Their objective was – and still remains – the maximization of benefits accruing to themselves and minimization of those accruing to rival nations. The weapons of choice in this warfare were import barriers.

The idea of trade as a mutually beneficial activity only gained currency and political momentum following David Ricardo's elaboration of the theory of comparative

[2] Aristotle (1967), *Politics*, Oxford University Press, Oxford, p. 51

advantage in 1817. Today the free trade doctrine reigns supreme. Trade negotiations – at multilateral, plurilateral and bilateral levels – all focus on reduction and eventual elimination of trade barriers (a kind of disarmament treaty).

The removal of trade barriers in rich countries can accrue certain benefits for impoverished countries. But this can only occur when the economies of underdeveloped countries are accorded the right space to respond first and foremost to the fundamental developmental needs of these countries. Rapid import liberalization imposed on underdeveloped countries via structural adjustment programs has more often than not intensified poverty and inequality.

The IMF, the World Bank, and most industrialized country governments are strong advocates of trade liberalization. In the case of the two Bretton Woods institutions, advocacy has been backed by loan conditions which require countries to reduce their trade barriers. Largely as a result of these loan conditions, poor countries have been opening their economies much more rapidly than industrialized countries. Average import tariffs have been halved in Sub-Saharan Africa and South Asia, and cut by two-thirds in Latin America and East Asia.[3]

regret that this may as well be my most heretical contribution to the debate on globalization – and particularly trade given the general and generally accepted misconception is that gender is a philosophical issue that does not belong to "serious" discussion like international trade.

Myths, Inconsistencies and Contradictions in Multilateral Trading System

- One global economy…..powerful national economies that discriminates against various sections of the population like women, small scale farmers and workers.
- Globalisation + free trade. …regionalisation, powerful blocs and controlled trade.
- Multilateralism …………… unilateralism when necessary.
- Free trade…… controlled, managed and forced trade.
- Free movement of factors of production. .. but not labour nor science and technology.

[3] See Oxfam International (2002), Rigged Rules and Double Standards: Trade, Globalisation and the Fight Against Poverty, Oxford, p. 10

- Self-correcting, rational markets.... functionally unstable markets.
- Free and independent market forces..... politically-supported markets.
- Mutual support capital and state.... tensions between states, corporations and bureaucrats.
- Inclusive international decision-making..... exclusive clubs and institutions (G-8, OECD etc.)
- Democratisation and good governance.... anti-democratic power of TNCs.
- Integration and inclusion..... marginalisation and exclusion.
- Benefits to all ...... growing polarisation and impoverishment.
- Unparalleled and infinite growth...... finite resources and fragile global ecology.
- Global consensus...... internal criticism, external challenges from social movements, growing political instability and pending economic crisis.

Problems with Trade Liberalization

Apologists of the neo-liberal economic paradigm assume – and try to convince all and sundry – that gender roles and relations are not relevant to the study of macroeconomics and trade which deals with such highly technical aggregates as the price stability, balance of payments, unemployment index and such policy instruments as fiscal, monetary, exchange rate, tariffs and non-tariff barriers. They entertain gender only at the micro level.

The laisez faire look at gender, trade and growth tells us that trade liberalization creates employment that benefits women; import competition diminishes gender discrimination in labour markets and therefore contributes to consumer welfare – the majority of beneficiaries being women. However, a critical examination of these issues gives a more complex and nuanced picture: the good, the bad and the ugly. Focus on the intertwine between trade and the spheres of production and reproduction opens up the issue of division of labour between men and women, paid and unpaid work and its contribution to the market, access to and custody of resources, ownership of the means of production – particularly land and the conditions under which the entrepreneurs do business.

Some of the effects on women of trade liberalization include:

- Safety standards at the workplace
- Higher costs of living
- Job loss, union banishment
- Decreased quality of living
- A move to service-based economy in which jobs tend to be lower paid
- Privatisation.

Trade, Gender and Services Liberalisation

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Under the General Agreement on Trade in Services (GATS), such basic social services like water, education and health are threatened with liberalization and privatization.

All services are subject to be traded in the WTO and in the bilateral trade negotiations that the Kenya government is pursuing, Water, health, education, financial services, food assistance, and energy are just afew that can be named. Globally, women are the main providers of healthcare, education, and water. When public service providers are privatized (and therefore subject to be traded) and user fees are imposed that are too costly for families to pay, the results are often devastating for families.

Water

When the water system in Bolivia was privatized as part of a World Bank project, the cost of water service to consumers went up by as much as 20% of their salaries when the Bechtel corporation raised the prices in order to turn an incredible profit. As the principle providers of water for their families, women contribute great amounts of time and energy to locating and transporting potable water, often to the detriment of their physical health. If safe and reliable water sources do not exist nearby, women are forced to either pay exorbitant prices to purchase water from street vendors or to rely on unsafe local water sources such as polluted rivers. The high cost of water and its poor quality result in low levels of personal hygiene and the associated spread of diseases among poor women and their families.

Health

In Chile, privatization has severely squeezed public hospitals' resources and effectiveness. It is the wealthy who are able to pay for their medical needs while the majority of people are left to deal with a shrinking public sector.

In the U.S., which has voluntarily privatized much of its healthcare system, over 44 million people are uninsured, with minority women and children comprising the largest percentage of those numbers.

[5] See Oxfam International (2002), Rigged Rules and Double Standards: Trade, Globalisation and the Fight Against Poverty, Oxford, p.10

Agreement on Trade-Related aspects of Intellectual Property Rights (TRIPS)

The TRIPS Agreement requires that WTO members apply intellectual property rights (IPR) to all technologies, including those previously considered unsuitable for monopoly rights, such as plant variety and microorganisms. Although Articles 27.2 and 27.3(b) allow members to exclude certain biological resources from patentability, there has been any tangible progress in the quest by developing countries to have the entire WTO membership agree explicitly that Article 27.3(b) expressly excludes life forms from patent the regime.

TRIPS found its way into the WTO through pressure from the US pharmaceutical industry in order to provide an opening for them – via the multilateral trading system with its rule-based and enforcement mechanism – to the world's wealth of biochemical processes. This came via prior conventions such as the Convention of Biological Diversity (CBD) which was negotiated in the context of the United Nations Conference on Environment and Development (UNCED) - popularly known as the Rio Earth Summit – and reaffirmed that "States have sovereign rights over their own biological resources."

One important consequence of the TRIPs agreement is the development, patenting and sale of genetically modified organisms. This involves the interference with the gene constitution of animals and plants to create genes that are responsive to specific stimuli. GM seeds cannot be saved and re-planted the following season. This portends serious danger to traditional seed banks that African women have maintained over centuries.

Trade in agricultural commodities

The real terms of trade is illustrated vividly by the situation of the Kenyan coffee farmer. The price of Arabica coffee paid to a Kenyan farmer is 14 Kenya shillings (17 US cents) per kilogram. At the world market it fetches 3 times as much (the difference pocketed by middlemen (usually TNCs) and transporters (owned by Northern interests).

At the café level, each kilogram of coffee translates to more than 200 cups of good coffee beverage. A cup of coffee in a German café goes for a minimum of 2 euros (equivalent to 180 Kenya Shillings) or US$ 3 in any of the Starbuck's cafés dotted all over the United States of America. Therefore a kilogram of coffee at consumption level in Europe fetches 400 euros or 36,000 Kenya shillings – over 2,000 times what the farmer in Kenya receives in payment.

Coffee growing is not a leisurely occupation. It is heavy duty. It demands intense labour, intensive care, and dedication of time, particularly for small-scale farmers who do not use chemical fertilisers and pesticides. Axes and machetes are employed for field clearing, ploughs, hoes and – depending on farm size – tractors are used for farm preparation, stakes are used for planting, and shovels and picks used for general works. The most important tool in coffee production, however, remains the farmers own hands. Most of this work is done by women. Sometimes, the women are forced to pull their children out of school to help.

The coffee tree takes roughly four years to mature and start giving any fruits. For good results, best grains must be selected for planting in the specially prepared nurseries. Before transplanting the seedlings from the nurseries, the soil must be prepared. After about 12 to 14 months, the coffee trees are pruned so that they are oriented towards berry production rather than continued plant growth. Regular weeding is done to remove undergrowths which would compete with coffee trees for nutrients. Again it is women who do this work.

But the most demanding time for coffee producers is the harvesting season. During this time, the entire family is mobilised, children included. The quality of coffee depends on picking the berry on time. If it is picked prematurely, it leads to inferior quality, while leaving the berries in the farm for too long may lead to loss from the crop being knocked off by heavy rainfall. After picking, the berries are de-pulped using small mills – manually operated or mechanised. The husks are sifted out leaving a pair of coffee beans per berry. These are fermented for a few days, then washed and dried.

In a 1998 advertisement, Nestlé, one of the world's leading roasters and marketers of coffee says: "Next time you enjoy a cup of Nescafe, stop and think about how more than 100 million people involved in the coffee growing industry have worked together to help you "open your day"[6]. But do they?

There is merit in what Nestlé is saying. The Oxfam report, *Rigged Rules and Double Standards,* avers that every second daily, more than 3,900 people drink a cup of Nescafe instant coffee – Nestlé's flagship soluble coffee brand -and the company purchases more than one-tenth of the world's coffee crop. An analyst's report on Nestlé's soluble coffee business recently concluded: "Martin Luther used to wonder what people actually do in heaven. For most participants in the intensely competitive food manufacturing industry, contemplation of Nestlé's soluble coffee business must seem like the commercial equivalent of Luther's spiritual meditation"[7].

[6] Oxfam International (2002), *Rigged Rules and Double Standards: Trade, Globalisation and the Fight Against Poverty*, p. 161
[7] Oxfam International (2002), *Mugged : Poverty in Your Cup of Coffee*, p.26

But Nestlé is just one of the "Big Five" coffee roasting companies. While the Kenyan peasant receives only US$ 0.17 for a kilogram of green coffee beans (at the payment time, it is usually men that take all the money and decide what, if any to give the wife for family sustenance), at the retail end things could not be rosier. The five leading coffee roasters, packagers and marketers – Kraft, Nestlé, Proctor & Gamble (P&G), Sara Lee and Starbucks – have recently announced very huge increases in profits, even as coffee prices remain depressed.

Between the green coffee producer and the roaster (mainly transnational corporations such as the "Big Five" already mentioned), there are layers of intermediaries that skim off the gravy before it reaches the coffee producer. They go by different names in different countries and, at times, depending on which stage of the coffee conveyor belt they prey. They go by names such as *walanguzi* in Kenya and Tanzania or *coyote* in Mexico.

The first intermediary is the local trader, who owns a store. Before the co-operative movement was destroyed in Kenya, through combined assault by local corruption and globalisation, coffee co-operatives played this role. With the virtual collapse of the co-operative movement, local *kulaks*, who are able to pay farmers cash, albeit at exploitative prices now rule the roost. The *walanguzi* are part of the local elite. More often than not they are the only people who are able to provide some means of transport – most likely some pick-up van whose roadworthiness is in doubt – act as local financiers by offering local peasants loans (but usually on condition that the farmers mortgage their coffee harvest at very low prices and/or repay the loans at usurious rates of interest).

Next in the chain is the processor. Coffee beans are usually subjected to final processing before they are loaded into ships for the export markets. Processing involves the removal of the fine skin that covers each bean. To do processing expensive machinery is needed. In many countries in Africa, this is usually done by co-operative unions (comprising many co-operative societies). However, following the wave of liberalisation of the 1980s and 1990s, a number of transnational corporations are now active players also. The beans are then graded. The grading is based on shape, colour and density. Grading, too, requires the use of sophisticated machinery. Finally, the beans – still green – are packed into sacks (usually of 60 kg weight) and sent to the exporter.

From the processor, the coffee lands into the waiting hands of private exporters. These are mainly transnational corporations. Exporters have very specific roles of preparing the products in accordance with precise demands of the importer. Different roasters give different specification for their green beans order. The exporter must ensure that the right type of coffee is sent to the right importing company at the right time. As with every intermediary, the goal of the exporter is to buy at the lowest possible price and sell at the maximum price they can get.

Issues in market access that are of interest to women in developing countries include:

- Lowering of tariffs, abolition of tariff escalation and effective protection, tariff peaks and tariff dispersion across commodities and countries.
- Reducing quantitative restrictions for agricultural products of interest to women (increasing import quotas).
- Improving the rules on quota administration methods (including State Trading Enterprises) to make them more transparent, to improve fill rates so that imports are not discouraged or blocked, and to ensure access by lowest-cost suppliers.
- Limiting the application of special safeguard, anti-dumping and countervailing duties, and other contingent measures so that they are not used to unfairly restrict market access for developing country products.
- Rationalising product regulations such as sanitary and phytosanitary standards (SPS), labelling laws and other non-trading concerns, so that they are not formulated as non-tariff barriers.
- Devising rules of special and differential treatment for developing countries that would provide greater benefits from a more liberalised trading environment.

The other area of concern to women in developing countries is export subsidies on agricultural products. Like import tariffs, export subsidies do highly distort trade. As such, it was the demand of developing countries at the Cancun meeting that the WTO should act with alacrity to have them phased out. Under the Agreement on Agriculture (AoA), commitments were made on export competition based largely on explicit taxpayer-financed export subsidies.

At the time of establishing WTO in 1995, the EU accounted for around 90% of the total global explicit export subsidies, averaging US$ 6.5 billion annually. This, of course, fell below the aggregate limit of US$ 10 billion and therefore meant no big deal. Save for isolated cases of limit breaches, the commitments under AoA were met. But this was mainly due to the fact that the base period coincided with a season of low world prices and high levels of export subsidies therefore meeting the targets did not require too much effort. Loopholes also came in handy. Export taxes, used in periods of high world prices to keep domestic prices low, are not forbidden by the AoA. However, their use increases the cost of food imports for net food importing countries.

Several loopholes left by the Agriculture Agreement made it possible for developed countries to circumvent explicit export subsidy commitments. For instance, the Agreement allowed countries to designate a different period (1991-92) other than the initial 1986-90 average. In anticipation of this option, countries with financial ability increased subsidies in the 1991-92 period to artificially high levels from which to begin reductions. This practice, known as "frontloading," provided industrialised countries with an added advantage against making politically sensitive but necessary reductions.

Subsidy commitments could also be banked across years if unused, a practice known as "rollover". Rollover allowed developed countries to increase subsidies when world prices were low, thereby further depressing the world prices to the chagrin of developing country producers. These two features provided an extraordinary opportunity for countries that misused them to avoid or delay reduction commitments. Lack of cash and oversight by Bretton Woods Institutions could not permit developing countries to resort to these measures.

Three other loopholes exploited by developed countries included regulating only the total amount of the expenditures of export subsidies (or total volume) as opposed to per unit or *ad valorem* duties. This implies that there is less control over trade distortions caused by export subsidies, since the same value of export subsidy can have different effects on quantities exported, and therefore on world price. Failure to restrict per unit subsidies also allows "seasonal" subsidies where exports receive high subsidies during part of the year even though the period's total does not exceed the constraint. During the season of high subsidy, the impact on world price can be devastating to agriculture-dependent economies. The last loophole is the use of the so-called "tailor-made" product aggregation in the baseline. These are non-standardised and therefore open possibilities for circumvention. For example units used to report volumes of meat can be carcass weight or product weight, and for eggs they can be dozens, tons or tons of shell equivalents.

As if the picture above is not unattractive enough for developing countries, there are numerous implicit export subsidies that are not only very difficult to measure but also involve programmes that are sometimes of benefit to developing countries such as food aid. Food aid can have similar market effects as subsidy but is not included in the schedule of reduction commitments. While handy – indeed critical – in cases of national disaster such as famine situations, food aid has been used by developed countries as a means of disposal of surplus foods, budget support for recipient government or foreign policy instrument. When distributed outside of normal commercial distribution channels, as is usually the case, in-kind food aid disrupts the development of those channels and halts the movement of food to deficit areas from surplus regions in the country and neighbouring countries. A case in point was in 1999 when maize farmers in Kenya's Trans Nzoia district were stranded with excess crop while people were dying of starvation in the neighbouring Turkana and Karimojong districts of Kenya and Uganda respectively.

To alleviate this situation and minimise the effects of export subsidies on the world trading system as a whole and particularly on developing countries, the demands put on the table at Cancun by the latter were:

- That developed countries agree on firm deadline for elimination of export subsidies.
- That significant reductions in Most Favoured Nation (MFN) tariffs be agreed on, since reduction of import barriers will automatically strengthen disciplines on export subsidies.
- That the banking of "rollover" to subsequent years be stopped immediately.
- That all commitments should be made on a per product basis, with a uniform agreed system of classifying products.
- That opportunities for delaying or avoiding reduction commitments similar to "frontloading" be anticipated and prevented.

The Quad could not hear of the above. Instead, they sought to cushion these subsidies while demanding further commitments from developing countries on Singapore issues and across the board reduction of tariffs on non-agricultural products – mainly tariffs on industrial goods and mineral products.

In July last year, a framework was agreed to do away with distortions in international trade that is occasioned by export subsidies. However, given that the "credible end date" remains to be negotiated hope for this occurring in the near future are at best guarded. The EU, for one, has made its intention of retaining some export subsidies longer than others very clear and French Agriculture Minister, Herve Gaymard, has even predicted that export subsidies will not be eliminated until 'maybe' 2015 or 2017. Whether or not it will be possible to reduce support on a product-specific basis will be determined by the forthcoming negotiations on 'commitments and disciplines'. One should not rule out that a date very far into the future would be preferred so as to give rise to negotiations modalities that would avoid the highest subsidies being phased out the slowest.

The maintenance and enhancement of agricultural subsidies – both domestic support and export subsidies – have major adverse environmental effects on countries of Africa. This starts with the fact that due to the rendering of their exports (unprocessed agricultural products) uncompetitive, they have to increase the volume of exports. The effects start with the preparation of the soil, which depending on the topology of the area can lead to soil erosion.

The use of agro-chemicals such as pesticides, fungicides and herbicides does affect the quality of the environment both during their application and through accumulation in the soil. The burning of post-harvest residue for such crops as sugarcane leads to atmospheric pollution through the emission of CO2.

Governance and Decision-making in WTO

The multilateral trading system suffers governance credibility crisis. Hailed as the most democratic multilateral institution, where decisions are supposed to be made on consensus, failing which decisions would be by voting on a one Member-One Vote basis. This was seen to be fairer than say the World Bank where votes are weighted on members' subscription (one dollar-one vote) or the UN where some five countries have veto power over decisions of almost 200 members.

In practice, however, WTO has emerged as the most undemocratic and most opaque of the global institutions. Behind the official façade of rule-based consensus being hammered out of multilateral trade negotiations in which all WTO Members participate equally, blackmail; secretive deal-making; arm-twisting; sweet-talking gullible members; and false promises reign. Closed doors as opposed to open and inclusive sessions are the preferred mode of negotiations. Major industrialised countries often take advantage of small, ill-prepared delegations of poor countries. Graver still, such illegitimate pressures as non-compliant officials being reported to their superiors in the capitals are common. Many Geneva-based ambassadors have been recalled because of refusing to kow-tow.

