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Ghana - Agricultural trade policy issues

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1. Introduction

This chapter discusses Ghana's trade policy issues – the next two chapters cover related topics of trade mainstreaming and trade-related support measures. The process followed by Ghana for formulating its 2004 trade policy was remarkably comprehensive. This involved several steps: a thorough review of relevant literature; preparation of an "options paper" that collated a total of 167 policy options in several thematic areas; stakeholder consultations to discuss the issues and fine-tune the options; and focus group consultations that reduced the options to 67 for the final trade policy paper. While policy positions on several issues were thus articulated, trade policy formulation is an ever-evolving process and the debates never cease. Experience gained during implementation and new developments in internal and external environments, e.g. the 2008 global food crisis, make the process continuous.

The debates on trade policy that took place in 2003 and 2004, especially the options and their pros and cons documented in the options paper, are an important source for continuing this discussion. Subsequent to that, important developments have taken place such as the ECOWAS common trade and agricultural policies, the EPA negotiations and an interim EPA, and the formulation of other important policy frameworks like the PRSP and agriculture and industry policies.

It is against this background and new developments that this paper seeks to contribute to discussions on the process of articulating appropriate trade policy. The background works leading to this and other papers under the FAO trade policy articulation project were undertaken by a team of analysts in Ghana on the basis of literature review, data analysis and stakeholder consultations. About 10 national experts contributed to the background work, the study itself coordinated

by the Institute of Economic Affairs (IEA), Accra. Many meetings were held with government officers, non-state stakeholders and civil society for their views on policies. An attempt is made to reflect diverse views found in these sources. The background study that contributed to this paper is on trade policy by Egyir *et al.* (2010); other background papers that were also helpful were Nimoh and Yeboah (2010) on trade mainstreaming, Asuming-Brempong (2010) on trade support measures and Mensah-Bonsu and Addo (2010) on the state of trade policy analysis.

The next section presents trade and related policy issues for selected prominent agricultural products and several general topics. Section 3 is a commentary on six cross-cutting issues that emerge from the discussions in Section 2.

2. Key trade policy issues

As policy interventions and the extent of support and distortion are typically product-specific, it is insightful to review issues and policies for specific products. Four product groups are considered for this: traditional and non-traditional crops on the export side, and rice and other import-competing prominent food products on the import side. In addition, two cross-cutting topics are also discussed: ECOWAS CET, safeguards and ECOWAP agricultural policy; and interim EPA/full EPA.

2.1 Traditional and non-traditional export products

Traditional export - cocoa

Among traditional products, cocoa is Ghana's single most important export product and so deserves special attention. Being an export product, there are fewer divisive trade and pricing policy issues. Three can be singled out for discussion here: i) overall taxation and producer's share in the export price; ii) export tax, and iii) value added exports.

That most developing countries historically taxed their export agriculture rather heavily is well known. The sources of taxation were both direct export tax and indirect forms of taxation like industrial protection and exchange rate overvaluation. Farm taxation has fallen markedly over the years. For Ghana's cocoa, according to the World Bank's recent study (Brooks *et al.* 2009), such taxation fell from as high as about 80 percent in the early 1980s to about 22 percent in recent years, direct export tax being the main source now.

Another way of interpreting these numbers is in terms of the share of the export price received by farmers. Raising this share has been a stated goal of the GoG and the Cocoa Board. This has been accomplished – the share was only 21 percent in 1983, 40 percent by 1995, 50 percent by 2000 and has been about 70 percent after

2004. In addition, bonus payments to farmers have also increased. So it seems that a major issue has been resolved.

The second policy issue is export tax. In the trade policy options paper (Ghana 2004b), three options were identified on cocoa export taxation: i) removal of existing export taxes; ii) justify the tax on the basis of services provided and/or exemptions from other taxes; and iii) status quo. Option (ii) was eventually selected in the 2004 national trade policy (Ghana 2004c, GNTPO4 in short) (see next chapter). One argument made for the justification was that cocoa farmers are exempted from other taxes normally payable (could be income and profit taxes) and so it makes sense to tax export in equivalent amount. Currently, the tax rate is determined annually – for 2007/08 it was 11.1 percent of the f.o.b. price. The revenue derived from the tax is used to finance COCOBOD's activities (Ghana also applies import tariff of 20 percent on cocoa and cocoa products). This option will entail some complex analytical work if the annual tax rate is to be determined based on the services provided and concessions granted (the "equivalent" argument).