Green Room sessions (exclusive deal-making night meetings by a tiny group of Members); Mini-ministerial meetings (where the Quad and a few powerful countries invite a handful vocal developing countries such as India, Brazil, South Africa and Kenya to agree to positions favouring the former); and appointment of compliant ministers known in WTO parlance as “Friends of the Chair;” as opposed to development of genuine consensus involving every member, have become the norm.

Women are even more marginalised. The highest decision organ of WTO is the Ministerial Conference, held every two years. At the 5th Ministerial in Cancun, in September 2003, only 3 of the 146 delegations were headed by women. Equally, the General Council is a men’s club – even though the current chair, Amb. Amina Mohammed of Kenya, is a woman.

Need for Alternatives to Corporate-led Globalisation

We have to stop this capital-led globalisation. The problem of Africa’s marginalisation in the globalising world is systemic and not merely structural. No amount of reform of the institutions of global economic domination and exploitation would repair the imbalances. We must therefore consciously, deliberately and in a planned manner make a complete break with globalisation – even if for a while. While some people have proposed immediate and radical break with globalisation (autarky), this could be suicidal to the continent, as the umbilical cord has been there for over six centuries. We must plan and phase our break with the dependency spiral. Strategies have to be divided into short-term, medium term and long-term.

In the present global context, the long-term vision should be an alternative development paradigm to the currently moribund TNC-led globalisation that has led to one crisis after another – financial (ala South East Asia), environmental (globally e.g. global warming, depletion of the ozone layer etc.) and political (ala Iraq, Palestine etc.). The most essential element of the paradigm shift at the economic level is to move away from export-led growth strategies as promoted by the Bretton Woods Institutions and WTO to Domestic Demand Led strategies, which will be tailored to our development needs and nurture our environment. ELG strategy subordinates human needs and human rights to corporate greed and corporate profit. DDL strategies put human needs and rights as well as sustainability at the centre of economic, political and social relations.

In the medium term, we have to embark on a deliberately planned, phased, sequenced and realistic withdrawal from this exploitative and destructive system.

This sequenced withdrawal should be based national unity, regional and continental integration with a view to re-integrating with when Africa is stronger and economically integrated.

In the immediate term, we can start delaying and slowing down the train of further integration into the global economic system to allow time and space to plan, reflect and dream. We must fight this within the system created by corporate interests.

These are some of the actions that are immediate:

- Demand review and renegotiation of some of the Agreements such as the TRIPS Agreement, particularly the patenting of life and the onslaught of GMOs on women's seed banks.
- Collect and make available statistics and information on which sectors women and men work and how they are remunerated.
- Include gender specialists in the trade negotiation teams set up for national, regional and international negotiations.
- Intensify the work with the governments of Africa and other poor countries that are attacking agricultural subsidies in the industrialised countries, particularly Europe and North America.
- Demand immediate and unconditional cancellation of debt and begin the work to establish the level and nature of reparations that Africa should be entitled to from its erstwhile 'partners.'
- Expose TNCs that trade in or use devious means to dump hazardous substances in Africa with a view to initiating the necessary dispute settlement processes against their countries of origin.
- Develop tools, targets and indicators for a systematic analysis of the links between trade and gender.
- Demand the creation of a multilateral fund along the lines of the Multilateral Fund under the Montreal Protocol for helping developing and least developed countries to acquire sound (patented) technologies – otherwise they will have no option but to breach patents.
- Demand the adoption and enforcement of policies which secure the rights of workers in general and women workers in particular.
- Demand adoption of policy measures that strengthen women's capabilities and ownership and control over productive resources.

2

CHAPTER TWO

Introduction to the WTO Agreement on Agriculture

By James Mwangi

Background

The Agreement on Agriculture (AoA) was negotiated during the Uruguay round of negotiations and came into force with the establishment of WTO in 1995. Prior to 1995, trade in agriculture did not fall within the GATT disciplines and this led to inefficiency in the markets while support to farmers became unsustainable thereby increasing tensions among members. This is mainly because countries were free to provide as much support to their farmers and this necessitated the need to bring trade in agricultural products into the multilateral rules and disciplines.

The AoA therefore seeks to regulate the liberalization of agricultural products. However its implementation did not significantly reduce protectionism particularly in the North and in some cases the agreement legitimized protection to farmers. For example, total support to agriculture in the OECD countries amounted to $350 billion in 2003 compared to the total value of agricultural production, which amounted to $681 billion over the same period. The main products affected included milk, meat, sugar and grains. This is in addition to other forms of support to producers, which include border protection measures through the use of tariffs equivalent to USD 160 billion and domestic support payments amounting to $96 billion.

Objectives of AoA

The objectives of the AoA are two fold. The short-term objective is "to initiate a process of reform of trade in agriculture" while the long-term one seeks "to establish a fair and market oriented agricultural trading system."

The AoA in a nutshell

The Agreement on Agriculture is based on three broad areas or pillars. These are market access, domestic support and export competition with special and differential treatment for developing countries being an integral part of the agreement.

Market Access

Under the market access pillar the key issue was the process of tarrification of all Non Tariff Barriers (NTBs), which refers to conversion of all non tariff measures into tariffs and binding the resultant tariffs against further increases in future.

The bound tariffs were thereafter subject to reduction commitments at the rate of 36% for developed and 24% for developing countries over a period of 6 and 10 years respectively. While most developing countries opted to use the ceiling binding approach those that undertook the tariffication process became eligible to use a special safeguard for only those products that were designated as such. In principle the agreement generally provided for ordinary customs duties to be applied with the exceptions SSG. However, Tariff rate quotas were introduced with a commitment by developed countries to provide minimum market access.

Domestic Support

The agreement defines the domestic support as the annual monetary support provided by the government to agricultural producers either for the production of specific products or more general forms such as infrastructure and research. The support is broadly classified into two main categories. First is the prohibited support that is considered to be trade distorting. Second is support with no or minimal trade distorting effects. The categories include:

- *Amber Box*- support considered to be highly trade distorting and hence subject to reduction commitments e.g. price support.
- *Blue box*- support or direct payment provided to farmers, which have no direct link to production ie, decoupled and is exempted from reduction commitments.
- *Green box*- support that has no or at most minimal trade distorting effects and hence subject to no disciplines at all e.g. research, infrastructure etc.

The reductions commitments are based on Aggregate Measure of Support (AMS), which is the annual level of support expressed in monetary terms provided for an agricultural product or non-product specific support provided in favour of agricultural producers in general. However, exceptions are provided for *de minimis* if the level of support is less than 5% of the total value of production for developed countries and 10% for developing countries.

Export Competition

Members are obliged to reduce export subsidies as prescribed in their schedule of commitments. However, those who did not indicate in their schedule of commitments undertook not to introduce export subsidies. As a Special and

Differential Treatment developing countries were exempted from reduction commitments on export subsidies for internal transport and marketing costs.

The Mandate of the on going negotiations

The mandate of the on going negotiations which started in year the 2000 is provided for in Article 20 of AoA which set forth an inbuilt agenda continuation of the reform programme by initiating negotiations one year before the end of the implementation period.

During the Doha Ministerial Conference held in November 2001, WTO member governments committed themselves to comprehensive negotiations aimed at substantial reductions in tariffs with a view to phasing out all forms of export subsides and substantial reductions in domestic support that distort trade. The declaration also provides for a special and differential treatment for developing countries to be an integral part of all elements of the negotiations.

Key Dates in the Declaration

The Doha mandate gave specific time frame for the negotiations and members were expected to agree on the formulas and other "modalities" for specific commitments: by March 31 2003 and thereafter prepare comprehensive draft commitments by 5th Ministerial Conference, held between 10–14 September 2003 in Cancún, Mexico. The overall deadline for conclusion of the negotiations was January 1 2005, and was to be considered as part of single undertaking.

The Road to the July Framework

However, during these negotiations major differences among members has continuously derailed the possibility of achieving compromise on key issues of tariff reduction formula, domestic support and export subsidies which would have enabled the process to move forward line with the Doha Development.

The negotiations have mainly focused on the three pillars of the Agreement on Agriculture, which are market access, export competition and domestic support while special and differential treatment remains a key concern to developing countries.

Following the failure of the Cancún Ministerial Conference, the Ministers instructed the Chair of the General Council to undertake intensive technical consultations in Geneva to enable members to arrive at an agreement by December 2003. This was not achieved and intensive consultations continued in 2004 both in Geneva and capitals involving political support thus paving way for the July Framework Agreement adopted by WTO members at the level of the General Council on August1st, 2004.

The July Framework Agreement and the Current State of Play

Annex A, of the July Package provides the "Framework for Establishing Modalities in Agriculture," and gives some shape to the modalities that will emerge from the next phase of the negotiations. It describes key features of the modalities without going into detail. For example, it does not spell out the exact formulas to be used but only the underlying principles and it does not include most of the figures that will eventually be used to determine precisely how much reform is to be achieved.

Market Access

The members agreed on a tiered formula (tariff bands) approach to reduce tariffs with progressively to be achieved through deeper cuts in higher tariffs. All members will be allowed to select a number of tariff lines, which will receive flexibility in tariff cuts, provided that access is improved for all products. On the other hand, developing countries will be allowed to designate an appropriate number of Special Products based on food security, livelihood security and rural development while a special safeguard mechanism shall be established for use by developing countries. However, a number of issues were left out for negotiation in the post framework phase e.g.

- Number of tariff bands and thresholds and formula for each tariff band.
- Ways to address tariff escalation and tariff simplification.
- Fullest liberalization of all tropical products and products for diversification from growing illicit narcotic crops.

As an S&D treatment developing countries will be given flexibility with respect to tariff cuts, lesser tariff reduction or TRQ expansion commitments and longer implementation periods while the issue of the importance of long-standing preferences is recognised.

Domestic Support

The July framework introduced the following reduction commitments in domestic support:

- Reduction of Total Aggregate Measurement of Support (TAMS) and *de minimis* and a cap on the blue box at 5% while the green box criteria will be reviewed;
- The framework provides that there will be substantial reduction in the Total Aggregate Measure of Support (TAMS) and overall reduction using a tiered formula to achieve a harmonizing effect;
- Down payment of 20% of Overall Trade Distorting Support reduction at the beginning of the implementation period;
- The relation of these two tracks of reduction to each other has not been determined in detail but the text implies that the overall reduction may fall short of the sum of the reductions of its components or may lead to further reduction;
- In addition to TAMS reduction product-specific support will be capped and in some cases reduced; and
- *De Minimis* has to be reduced but the text does not say by how much. However, developing countries, which allocate most of their support to poor resource farmers, will be exempted from reduction commitments.

Cotton initiative

- The issue of the Cotton Initiative to be addressed ambitiously, expeditiously and specifically within the agricultural negotiations.

Export Competition

The framework commits members to eliminate export subsidies by a specific credible end date to be agreed and this was considered a major achievement.

Other notable achievements included;

- Export credits, export credit and insurance programmes with repayment beyond 180 days;

- Credits, credit and insurance programmes that do not conform to the disciplines to be agreed;
- Trade distorting practices of Exporting State Trading Enterprises;
- Export credits, export credit and insurance programmes with repayment of 180 days and below; and
- Food aid has to conform to disciplines that prevent commercial displacement; and open questions on monopoly powers of State Trading Enterprises (STEs) and role of international organizations in food aid.

The Key Players in the Negotiations

(i) Multifunctional Group (EU, Japan, Korea, Norway, Switzerland, etc)

- These countries have taken a defensive stand in the negotiations and support progressive approach to the reform process of the agricultural sector.
- Thus, they prefer the Uruguay Round formula to reduce the bound tariffs and also maintenance of the special safeguard mechanism to protect their agricultural sectors.
- Non-trade concerns of priority to them include animal welfare, agricultural landscape, food safety, geographical indications, labelling of GMOs.

(ii) Cairns Group (Australia, Canada, South Africa)

- These countries are major agriculture exporters who favour trade liberalization. They have submitted proposals, which seek substantial reductions in bound tariffs through the application of the Swiss formula with a coefficient of 25. They propose that the tariffs should be reduced subject to a maximum of 25% in developed countries.
- They are also recommending improvement of the Tariff Rate Quota Administration and elimination of the special safeguard mechanism, elimination of Blue Box Measures and tightening of disciplines related to Green Box Measures.

(iii) United States

- The US is a large exporter of agricultural products which favour trade liberalization including products originating from genetically modified organisms (GMOs).

- They also support the use of the Swiss formula to harmonize the high tariff.

(iv) Developing Countries

- This is the most heterogeneous group with diverse interests in most areas. Their priority is to address the inequities in the current agreement with emphasis on special and differential treatment and non-trade concerns such as food security, poverty alleviation and rural development.
- They favour improved market access, immediate elimination of export subsidies and phasing out of domestic support in developed countries.
- Notable among them is the African Group and the G 33, which tabled a detailed proposal on Special and Differential treatment and domestic support.

Road Map to Hong Kong

- Members were working towards a first approximation of modalities before the end of July last year.
- The draft modalities were expected to be presented to Ministers for adoption during the 6th WTO Ministerial conference.
- However, members are still divided on key issues and success of the conference will largely depend on the progress of the agriculture negotiations.

Key Issues and opportunities for the AoA

- Enhancing market access for Kenyan products through reduction of tariffs and NTBs and other distortions in international trade i.e. domestic support and export subsidies through reform.
- The results of the negotiations are expected to give a boost to agro processing though production of value added products once the issue of elimination of tariff escalation is addressed.
- The negotiations have recognised the importance of safeguarding the livelihood security of poor farmers and promoting food security and therefore the framework has incorporated the concept of Special Products and Special Safeguard Mechanism.

- The issue of erosion of preferences is a major concern for developing countries and safeguarding the value of preferences remains will have to be resolved.
- The proposed special and differential treatment provisions seek to give developing countries the necessary flexibilities to continue maintaining the policy space to protect the local farmers through less reduction commitments.

Kenya's Agricultural Strategy Vis-à-vis the Agreement on Agriculture

By Elizabeth Mueni Kiio

Background

Agriculture in Kenya, like in many developing countries, is still the dominant sector in the economy. The sector contributes 25% of GDP and is estimated to contribute another 27% indirectly through linkages with other sectors. It also contributes about 45% of government recurrent revenue and 75% of industrial raw materials while contributing employment opportunities to about 77% of the population (GoK 2003; MOALD 2002).

In Kenya, there is a direct positive relationship between growth in the agricultural sector and that of the entire economy. It seems that whenever the agricultural sector has performed well, the economy also performs well. Any key factors that affect growth of the agricultural sector will thus affect the growth of the overall economy and would have an impact on the poverty levels (Omiti and Obunde 2002).

From a gender perspective, women dominate agricultural activities in the rural areas and therefore any effects on the sector would have direct impact on their livelihood. The increasingly poor performance of the sector from the 80s has therefore seen many women and children leave the rural areas for the urban centers in search for greener pasture which has resulted in a number of them ending up in the streets as beggars, prostitutes or entering into exploitative employment. This phenomenon has led to a decrease in agricultural production resulting in the increasing cases of food insecurity in the country.

Past Agricultural Policies

In the 1960s, the Government formulated and implemented policies that promoted active government participation in various sectors of the economy. This included participation in production, marketing and investment. The state determined what was to be produced and sold at particular price regimes. In order to implement these policies, state corporations were formed to market products for farmers. The National Cereals and Produce Board (NCPB), the Kenya Cooperative Creameries (KCC) and the Kenya Meat Commission (KMC) were involved in marketing of cereals (maize, wheat, rice, etc), dairy and meat products, respectively. During the 1960s and 1970s, production of various agricultural products including: cereals, dairy and meat, increased dramatically due to a supportive enabling environment including stable and predictable prices that these state corporations offered to farmers.

However, these policies were abandoned in the 1980s and market liberalization policies mooted by the World Bank and the International Monetary Fund under the Structural Adjustment Programmes (SAPs) were adopted. These new policies were summarized in the *Sessional Paper Number 1 of 1986 on Economic Management for Renewed Growth* with a sharp focus on price decontrols and promotion of the private sector participation in marketing of agricultural commodities. This included privatization and commercialization of some of the key state corporations. Complete decontrols were implemented for many commodities including cereals, sugar and dairy.

Kenya, among other developing countries, had therefore already adopted liberalization by the time of the Uruguay Round. In this regard, Kenya has therefore time and again, called for the negotiations on Agriculture to take into account unilateral liberalization measures that countries had undertaken long before the Uruguay Round and that these countries should not be required to liberalize more than their economies can withstand. On the other hand most developed country governments still provide investment, production and marketing support to their farmers.

National Agricultural Policies

Despite these policy and practice changes in Kenya, the current National Food Policy emphasizes internal food security and food self-sufficiency through maintenance of the strategic reserves of key commodities, particularly maize. This is still a contentious issue in policy circles. The Government recently formulated the Strategy for the Revitalization of Agriculture and the Economic Recovery Strategy Paper (ERSP), both of which recognize the need for attainment of national food security. The need to empower all households to have resources to access adequate and nutritious food all year round has been echoed in many emerging policy forums, however the attainment of this in the face of total liberalization has proved to be an uphill task.

The *Strategy for Revitalizing Agriculture* aims at providing a broad policy blueprint to support the reorganization of Kenya's agricultural sector, which has been faced by a rapid decline over the last decade. It builds upon earlier policy papers principally the Economic Recovery Strategy (ERS) and the Poverty Reduction Strategy Paper (PRSP). However, in contrast to these earlier policy papers, the *Strategy for Revitalising Agriculture* establishes key parameters for the sector's growth and outlines specific sectoral initiatives at the heart of guiding the revitalization process.

Through this strategy the government's policy priorities are outlined within the context of reviving and sustaining economic growth, supporting employment creation and poverty alleviation. The broad aim is to restore the sector's profitability and viability as a source of gainful employment to smallholder farmers.

This strategy has significant implications for smallholders because its intent for better-targeted growth in agriculture is critical to overall economic and social development. This is particularly important in view of the structure of Kenya's population, which is predominantly rural (80 per cent), poor and dependent on agriculture. Of these, women are responsible for 60-80% of the agricultural production in rural areas, yet benefit least from this undertaking. Subsistence farming and pastoralism dominate the agricultural sector. Over half of Kenya's population living below the poverty line is either engaged in subsistence farming or pastoralism, which implies that re-engineering growth in the sector is an important prerequisite to poverty eradication.

The strategy anticipates fundamental policy change in the legal, institutional and regulatory framework. A significant departure from previous policy frameworks is its emphasis on a market-oriented agriculture based on an adoption of modern farming practices and an increased integration of subsistence agriculture to other sectors of the national economy.