The third issue noted above is the production and export of processed cocoa products (cocoa butter, powder and paste). The GoG's medium-term objective is to process at least 40 percent of the cocoa output locally. One major impediment identified is tariff escalation in export markets, and so attention is drawn to the WTO trade negotiations. The mix of the raw and processed exports is also determined by relative incentives at home (e.g. export tax, other incentives to industries) but these issues were not raised and clarified in the options paper. This will require some further work.

Non-traditional exports

With a view to diversify exports, the GoG has been promoting a variety of non-traditional exports; about 15 or so products are often listed. These include pineapples, pawpaw, mangoes, pepper, other spices, cotton, coffee, shea nut, coconut, tobacco and palm oil. Production and export of some of these products have increased markedly in recent years, led by pineapples. But for many other products, output has been stagnant or even falling. Naturally, the policy attention is focussed on raising productivity and production, quality and standards, trade facilitation measures, and market access.

In the area of trade and pricing policy, a review of the literature and policy documents shows that one issue that has been prominent is the provision of incentives to industries producing and processing the export products. Unlike with cocoa, there are no direct export taxes on these products, nor any indication that this is an issue.

The issue of incentives was addressed by the options paper. It noted that non-traditional export crops receive some incentives. One is concessions on income-tax

to exporters. The exporters of these products are taxed at the company tax rate of 8 percent instead of the standard 35 percent, regardless of export performance. Another scheme provides direct export incentives through company income tax rebates to all exporters according to export performance. The rebate is available to manufacturers exporting at least 5 percent of their production, increasing with the share of the production exported. The maximum company tax rebate of 75 percent, corresponding to a tax rate of 8 percent, is granted to manufacturers exporting more than one-quarter of their production. Agricultural and manufacturing products attract different rebates.

In the Options paper, three options were considered for export incentives: i) introduce export subsidies in the form of cash payments or rebates to exporters (extending the existing income tax rebates); ii) explore more subtle (Green or Amber Box in the WTO definitions) ways of subsidising exporters' costs; and iii) do nothing. The negatives (against the assistance) listed were: i) difficulty to identify beneficiary sectors and products; ii) possible expensive "subsidy race" with competing exporters (e.g. Nigeria); and iii) possible retaliation by some of Ghana's important trading partners (the EU and US were mentioned). The plus side said was increased ability to compete more in export markets.

In the GNTPO4 itself, the policy prescriptions included were facilitating access to export credit, provision of cash payments, tax rebates, exempting key imported inputs from VAT, and "effective WTO-compliant subsidies." It is not clear how much of these have been implemented and what new issues have come up.

2.2 Import-competing basic foods

The declining self-sufficiency rates of many basic food products attract widespread public attention, both for reasons of the high import bills and high levels of poverty in food producing areas that are dominated by small farmers. The role and level of tariff protection in raising self-sufficiency levels are thus topics that come up frequently. These debates have taken place for several foods, the most prominent being the following: rice, poultry, dairy products, sugar, tomato paste and onions. Rice, poultry and tomato paste have also been the subject of several studies on import surges and negative effects on farmers. This is an issue that makes headlines also in other countries in the region.

Rice

As elsewhere in the region, rice consumption has been increasing rapidly at some cost of coarse grains and tubers, driven by urbanization and higher incomes. The demand for rice will continue to grow strongly. Rice self-sufficiency rate is 33 percent. The rate of growth of domestic production is low, and so is yield at around 2.27 tonne/ha.

Given the importance, Ghana has formulated a national rice development strategy (NRDS). It states, "It is desired that Ghana will double local rice production by the year 2018 so as to contribute to food security and increased income in rice production."¹ Three main objectives identified in the strategy are: i) to reduce rice imports by 50 percent through the promotion of productivity-enhancing innovations of small and commercial rice producers and entrepreneurs along the value chain; ii) to promote consumption of local rice through quality improvement, value addition and domestic and regional marketing; and iii) to promote stakeholder innovation capacity for the utilization of rice by-products while ensuring sound environmental management practices.