Njaa Marufuku Kenya (NMK) process, which is Kenya's response to the UN Secretary-General, call for a uniquely African Green Revolution for the 21st Century. The President of Kenya commissioned the Ministry of Agriculture to set up a Secretariat to produce a ten-year plan of action to create a uniquely Kenyan Green Revolution and to attain the Millennium Development Goal 1– A Call for Action to Eradicate Hunger in Kenya on halving the proportion of Kenyans who suffer from hunger by the year 2015. He also allocated Ksh. 80 million to the Ministry of Agriculture to develop and begin implementing the Njaa Marufuku Kenya.

The NMK Secretariat has been working with many partners, including the MDG Centre, the FAO and other government ministries to develop this plan. Underlying principles of the NMK include facilitating effective community participation and ownership, and scaling up of science-based investments from pilot projects to national-scale programmes. A key part of the plan is to tackle hunger by investing in the front end of the food production chain, in fertilizers, agro forestry, small-scale water management, improved seeds, etc., instead of focusing on the final stages (i.e.: distribution of food aid). Discussions on how these investments should be made have been taking place since then. The following are the identified recommended actions:

1. Government with its development partners creates a financing mechanism for investing in farm inputs - such as fertilizer, high-value seed crops, agro forestry, improved livestock breeds, and implements for small scale water management - to enhance access and affordability and create incentives to poor farming households suffering from chronic hunger.
2. Government creates an operational mechanism which includes the following:
   - Determining the input needs to be stocked in terms of quantity, type, place to be stocked, and timing of delivery.
   - Creating a loan or credit guarantee facility at district level for agro dealer stockists or NGO/Cooperative Organizations in areas that do not yet have stockists;
   - The government in collaboration with farming communities and private sector groups, develop guidelines for identifying and targeting eligible farm households;
   - Village committees and extension workers link beneficiaries with stockists through technologies such as smart card/vouchers that have digitised information that includes their eligibility for specific amount of inputs and photo ID;
   - System whereby farmers can redeem vouchers at the stockists with information registered on the smart cards be established;
   - Train extension workers on ways to verify that inputs have been used appropriately and recorded in the smart cards/vouchers;
   - A mechanism whereby stockists redeem vouchers at the financial institution for either cash or to repay loans be established.

3. Government supports output markets in the districts through the following actions:

   - Determine the type of marketing support required at the community level, such as community level bulking structures, transportation, storage facilities, etc.;
   - Supports initiatives such as cereal banks, warehouse receipt financing, community abattoirs and marketing systems;
   - Through consultations with the private sector, ensure quality and setting of standards;
   - Invests in measures designed to increase access to market and trade information/intelligence;
   - Support programs that strengthen linkages between markets and buyers;
   - Together with farmers associations and private sector groups, promote the effective utilization of the National Cereals and Produce Board storage for smallholder farmers.

4. Government invests in capacity building in support of the above recommendations through consultations, training, technical backstopping, and producing extension materials. Programs are created with input from local communities and the private sector, gender dimensions are incorporated, and actions implemented in local languages. Access to information is increased throughout the entire production chain, which includes the retailers, bankers, distributors, farmers, farmer's organizations, dealers/stockists, women's, youth's and volunteer groups.

5. Review and propose updates of the policy/legal framework to facilitate investment by development partners and participation by the private sector in increasing targeted investments in farm inputs, and submits recommendations to higher authorities.

6. Develop a comprehensive monitoring and evaluation system to minimize leakages, reduce transaction costs, ensure achievement of set targets and provide feedback for improvement.

These activities can be supported by additional allocations from the Government and its developing partners, particularly through the proposed National Accelerated agricultural Input Access Program for Kenyan Farmers (NAAIP).

The implementation of these strategies is expected to contribute towards the revitalization of Agriculture in this country and therefore the creation of wealth.

However, the question is: Will Kenya be able to implement these measures and realize the benefits in this era of increased pressure from donors and the major trading partners to open up its markets and to reduce government intervention in agricultural investment, production and marketing?

The Agreement on Agriculture vis-à-vis Kenya's agricultural plans

The Agreement on Agriculture was formulated to ensure fair trade in Agricultural products. However, with time this Agreement is now accused of failing to serve the purpose for which it was intended – identifying and eliminating market distortions provoked by farm and export subsidies and reducing market access barriers. In the longer term, it will need to be reformed radically, in parallel with the reform of national agricultural policies in the US, the EU, Japan and a number of other developed and developing countries. Rich countries' legal capacity to keep socially and environmentally friendly subsidies in place, will largely depend on their capacity to prove these are not trade distorting. So far, the structure of the boxes and the allocation of subsidies among them are largely arbitrary.

Despite efforts by WTO to reduce dumping into the world market and commitments by all member countries to do so, available evidence show that developed countries have instead been increasing levels of subsidies. By the end of 1990s, the EU had increased agricultural subsidies by over US$ 5 billion in just 10 years. For specific commodities, in 2001, EU's export subsidies for whole milk powder was 60% while that on butter was 136% of the international market price of the same (OECD, 2001; Oxfam 2002). In 2002, agricultural export subsidies under the EU Common Agriculture Policy (CAP) amounting to 46.5 billion Euros. This accounts for up to 90% of world's export subsidies (Oxfam 2003).

Export subsidies for various agricultural commodities of the US have been increasing. The level of subsidy was computed using the export prices on one hand and the cost of production, government subsidies to inputs and transportation on the other. These estimates exclude the larger sums of income support that the US Government provides to its farmers. By the end of 2001, export subsidies for wheat, maize, rice and cotton stood at 44%, 33%, 22% and 57%, respectively (IATP, 2003). The level of support to farmers (subsidies) are expected to rise even further with the enactment of the Farm Bill which will increase agricultural subsidies over the next decade by 80%. The US and the EU therefore have the highest level of subsidies to the agricultural sector (Riley 2003).

It has been argued that unfairly priced imported goods have the potential to scuttle domestic competitors. Subsidized goods also have the potential of substantially suppressing international market prices. Consequently, producers in other countries where no subsidies are paid are thrown out of business through unfair trade practices. In agriculture-dependent economies, farmers are deprived of their natural source of employment as has been reported in Jamaica, Mozambique, India, Burkina Faso and Philippines (IATP 2003; Oxfam 2002). It is therefore probable that many women farmers in a developing country like Kenya, who mainly engage in the floriculture and horticulture export industry, will suffer greatly from such subsidy measures, since their foremost markets are within the European Union.

Experience from sub-Saharan Africa show that dumping can destroy even viable economic enterprises. Cattle sub-sector, for example, was vibrant in Burkina Faso and Cote d'Ivoire until beef dumped by the EU undermined them. The same applies to the sugar and dairy products in Mozambique, India and Jamaica.

The provision for imposing anti-dumping duties on affected commodities has been given under Article VI of the General Agreements on Tariffs and Trade (GATT). However, this has not benefited poor nations, as they have to contend with burden of proof to establish the existence of dumping and to quantify the same. In particular, the rules of imposition of the anti-dumping measures makes it complicated for developing countries to demonstrate injury to the sector involved. Moreover, if the affected communities are spread over a large geographical area, the exercise of proof is slow, expensive and almost impossible.

Most agricultural subsidies induce farmers to increase production thereby flooding the world market with cheap products and, in particular, result in export of the products at prices below the cost of production. Consequently, producers who are not provided with subsidies are eventually and painfully pushed out of the market.

Agriculture in many developing countries still remains the main avenue for employment creation and cannot be ignored. The close linkage between agriculture and other sectors in Kenya is crucial e.g. sectors such as manufacturing will not grow if agriculture continues to stagnate or deteriorate. Specific growth targets have been set for various commodities. Rice is expected to be one of the major sources of growth. It is, expected to register an average growth rate of about 8% per annum. The sugar industry is expected to register an average growth rate of 6.5%. Massive expansion of production of these and other commodities will be pursued during the next five years (2003-2007). These would provide more income-earning opportunities and therefore contribute to food security and wealth creation. This is a tall order but can be achieved if surges of cheap imports are reduced and domestic support measures such as extension, research and information management are provided with the requisite public support. Other measures include creation of enabling policy environment and improvement of socio-economic infrastructure.

With increased liberalization it is envisaged that there will be an increase of cheap imports, and possibly subsidized imports, which will seriously affect domestic production. Cheap subsidized food imports are a key factor in the national food security debate. As price of imported food drops, it would be argued that retail prices will be substantially low thus making food accessible, especially to the poor (Chatterjee 1999). This would result in an ironic situation for a developing country like Kenya. On the one hand, the cheaper food imports will greatly benefit the Kenyan woman, who daily struggles to put food on the table for herself and her family. At the same time, the cheap imports of food will hamper the same Kenyan woman small scale farmer, who tills her small ½ to 1 acre piece of land and sells the harvest at the local market to buy her manufactured necessity items. It will ultimately seem like the initiatives to encourage the setting up of small scale, income generating agricultural enterprises intended to alleviate poverty, will face a bigger challenge of competitive cheap products facilitated by liberalization.

Note however, that the nature and magnitude of the impacts of food imports depend on the nature of the economy. If the economy is less dependent on agriculture for employment, then liberalization will be a blessing. However, for developing economies like Kenya that are agriculture-dependent, the influx of imports would result in considerable injury or collapse of the agricultural sector. In such an eventuality, many households will have no sources of income. Kenya, has registered some notable effects from surges in cheap food imports.

AOA policy proposals

Basically, a new agreement on agriculture should bear the following issues:

Promote food security in developing countries

Agriculture plays an essential and irreplaceable role in guaranteeing both food security and a source of income for two thirds of the worlds poor. It is also key in terms of affecting the provision of other social and environmental public goods. No meaningful effort to achieve the MDGs can succeed without addressing the problem of rural poverty and the implications of trade rules on it. Liberalisation can have very different distributional outcomes but poor farmers, majority of whom are women farmers, often bear the brunt of adjustment costs associated with liberalisation while richer farmers and companies capture the majority of the benefits. At the same time, many of these poor women farmers encounter double jeopardy for the simple reason that their access to credit (to counter the aforementioned adjustment costs) is greatly hampered for reasons of gender alone. For these reasons, the agricultural sector has an exceptional nature, which must be recognised in trade agreements.

It is clear that a one-size-fits-all approach to agricultural trade will put developing countries further behind and endanger poor people's livelihoods and food and income security in developing countries. To this end at least the following elements and characteristics should be introduced in the WTO's Agreement on Agriculture (AoA) and any other trade agreement:

End agricultural export dumping.

Balanced trade agreements will prevent industrialised countries from dumping their subsidised surpluses, depressing world market prices and undermining local and third markets. In order to prevent dumping, the final agreement should contain the following elements that promote:

1. The elimination of export subsidies from food aid programmes through more specific guidelines for WTO compliance and reinforced monitoring capacities of the UN Food and Agricultural Organisation.
2. Strong disciplines regarding domestic subsidies that have an effect on production and international trade.
3. As a rule, subsidized products should not be exported, unless subsidies are minimally trade distorting.

4. In order to avoid dumping practices, products exported must reflect the real cost of production. Countries must establish a transparent information system where production costs are properly calculated.
5. Until trade-distorting support is effectively eliminated, developing countries should have the right to levy additional duties equivalent to the dumping level of the imported products.

Ensure reasonable levels of market access to rich countries for developing country agricultural exports.

When farmers have opportunities to produce for global markets they are often able to boost and diversify their income, create employment opportunities and reduce vulnerability. However, the benefits for poverty reduction of agricultural trade are not automatic. Export agriculture can exacerbate commodity dependence and inequalities if it doesn't take place in the adequate economic and political environment (in particular guaranteeing access to resources and income distribution, a key problem for many women in developing countries).

Negotiations should allow developing countries to secure a share in agricultural trade commensurate with their development needs. Priority areas are:

1. Immediately eliminate all tariff escalation on products exported from developing countries.
2. Trade rules should not inhibit national and international supply management measures and/or price mechanisms where these are needed to ensure fair prices for poor producers.
3. Simplified rules regarding Sanitary & Phytosanitary Measures (SPS) Technical Barriers to Trade (TBT) and rules or origin, which impede on poor countries' capacity to take advantage of market access opportunities.
4. Need to address the problem of the erosion of preferences. Beneficiaries must be given time and technical assistance to adjust to new market conditions and diversify their economic activities.
5. Promote a socially and environmentally sustainable rural sector.

Domestic agriculture can provide society with food and public goods (such as preservation of the environment and rural development) that the market does not pay for. Hence, governments should have the right to protect agricultural production in a way that guarantees the provision of such public goods.

Ensure socially and environmentally sustainable practices in the agro business sector

Multinational companies involved in the agricultural and food sector should recognize their social and environmental responsibility. They should pay remunerative prices that keep farmers out of poverty. They should commit themselves to providing terms of employment and working conditions that comply with international standards and national laws. Through their business practice and their advocacy, they should also actively promote sustainable development, social and gender equity and improved working conditions in agricultural production and trade.

Conclusion

It is important that gender disparities be recognized as having the potential of dis-empowering women who are mainly at the primary level of production in agriculture where most exploitation is experienced. It is therefore imperative that agricultural policy recognizes the role played by women and challenges they face in their day-to-day activities as they contribute to nation building through agriculture. Policies should therefore seek to promote benefits across the board right from production to the market; in order to address the issues of equality and equity. It is useful that negotiations seek to incorporate gender sensitive policies, which in essence would have far reaching implications on increasing productivity therefore food security, employment and rural development and economic development by extension.

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CHAPTER THREE

The Economic Partnership Agreements: Implications for Kenya's Agricultural Sector"

By Dan Owoko

Historical Account of the Lome/Cotonou Agreement

The relationship between the African Caribbean Pacific (ACP) countries and the European Union (EU) can be traced back to the Treaty of Rome signed in 1957 establishing the European Economic Community (EEC). The initial agreements signed between the ACP and the EEC countries were the Yaounde I in (1963 – 69) that was between the Franco-phones and the EEC.

United Kingdom did not join the European Economic Commission until 1973 when former colonies also joined the ACP group. This culminated into Lome I (1975 – 80) signed between a mix of 46 both Franco and Anglophone countries and 9 EEC member states. Lome I was succeeded by three more consecutive conventions i.e. Lome II 1980 –85, Lome III 1985 – 90 and Lome IV 1990 – 95, whose stated objective were to foster the development of the colonies and the overseas territories. Updated every 5 years from 1975, the conventions were to govern the relationship between the ACP countries and the EEC for the next 25 years.

It is notable that under the 4 successive Lome Conventions, the EU granted preferential trade regime to ACP countries mainly through trade preferences, commodity protocols and other instruments of trade co-operation i.e. financial and technical assistance. The financial assistance component provided predictable aid flows for a 5 year period. Article 1 of the Lome Convention reiterates the purpose of the trade cooperation as being to promote trade between the contracting parties it takes into account their respective levels of development and in particular the need to secure additional benefits for ACP states, in order to accelerate the rate of growth of their trade and improve accessibility of their products to the EU market, to ensure a better balance of trade. The convention also addressed the phenomena of export earnings stabilization through the introduction of the stabex scheme for agricultural products such as cocoa, coffee, groundnuts and tea. However, Lome II introduced an equivalent (sysmin) for states that were heavily dependent on numeral resources.

In addition to these, specific commodity protocols that guaranteed prices and quantity were agreed on with regard to cane sugar, beef and veal bananas and rum. Kenya was granted 142 tons of beef and veal and 5000mt of cane sugar.

Main Elements of Cotonou Agreement

The successor to Lome IV was signed in Cotonou (Benin) on June 23rd 2000 as a comprehensive aid and trade agreement to last for 20 years, with revisions every 5 years. The central objective of the agreement was the 'reduction (and eventual eradication of poverty while contributing to sustainable development and gradual integration of ACP countries into the world economy.'

However, conditionality for continued co-operation included respect for human rights, democratic principles and the rule of law. Under the Cotonou Partnership Agreement, only the least Developed Countries (LDCs) within the ACP group will maintain non-reciprocals preferences which will be maintained until December 31st 2007 during which time countries are expected to negotiate and conclude reciprocal Economic Partnership Agreements (EPAs) between themselves (as individual countries or regional groups) and the EU. However, beyond the key objective, the main principles as agreed in the roadmap are:

1) EPAs must be instruments for development that contribute to foster the smooth and gradual integration of the ACP states into the world economy.
2) EPAs must support regional integration initiatives existing within the ACP.
3) The ESA/EPA will build on the Lome acquis with a view to improving on the current level of preferential market access into the EC.
4) EPA negotiations will be WTO compatible.
5) Economic and trade co-operation shall take account of the differential needs and levels of development in ESA countries.

What the EPAs are all about

In the Cotonou Partnership Agreement, the EU and the ACP countries agreed " to conclude new (Art. 36.1) World Trade Organization (WTO) compatible trading arrangements, removing progressively barriers to trade between them and enhancing cooperation in all areas relevant to trade." Article 37.1 states that such cooperation will take the form of an Economic Partnership Agreement.

However, to be WTO compatible, EPA's will take the form of a Free Trade Area (FTA). Although non-discrimination is a key principle of the WTO, its permits members to form FTAs and allows for members of regional trading blocks to offer more favourable trade terms to other meters without extending the same to other WTO members. The attainment of the FTA will be done gradually and asymmetrically starting at the earliest in 2008. It is therefore expected that the EU will provide market access similar to that under the EBA initiative while ACP states will be expected to reciprocate by allowing products into their markets.

The WTO compatibility in the proposed EPAs arrangements will be achieved through the transformation of Lome preferences into FTAs in accordance with Article XXIX of GATT/WTO agreements. The CPA proposes FTAs which will involve a liberalization of "substantially all trade between the two parties over a "reasonable period of time," taken to be 10 – 12 years.

EPAS and Agriculture Negotiations

One of the major challenges faced by the Lome conventions was their incompatibility with the MFN principle of the WTO. Two options were available to the EU, either renegotiate a new WTO compatible framework under GATT article XXIV with ACP states or extend the preferential access to all developing countries.

The EU chose to renegotiate a WTO compatible agreement and both parties jointly sought waiver from the WTO Ministerial Conference in Doha in November 2001 and lasting upto December 31st 2007.

Hence the 1st phase of EPAs negotiations were formally launched in September 2002 in Brussels with the ACP group preferring a longer phase of upto 2004 taking into account events that had a bearing on the negotiations i.e. the conclusion of the Doha work programme in 2004, review of the EU GSP and enlargement of the EU. The second phase was launched in February 2004 by the 16 ESA countries namely Burundi, Comoros, DR Congo, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Mauritius, Rwanda, Seychelles, Sudan, Uganda, Zambia and Zimbabwe with a road map and mandate to guide the negotiations.

Under the agreed negotiating mandate between ESA and EU in Agricultural sector, it was agreed that the negotiations take account of the DDA and the negotiations in the WTO and in particular with regard to issues relating to long standing preferences, development, trade distorting measures particularly domestic support and export subsidies, food security, livelihood and strategic products. Equally, the impact of the reform process of the CAP including the issues of subsidies will be taken into account with a view to putting in place instruments and mechanisms that will safeguard the derived benefits. (Article 27 of the negotiating mandate).

According to Article 28 of the negotiating mandate, the ESA countries will also negotiate:

i) Improved SDT to ensure the increased flexibility needed for implementation of an EPA.

ii) The preservation of the benefits obtained under EBA to ESA LDCs.

iii) The preservation and improvement of existing market access of ESA states while taking into account existing commodity arrangements, time frames, tariff reduction percentages and the need to limit loss of ESA benefits resulting from the erosion of preferences.

iv) Specific agricultural safeguards, given the sensitivity of agriculture.

v) A programme to build capacity in the agriculture sector.

vi) Commodity agreements for the importation into the EU of part of the ESA production of commodities in order to ensure a fair remuneration to ESA producers and a mechanism to provide an insurance to absorb the volatility in prices of commodities.

vii) Terms and conditions for the implementation of Article 36.4 of the Cotonou Agreement at the all ACP level within the existing structures upon completion of the negotiations under the Doha Development Agenda and the Reform of the EU sugar regime.

Under phase I of the negotiations, Agriculture and Fisheries were handled together although this phase was concluded without any substantive agreement. However in the phase II, cognizant of the importance of two sectors, Agriculture and Fisheries are being negotiated as separate clusters with Malawi as the Ministerial head spokesperson and Mauritius as the head Ambassadorial spokesperson.

EPA negotiations and agricultural are just beginning. At the Regional level the first session on Agriculture was held in Harare, Zimbabwe between April 28th – 30th 2005 to consider and exchange views on the following issues:

i) Overview of Agricultural Trade between ESA countries and the European Union.

ii) Market Access issues

   a) Tariff related market access

   b) CAP reform

iii) Subsidies and Preference erosion

iv) Agricultural subsidies in ESA –EU trade

v) Standards and SPS measures

vi) Consideration of negotiating positions

The most notable conclusion of the Harare meeting was the recommendation to constitute a multi-disciplinary group of experts with at least one expert from each ESA country. This group, which will be the Agricultural Support Team (ATST), will work with lead spokesperson in the agricultural negotiations with the EC.

The second dedicated session is on going in Nairobi, Kenya and has agreed provisionally on the following negotiating positions:

Market Access

1. A binding commitment on duty-free market access for all products from ESA countries to be granted and implemented immediately, on a secure, long term and predictable basis, with no restrictive measures introduced taking into account existing Commodity Protocols (re LDC Livingstone Declaration and Article 37.9 of the Cotonou Agreement).

2. Realistic, flexible and simplified rules of origin, certification and inspection requirements and technical and safety standards.

3. Modalities to address the concerns of ACP countries, in particular those LDC's, small island developing States (SIDS), land-locked countries, net food-importing and heavily indebted non-LDCs, small economies and single commodity producers as well as non-trade concerns such as rural development and the preservation of the environment.

Sanitary and Phytosanitary Measures

4. To develop a mechanism for co-ordination, consultation and exchange of information as regards notification and application of proposed SPS measures, whenever these measures might affect the interest of the ACP.
5. Phasing in of the measures needed under the Food and Feed Control Regulation 882/2004, which takes into account of the technical and financial ability of ESA countries to comply. This provision should be used to request both a reasonable length of time for adaptation and for the supply of all relevant assistance necessary to comply by the end of the "phased" period.
6. To secure support for capacity building initiatives for the ESA so that they can take appropriate measures so as to minimize the extra costs placed on ESA producers and exporters to comply with EU SPS measures.

Technical Barriers to Trade

7. Implementation of an agreement to cooperate in standardization and certification with the intention of promoting compatible systems between the EU and the ESA region in conformity with the WTO TBT Agreement and the Cotonou Agreement (Article 47.2).

Commodities

8. Creation of a Transitional Adjustment Facility to allow countries time and resources to make the necessary adjustments for reducing margins of preferences, such as on sugar.
9. Development of the proposal by the President of France in his Trade Initiative announced on February, 21st 2003 during the France-Africa Summit, for the conclusion of a number of commodity agreements under the EPAs for the importation into the EU of part of the ACP's production of commodities like cocoa, coffee and tea at guaranteed prices so as to ensure a fair remuneration to the producers.
10. The development of an insurance mechanism to absorb price volatility help and develop complementarily between the EU temperate agriculture and the ACP States tropical agriculture so as to enable latter export to the EU their products under preferential terms and conditions.

Development

11. Financing of a programme, which will allow each ESA country to carry out a comprehensive audit (and costing of the remedial measures) of their deficiencies vis-à-vis food control systems. This should also take place on a regional level after the work at the national level has taken place. These audits should focus on the public sector where, for example, resources are needed for training of trainers and upgrading and accreditation of laboratories. It should not ignore the private sector where growers need assistance to find adequate substitutes for pesticides being withdrawn under the EU Review Programme or to fund the compilation of dossiers for chemicals which are being withdrawn purely for commercial rather than health reasons.
12. Provide assistance to the COMESA Secretariat to examine what activities, such as testing/certification, could be carried out more cost effectively at a regional level and cost the establishment of a regional reference laboratory to act as a center of excellence and provide support to national laboratories. Precisely what functions might be usefully carried out at a regional level will only emerge from the national audits.
13. Provide assistance to all ESA members to undertake a stocktaking exercise and from this a composite idea of what size and nature of assistance is needed can be developed.
14. The COMESA Secretariat, working with national authorities, prepare a list of capacity needs and their related costs both on a regional and national basis. Criteria for the identification of priority areas will then be prepared and a decision made on how regional establishments could be distributed on a reasonable and commercial basis.
15. The implementation of a special safeguard mechanism (SSM), which would allow ESA countries to temporarily stop imports when there are sudden import surges or price collapse.

Principle of Equitable Treatment

16. In the reform of the Common Agricultural Policy relating to agricultural products covered by Protocols and EBA, the ESA States concerned should be accorded the same treatment as SU farmers in order to maintain and safeguard the benefits they derive from exports under these trading instruments.

On Kenya's preparations, several sub-sectoral and commodity studies have been undertaken to be inform the negotiating team the best positions to take. They include the following:

1) Horticultural Exports to the EU under EPAs.
2) Study on Livestock exports to the EU under EPAs.
3) Study on Tea Exports to the EU under EPAs-proposals for EPA negotiations.
4) Study on Sugar exports to the EU under EPAs.
5) Study on Coffee exports to the EU under EPAs.
6) Study of EU Agricultural goods exports to Kenya including products where the EU maintains subsidies.
7) Study on the effects of EU's Common Agricultural Policies (CAP) on prospects for Kenya.

Most other countries in the ESA configuration had either been very slow in undertaking similar studies or lacked the resources to do so. This gave Kenya the leverage of heavily influencing the respective negotiating positions outlined elsewhere in this paper.

General challenges faced in the EPA's negotiations

1) The most basic challenge facing these negotiations is ensuring that EPAs actually achieve the anticipated objectives.
2) The ESA group comprises 16 members out of which 12 are LDCs and 5 have not yet acceded to WTO membership. This poses the challenge of reconciling varied interests.
3) Cotonou has set among its objectives the promotion of regional intergration and ESA configuration is only for negotiations. However, the membership of ESA overlaps into 5 regional groupings: SADC, COMESA, EAC, IGAD, and IOC.
4) The challenge of meeting 'reciprocity' will have far reaching economic and fiscal implications on most ESA economies depending on the extent of asymmetry of product coverage and the timetable for phasing in of tariff elimination.

5) EPAs are supposed to be WTO compatible to the provisions of article 24 of the GATT. However, that article is under review now and come 2008, we are not sure of being compliant to the revised article 24 of the GATT.

6) It has been quite a challenge harmonizing different national interests with the result that sometimes the regional preparations are slow and painful.

7) These negotiations require huge financial resources for meetings, studies, awareness creation, travel related expenses, etc. Most ESA countries lack that resource and including human resource capacity. Finally, all indications are that ESA countries appear determined to go the full stretch and conclude a new WTO compatible framework hopefully within the period stated in Roadmap for ESA/EU negotiations.

Economic Partnership Agreements: Implications for Kenya's Agricultural Sector

By John Ochola

1.0 Introduction

Poverty, diseases and ignorance in the 21st century are indicative of the fact that Africa needs renewed effort to jump-start its economy. Trade and concomitant institutions such as economic partnership agreements are identified as the panacea for jump-starting the economy especially in agriculture. This paper addresses the question: What is the impact of economic partnerships on agriculture?

Economic partnerships are supposed to be negotiating blocks for regional trade. They will facilitate regional participation of countries in a given region in international trade. Counter operating as a block will negotiate and bargain for better products in the market. In total, Africa has about 30 trade agreements, a large number of which comprises regional integration schemes. The World Bank observes that on average each African country is a member of a regional trade agreement. Examples of these regional trade agreements are the Easter African Community, the African Union, COMESA and NEPAD.

In light of this, the paper will attempt to highlight four issues. First, it will discuss the opportunities/advantages and possible disadvantages of EPAs. Section two will look at specific impacts of EPAs on farmers. Section three will assess the consistency between the EPAs and Kenya's strategy for revitalisation of agriculture. The last section will highlight some policy reforms.

2.0 Opportunities/advantages and disadvantages of EPAs

Free trade is considered the best catalyst of development in the global economy. EPAs supposedly help free movement of goods and services between regions. There is a distinct possibility that regionalism may divide the industrial world into three trading blocs: the Americas, East Asia and Europe. This shift from globalisation to localism has created a degree of ambiguity among intellectual policy practitioners. Should the rise in regionalism divide the proponents of multilateralism and the devotees of regionalism? At the extreme end, trading blocs are seen as detrimental to multilateralism while on the other hand they are viewed as the cornerstone of negotiations that seek to foster free world trade.

There is a big debate whether trade blocks are beneficial or not to the region concerned. However, there is a general consensus that free trade is the best option for the global economy and the current trade system can be improved on greatly. The debate centres upon the mechanisms that regionalism complements multilateralism and the world is not partitioned into inward-looking trading blocs. In the on going debate one of the success story cited is the Cotonou Partnership Agreement (CPA) which entered into force in 2000 and replaced the previous Lomé Conventions (I-IV, 1975-2000). Cotonou seeks to establish a new trade dispensation between the EU and ACP countries by making trade reciprocal and in conformity with World Trade Organisation (WTO) rules.

Questions arise on the impact of new regional trading blocks especially between sub-Saharan Africa and the EU. Emergency regionalism arising from these institutions would bring traditional gains from trade and a new way of dealing with things in the two regions.

Another benefit that may accrue from RIAs stems from increased market size and improved productivity efficiency for any industry with economies of scale. This argument makes RIAs more compelling for smaller countries than larger ones as they will reap greater benefits from a larger market. Increased competition will also transfer tradition benefits.

RIAs may improve the prospects of attracting both foreign and domestic investment. RIAs may stimulate investment from within the region and from outside by reducing distortions in production between two countries and could also improve the quality of investments. The bigger market size could improve the quantity of investments made both foreign and domestic. This is particularly true of "lumpy" investments for example a factory that is only viable beyond a given market size. A CU may raise the incentives for foreign investors to "tariff-jump" if the CET is higher than the original tariff for some member country.

Another view of the time-inconsistency argument is the signalling one. In this case there is no requirement for the RIA to be time-inconsistent. The motive for developing a RIA is simply not for the proviso of the RIA but for the fact that entry into a RIA is only best under certain conditions and the country would like to convince its partners that those conditions prevail. For example if

Kenya wants to attract investment to its manufacturing sector, but these investors do not know if this sector can be competitive and so worth investing in, what can the country do even if entering a RIA is too costly for the country if the manufacturing sector is uncompetitive? Kenya would go ahead and join the RIA to signal to the foreigner that this is not the case and investment would be stimulated.

Entry into a RIA may bestow non-traditional benefits if a country is given the chance to follow policies that improve welfare but are time-inconsistent without the RIA. A good argument for this is that any government that maintains policy discretion will be tempted to surprise the private sector and therefore undermine policy consistency of the government. RIAs may allow countries to stick to policy decisions and build or restore credibility. Take for example foreign investment once the investment takes place the country still has the option to confiscate this investment. If the country is unable to commit itself to refrain from such actions, the foreign investor will look at this time inconsistency problem and simply abstain from investing and the country will be left worse off than if the investment took place. To mitigate this time inconsistency problem, the cost of anexit from a RIA must be set high enough to outweigh the gains from simply ignoring the scheme and reverting to the time inconsistency policy.

If liberalisation takes place unilaterally it is likely to be time inconsistent even for small countries. The country may be tempted to provide protection for some sectors for political economy reasons or terms of trade reasons. A RIA may make it more difficult to deviate from the agreed trade policy.

There is an emerging view that RIAs extend benefits and credibility beyond trade reform to both macro and microeconomic reforms. If the RIA has a clear mandate on domestic reforms and trade liberalisation is spelled out clearly and a punishment mechanism is available then RIAs will serve as a commitment mechanism. But most RIAs leave this out of their agreements and are ineffective in this regard.

There is a need to be cautious about North-South integration schemes even if overall people may view them as beneficial. Some negative effects may prevail such as inefficient growth retarding policies of the industrial countries spreading to developing countries as a result of regional integration as is particularly the case with anti-dumping measures and voluntary export restraints. If the regional integration scheme is an FTA complex, rules of origin might be invoked which will work against the efficient workings of the FTA. If it is a customs union with a common external tariff, rules of origin will not apply, however, restrictive policies of the industrial country will have to be adopted by all union partners

3.0 Specific Impacts of the EPAs on Farmers in Developing Countries

The specific impacts of EPAs on farmers in developing countries are largely undocumented. The EU is the biggest market and producers of agricultural goods. However, the participating countries have not been able to reap the benefit of the 25 member countries that are part of a single market. The market is regulated by the Common Agricultural Policy (CAP). The CAP has wider implications far beyond the EU and especially for SSA countries. To bring the EU farm policy inline with WTO requirements the Commission has started to reduce subsidies, lower intervention prices of basic commodities like cereals and beef. SSA countries in particular are locked closely into the EU's complex system of protected regulations and subsidies on the one hand and on the other preferential access. The high degree to which SSA agriculture is dependent and vulnerable to the EU means a fresh look at the CAP and its impact is necessary.

At the heart of the multilateral, bilateral and regional frameworks for SSA countries lies their agriculture sector and the impact this has on the rural poor. However, there is no clear cut consensus on the role agriculture has in alleviating poverty and improving food security. Many economists agree that an economy that is open develops faster than a closed one. Indeed strong economic growth is needed to lift the masses out of poverty. Those opposed to trade liberalisation point out that more open trade raises the incidence of poverty and this is especially true in developing countries and more so in their agricultural sector.

Growth and investment in the agricultural and agri-food industry is vital for poverty alleviation because the gains from improved primary agricultural production go beyond this sector and stimulates more general economic growth. The first direct impact of the growth in the agricultural sector will be the rise in farm incomes, which in developing countries make up a large share of GDP. The second impact will accrue from the multiplier or spill over effects that will mean agriculture is linked better to other sectors of the economy. As farmers begin to spend more income more jobs will be created in agricultural related industries.

In recent times, the agricultural sector has experienced a decline in output. Kenya is largely an agricultural society where nearly 80 percent of the population earn their living in the rural areas. Furthermore, agriculture accounts for some 25 percent of gross domestic product (GDP), 60 percent of those employed and 75 percent of merchandised exports. "Approximately 40 percent of agricultural GDP derives from livestock, 30 percent from food crops, and 30 percent from export crops." [8] Again about 80 percent of those who are poor reside in the rural areas and the poorest are largely pastoralists and subsistent farmers. Subsistence farmers are twice as likely to be female-headed households as male headed households and are more prone to poverty.

There are large number of smallholder farmers who account for approximately 70 percent of marketed agricultural production. These smallholder farmers are primarily women who face even more daunting constraints than their male counterparts. As men migrate more to the urban areas to look for employment more women are increasingly taking over the roles that were previously undertaken by males in tending livestock and crops. In the small-scale agricultural sector women account for 70 percent of the labour force. In spite of their increased presence in agriculture women have limited access to formal credit channels. Kenya's law of succession exacerbates the gender imbalance in agricultural land ownership which in the absence of a formal will, agricultural land is distributed along customary or religious laws. Laws that favour male descendants and this implies that women have no rights to inherit land.

In Kenya women on average work 50 percent more hours than their male counterparts on agricultural tasks a fundamental characteristic of economies in SSA is that both women and men play key role in the economy. The International Food Policy Research Institute (IFPRI) collected data that indicated women perform 90 percent of the work involved in processing food crops.

[8] Kenya a policyagenda to restore growth. August 2003 World Bank

The CAP system has many adverse effects on the agricultural sector of developing countries and women in particular. The CAP is a double edge sword, on the one hand the EU gives preferential access for many products from the developing world through the CPA and Everything But Arms (EBA) Initiative. Therefore, agricultural products that are exported to the EU market and are not subjected to tariffs or tariffs at reduced rates will benefit from higher prices in the EU market and give substantial income benefits. On the other hand this system makes countries more dependent on the EU market and vulnerable to changes in the preference system and is a case in point for the SSA countries and women farmers.

In SSA and especially the SADC region cereal production is concentrated in maize, wheat and sorghum production. In the cereals sector for example the reforms were instituted in 1992 and the intervention price was reduced drastically and replaced by a direct payment scheme. Contrary to economic wisdom the declining price was not accompanied by lower production. What was observed was that despite the fall in price by about 50 percent production rose greatly due to the increase in consumption brought about by lower prices (prices were now closer to the world market price). Therefore, export opportunities improved because with price closer to world market prices more cereals could be exported on the allocated export funds. These increased exports would go to regions such as Africa and with envisaged reforms to come in other product ranges SSA countries are likely to be affected adversely.

The move towards a single-direct payment makes it more difficult to predict the exact nature of trade distortion and the EU claims this scheme is not trade distorting. The argument though is difficult to accept. For the vast majority of farmers this single farm payment will cover their overhead costs and make up for the lower prices they will be receiving. Once the overhead costs are covered it will be easy to increase production and subsequently maximise returns. The fact that the EU farmers in the future will require less export refunds (that the WTO regulates) because prices will be close to the world market level cannot detract from the fact that the EU will still be supporting its farm sector to the tune of some Euro 40 billion per year.

Wheat production in the EU is expected to top 13, 777 million tons in 2010 with the marketable surplus rising from 920 million in 2002 to 1583 million in 2010. Maize production is estimated to rise from 5144 million tons in 2004 to 5423 million tons in 2010 with the marketable surplus rising from 216 million tonnes to 305 million tonnes in 2010. Contrast this with South Africa's production which in a good year is 250 million tonnes of wheat meaning the marketable EU surplus is more than the whole of Southern Africa's production.