Realizing the vision of the NRDS will require not only increased production but also the production of the variety that is in demand, namely long-grain and aromatic varieties. This is a difficult challenge. In the 2005 budget speech, it was said that the target is reducing rice importation by 30 percent. Among the measures mentioned is speeding up the implementation of the new NERICA rice variety initiative.

In the literature on rice policy, two topics in particular were prominent.² One was a debate on whether there is a trade-off between increasing rice production by focussing on small farmers on the one hand and on large farmers on the other. The issue was whether the target is improving household food security (the former strategy) or the national food security (the latter). The other issue was rice self-sufficiency at the national level versus the regional (ECOWAS) level. With the region moving towards a customs union, the question asked was does it make sense to discuss rice self-sufficiency at the national level. This discussion is further taken up in the next section. The global rice crisis of 2008 also prompted a fresh debate on these issues.

Other food products

In terms of the debates, the prominent trade policy issue for rest of the basic food products has been tariff protection and safeguard against import surges. As imports increased rapidly, the swelling food import bills and the undermined competitiveness of domestic production and agro-industry attracted public attention, putting pressure on the government to act. In the mean time, frequent surges of imports and the difficulties these create for local farmers and businesses become headline news that the government cannot ignore. In Ghana, and in the region in general, besides rice, the following products have attracted intense attention in these contexts: wheat and flour, poultry, dairy products, sugar, tomato paste, potatoes

¹ National Rice Development Strategy (Ghana 2009a). Note that doubling of the production in a decade requires an annual growth of 7.2 percent, which is very high relative to recent trend.

² For details see Lancon and Benz (2007) and USAID (2009a and 2009b).

and onions. That these were sensitive products for Ghana, irrespective of the surges, can also be seen in terms of the applied tariffs on these which, around 2004-2005, were roughly twice in Ghana than in the WAEMU CET.

Import surges and import competition have been analysed by several studies during 2004-08.³ Thus, according to the FAO case study (FAO 2006), *poultry* imports surged from 4 000 tonnes in 1998 to 124 000 in 2004, and poultry industry was suffering (low capacity utilization of about 25 percent for hatcheries, 42 percent for feed mills and 25 percent for processing plants). A widely-shared view in Ghana then was that the surge was associated with the lowering of the import tariff. This was also acknowledged by the GoG, proposing in its 2003 budget a doubling of the tariff to 40 percent. This bill was passed but quickly withdrawn, allegedly under the IMF pressure. The issue also came up recently in the 2010 budget speech when promises were made to raise tariffs as well as to assist the industry through various domestic support measures.

Likewise, *tomato paste* industry, as well as fresh tomato production, hit headlines many times for the similar reason. The surges were blamed to the removal of protection under the SAPs, precisely when export subsidies on tomato concentrates were scaled up in Europe. According to the FAO study, tomato paste imports rose from 3 300 tonnes in 1998 to 24 740 tonnes in 2003 while domestic market share fell from 92 percent to 57 percent. The issue came up again in 2007 when the GoG imposed a temporary freeze on tomato paste imports.

While the above are *ex post* studies of the problem, there are also several studies that analysed *ex ante* the likely impact of trade liberalization (and EPA) on these products and agro-industries. As an example, the EU-commissioned study on EPA (SIA 2004) finds, based on economic modelling, that if West African countries were required to fully liberalize, food imports will increase markedly (e.g. by 16 percent for onions, 15 percent for potatoes, 16 percent for beef, and 18 percent for poultry). It also points to further possibility of import surges as experienced in the past.

Also importantly, the SIA study alerts on several cross-commodity linkages that need to be taken into account. Thus, while this region is not competitive on wheat production, wheat import surges impact negatively on the demand for other local cereals. The same is the case between poultry imports and local beef production, as well as massive poultry imports hurting local maize production, as happened in the past. The likely negative impacts will not be limited to the importing country – these also undermine regional trade and integration. For example, poultry imports reduce

³ For Ghana, fairly detailed studies were done by FAO (2006), Action Aid (2008) and ISODOC (2004), among others. Some of these studies also cover other countries in the region. See also Khor and Hormeku (2006), Patel (2007) and SIA (2004) for these issues.

demand for beef from beef-exporting Sahel countries. It is for this reason that the issue of regional integration is linked to trade liberalization, as has been stressed during the EPA negotiations.