With the marketable surplus of cereals increasing, it can be posited that countries and regions in SSA will experience more import inflows of cereals from the EU at much lower prices. A priori like this looks like a good deal for consumers as it could grant better and stable prices for staple foods. However, this can only happen if there is sufficient competition between the millers and retailers who will guarantee that the lower prices are passed on to the consumers. Maize meal and bread tend to be the staple foods in SSA and a cheap supply of cheap cereals would be in the interest of the region.

Notwithstanding, this argument the position is some what more complex than this and go beyond the mere supply of staple foods. The lower cereal prices in the EU market will lead to increased cereal exports. This will allow the EU food processing industry in an advantageous position of sourcing their raw materials at lower prices than previously. The result will be increased competitiveness in both domestic and foreign markets. For SSA food processing industry the playing field will be stacked in the EU's favour even if tariffs are low or there is a free trade scenario it will be difficult to compete with the EU producers.

The reforms in the cereals sector must be seen in tandem with the poultry sector. Poultry production in SSA is undertaken by many women and is an important agricultural sector. For poultry the main costs of production comes from the costs of feeds. Now with the price of cereals reduced in the EU the EU poultry sector will be in a position to enhance their competitiveness from the reduced feed costs.

In the sugar sector it is important to note that the EU sugar regime is outside the CAP reforms as agreed by EU trade ministers on June 2003. In the EU the sugar regime is governed by the Common Market Organisation (CMO) for sugar. It is a complex regime that has various structure and components that is beyond the scope of this paper. Suffice to say that the EU has developed a quota system for its sugar production. All the sugar produced in the EU has a quota allocation from member countries. Member countries then give sugar processors their quotas who then allocate beet delivery rights to individual farmers. So only sugar that is within this quota can qualify for the intervention price and be sold in the EU market. Due to this regime the price of sugar in the EU is two to three times higher than the world market prices and because the quota system limits the sale in the EU market the surplus sugar is sold in the world market through export subsidies. The high price of sugar in the EU is maintained by high tariff walls.

Given this EU sugar regime it is clear that many countries in SSA that export sugar to the EU gain significant amounts of foreign revenue. This is particularly true of Mauritius who exports all her sugar to the EU under this preferential arrangement. About 82,000 tonnes of sugar is export to the EU by Mauritius. The EU Commission favours a price fall option to reform this sector. This entails reduction of EU prices but with continued tariff protection. "After full implementation of this option a quantitative market balance would be achieved with neither surplus nor deficits in production of preferential imports by adjusting supply to prices free from production quotas."[9] Indeed once production has stabilised production quotas would be removed altogether. The result will mean that sugar prices would be 40 percent lower than the current price level.

In the present regime only raw cane sugar can enter the EU free of duties. Sugar based food products are subject to tariff escalation on the sugar content of processed goods to protect the EU producers. This stops SSA food processors from entering the large EU market and SSA industry can not use its comparative advantage to exploit these opportunities. EU sugar production cost are high and in some cases are two times more than even small countries such as Malawi and Zambia. Because of the non-annex I export refunds EU value added food producer are able to procure raw materials on more competitive terms than SSA producers. So the local confectionary industry (sweets and chocolates: sugar based products) can not compete with the EU's confectionary industry.

4.0 Consistency between EPAs and Kenya's Strategy for Revitalising Agriculture

The governments SRA rights states as its objective to create employment and reduce poverty in Kenya. It highlights how the country is still an agricultural society with agriculture contributing directly 26 percent of Gross Domestic Product (GDP) and 60 percent of export earnings. Some 80 percent of the population still live in the rural areas. It has been noted in the SRA that 56 percent of people in Kenya live below the poverty line and over 80 percent of these are in the rural areas. Furthermore, the SRA looks to improve the standard of living of Kenyans and hopes to greatly reduce those suffering from hunger, famine and starvation in keeping with the United Nations Millennium Development Goals. The desire is to ensure security and raised agricultural incomes. In this regard the SRA is in line with EPAs under the Cotonou Agreement that states the objective of ACP-EU cooperation as poverty reduction, and eventual eradication with sustainable development and progressive integration of ACP states into the world economy. The CPA sees cooperation and the framework for engagement as being tailored to each countries needs and circumstances and the promotion of local ownership.

The SRA views macroeconomic stability as an important avenue to develop the necessary legal and regulatory framework that is investor friendly. So any macroeconomic policies that curtail this will be looked into and removed to improve the laws and regulations that impede agriculture development. Generally the CPA wants macroeconomic growth and stability through monetary and fiscal policy that will reduce inflation, enhance budgetary transparency and efficiency. The pace of reforms shall be realistic and compatible with each ACP state's capacities and resources.

The SRA talks of taking cognisance of the social sectors of land, water and the environment. Land is seen as the key to the fundamental development of agriculture and the SRA proposes different strategies such as a land tax to encourage the use of idle land. Kenya is a water deficient country and therefore the government see the need for reform in this sector like finalisation of the Water and Irrigation Master Plan and implementation of the National Environment Action Plan (NEAP). Again in general terms the CPA recognises cooperation to support efforts at developing general and sectoral policies and reforms which improve the coverage, quality of access to basic social infrastructure and services and take account of local needs and specific demands of the most vulnerable and disadvantage. In the SRA, development of ASAL areas is important as traditionally this area has been marginalised.

The SRA see both international and regional markets as important tools for the promotion of external trade. The paper posits that if these trade blocs or partners are imaginatively used, Kenyan farmers would benefit greatly. Again in general terms the CPA sees regional economic integration as supporting the capacities of the regional institutions, liberalisation of trade and payments, as well as supporting a wide variety of functions and thematic fields. Use infrastructure to take advantage of economies of scale.

5.0 **Responding to these new challenges: Policies and Strategies**

On the one hand trade liberalisation in Africa often times shows positive results but African regional integration efforts have fallen below expectations. They are characterised by design and implementation problems and their potential will not be realised unless these problems are ironed out. To start with ESA member countries must use existing integration schemes such as EAC, COMESA or SADC to negotiate the EPAs. The problem of overlapping membership too must be harmonised before proper negotiations with the EU are implemented. This means that only blocks such as EAC that have a CET must get involved with negotiations and non-legal entities such as ESA be abandoned.

To respond effectively to old and new challenges Kenya must accelerate the pace of growth and structural change which will require inter alia, increasing the pace of diversification and the environment for domestic and foreign investment. Promote the creation of ancillary services to promote industrial growth and productivity and improve the cooperation between the private sector and government.

The level of productivity must be raised through improving infrastructure specifically transport and communications and particularly the present capacity for human resource development. The need to improve on science and technology if Kenya is to become an efficient and competitive producer and tap into the frontiers of increased flows of advanced technologies and globalisation of production. This must be done at the national and also regional level (EAC).

The removal of non-tariff barriers and preferential tariffs as a development tool makes the strengthening of blocs such as the EAC important. Member counties must develop strong inter-linkages between their productive sectors and raise the level of trade among themselves in their raw materials, intermediate goods, finished products and their services. The policy response in Kenya must shy away from building new institutions but rather improve the physical, human and environmental conditions that will drive and raise productivity levels and increase local industries competitiveness.

A good number of citizens will continue to eke out a living in the rural and urban informal sectors. Thus policy priority must emphasis a close look at the impact of trade and payment policy on this informal sector. Within the purview of international commitments the government must look afresh and use special trade and financial policies to support the informal sector. This must be in the form of making sure the informal sector has access to raw materials and the equipment they require to generate increased employment and output, and protection from the incidence of dumping from foreign firms. These policies must be augmented by adequate infrastructure in terms of steady power and water supply and good transport for raw materials and final products. Finally the government will need to design special programmes for the youth and women that will assist them to take advantage of employment and business opportunities in both the formal and informal sector.

Aside from looking only at the traditional trading partner, the EU, more effort must be placed on exploring areas and avenues where there may be other opportunities for expanding exports such as Latin America and the emerging markets of Asia and South East Asia.

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CHAPTER FOUR

"Made in Kenya": The Implications of Export Manufacture on Women Workers on Export Processing Zones

By Steve Ouma Akoth

The Craze of the Export processing Zones

Export processing zones are among the earliest experiments in trade liberalization. *"f*ree trade zones" existed in Phoenicia and the Greek Isles in 300 BC. They also existed along shipping routes in the Roman and, British empires and other imperial regimes (Ezie 2004, Haywood 2000). Free trade zones also began appearing in port cities in the early twentieth century- one of the first being Barcelona (Ezie 2004, MULTI 2004). In each historical instance, however, the defining feature of the zones was non-enforcement of tariffs and excise tax. Merchants of different nationalities traded their wares freely between one another, sometimes shipping off their goods to other zones.

In the mid-twentieth century, however, free zones began dual processes of industrialization and diffusion. After Puerto Rico began a successful duty-free export program in 1947, Ireland began a no-tax export manufacture zone in 1959 and a number of countries adopted similar measures (Ezie 2004, WEPZA 2004). Following the example of antecedent nations, Export Processing Zones were set up in the early 1970s, with current estimates fixing the number at 5,127, with an employment base of just under 42 million people (ILO 2004a). The first successful application of the EPZ concept in Sub-Saharan Africa was Mauritius, which passed legislation in the early 1970s that virtually converted the entire island into an export processing zone (UNIDO, 1993)[10].

In addition to Mauritius, however, a number of countries in the developing world have implemented forms of the EPZ concept since the 1970s. The desire for enhanced industrial growth on the part of so-called developing countries has led to the "globalization" of the EPZ concept. Interestingly, there are presently more than twenty-three different terms used to describe EPZs worldwide. All of them except for the Spanish word "Maquiladora" include the word "zone". Of the various terms used, the most popular are free port, free trade zone; foreign trade zone; export-processing zone; special economic zone and free zone (UNIDO, 1993).

[10] Since the establishment of the Shannon Free Zone in Ireland, over 110 leading international manufacturing and service companies have located at Shannon. Investment is encouraged through tax concessions and generous grant incentives. The success of Shannon is also tied to its strategic location: it has access to the 12 member European Community with over 340 million consumers. The location also gives the zone strategic access to air, rail, sea, and road network in Europe, the U.S.A. and the Far East. Shannon development has also been so successful that it has even located offices in the USA in order to advice investors directly (Government of Ireland, 1999).

In the present day, the modern EPZ is an Industrial Park that is controlled by customs administration and/or an EPZ authority. Governments encourage FDI in Export Processing Zones by offering manufacturers incentive packages that exempt them from Value Added Tax (VAT), customs duties, income tax, capital flow restrictions and exchange rate controls; packages that permit low cost or duty-free import of raw materials; and packages that supply well-built government infrastructure, low-cost land and factory rentals (Ezie 2004.)

Due to the nature of these incentive structures, however, there are several differing views on the role of EPZs in developing economies. While some theorists argue that EPZs are desirable because they generate employment, accelerate industrialization and earn foreign exchange, others disagree, asserting that the economic benefits reaped by EPZs are minimal compared to their costs. Critics argue that EPZs benefit the developed economies where investors come from. Thus, while host countries spend millions of dollars building infrastructure to support export zones, firms generally elect to repatriate their profits upon receipt of payment. This phenomenon leads to economic stagnation and low human resource development in Southern hemispheric countries, further marginalizing them in the global economy.

Nevertheless, the development of EPZ programs in so called "less developed economies" (LDCs) has also been hampered by multiple factors among them poor micro-economic policies, lack of political will, and civil disturbance. Some African countries though, have achieved a substantial amount of success with EPZs. Tunisia and Mauritius are the most successful in the continent, employing an excess of 90,000 and 100,000 workers respectively (UNIDO, 1993).

Kenya's Export Processing Zones (EPZs) were established in 1990 by an Act of Parliament in an effort to promote export-oriented foreign direct investment, industrial growth, jobs and technology transfers and the development of backward linkages and diversified export markets. As of 2004, a total of 36 EPZs were operational or in development in Kenya, including a number of privately owned, one-company zones. Athi River, the single largest EPZ in Kenya, was developed by the Kenyan government and continues to be operated by a government parastatal, the Export Processing Zone Authority of Kenya (EPZA). Compared to other EPZs in Kenya, Athi River provides better-than-average infrastructure services, which includes guaranteed water supply and a first-in, last-out privilege in case of power outage. As of 2004, there were 70 companies operating in Kenyan EPZs, representing a total investment of about $220 million and an employment figure of approximately 40,000 people, or 19 percent of private formal sector manufacturing employment (Export Processing Zone Authority 2005). Of these companies, 40 EPZ firms were garment and apparel manufactures, accounting for close to 60 percent of total investment in the EPZ sector as well as 95 percent of employment and 70 percent of net exports (Export Processing Zone Authority 2005). Across the nation, Kenya's Export Processing Zone sector is managed as a whole by the Export Processing Zones Authority, a government corporation which seeks to attract export manufacture to Kenya by offering fiscal, physical and procedural incentives to investors to facilitate their operations. The major incentives furnished to EPZ investors are:

1. Exemption from "all existing and future taxes and duties payable under the Customs and Excise Act and Value Added Tax Act on all export processing zone imports for use in the eligible business activities of the EPZ enterprise."
2. Exemption from registration under the VAT Act.
3. Exemption from the payment of income tax for the first ten years from the date of first sale, followed by a rate of 25 percent for the subsequent ten years and the standard rate thereafter.
4. Exemption from the payment of withholding tax on dividends and other payments made to non-residents for the first ten years.
5. Exemption from stamp duty.
6. Exemption from any quotas or other restrictions or prohibitions on imports or exports, with the exception of trade in firearms, military equipment or other illegal goods. (Cap 517)

Trade and the Kenya Export Processing Zones:

EPZs are considered as "extra-territorial" in the sense that goods and services purchased from Kenya are treated as Kenyan exports, hence payable in convertible currency. The EPZ Act allows goods produced in EPZs to be sold in Kenya, but they are then treated as imports from a third country and hence subject to usual customs procedures and payments of VAT and duties at Most Favoured Nation (MFN) rates. At the moment, EPZA's policy is to approve projects for setting up in EPZs if a minimum of 80 percent of output is to be sold outside Kenya. The percentage of output that can be sold domestically is typically specified in each enterprise's license.

The 2004 Finance Bill (fiscal year July 2004-June 2005) imposed an additional 2.5 percent charge on sales from EPZ enterprises to the Kenyan market, on top of the MFN duties. It also proposes to amend the EPZ Act to require ministerial approval for sales of goods to Kenya from a zone, a provision that already applies to services. EPZ export goods are treated as Kenyan wares in spite of the extra-territorial status that Export Processing Zone's enjoy. This allows goods from Kenyan EPZ to be exported to the East African Community and COMESA bloc at preferential rates, subject to rules of origin requirement. The same treatment applies to exports to other trade zones or countries, which give EPZs companies Kenyan status and subject their goods to rules of origin to determine the applicable tariff rates.

Although investment in EPZs was relatively modest in the 1990s, the introduction of the US African Growth and Opportunity Act (AGOA) generated a burst of foreign direct investment into the Sub Sahara Africa garment and textile industry[11]. The African Growth and Opportunity Act (AGOA) of 2000 is a United States trade bill that encouraged the formation of economic ties between the United States and Sub-Saharan Africa. The central aim of AGOA is to boost trade and investment in Africa and promote the growth of sustainable development. To achieve these goals, AGOA relies upon three primary mechanisms – preferential trade concessions, foreign investor's loans, and gifts of developmental goods and services. AGOA grants beneficiary countries unrestricted export of qualified textiles and ready-made garments, and expanded product coverage under the Generalized System of Preferences, a WTO program that gives developing countries tariff concessions. Consequently, when combined with existing GSP statues, AGOA grants preferential trade benefits to nearly 7,000 farm and non-farm products originating in Africa[12].

Together with Lesotho, Madagascar and Swaziland, Kenya is one of several SSA countries, which have used AGOA to expand their apparel exports to

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11 This has particularly been by Asian-based garment companies seeking quota access to the US market (see political economy of EPZ)

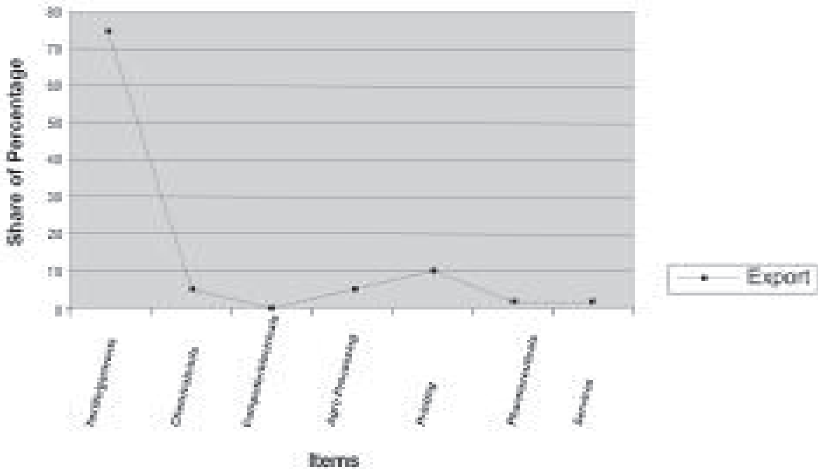
12 Furthermore, AGOA promises benefactor countries a number of developmental goods and services –including from secondhand air-traffic control equipment, technical assistance in the Custom's Bureau, public health research, and geological study. AGOA also provides a framework for private sector HIV/AIDS funding and sustained Developmental Aid Assistance. A final clause commits the President and legislature of the United States to draw up plans for comprehensive debt-relief. Thus, upon the review, the African Growth and Opportunity Act is not only bold development policy, it is largely unprecedented: prior to AGOA, no U.S trade bills have been directed towards Northern or Southern Africa. Cynics have even claim that U.S- Africa economic relations have been dead since 1864 when chattel slavery was abolished.

the United States. In 2003, Kenya was the fifth largest African exporter of apparel to the US with about half the level of exports of Lesotho, and also behind Mauritius, South Africa and Madagascar. Virtually all of Kenya's apparel exports are garments, which are sold duty-free in the United States under AGOA provisions. South Africa and Mauritius have also gained from AGOA by increasing their apparel exports to the U.S., but to a smaller extent. Part of the reason that these countries' have made only modest gains is that neither of them benefits from the Less Developed Country Rule for apparel, a special clause which allows low income SSA nations to ship duty-free apparel to the U.S. market even when it is synthesized out of non-U.S. and non-SSA (specifically, AGOA eligible) fabric.

Since 2000, garment manufacture in Kenya has been dependent upon non-African fabrics as well as non-African investment. Most of the raw materials cut and assembled in Kenyan EPZs are imported from East Asian countries. Kenyan production is mainly of a cut-make-trim nature, with foreign investors, mostly from Asia, using Kenya as a platform for quota-hopping to access the otherwise restricted US market. Quota-hopping motives, however, disappeared on January 1, 2005 with the integration of trade in textiles in clothing under normal WTO rules. Since the expiration of the MFA quota regime, many garment producing countries have suffered economic downturns and Kenya is no exception. Already, more than 6,000 jobs have been lost in the export apparel sector and the stability of remaining investment seems fragile (Economic Survey 2004.)