How should debates on issues like these and analyses be utilized for the purpose of articulating appropriate trade policy? While the above discussion focussed on trade issues, it is well recognized that there are many problems with other aspects of agro-industrial development. This was also recognized in the FAO surge case studies – while surges did occur and injury was recorded, there were also other domestic factors that undermined competitiveness (the so-called “non-attribution” factors in the WTO safeguards investigations). For example, investment on agriculture has been historically inadequate, and very little was done to develop value chains of food products. These gaps are now recognized and recent policies and plans are addressing these issues (discussed in the subsequent chapter on trade support measures).

2.3 ECOWAS CET, safeguards and ECOWAP

These regional trade and agricultural initiatives will be increasingly important for the ECOWAS members. The challenge is to ensure that regional policies and national policies are closely aligned. The next chapter provides a brief on the main features of the ECOWAP and some issues. What follows therefore is limited to two remarks on issues more closely related to trade policy.

As regards the *ECOWAP*, two points may be noted. First, Ghana, as other members of the ECOWAS, would need to ensure that adaptation to the ECOWAS CET is smooth. Adopting the level of protection allowed by the ECOWAS CET might cause some adjustment problem to some products and sub-sectors that have been protected at a higher level. In those cases, which need to be identified based on analyses, appropriate alternative support measures may be needed for easing the adjustment.

Second, there may be a need for harmonizing the list of strategic or special products envisaged by the ECOWAP and those in Ghana’s FASDEP II and the PRSP. Likewise, the 2008 *Regional Initiative for Food Production and the Fight Against Hunger* identified some strategic food value chains to be put in place. These include millet/sorghum, maize and rice, roots and tubers, fruit and vegetables, and meat and dairy products. The FASDEP II has also prioritized some food products for focussing additional efforts. At the same time, Ghana and other countries need to implement already identified policies and measures to facilitate intra-ECOWAS trade on foods and other products, notably by abolishing the remaining NTBs.

As regards *ECOWAS CET and safeguards*, with 90 percent of imports into the ECOWAS area coming from outside the ECOWAS countries, the CET will

be the effective tariff for Ghana.⁴ Until the recent revision, the maximum CET was 20 percent (for the fourth band). This has been a source of considerable apprehension and debate as this is considered to be low, especially for sensitive farm products. Following many debates and negotiations, a new 5th CET band of 35 percent was adopted in June 2009. A higher rate, 50 percent, was also considered and supported by some countries and stakeholders but eventually discarded.

The issue debated was whether the CET is too low or too high or just about right. The four-band ECOWAS CET was adapted after the WAEMU CET that was operating for many years and was generally considered to be on the lower side. The compromise made was to retain these lower CETs but strengthen the safeguards (see below).

There are obviously different views on the level of the CET. It is natural for farm organizations to call for higher protection. In the ECOWAS CET negotiations, ROPPA, the regional farm organization, played an influential and significant role. On the 5th band, it had the following to say, "We remain convinced that any rate under 50 percent will mean the region will fail to achieve its strategic development objectives, especially those set out under ECOWAP" (ROPPA 2009). Nigeria was an important supporter of the 5th band. Ghana on the other hand had relatively low applied tariffs for many years and most likely did not have a strong view on this. As for other views, a recent OECD study (Debrew 2010) remarked that for the commodities covered in that study, tariffs seemed to be rather high for Ghana and Cameroon (15 to 20 percent), and much less for Mali (5 percent), and that reducing these tariffs could: i) further improve competitiveness of agricultural export commodities that compete for the same resources as used to produce protected imports; ii) enhance the efficiency of economy-wide resource allocation, and iii) reduce the food bill for consumers. Similar views can be found in the World Bank case study for Ghana (Brooks *et al.* 2009). The support for a more protective trade regime increased considerably during and after the 2008 global food crisis as voices converged for raising the level of food self-sufficiency.

It is widely held that safeguards (contingency protection measures) were given much more prominence by ECOWAS because regular CETs were on the lower side (notably prior to adding the 35 percent band). This is often linked to a decision of the Heads of State and Government concerning the "adoption of the external trade regime according to the specific circumstances of the agricultural sector". It seems that negotiators and experts linked this "specific circumstances" to the need for "differentiated protection" for the agricultural sector and came up with a scheme

⁴ This also means that Ghana's WTO bound tariff of 99 percent is essentially redundant (perhaps limited to products excluded from ECOWAS CET, if such a provision is made).

of three trade remedy measures addressing three different concerns as follows (Stryker 2005 makes this point).⁵

- Degressive Protection Tax (DPT), aimed at safeguarding during restructuring phase (e.g. for rice, sugar etc with longer gestation periods for investment).
- Safeguard Tax on Imports (STI), aimed at import surges and depressed prices.
- ECOWAS Compensatory Levy (ECL), aimed at countervailing against “unfair” competition.

There is some confusion over the exact form of these safeguards (various parameters), but it is believed that some of these would be based on reference prices that take into account prices in the world markets and inside West Africa. As for the CET, ROPPA made proposals to make the safeguards more effective and biting, e.g. with lower thresholds that trigger the safeguards more often. Some proposals were also floated to make tariffs variable for sensitive products so that safeguards are triggered automatically.

2.4 EPA negotiations and interim EPA

Ghana, along with Cote d’Ivoire, signed interim EPAs with the EU in December 2007. The main reason given was to prevent disruptions to their exports to the EU after the trade provisions of the Cotonou Agreement expired at the end of that month.⁶ These two countries have significant exports of horticultural products to the EU, as well as processed cocoa products, canned fish and processed food products, which will suffer without the preferential market access. These IEPAs are a temporary solution and will be replaced by full EPA for ECOWAS when completed.

There are some issues on the EPAs discussed for some years (there is a large literature on this – CTA 2008, CTA 2009 and EC 2009 are useful for the issues discussed here). One is the likely negative impact on domestic import-competing food sectors. But as regards the interim EPAs, this does not seem to be the case as many sensitive products have been excluded from tariff reduction commitment. These include chicken and other meats, tomatoes, onions, sugar, tobacco, wheat, several miscellaneous edible preparations, several preparations of cereals, flour, starch or milk, pastry cook products, edible fruit and nuts and frozen fish. Moreover, there is a long phase-in period in Ghana’s IIEPA: Ghana will need to eliminate duties on 80 percent of its imports from the EU over a period of 15 years, on top of a

⁵ It is interesting to note that official documents call these measures “differential protection” for three different types of problems, rather than trade defence or safeguard measures.

⁶ These two countries, and Nigeria, are the only three non-LDCs in ECOWAS that do not benefit from duty free quota free access to the EU market under the Everything but Arms (EBA) scheme. In the mean time, Nigeria, without an IIEPA, will continue to trade with the EU under the GSP+ provisions.

standstill period of five years from January 2008 when it is not required to reduce any import duty.

Beyond the IEPAs, what will happen to these products in the full EPA is still being discussed. The list of sensitive products at the regional ECOWAS level for the EPA is still not resolved, with member countries having different lists that do not match. Even in the IEPA, there is a lack of an overlap in the exclusion lists of Ghana and Côte d'Ivoire.

How an EPA will impact on the ACP food sectors has been the subject of many debates and analyses. One reason for the sharp differences in views is the difficulty in quantifying the impact both because the exact form of the agreement is not known and for modelling reasons. One EU commissioned impact study (SIA 2004) has shown that if West African countries were forced to fully liberalize, food imports will increase markedly, e.g. by 16 percent for onions, 15 percent for potatoes, 16 percent for beef, and 18 percent for poultry. It also points to the possibility of even more frequent import surges.

Another issue was the EU request for a provision in the EPA that would grant the EU the same treatment that ECOWAS countries provide to "major trading partners" in other, subsequent FTAs that ECOWAS or its members may sign. ECOWAS members are uneasy with this provision because this will inhibit them from pursuing agreements with major developing countries (e.g. China, India, Brazil). ECOWAS wants to limit this MFN clause to only FTAs with developed countries, but the talks have not concluded.