Source: Export Processing Zone Authority, 2005				
Items	**Share of (percent)**			
	No. Firms	Employment	Investment	Exports
Textiles/garments	31	95.8	54. 3	73.8
Chemicals/oils	5	0.4	9.9	5.9
Computers/electronics	3	0.2	0.5	0.2
Agro Processing	3	1.9	1.4	5.7
Printing	2	0.8	26.6	10.2
Pharmaceuticals	3	0.3	1.5	1.9
Services	6	0.2	3	1.9
Gemstones	1	0.3	3	0.3

Table 1: Investment in EPZs by Sectors



While the European Union also grants preferential access to Kenyan apparel goods, it does not grant exemptions on sourcing requirements or rules of origins. As a result, textile and garments exports were virtually non-existent at less than $2 million in 2003. In contrast, exports to the U.S. were $190 million in 2003, almost five times as high as the pre-AGOA level in 1999. Essentially all of Kenya's exports to the U.S. consist of apparel and clothing accessories. Among these, women or girl's suits, ensembles, dresses or trousers represented 45 percent of the total, with the same articles for men and boys accounting for another 21 percent.

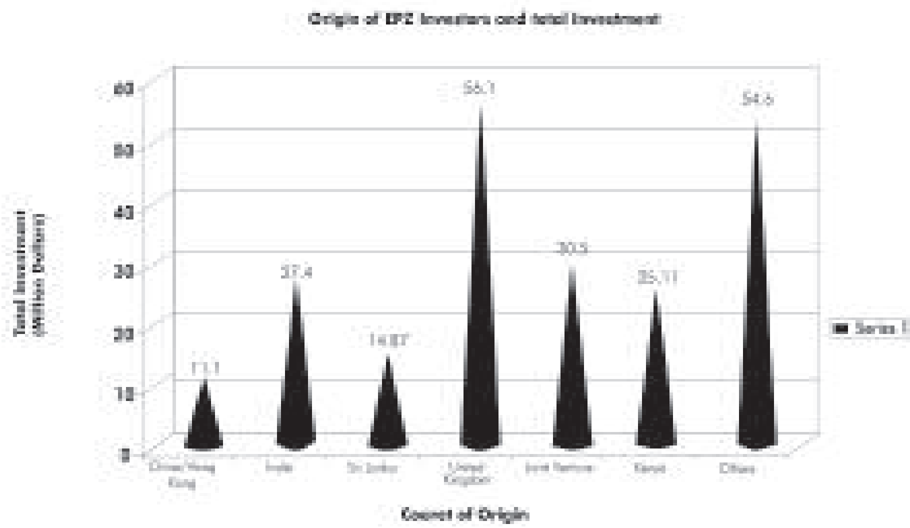
Restrictions to international trade in textiles and clothing under the Multi-Fibre Agreement (MFA) have been wide-ranging in the past decades and have significantly affected the pattern of production flows. It was agreed in 1995 to dismantle the MFA and to bring trade in textiles and clothing under normal WTO rules through a ten-year transitional Agreement on Textiles and Clothing (ATC). Bringing textiles and clothing under normal WTO rules requires the full elimination of quotas, but does not imply the elimination of preferential tariff arrangements. Quotas on a minimum of 16 percent of goods were eliminated on January 1, 1995, with further reductions on 17 percent of goods in January 1998 and 18 percent of goods in January 2002. The transitional ATC lapsed on January 1, 2005, when all remaining quotas were eliminated and textiles and clothing trade fully fell under normal WTO rules.

The gradual phasing out of quotas has significantly affected international trade patterns in textiles and clothing, with a few key countries rapidly gaining market shares for items whose quotas were eliminated, despite continued differences in tariff treatment. A detailed analysis of Kenya's textile exports to the US shows that there is a high and rising share of goods are accounted for by items whose quotas were only eliminated in January 2005. In 2003, 90 percent of Kenya's textiles and clothing exports to the U.S. were for items qualified by the US International Trade Commission as being "highly-constrained quota categories."

Political Economy of the Export Processing Zones:

Foreign Direct Investment in Kenyan EPZs is primarily from Asian countries (Graph 2), though the U.K. has a relatively large representation due to the De La Rue security printing operation. Most of the Asian investors are active in the garments sector and have established operations in Kenya in order to benefit from fiscal incentives, but mostly to take advantage of the quota-hopping opportunity to access the US market.

Graph **2**



Intertwined with the various incentives, it would be important to interrogate the benefits that Kenya accrues from EPZ investment, bearing in mind that EPZ firms enjoy fiscal incentives and tax exemptions. Core to the debate on the political economy of Export Processing Zones is the extent to which they have enhanced capital accumulation and industrialization in Kenya, as well as reinforced economic progress. In addition, one must consider ownership structures along the commodity production chain.

Workers Rights and the Export Processing Zone

Transnational corporations and other business enterprises have the capacity to foster economic well-being, development, technological improvement, and wealth. However, for this to happen, there must be a balance between the rights of the multinational corporation and that of society members. In many countries, the exemptions that are given to manufactures in Export Processing Zones jeopardize this balance by granting firms concessions that encroach on the welfare and health of workers.

Kenya does not fall into this category. Whereas countries like Bangladesh openly ban union organizing in their zones, the incentives that are given to EPZ firms in Kenya are economic incentives, which have little effect on the workers rights situation in the country. There are approximately twenty pieces of legislation in Kenya, which are considered to be labor-related, and all of them are applicable in the EPZs, including eight laws that are considered 'core' legislation. These are the Employment Act, the Regulation of Wages and Conditions of Employment Act, Trade Unions Act, Trade Disputes Act, Workmen's Compensation Act, Factories and Other Places of Work Act, National Social Security Fund Act and the National Hospital Insurance Fund. Furthermore, as a member of the International Labour Organization, Kenya has ratified 49 labor conventions, including 43, which are presently in force in the country.

Despite these legal pronouncements, labour laws in Kenya are generally considered to be oppressive, narrow-focused and ineffective. The EPZ investors are functionally exempt from the Factories and Other Places of Work Act because of amendments to the Finance Act of 1994. The Finance Act also amended certain provisions of the Employment Act and The Regulation of Wages and conditions of Employment Act to circumvent the requirement of union involvement in the redundancy of workers and related safeguards and procedures. This amendment introduced the concept of retrenchment. Before 1994 one could only be declared redundant (and not retrenched). Redundancy is clearly provided for and the benefits accruing to employees clearly defined in the Employment Act. The union, where available, is involved in the process. However, with retrenchment, the union is not involved and the benefits payable are left to the whims of the employer. This exemption has over the years been used to imply exemption from the other Kenya labour laws.

Although that labour laws in Kenya are weak in key places, the core problem of the Export Processing Zones has been poor enforcement of existing law. Officials at both the Ministry of Labour and the Industrial Court have demonstrated laxity when it comes to ensuring rigorous adherence to labour laws, particularly in EPZ industrial parks. Consequently, thousands of Kenyan laborers, particularly women workers, toil under unfit and inhumane working conditions. A 2004 study conducted by the Kenya Human Rights Commission provides lucid evidence of how labour laws and other industrial relations mechanisms have been stifled over the years by the policies of multinational corporations and the World Bank,[13] under the pretense of making the country more internationally competitive.

It is for this reason that human rights activists have opted to use the liberal human rights discourse in propounding and supporting the advocacy for women workers rights. The slogan "Human rights are workers' rights; workers' rights are human rights" is a reflection of this new mass movement. The slogan unifies unions and human rights activists under the notion of the universality of human rights.

Women and Precarious Employment

Trade has drawn millions of women into labour-intensive export jobs across the world. Today, the biggest buyers in Kenya are also some of the biggest retailers in the world: Wal-Mart, JC Penny, Gap, Lévi-Strauss and Dayton Hudson. Kenyan EPZs are just one node on a network of dozens of garment suppliers worldwide. This method of diversified sourcing has become the most profitable way to get goods for their shops, which they sell under their logos. More developing countries seek export-led growth the pool of potential suppliers has increased massively, with thousands of producers on every continent vying for a place in their chains.

[13] The IMF and World have made other labour-related conditions and recommendations to the government. These have been basically towards liberalizing the labour market and making it fluid. The government on its part has through Letters of Intent and Memoranda of Economic and Financial Policies to the IMF sought to comply with the same.[1] The implementation of these recommendations directly impacts on the labour costs, which are kept to a minimum. The letter of intent all talk of reduction of the government workforce. This general reduction has a corollary effect on service provision to the citizenry. One such service is attending to workers complaints and resolving them, and also inspection of employment premises. Fewer employees in the ministry of labour translate to having fewer inspections and the concomitant danger of derogation of workers rights.

The organization of the apparel market has given sourcing companies tremendous power in the market, which they use to push many costs and risks of business down the supply chain. They employ a business model which maximizes returns for shareholders, demands 'flexible' production responsive to their changing orders – through 'just-in-time' delivery, faster turnaround times, tighter specifications and ever-lower prices, with future contracts depending on it.

Factories pass these costs and risks on to the weakest links in the chain. In Kenya, these weak links are women, who comprise the vast majority of factory workers. Despite the benefits that women reap from formal employment, changing demographics in the workforce have also added stress on women's lives. Women who work full time in the EPZs also remain care-givers in the home – raising children and caring for sick and elderly relatives. Doubly burdened and lacking support from the government and consideration from employers, female workers often find that the stress has destroyed their own health, broken up their family lives, and undermined their children's chances of a better future. Indeed, 70% of the women workers in the Export Processing Zones in Kenya are single women and family head either de jure or de facto. Thus, although EPZ jobs generate female employment opportunities and family income, they are also bundled with precarious terms and conditions:

In addition to the health costs it brings, EPZ employment is also precarious due to job instability. Faced with fluctuating orders, companies hire workers on a casual basis or simply sub-contract their orders to other firms. 85% of the women workers in the Kenyan EPZ are employed on short-term contracts – or with no contract at all. Furthermore, mitigating the pressure they face to meet tight turnaround times, most garment firms in Kenya operate according to the target system – a system which, pegs remuneration to a daily production rate, as opposed to an hourly wage rate. Under this payment arrangement, garment workers are required to work extended hours whenever they fail to reach their target within the course of the standard eight hour workday, they are forced to work overtime which in most time go unpaid. This is a frequent occurrence in Kenyan EPZs.

EPZ employment has also proved precarious in Kenya because local manufacturers often deny workers supplemental employment benefits. Most workers in Kenyan EPZs do not get sick leave or workmen's compensation if they are injured on the job, while casual female employees are not eligible for maternity leave. Further, if female workers are granted maternity leave, it is unpaid and rarely lasts for the 3 month period recommended by the International Labour Organization (ILO 1972).

Thus, when taken as a whole, the economic and social opportunities that Export Processing Zones generate are somewhat neutralized by the long-term, community-wide costs which accompany them – costs which are not reflected in economic indicators. Instead of leading to gender equality or poverty reduction, EPZ jobs have spawned widespread "wage dependence." Here, employment strategies exploit the desperate circumstances of Kenyan men and women and capitalize on their desire to escape the grip of poverty and instability. In the long run, however, if EPZs use the vulnerability of Kenyans as an excuse to pay them less, work them harder and evade their legal benefits, then the export zones do not offer citizens relief or escape at all.

As a result, the very workers who are the backbone of success in many export processing Zones in Kenya are being robbed of their share of the gains that trade could and should bring. EPZ employment opportunities have paved the way for the feminization of poverty, instead of gender equality and female empowerment. These negative patterns have also affected members of poor communities in rich countries, too, because workers in these places are often employed in globally-competitive industries that likewise face precarious conditions. Evaluating trend, it is clear then that the core business practices and operations of EPZ firms can have deleterious effects on the human rights enjoyment and the quality of life of poor women workers.

Time to make trade work for all: the way forward for garment workers and civil society partners

Over the years, the civil society movement in Kenya has worked in support of the workers employed in export-oriented sectors. It in now apparent that in their current form, the Export Processing Zones cannot deliver any sustained improvement in the lives of the thousands of their workers who are mostly women. In fact, Export Processing Zones at this stage can best assist in promoting the process of capital accumulation. With the entry of China in the WTO and the coming to an end of the MFA, the textile industry in Kenya shall also have to ensure better forward backward linkage if it is to sustain its current drive.

Many of the women workers in the Kenyan EPZs feel that their jobs are not helping them and their families work their way out of poverty and so they are struggling and campaigning to turn their jobs into the potential that they promise – to be a path for poverty reduction for themselves, their households and their communities. Together they are calling for:

- Global sourcing companies to end double standards of using aggressive purchasing practices that undermine workers' rights in their supply chains and integrate codes of conduct into their core business strategy.
- The Kenyan government to stop trading away workers' rights in law and in practice and start enforcing international labour standards to promote employment for long term equality, poverty reduction and development. The State have the primary responsibility to promote, secure the fulfilment of, respect, and protect human rights, translational corporations and other business enterprises, as organs of society, are also responsible for promoting and securing the human rights set forth in the Universal Declaration of Human Rights.
- EPZ employers to provide decent working conditions for their employees, including respecting their right to freedom of association.
- The IMF and World Bank acknowledgement and promotion of workers' rights as a fundamental protection against the excesses of corporate power in the market.
- Consumers to put strong pressure on global brands and retailers to change their purchasing practices and ensure that they are sourcing their products in ways that uphold, rather than undermine labour rights. They must also question the paradigm of trade and the effectiveness of the voluntary codes of practice.

Although the decentralized nature of the apparel commodity chain makes advocacy difficult, there is reason to be optimistic about the changes. Already, due to public pressure, a number of global sourcing companies have signed up to codes of conduct that commit to ensuring international labour standards throughout their supply chains. Some of these codes have been signed by the companies, which supply branded items to colleges and universities. In the case of companies, which supply to universities that are members of the Workers Rights Consortium, codes of conduct and codes of practice have been effectively used to demand for human rights adherence and worker unionization. Generally, until branded manufacturers, retailers, client institutions and consumers recognize the causal links between their purchasing practices down the supply chain and precarious employment for workers at the end of it, they will continue to undermine the labour standards they claim to support.

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CHAPTER FIVE

Comesa's Agricultrural Policy and its Effects on Kenya's Agricultural Trade

By Dr. Mary Kinyanjui

1. **Evolution of COMESA**

The Common Market for Eastern and Southern Africa traces its genesis to the mid 1960s. The idea of regional economic co-operation received considerable impetus from the buoyant and optimistic mood that characterised the post-independence period in most of Africa. The mood then was one of pan-African solidarity and collective self-reliance born of a shared destiny. It was under these circumstances that, in 1965, the United Nations Economic Commission for Africa (ECA) convened a ministerial meeting of the then newly independent states of Eastern and Southern Africa to consider proposals for the establishment of a mechanism for the promotion of sub-regional economic integration. The meeting, which was held in Lusaka, Zambia, recommended the creation of an Economic Community of Eastern and Central African states.

In 1978, at a meeting of Ministers of Trade, Finance and Planning in Lusaka, the creation of a sub-regional economic community was recommended, beginning with a sub-regional preferential trade area, which would be gradually upgraded over a ten-year period to a common market until the community had been established. To this end, the meeting adopted the "Lusaka Declaration of Intent and Commitment to the Establishment of a Preferential Trade Area for Eastern and Southern Africa" (PTA) and created an Inter-governmental Negotiating Team on the Treaty for the establishment of the PTA. The meeting also agreed on an indicative timetable for the work of the Intergovernmental Negotiating Team.

After the preparatory work had been completed a meeting of Heads of State and Government was convened in Lusaka on 21st December 1981 at which the Treaty establishing the PTA was signed. The Treaty came into force on 30th September 1982 after it had been ratified by more than seven signatory states as provided for in Article 50 of the Treaty.

The PTA was established to take advantage of a larger market size, to share the region's common heritage and destiny and to allow greater social and economic co-operation, with the ultimate objective being to create an economic community. The PTA Treaty envisaged its transformation into a Common Market and, in conformity with this, the Treaty establishing the Common Market for Eastern and Southern Africa, COMESA, was signed on 5th November 1993 in Kampala, Uganda and was ratified a year later in Lilongwe, Malawi on 8th December 1994.

It is important to underline the fact that the establishment of PTA, and its transformation into COMESA, was in conformity with the objectives of the Lagos Plan of Action (LPA) and the Final Act of Lagos (FAL) of the Organisation of African Unity (Organisation of African unity). Both the LPA and the FAL envisaged an evolutionary process in the economic integration of the continent in which regional economic communities would constitute building blocks upon which the creation of an African Economic Community (AEC) would ultimately be erected.

2. **Economy of the COMESA Countries**

Prior to 1990s most COMESA countries pursued import substitution industrialisation with excessive state participation. It is argued that this precipitated economic decline in the PTA/COMESA region. Gross Domestic Investment remain subdued below the recommended 20% of GDP, decline in the share of exports from 2.5% in 1970 to 1% in 1990. The external debt of the COMESA region had, by the early 1990s, increased twenty-fold since 1970. Debt service ratios, which in 1970 were insignificant, averaged 45 per cent of export earnings in 1989-90, making the region one of the most heavily indebted in the world. The aggregate external debt owed by sub-Saharan Africa, including South Africa, was US$318 billion in 1994, compared to external financing to all African countries of about US$15 billion in 1996 (http://www.comesa.int/about/vision/vision_chapter_1/view).

Although industrial output grew in the 1960s and 1970s, this was followed by a sharp decline as a result of entrenched structural rigidities, weak inter-industry and inter-sectoral linkages, lack of access to advanced technologies and poor institutional and physical infrastructure. The African continent's share of world manufacturing value added (MVA) rose from 0.7 per cent in 1970 to 1 per cent in 1982 and fell to 0.8 per cent in 1994.

From 1960 up until the mid-1990s, the economic growth of the COMESA region averaged 3.2 per cent a year. By 1993, this region of about 280 million people then (excluding Egypt), which had more than doubled its population since independence, had a total GDP of around US$90 billion, and included fifteen of the twenty-three States classified as Least Developed Countries (LDC's) by the United Nations.

Selected economic indicators shows that COMESA covers a total land area of about 13 million km^2, with a population of over 374 million. In terms of trade, exports from the region is around US$ 44billion per annum total trade around US$ 92 billion per annum and a total GDP over 203 billion and the total exports from the region is around US$ 44billion per annum (COMESA, 2006).[14]

The general economic performance for the whole of sub-Saharan Africa, which closely mirrors the situation in the COMESA sub-region, has been mixed. The 1980s was characterised by widespread and unremitting economic decline for the whole of Africa, with annual per capita decreasing by more than 2 per cent in real incomes. Unfavourable weather conditions, civil strife, internal structural constraints including policy flaws, mounting debt, poor external terms of trade and other external shocks combined to make the 1980s the "lost decade", as it came to be known. Despite the introduction of market-oriented reforms and economic liberalisation policies, the economic downturn continued to persist into the 1990s for a large majority of African countries.