Yet another contentious matter is apprehensions expressed over the nature of the interim EPA (and also full EPA) at high level African Union meetings. These reflect a long-standing concern that the EPAs might deviate from the common African positions on EPAs as articulated in those high-level meetings, most notably the fear that the EPAs might undermine African regional integration and food security goals.

3. Towards articulating appropriate trade policies – some cross-cutting issues

Not all topics that a trade or agricultural policy addresses are necessarily divisive. Ghana's GNTPO4 for example covers seven thematic areas ranging from intellectual property rights to tariffs. Typically, as in the Doha Round and EPAs, topics such as trade facilitation and development measures are hardly controversial, but not measures like tariffs, safeguards and subsidies. Naturally, articulation of appropriate trade policy is more difficult for the latter, and so these deserve more analyses and debates within societies. In addition to the issues noted in Section 2, six topics of a more cross-cutting nature around the above issues are identified for brief discussions below.

1. Protection of importables and the issue of anti-export bias.
2. Responding to import surges and the challenge of import competition.
3. Food sovereignty, food security and trade policy.
4. Self-sufficiency in rice and other foods - at the national or regional level?
5. Food security at the national or household level? Where to focus government efforts on?
6. Updating Ghana National Trade Policy 2004.

Protection of importables and the issue of anti-export bias

In trade theory, based on Lerner's Symmetry, it is held that import protection is an implicit tax on export. This has raised a debate from time to time, including in Ghana. The issue is that where the main strategy is export-led growth, there should be no import protection at all so that anti-export bias is eliminated. This view is also echoed in the GNTPO4 where it is said in sub-theme 2.1 (tariff measures) that, "Restrictions in the import regime can lead to investment in protected sectors rather than sectors for which Ghana can be competitive. This reduces export potential and results in higher prices of both imports and local products."

Subsequent policy positions in that section, however, show that policy makers are not pushing this viewpoint strongly. In policy prescription 1, an import regime based on tariff escalation is advocated (which is not consistent with the above point of view). Prescription 2 is also about protection, "to ensure a reasonable level of protection to all domestic producers on a sectoral basis", invoking infant industry argument. Prescription 3 is also about using tariff to counter unfair trade practices and to provide a reasonable level of protection. Finally, prescription 4 is also about protection, "Government will effectively use tariffs to encourage domestic production of strategic commodities."

The above shows that while the overall desire is for an all out push for exports by removing anti-export bias, tariff protection is not ruled out, including an escalated tariff structure, within "a reasonable level", for "infant industries" and for "strategic commodities". It is easy to find this dilemma – or some contradiction – in many national trade policies in developing countries. It is not about this versus that strategy in the extreme sense, but about selectively using protection for identified areas and in reasonable amounts. In real life, it is very difficult to precisely define these parameters, and hence the difficulties in fine-tuning tariff measures.

While positions are not as clearly articulated in the Ghana trade policy, one finds a strong support for the judicious use of tariff protection in ECOWAP, and subsequently in the ECOWAP/CAADP Compact (as discussed earlier). For the time being, until the ECOWAS CET and ECOWAP instruments become prominent in members' policies, this debate can not be avoided and will continue in various fora.

Responding to import surges and the challenge of import competition

This has been a phenomenon that has attracted widespread public attention for several years now in both Ghana and West Africa. A variant of this phenomenon is strong import trend lasting for several years and continually undermining the otherwise competitive import-competing sectors. The reasons for the surge could be unfair or fair trade practice by exporters. But in either case, the government has an obligation to respond to the problem.

Responding to import surges in a fair and effective manner is not easy. The FAO project on import surge attempted to address this issue. For country case studies, it followed an approach of investigation used for the WTO Agreement on Safeguards. In this method, a surge can be established based on trade data and injury indicators compiled through surveys. But it proved to be very difficult to reach the required conclusion that the injury was primarily due to the surge and not to other reasons (the so-called “non-attribution” test in the Safeguards investigation). This is because while the surge is taking place, there are also other domestic problems that contribute to the injury, and so a claim that the import caused the injury is always subject to counter arguments. It is for this reason that most if not all of the WTO Safeguards disputes have failed to make a clear case for a safeguard action.

Faced with a surge and injury that is not acceptable politically, governments typically respond by raising tariff, in part because other measures (providing relief through input subsidies or taking care of other problems like electricity) are not always feasible in the short-run due to budgetary limits and other constraints. The difficulty lies in determining an “appropriate” additional tariff – *in conjunction with other measures* - that will reduce import demand and restore competitiveness. Based on the insights from the FAO and other import surge studies, it was obvious that the government will need highly analytical eyes to follow import trends and surges and measure their effects on the industry, at the same time gathering intelligence on other factors that also cause negative effects. The judgement that comes from such a set up – an effective trade intelligence system – will reduce policy errors substantially, as well as lessen the divisive debates on the role and level of the remedial tariff.

In the past, Ghana has responded to this problem from time to time. In the 1990s and early 2000s, a temporary additional “special import tax” (SIT) of 20 percent was applied for about 7 percent of the tariff lines, mostly consumer products, including many foodstuffs. These were applied almost exclusively to goods that were already subject to a 20 percent tariff, effectively raising the total tariff to 40 percent. The SITs were abolished in 2002. As said in the last section, Ghana also took initiative to respond to the surge in chicken meat with higher tariff, although this was quickly reversed due to some external pressure, according to media reports.

More recently, import surge was also addressed by the 2010 budget where it was recognized (paras 70 and 71) that the government was aware of the threats of indiscriminate dumping of goods and services in the country, notably in food and agricultural sectors where the country has competitive advantage. It was also recognized then that the removal of import duties on some staple foods in response to the 2007-08 food crisis opened up the “flood gate for dumping” of foreign food items in the country. Accordingly, the government proposed restoring duties on imported rice, wheat, yellow maize and vegetable oil, as well as announcing some domestic support measures (e.g. fertilizer subsidies, credit).

In the GNTPO4, there is some indication that Ghana would respond to such problems but this point is not made as strongly and explicitly. However, in the future, it will be the ECOWAS safeguards that will be effective for all Members. Furthermore, unlike the GNTPO4, the ECOWAS safeguards are very explicit and strong. While safeguards provide temporary relief, governments need to take initiatives to put in place an effective trade surveillance system and prepare for responding to the crisis not just with safeguards but also with domestic subsidies on inputs/factors and Green Box-type development measures.

Food sovereignty, food security and trade policy

Ghana’s trade regime is recognized as being fairly liberal and there is a widespread support in Ghana for this policy position, including in policy documents. In the coming years, the ECOWAS and ECOWAP policies will be increasingly important for Ghana also. Agricultural policies of some ECOWAS members (e.g. Mali and Senegal), and the ECOWAP itself, present a somewhat different viewpoint, stressing on a concept like food sovereignty and supporting differentiated additional protection. Depending on how these concepts are understood and implemented, trade policy debates in the coming years could be divisive.

The first specific objective of ECOWAP is to guarantee food sovereignty. Its second objective speaks of raising food production to reduce import dependency, including at the regional level. Food sovereignty is generally understood as a framework that gives *primacy* to the right of the peoples and governments to define their own agricultural and food policies.⁷ This concept was popularized by Via Campesina during the 1996 World Food Summit. At that time, one of the issues debated was the primacy of a country’s right to food and trade policies versus the WTO agricultural agreement (AoA). FAO official documents do not use this term. But the UN Special Rapporteur on Right to Food has used this concept and seemed to support this right (and policies) in the context of potential threats to right to food

⁷ SWAC (2007) provides a comprehensive discussion of the concept of food sovereignty in the West Africa context.

from the AoA. The 2008 global food crisis has also pushed the positions of many towards food sovereignty. To what extent a concept like food sovereignty and the policy prescriptions associated with it will be influential in the coming years will depend on how this concept is understood. As a minimum, some consideration to this issue seems desirable, e.g. in the revision of the GNTPO4.

Self-sufficiency in rice and other foods - at the national or regional level?

This has been a topic of debate in Ghana and the region, for food in general but notably for rice. There are two issues: i) the increased prominence given to food self-sufficiency; and ii) self-sufficiency at the national versus regional level?