Despite promising signs of growth witnessed in the last half of 1990s, the COMESA region still carries a heavy burden in terms of illiteracy, poverty and diseases. The COMESA grouping includes fifteen of the twenty-three least developing countries (LDCs) in Africa. In deed, nearly all-human development indicators show either a stagnation or, in some cases, a decline. Projections by the United Nations and the World Bank in 1996 indicated that half the population of Africa would be living below the poverty line, i.e. on less than US$ 1 per day, by the year 2000. The situation in the COMESA sub-region is even worse: in 1996 it was estimated that 69.5 % of the people, or 240 million out of a total population of 345 million, were living on less than US$ 1 per day in 1996, and the situation was projected to get worse. According to the Human Development Report for 1998 published by the United Nations Development Programme (UNDP) the average African today consumes 20% less than it did 25 years ago. Millions of people in sub-Saharan Africa are still deprived of basic consumption needs, lack basic sanitation and access to clean water, and live in inadequate housing. The same report classifies 14 out of 21 COMESA member States under low human development, 5 under medium human development, and only 2 under high human development category.

[14] http://www.comesa.int/ accessed on 24th April 2006.

Among some of the critical challenges facing the regional economy include the HIV/AIDS pandemic, the human capital crisis, conflicts and the debt overhang. The aims and objectives of COMESA, as defined in its Treaty and its Protocols may be summarised as follows:

- to facilitate the removal of the structural and institutional weaknesses of member States so that they are able to attain collective and sustained development, and to create and maintain:
- a fully Free Trade Area guaranteeing the free movement of goods and services produced within COMESA and the removal of all tariffs and non-tariff barriers;
- a Customs Union with a common external tariff under which goods and services imported from non-COMESA countries will attract an agreed single tariff in all COMESA states;
- free movement of capital and investment supported by the adoption of common investment practices so as to create a more favourable investment climate - a common investment area - for the COMESA region;

a gradual establishment of a payments union and the eventual establishment of a monetary union with a common currency; and - the adoption of common visa arrangements, including the right of establishment leading eventually to the free movement of bona fide persons.

In pursuit of the above goals, COMESA's mission is to endeavour to achieve sustainable economic and social progress in all member states through increased co-operation and integration in all fields of development, particularly in trade, customs and monetary affairs; transport, communication and information; technology, industry and energy; gender, agriculture, environment and natural resources. The implementation of this mission is considered a long-term undertaking.

3. COMESA Agricultural Policies and Kenya's Trade in COMESA.

3.1 COMESA Agricultural Policy

Agriculture is the backbone of most economies of COMESA member States and plays a key role in their industrial development and trade development. In 1997, agriculture accounted for 24% of COMESA's gross domestic product (GDP), employed 70% of its labour force, and made up for 28% of its exports. In some COMESA countries, these figures are much higher. Agriculture is also a major contributor - more than 50% - of raw materials for industry.

The decline in agricultural growth has been attributed to, among others, the slow rate at which new land is brought into production, inappropriate agricultural technology, environmental degradation, unfavourable land-use and land tenure policies, periodic drought, political instability and wars, and unfavourable external economic environment.

The twin challenges for COMESA is how to assure food security through sustainable increase in overall agricultural production, and how to stimulate a strong and dynamic agriculture-industry link.

The core of COMESA's strategy for the agricultural sector stresses the importance of co-operation and co-ordination of regional agricultural policy, food security, marketing, research and development, plant and animal disease and pest control, training, irrigation development, and exploitation of marine and forestry resources. The COMESA Strategy recognises the need for a holistic approach that embraces the four "I s" of agricultural-development, namely: Incentives, Inputs, Institutions and Infrastructure.

Future policies should concentrate on giving farmers greater incentives to produce surplus for urban markets through strategic regulation of the agricultural market; research into lower production costs; improvements in marketing channels and the development of processing technologies to make local staples more attractive to consumers.

With regard to inputs, priorities include improvements in credit availability at reasonable interest rates, and input marketing, with particular attention to the needs of women. More practical, better focused institutional reforms, including land reform, and expansion of training, research and extension services aimed at empowering small scale farmer will form part of the overall policy reform that would be needed.

In order to improve access by farmers to markets, as well as promote intra-COMESA trade and the transport of foods and goods at reasonable cost, development of infrastructure will be critical. Of critical importance is the construction and maintenance of rural access roads and storage facilities.

In the short to medium term, the emphasis in agriculture will to be on the following:

Adoption and implementation of the COMESA Agricultural Strategy;

Harmonisation of sanitary and phytosanitary, health and safety regulations;

Promotion of free trade in agricultural products;

Forestry Development with emphasis on enhancing trade in forestry products;

Human resource development and capacity utilisation;

Promotion of agro-industries; and

Technical support including sharing of best practices in the production and marketing of value-added products.

The livestock sector in the COMESA sub-region plays a very important role in terms of providing livestock commodity outputs like meat, milk, eggs, wool, hides, skins, manure and traction. The livestock share of agricultural output is quite high in some COMESA member States ranging from 3% to 45%. The value of livestock production in 1988 as calculated by the USDA in 1990 for some 15 COMESA countries was US $6.7 billion out of US$11.8 billion for 41 sub-Saharan African countries.

The annual average growth rate of ruminants has slowed down to around 1.2 percent as compared to between 1961/63 to 1986/88 when annual average growth rate was 1.6 percent. Poultry and pigs grew much faster, but lack of feed is checking this growth.

The current productivity of the livestock sector is characterised by low yields of both meat and milk. Other by-products such as hides and skins are equally affected.

The potential for increasing the productivity of the livestock sector within the COMESA sub-region is tremendous. However, there is need to increase feed quality and availability, as nutrition is the major limiting factor in livestock productivity; the containment of major livestock diseases and pests; and change of attitude by mainly the small-holder or peasant farmers in livestock care.

The COMESA strategy for increasing the productivity of livestock is to explore different agro-ecological zones, their compatibility with a specific production system and the rearing of specific livestock species. Agro-ecological zones where mixed agriculture is possible have the highest potential. Within each agro-ecological zone elements of animal nutrition, animal health, feed resource management and genetic upgrading have to be considered in order to realise the increased productivity. Emphases on small ruminants such as goats and sheep, which can produce both milk and meat, have to be considered. Value addition to products such as milk through processing will greatly enhance livestock productivity and earned income in the COMESA sub-region.

3.2 **Kenya's trade Within COMESA**

Agriculture is of strategic importance in the economic development of COMESA member states. This, not withstanding, the sector has expanded in most COMESA member states at a lower rate than their economies and populations. During the past three decades, COMESA's agricultural production rose by an average of only 1.9% per annum in the face of a population growth rate of about 3% per annum. In the face of this, the GDP growth rate stood at barely 1.38%. The major challenge facing most COMESA member states is the achievement of sustainable economic growth and improved quality of life for their populations. The COMESA Secretariat is aware of these problems and is keen to assist member states in addressing them. Over the past five to ten years, the Secretariat has received development assistance to implement several donor-assisted development programs across various sectors. The majority of donor support has been in trade and finance, transport and communications.

Issues of food and agricultural marketing information and sanitary and phyto-sanitary measures have not been largely addressed, limiting both intra- and extra-COMESA trade and defeating the vision of the FTA in agriculture. In an effort to assist COMESA implement key elements of its agricultural policy, through supporting safe and increased regional trade in agriculture and enhancing regional food security, the Secretariat in 2001, requested Bank assistance to finance the proposed project. The project components emanated from the recommendations of COMESA's common agricultural policy.

COMESA Member States are cognizant of the critical role that agriculture plays in their national economies. Agriculture is considered to be the engine for economic development in the COMESA region. The sector accounts for more than 32 per cent of COMESA's gross domestic product (GDP), provides a livelihood to about 80 per cent of the region's labour force, accounts for about 65 per cent of foreign exchange earnings and contributes more than 50 per cent of raw materials to the industrial sector.

In order to raise the competitiveness of the COMESA region's agricultural sector, the COMESA secretariat has in place a number of initiatives at different stages of implementation. These initiatives are in line with the COMESA agricultural strategy which stresses the importance of cooperation and co-ordination of regional agricultural policies, food security responses, product marketing, research and development, plant and animal disease and pest control, training, irrigation development, and exploitation of marine and forestry resources. The strategy recognizes the need for a holistic approach that deals with key elements of agricultural development: *markets, inputs, institutions and infrastructure.*

The objectives of the COMESA Treaty and the COMESA Agricultural Policy (CAP) are in line with the broader Comprehensive African Agricultural Development Programme (CAADP) of the New Partnership for Africa's Development (NEPAD) under the African Union (AU). The CAADP has been endorsed by African Heads of State and Governments as a framework for the restoration of agricultural growth, food security and rural development in Africa within an integrated and coordinated approach. CAADP defines four Pillars for improving Africa's agriculture:

- Extending the area under sustainable land management and reliable water control systems;
- Improving rural infrastructure and trade related capacities for market access;
- Increasing food supply, reducing hunger and improving responses to food emergency crises; and
- Improving agricultural research, technology dissemination and adoption.

In addition, there are two crosscutting themes:

- Academic and professional training, and support to farmers' associations;
- Information and knowledge systems.

The overall African Union vision for agriculture is that the Continent by the year 2015 should:

- Improve the productivity of agriculture to attain an average annual production growth rate of 6%, with particular attention to small-scale farmers, especially women;
- Have dynamic agricultural markets within countries and between regions;
- Have integrated farmers into the market economy and have improved access to markets to become a net exporter of agricultural products taking into account Africa's comparative and competitive advantage;
- Achieved a more equitable distribution of wealth as a result of rising real incomes and relative wealth for rural populations through more equitable access to land, physical and financial resources, and the knowledge, information and technology for sustainable development;
- Be a strategic player in agricultural science and technology development to meet growing needs and demands of African agricultural development;
- Practice environmentally sound production methods and have a culture of sustainable management of the natural resource base through increased knowledge, information and technology application.

COMESA agricultural programmes, in line with the overall African vision for the sector, are tools for attaining two major objectives: sustainable regional food security and enhanced regional integration. COMESA has endorsed the principle of moving from a national to a regional approach in dealing with regional food security issues based on two major strategies.

The first is to open up the region to freer flow of agricultural trade by removing all barriers to such trade to ensure that as needed, commodities move from surplus to deficit areas in the region driven primarily by demand and market forces. This policy shift is enshrined in the Declaration of the Second Meeting of the Ministers of Agriculture, made in Nairobi, Kenya on 15-16 October on, "*Expanding Opportunities for Agricultural Production, Enhanced Regional Food Security, Increased Regional Trade and Expanded Agro-exports through Research, Value Addition and Trade Facilitation*".

The other strategic approach is to put in place policies, systems, regulations and procedures which are harmonized across the region so as to create a conducive, transparent and facilitative environment for conducting regional agricultural trade with forward and backward linkages across the region from the farmer to the market. Further, the COMESA agricultural approach aims to position the region as a reliable supplier of primary and processed agricultural goods to global markets and whose producers effectively and competitively respond to opportunities that arise in all external markets.

The COMESA Secretariat's on-going agricultural sector programs aimed at attaining sustainable food security are as follows:

- Agricultural Market Promotion and Regional Integration Project (supported by the AfDB)
- Irrigation Development in the COMESA Region (with the assistance of the Indian Government)
- Regional Food Security/Food Reserve Initiative among member states
- The Food Security Policy and Vulnerability Reduction Program (to be supported by the 9th EDF)
- Coordinated Agricultural Research and Technology Interventions (supported by USAID)
- A Regional Approach Towards Biotechnology (supported by USAID)

The Pan African Tsetse and Trypanosomiasis Eradication Campaign (PATTEC) in collaboration with the AU

- Livestock Sector Development in collaboration with the AU and USAID
- Fisheries Sector Development in partnership with the Common Fund for Commodities
- Implementation of NEPAD's Comprehensive African Agricultural Development Programme (CAADP) in the Eastern and Central African (ECA) region
- Crop Crisis Control (C3) Project with the support of USAID
- The Action Plan for the Environment among member states
- Interventions to mitigate impacts of HIV/AIDS among smallholder farmers in the ESA region
- Closely linked to its food security programs, the Secretariat's agricultural marketing and regional integration activities are listed below:
- The Food and Agricultural Marketing Information System (FAMIS), a component of the AMPRIP program supported by AfDB.
- The Regional Agricultural Trade Expansion Support (RATES) project supported by USAID.
- The AGOA Linkages (ALINK) in COMESA supported by USAID.
- The Commodity Exchange Initiative
- The WTO and EU/EPA market access initiatives aimed at ensuring that the ESA region gets a fair deal in global agricultural trade arrangements.
- A detailed description of the above programs and initiatives is available at the COMESA Secretariat, Division of Invest Promotion and Private Sector Development (IPPSD).

Table 1 **Structure of Output**

	Gross Domestic Product Millions Of Dollars		Value added as % of GDP							
			Agriculture		Industry		Manufacturing		Services	
Economy	1990	1999	1990	1999	1990	1999	1990	1999	1990	1999
Angola	10,260	5,861	18	7	41	70	5	63	41	23
Burundi	1,132	701	56	52	19	17	13	9	25	30
Comoros	-	-	-	-	-	-	-	-	-	-
Congo Dr	9,348	6,964	30	58	28	17	11	-	42	25
Djibouti	-	-	-	-	-	-	-	-	-	-
Egypt	43,130	92,413	19	17	29	33	24	27	52	50
Eritrea	437	670	29	16	19	27	13	14	52	57
Ethiopia	6,842	6,534	49	49	13	7	8	-	38	44
Kenya	8,533	10,603	29	27	19	17	12	11	52	56
Madagascar	3,081	3,733	32	30	14	14	12	11	53	56
Malawi	1,803	1,820	45	38	29	18	19	14	26	45
Mauritius	-	-	-	-	-	-	-	-	-	-
Namibia	2,340	3,075	12	13	38	33	14	15	50	55
Rwanda	2,584	1,956	33	46	25	20	19	12	42	34
Seychelles	-	-	-	-	-	-	-	-	-	-
Sudan	-	-	-	-	-	-	-	-	-	-
Swaziland	-	-	-	-	-	-	-	-	-	-
Uganda	4,304	6,349	57	44	11	18	6	9	32	38
Zambia	3,288	3,325	18	17	45	26	32	11	37	57
Zimbabwe	8,784	5,716	16	19	33	24	23	17	50	56

Source: World Development Report 2000/2001

Table 2 **Growth of Economy**

	GDP		GDP Implicit Deflator		Agriculture Value added		Industry Value added		Services Value added		Exports of goods & Services		Gross Domestic Investment
Economy	1980-90	1990-99	1980-90	1990-99	1980-90	1990-99	1980-90	1980-90	1980-90	1990-99	1980-90	1990-99	1990-99
Angola	3.4	0.8	5.9	813.8	0.5	-3.1	6.4	6.4	1.8	- 3.4	22	8.2	12.9
Burundi	4.4	-2.9	4.4	11.7	3.1	-2.0	4.5	4.5	5.6	- 2.5	3.4	2.4	-12.4
Comoros	-	-	-	-	-	-	-	-	-	-	-	-	-
Congo Dr	1.6	-5.1	62.9	1,423.1	2.5	2.9	0.9	0.9	1.3	-15.2	9.6	-5.5	- 3.5
Djibouti	-	-	-	-	-	-	-	-	-	-	-	-	-
Egypt	5.4	4.4	13.7	9.1	2.7	3.1	5.2	5.2	6.6	4.3	5.2	3.1	- 6.7
Eritrea	-	5.2	-	9.7	-	-	-	-	-	-	-	0.5	-
Ethiopia	1.1	4.8	4.6	7.4	0.2	2.5	0.4	0.4	3.1	6.7	2.4	9.3	- 13.4
Kenya	4.2	2.2	9.1	14.8	3.3	1.4	3.9	3.9	4.9	3.3	4.4	0.4	4.9
Madagascar	1.1	1.7	17.1	20.6	2.5	1.5	0.9	0.9	0.3	1.9	-1.7	3.6	0.9
Malawi	2.5	4.0	14.6	33.5	2.0	9.0	2.9	2.9	3.6	0.7	2.5	4.9	- 7.5
Mauritius	-	-	-	-	-	-	-	-	-	-	-	-	-
Namibia	1.3	3.4	13.7	9.8	1.9	3.8	-0.6	-0.6	2.3	3.4	0.7	4.3	- 2.5
Rwanda	2.2	-1.5	4.0	16.3	0.5	-3.9	2.5	2.5	5.5	- 1.2	3.4	-6.0	2.1
Seychelles	-	-	-	-	-	-	-	-	-	-	-	-	-
Sudan	-	-	-	-	-	-	-	-	-	-	-	-	-
Swaziland	-	-	-	-	-	-	-	-	-	-	-	-	-
Uganda	2.9	7.2	113.8	13.7	2.1	3.7	5.0	5.0	2.8	8.1	1.8	16.3	9.9
Zambia	1.0	1.0	42.2	56.9	3.6	-4.4	0.8	0.8	- 1.5	10.6	- 3.4	1.8	11.3
Zimbabwe	3.6	2.4	11.6	23.8	3.1	4.3	3.2	3.2	3.1	3.6	4.3	11.0	-0.7

Source: World Development Report 2000/2001

Table 3. **Land use and Agricultural Productivity**

	Land Under Permanent Crops % of Land Area		Irrigated Land % Of Crop Land		Arable Land Hectares/ Capita		Agricultural Machinery Tractors Per 1000 Agr. Workers		Agricultural Productivity Agr. Value Added Per Agricultural Worker 1995 Dollars		Food Production Index 1989-91 = 100	
ECONOMY	**1980**	**1997**	**1979-81**	**1995-97**	**1979-81**	**1995-97**	**1979-81**	**1995-97**	**1979-81**	**1996-98**	**1979-81**	**1996-98**
Angola	0.4	0.4	2.2	2.1	0.41	0.27	4	3	-	123	91.9	130.0
Burundi	10.1	12.9	0.7	1.3	0.22	0.12	0	0	177	141	80.3	95.8
Congo Dr	0.4	0.5	0.1	0.1	0.25	0.15	0	0	270	285	71.7	95.9
Egypt	0.2	0.5	100	99.8	0.06	0.05	4	11	721	1,189	68.0	139.7
Eritrea	-	0.0	-	7.0	-	0.11	-	0	-	-	-	114.6
Ethiopia	-	0.6	-	1.8	-	0.17	-	0	-	-	-	123.7
Kenya	0.8	0.9	0.9	1.5	0.23	0.14	1	1	262	228	67.7	104.9
Madagascar	0.9	0.9	21.5	35.0	0.28	0.19	1	1	197	186	84.4	108.7
Malawi	0.9	1.3	1.3	1.6	0.20	0.16	0	0	102	138	91.1	109.7
Namibia	0.0	0.0	0.6	0.9	0.64	0.52	10	11	862	1,233	107.4	123.5
Rwanda	10.3	12.2	0.4	0.3	0.15	0.12	0	0	371	249	89.7	79.1
Uganda	8.0	8.8	0.1	0.1	0.32	0.26	0	1	-	345	70.4	107.1
Zambia	0.0	0.0	0.4	0.9	0.89	0.57	3	2	328	209	74.0	104.5
Zimbabwe	0.3	0.3	3.1	4.7	0.36	0.27	7	7	307	347	81.9	101.9

Source: World Development Report 2000/2001

Table 4. **Comparative Summary of Agricultural Policies**

Policy	Influence Upon	Policycategories	Efficiencyimpact	Common defects	Deregulationrating
1. Price	Outputs/inputs	Price	Allocative	Farmer squeeze	High
2. Marketing and trade	Food security Outputs Inputs Income distribution	Institutions	Allocative	Parastatal Inefficiency Private sector rent Seeking/market failure	Medium/High
3. Input	Use of variable Inputs Yield formation	Price/Technology Transfer/Institutions	AllocativeTechnical	Delivery failures	High
4. Credit	Working capital Investment	Institutions (Price) (Technology)	Allocative	Supply Bias Scarcity	Medium
5. Land Reform / tenure	Land ownership/ investment	Institutions	Allocative Equity	Political difficulty Discriminatory	Low
6. Research and Extension	Productivity (all resources)	Technology (Institutions)	Technical	Ignore farmer needs and indigenous knowledge	Low
7. Irrigation Development	Income distribution/water use/yield formation	Technology (Institutions)	Technical	State Failure	Low
8. Rural Development	Economic Development	Institutions	Allocative	Rural areas squeeze	Low
9. Food and food security	Food security	Production capability	Technical (Allocative)	Weak implementation	Low-medium
10. Sanitary and Phytosanitary	Pests and Diseases control	Technology (Institutions)	Technical	Weak implementation	Low-medium
11. Environment and Natural Resources	Land and natural resources	Technology (Institutions)	Technical	Weak implementation	Low
12. Women in Agriculture	Land ownership and credit	Institutions	Allocative (Empowerment)	Gender insensitive	Low
13. Fisheries Development	Productivity	Technology(Institutions)	Allocative (Technical)	Poorenforcement	Low

Conclusion

Kenya Agriculture, Development and Globalization: Where do we Stand?

By Kiarie Njoroge and Mary Kinyanjui

Managed population growth, intensified agricultural production and maintainable natural resource base have often been quoted as the key challenges to economic growth in Sub-Saharan Africa. This is because over the last few decades the area is still characterised by rapid expansion of human populations, inability to produce sufficient food to keep pace with rising demand and eminent catastrophic decline of the natural resources resulting from declining forests, overgrazing, eroded soils and greatly destabilised hydrological systems. Thus social, economic technological and policy factors interventions leading to investment that could lead to reversal of the environmental degradation have occupied the minds of agricultural planners for long. Successful reversal of trends in environmental degradation would be expected to slow and probably also reverse poverty that is ever increasing among the people. For many years', policy makers and development practitioners assumed solutions would spring from ideological principles (e.g. Marxist, socialists or capitalist) that would successful reduce poverty. Specialised professionals, on other hand, viewed the key to reduced poverty to lie in their scientific disciplines that bring their skills to bear on farmer practices, which as a results generated products to support development. Ideological and scientific approaches generally were never viewed as complementary facets of development of agriculture and related industry.

To add to the confusion, academic social scientists tended to be sceptical about the so-called anti-poverty programmes. Such programmes have generally been seen to breed problems of exploitation of the intended beneficiaries than solutions to developmental problem oriented initiatives. However not all analyst view these approaches as obstacles to development, but quite many of them see the programmes in positive light.

The truth remains however that professional solutions have failed to produce solutions to poverty despite high confidence levels associated with initiation and implementation of many programmes meant to help the rural poor especially those meant to address agricultural related problems. There is a need to re-examine two areas of concern:

- Past professional priorities of the elite who define poverty from their perspective
- The perception and the priorities of the poor themselves.

There is a need to understand the divergent views of deprivation. It appears the many programmes of activities are rarely coordinated to reap maximum benefit to the agriculture practitioners at the low production chains. This perpetuates poverty amidst a myriad of programmes to address poverty. We have national planners formulating government policies that would reduce poverty in the national regional and global trading arena. Such situation exists in Kenya, in common with other countries of Sub-Saharan Africa (SSA).

On one facet we have international Economic Partnership Agreements (EPAs) that attract foreign and domestic investment and in addition improve the quality of such investment. Non-traditional benefits may also be introduced. But EPAs impact on farmers of developing countries in largely undocumented. Evidence points to the fact that, although generally betters for economic growth, open trade may raise poverty especially in the agricultural sector in the 3rd world. Subsistence farming is twice as likely to be found in female-headed households. Women constitute 70% of the labour force but they have very limited access to formal credit channels. The Kenya law of succession suppresses women, although they perform 90% of the work involved in processing food, and averaging 50% more hours than men in agricultural tasks in the SSA.

Even EU, which has the common Agricultural Policy (CAP), has to operate inline with WTO requirements that subscribe to reduction of subsidies and low intervention prices of basic commodities like cereals and beef. SSA countries are vulnerable to EU policies, which are meant to promote goods from developing world in the so-called "preferential access" through CPA and the Everything But Arms (EBA) initiative. Still many of the adverse effects from CAP befall women who comprise the vast majority of the poor producers in the third world. Maize and bread are stable foods for SSA and EU is expected to have a marketable surplus of both of these grains by 2010. Price distortions arising partly from subsidies in EU countries are likely to make EU grain cheaper if imported to Africa than if grown here. This has important implication in Kenya where the strategy for revitalizing agriculture policy papers outline the current government thinking. The policy is geared towards ensuring food security and raising agricultural income taking cognisance of the social, water and environmental issues. It is in agreement with CPA in making specific demands of the most vulnerable and disadvantaged (e.g. ASAL) areas. It is imperative that Kenya moves faster to respond effectively to the needs of the regional trading blocks that require negotiations to harmonise trade with EU. This response includes increasing the pace to diversification and improvement of the environment for domestic and foreign investment. But instead of looking at EU, the traditional trading partner, other opportunities must be sought in other areas such as Latin America, Asia and East Asia.

This has been given what appears like special attention by African Caribbean and Pacific (ACP) and EU trade agreement in form of the Cotonou Agreement which was signed in Benin in 2000 and later succeeded Lome by IV, which was a trade agreement to last 20 years. This agreement had lofty objectives; reduce and eventually eliminate poverty through contributing towards sustainable development and integration of ACP countries into the world economy. This was conditional to respecting human rights, democracy and rule of law. The Least Developed Countries (LDCs) within ACP were given non-reciprocal preferences upto 2007 beyond which date they were to re-negotiate individually for reciprocal Economic Partnership Agreement (APAs) with EU. Other conditions were adjoined to the EPA. This included being "compatible" with WTO, and to removing barriers to trade so as to freely permit EU products to their markets. In 2002, the reciprocal EPA negotiations started between EU and CPA and produced the Doha work programme in 2004. In a second phase, 16 ESA countries agreed on a negotiated mandate with EU. Negotiations would include many factors like improved access to market and ensuring fair remuneration to ESA producers. In 2005, meetings were held in Harare and Nairobi between ESA And EU. Provisional agreements reached included market access issues, sanitary and phytosanitary issues, technical barriers to trade and principles of equitable treatment. To facilitate negotiators from Kenya, studies to inform the team were conducted on horticulture, livestock, tea, sugar and coffee exports to EU and EU exports to Kenya. A study on CAP prospects for Kenya was also done.

The Cotonou Agreement and other economic partnership agreements must recognize the WTO rules as exemplified in the Agreement of Agriculture (AoA). Government support was given colour cables depending on strength and desirability within the rules of trade. Highly distorting support was labelled "amber box" and needed to be reduced commitment; support that involving payment to farmers but not directly linked to production was designated "blue box" and that support that had no, or with minimal, distortion such as research and infrastructure was called "green box". The reduced support given annually expressed in monetary terms has been termed " Aggregate Measure of Support" (AMS). The banned support is subject to some defined allowable levels (i.e. 5% and 10% or less for developed and developing countries respectively). The export competition pillar involves requires members to reduce export subsidies although developing countries were allowed not to reduce commitment for internal support and marketing costs. In the 2001 Doha ministerial conference, members government agreed to phase out all export subsidies and substantially reduced domestic support that could distort trade. All this is pretty complex to many countries when it comes to practical translation.

No wonder, subsequently, members differed on key issues of tariff reduction. Infact the next ministerial conference held in 2003 at Cancum in Mexico flopped and negotiations continued until 2004 when WTO members agreed on a framework of Agreement. This agreement was called Framework for Establishing Modalities in Agriculture that formulate principles to be followed in future without giving details. For example, members agreed on an approach to reduce tariffs but not number of tariff bands, nor the issue of tariff escalation. The negotiation were carried out in four key-player groups:

i) Multifunctional group (EU, Japan, Korea, Norway, Switzerland etc) which take a defensive stand,

ii) The Cairns group (Australia, Canada, South Africa) that are majority agriculture producers and favour liberalization

iii) United States, a large exporter of agriculture products, favours liberalization including that of GMOs.

iv) Developing countries, a most heterogeneous group whose major concern is to address inequities in the current agreements that escalate food security, poverty and poor rural living conditions.

But still, AoA is believed to have promising opportunities to developing countries, such as Kenya. Market for agriculture products will be accessed, agro processing will be boosted and safeguarded, livelihoods including food security for poor farmers will be improved and flexibilities in trade will be enhanced by the special and differential treatment being offered.

All these international agreements have to be addressed by Kenyan agricultural development planners. The latest effort to do this has been the publication of the two current agriculture policy papers entitled Strategy for Revitalizing agriculture (SRA) and the Economic Recovery Strategy paper (ERSP). The SRA is the blueprint to support reorganization of the agricultural sector in Kenya and heavily builds on earlier two policy papers: Economic Recovery Strategy (ERS) and Poverty Reduction Strategy Paper (PRSP). SRA establishes key parameters for the sector's growth through revived and sustained economic growth, creating employment and reducing poverty. The strategy is created for the smallholder farmer who will benefit from anticipated legal, institutional and regulatory framework. SR particularly emphasizes market-oriented agriculture led through modern farming practices and increased integration of subsistence agriculture to other sectors of the national economy. In support of the SRA are other strategies such as Njaa Marufuka Kenya (NMK) an initiative responding to the UN secretary General's call to start an African green revolution for the 21st century. It is now recognized that tackling hunger requires investment at the front end of food production chain as much as at the end. Fertilizers, seeds and other inputs are as important as handling the outputs like grain. It is ironical, and a great mystery to many, how a country can start a "green-revolution without home manufacture of fertilizers, as Kenya plans to do.

Fair trade in agriculture products can only occur of government put emphasis on financing mechanisms for inputs, creating conducive operational systems, effective handling of output markets and investing in capacity building. Focus needs to be placed in giving incentives to poor farming households, facilitating information flows, provision of warehouse facilities, while all along placing premium on gender related issues of concern. The AoA failed because it did not identify and eliminate market distortions provoked by farm and export subsidies and by not removing market access barriers. So even as the government addresses the above issues, there is need for radical reform in AoA to remove arbitrary subsidies given to farming in the advanced countries as these produce unfair priced goods that end in third world countries to scuttle domestic competitors.

Secondly, subsidized products suppress international prices that throw others out of business. When this happens the vulnerable players especially women are at greater risks. This situation can be managed effectively through reduced surges of imported cheap goods and creation of enabling policy environments and improved socio-economic infrastructures. In addition, the revised AoA should be programmed to promote food security, end agricultural export dumping, ensure reasonable levels of market access and ensure socially and environmentally sustainable practices. These will only achieve equity if gender disparities are addressed through propounding gender sensitive policies.

The Kenyan farmer in particular and Kenyan economy in general shall reap immediate and most benefits from the Common Market for Eastern and Southern Africa (COMESA). The treaty is visionary and hopes to achieve sustainable growth by strengthening member states that can facilitate a fully

Free Trade Area with free movement of capital and investment and ultimately growing into a single monetary union, common visas and free movement of people. COMESA has an agricultural policy that recognizes the role of agriculture in the region as key to industrial growth and trade development. The policy has priorities in ensuring of security and stimulating agricultural based industry through a holistic approach that embraces incentives, institutions, inputs and infrastructure, the so called "4I's of agricultural development". The member states are cognizant of the critical role of agriculture in their national economies. COMESA follows the principle of moving from natural to regional approach in dealing with food security issues. To do this, three approaches are being applied. First, the region is being opened to freer flow of agricultural trade by removing barriers so that commodities can move freely from excess to deficit areas. Two, creation of policies that create conducive, transparent and facilitative environment to trade and, three, positioning the region as a reliable supplier of primary and processed agricultural goods to global requirements, and doing so in response to competitive marketing opportunities.

Outside the COMESA sphere of influence, Kenya will deal with many other issues that relate to international trade as required by global trends. Globalization is here to stay and it may not be here for the good of all. Globalization, although often preached as a concept to liberalize economies for the common good of all, is in reality a clever maneuver of the developed north to keep the under developed south in perpetual poverty. To paraphrase Joseph Stiglitz, the 2001 Nobel Laurette for Economics, Globalization is neither working for many of the world's poor and neither is it working for the stability of the global economy. The poverty in the south is particularly harsh to women and children; trade liberalization encourages polices that increase hazards to women –folk. Daily chores for women, such as ensuring availability of water and food are made difficult and their health is put to great risks. Similarly, the daily routines of the female gender that generate incomes, such as coffee production are unnecessarily exploitative to the primary producers when the international trade agreements are crafted with no consultation with the lower ranks of the production chain. Access to markets is a great concern that needs to be addressed. These include lowering tariffs and reducing quantitative restriction for agricultural products of interest to women and formulating rules that would provide greater benefits to developing countries. At the WTO governance and decision making levels, more affirmative action promote women interests more is required.

Finally it is argued that there is a greater need to create alternatives to corporate-led globalization that will require radical revision of the international agreements, such as TRIPs agreement, improve women remuneration at the work place, including gender specialists in all national regional and international negotiations and developing tools, targets and indicators that systematically incorporate gender in analytical frameworks. It is also necessary to adopt and enforce policies that secure the rights of women workers and strengthen their capabilities, ownership and control of productive resources. It is the governments that should lead the war in correcting the many social injustices seen in globalization practice.

This is far fetched, it would appear if the Kenyan experience is anything to go by. In the Kenyan situation, exploitation of the workers, especially the woman, is best seen in the Export Processing Zones (EPZs). The EPZs were first established in the country in 1990 and a total of 36 EPZs, were in place by 2004. In line with the practice elsewhere EPZs were given incentives such as non-payment of certain taxes but goods made in the zones are treated as "Kenyan" when being sold in Kenya for taxation purposes. The amount of goods saleable in Kenya is also restricted to 20%. The introduction of AGOA generated a burst of foreign direct investment in SSA. AGOA aims at boosting trade and at investment in SSA and promoting development. Kenya benefited by mainly exporting apparel, the raw materials for which are mainly imported from East Asian countries. In January 2005, trade in textile was put under normal WTO rules causing economic downturns in SSA countries like Kenya where 6000 jobs have been lost as a result. However, EPZs are thought to have been useful in Kenya in that they have enhanced capital accumulation, industrialization and reinforced economic progress. Technology improvement and wealth are also reported to have shifted positively as a result of EPZs establishment. It is nevertheless common knowledge that workers rights in Kenya's EPZs have bee trampled on despite the positive impact in these aspects.

This is because labour laws are oppressive, narrow focused and ineffective. For example unions are not involved when retrenchments are declared and hence payable benefits are left to the whims of the employers. The conditions of work are inhumane especially where women are concerned. The business model common in the EPZs in Kenya maximizes returns for shareholders insisting on timely delivery, faster turnaround times, tighter specifications and ever-lower prices. Costs and risks are passed on to the weakest link and in Kenya this happens to be women factory workers. Women generally have extra duties at home and at work where they are burdened by precarious terms and conditions. Their terms of employment are generally casual where wages are pegged on production and not hours worked. This often means working unpaid overtime hour with, no other benefits are given, no sick leave and, for women, no maternity leave. Thus there is exploitation of desperate circumstances of Kenyan men and women. The fact that more women than men work in the EPZS, poverty often takes a feminine face. To turn this situation around, codes of conduct to end double standards being practices by the global companies is needed. Workers rights must be enforced, decent working conditions including rights to associate consumers promoted and copyright owners may need to pressurize for these conditions to occur. Owners of branded items being manufactured in these zones have started signing up to codes of conduct. The list requires to be expanded to incorporate other manufacturers retailers' client institution and all other consumers. That way, the rights of the casual worker will be respected down the supply chain.

It would appear therefore that EPZ, as far as women workers are concerned, has condemned workers to a poverty trap. Employment, (as a concept of the urban, industrial and formal sector economy), implies cash remuneration for the worker's labours. Rural development also implies transforming subsistence condition of the farm families through engaging them into remunerative activities and enterprises. But for the rural people livelihood concept often replaces employment concept. Livelihood means adequate flow of cash and food for the household and its members throughout the year and the means to meet contingencies. Often the urban concept of employment as "employer, one source of income" does not apply to the rural concept where livelihoods involve activities in varied ways. Agricultural planners often overlook this basic difference. To effectively mitigate the effects of poverty in both rural and urban set-ups, the government and the agents of development shall, of necessity, integrate these different aspects of social perception of wealth. Globalization as a western concept has to be translated into local content of use to ordinary folk in both urban and rural areas in the developing world. This is the only way that the hype on ridding the world of poverty will be seen to be serious intention and not mere rhetoric to cover western rules that govern continued domination of third world.

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Heinrich Böll Foundation

The Heinrich Böll Foundation, affiliated with the Green Party and headquartered in Berlin, is a legally independent political Foundation working in the spirit of intellectual openness. The Foundation's primary objective is to support political education both within Germany and abroad, thus promoting democratic involvement, socio-political activism, and developmental cooperation. Its activities are guided by the fundamental political values of environmental sustainability, gender democracy, solidarity and non-violence.

The Regional Office for East and Horn of Africa

Since 1991, the Heinrich Böll Foundation has been supporting development projects in Ethiopia and Eritrea. In 1999, the Foundation expanded its activities to Somaliland and Djibouti. Since 2001, the Foundation's activities have spread to many countries in the region including Kenya, Sudan and Uganda. We mostly work in cooperation with project partners who focus on raising awareness on ecology, gender democracy, peace and security, democratization and cultural identity.

The overall goal of the Foundation's engagement in this region is promoting democratization for sustainable development. As a result, most of the program activities in the East and Horn of Africa have been in partnerships with non-governmental organizations working in the environmental, gender and the peace and security realms.