As noted earlier, ECOWAP is highly geared towards self-sufficiency, not necessarily at 100 percent but a strong desire for high levels. The ECOWAP was conceived prior to 2008 and so that view point was articulated prior to the food crisis. It is based on the premise that higher level of food self-sufficiency is not only desirable for strategic and food security/poverty reasons but also feasible and was only undermined by the historical neglect of agriculture. The global food crisis prompted leaders to make political statements on food self-sufficiency, with rice receiving top attention. Media reports indicate that many governments in the region have initiated large-scale production programmes for rice and other foods, including regional rice value chains. Increased subsidies for irrigation and fertilizers in particular are part of the programme. The food crisis was also the main factor behind the ECOWAS Regional Initiative for Food Production with its three federating programmes (discussed in next chapter).

In a recent e-forum on rice (USAID 2009b), several commentators said that in an ideal world, self-sufficiency is not the best use of resources. However, and for rice in particular, the following factors would support significant investments to increase production: i) the risk to food security due to export restrictions by leading rice exporters; ii) the growing disparity between production and consumption in West Africa; iii) the declining rates of growth in rice production in Asia; and iv) the generally expected higher world rice prices in the coming years.

The second issue is the pursuit of national versus regional self-sufficiency. The vision of the ECOWAP is clear on this – the ECOWAS as a region will strive for highest possible food self-sufficiency on the basis of comparative advantage within the region and promote regional trade. If so, a policy of national self-sufficiency does not make much sense. It will be the CET on rice that will be relevant for any tariff protection on rice under the ECOWAP strategy. As debated in the above e-forum on rice, the preferred strategy would not be national self-sufficiency but a regional one together with increased intra-ECOWAS trade, which is consistent with the ECOWAP vision. This means that national agricultural policies need to deemphasize national self-sufficiency and facilitate regional trade. This will be a divisive issue and will take considerable time to be accepted by national stakeholders.

Food security at the national or household level? Where to focus the government efforts on?

This is also a debate that has been taking place for many years, not just in Ghana but in many other countries. The issue is about food security at the national versus household level. At stake here is the allocation of public efforts and investment, including subsidies, i.e. whether to concentrate on one versus the other.

This issue also came up prominently in the e-forum on rice in West Africa. The choice was articulated as a strategic decision to make involving different goals (reducing import bills versus improving household food security) and with both resource and food security implications. One strategic option is improving “national” food security aimed at urban areas and reducing import bills. The strategy is to focus on market-oriented farmers in irrigated, concentrated areas, at the same time developing commercial networks to urban areas. The second strategic option is to aim for improving household food security by focussing targeted efforts on small farmers in more remote areas, notably northern Ghana. This may not generate a surplus and reduce import bills, but will contribute to food security and poverty reduction.

The FASDP II seems to speak of both strategic options, at one place stating that the FASDEP II’s salient feature is the targeting of the poor and risk-prone and risk-averse producers and elsewhere (under the first objective, universal food security) speaking of national food security, although, as written, the latter is not expressed clearly. This needs to be clarified in the future updating of the FASDP II because in the context of ECOWAP/regional food security, national food security for Ghana may not make much sense.

The Ghana case study on distortions (Brooks *et al.* 2009) also notes this dilemma on strategic choice. It says, “policies which improve competitiveness generally may not be pro-poor, either because they are geared towards the most viable farmers, or because they intensify competitive pressures, as well as the gap between modern commercial producers and traditional farmers. Thus, current policy debate, as in many other African countries, revolves around how to reconcile structural adjustment with poverty reduction”.

Updating Ghana national trade policy 2004

As final words to this paper, it is first important to acknowledge and appreciate the process that Ghana followed in formulating the GNTPO4. This was indeed a comprehensive and highly inclusive approach. There is a lot in these exercises that other developing countries can learn from. Ghana has now in place all major national policy documents, including the PRSP and agricultural and industrial policies.

Trade policy is an evolving process and so are the debates on issues. Since the formulation of the GNPT04, important developments have taken place at the regional level, with ECOWAS CET and ECOWAP, as well as the interim EPA. These policies will have marked implications for Ghana's future trade policies once the customs union process deepens. Other issues will also continue to be discussed and debated, e.g. the final list of the ECOWAS sensitive products, the form of the full EPA, the ECOWAS safeguards and exclusion list, and so on. In view of this, Ghana's current policy papers, especially the GNTP04, need to be updated on these developments.

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