POLICY FROM THE GROUND UP
RESHAPING TRANSATLANTIC TRADE, DEVELOPMENT
AND FOOD SECURITY POLICIES TO AFRICA’S NEEDS

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Reshaping Transatlantic Trade, Development and Food Security Policies to Africa’s Needs

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Introduction: An International Demand-Driven Approach

The United States and Europe have long shared the commitment of supporting economic development in sub-Saharan Africa and around the world. This is evident in the significant amounts of money spent on official development assistance and other pro-development policies, efforts to expand trade as a tool for development and, increasingly in recent years, the focus on ensuring food security. Despite this overarching commitment, however, over the years a multitude of different approaches have been rolled out, scaled up, dialed down, and reassessed, often at the expense of those the policies were designed to help. Trade, development, and agricultural policies have been driven by different agendas, with competing and conflicting priorities creating inconsistency and uncertainty and failing to live up to their potential as a result.

Never has the need for getting these policies on a sustainable, coordinated course been more crucial than now. The world’s poorest countries — many of which are in sub-Saharan Africa — are facing multiple, interconnected challenges. Economic uncertainty continues and commodity prices remain unstable, the effects of climate change are becoming more pronounced and are borne more heavily by poor countries, and the threat of food shortages in some areas continues to mount. International policies alone cannot mitigate these challenges, but they do hold the potential to support private investment and create greater certainty in markets — or to exacerbate the challenges facing developing countries. The United States and Europe can make a significant difference as key trading partners, aid donors, and policy leaders. A coordinated and consistent mix of trade, development, and agricultural policies is needed, setting aside political tensions and bureaucratic turf. Going forward, these policies should be more precisely aligned to needs on the ground in order to help open economic opportunities to the world’s poorest people.

Fortunately, developments on both sides of the Atlantic could bring together the political leadership needed to respond to these converging challenges in a more concerted, sustainable way. First, both the United States and Europe, along with the broader international community, have renewed their focus on agriculture and food security, providing the potential for a significant international economic development initiative. In mid-2009, the G8 club of developed countries committed to provide $20 billion over three years to combat food insecurity, including a heavy focus on agricultural development more broadly. The United States has largely led the way in developing new programs and partnerships to this end. The pressing question remains, however, whether these resources — if fully appropriated, given ongoing budget constraints — will be used to spur development of food systems in the world’s poorest regions that can both effectively deliver food and provide long-term opportunities for farmers and the poor. The proof of the significance of these international commitments will be in their implementation, including how they reconcile differences between agricultural, trade, and development policies and adequately respond to needs on the ground.

Additionally, policymakers in both the United States and Europe appear to be paying more attention to both trade and development policies. After encountering some significant political bumps, trade seems to be back on the table in the U.S. Congress. Effective development both made its way into the president’s State of the Union address and was the subject of recent high-level reviews and resulting directives at both the White House and U.S. State Department. In Europe, the ongoing implementation of the Lisbon Treaty will require a new level of policy coordination and could change Europe’s role as a trading partner and donor in the future. Both the transatlantic commitment to
international food security and the changing policy landscape on trade and development in the United States and Europe could present the chance to use all of these policies together in a way that will truly achieve long-term sustainable development and increase trade and investment. Breaking down established policy silos will not be easy, but it is high time for a new approach that will transcend political whims and more adequately reflect demand on the ground.

Unlocking economic potential in sub-Saharan Africa — and the rest of the developing world — will depend largely on both increased investment by the private sector and local and regional policies to encourage this activity, driven first and foremost in Africa by African businesses and policymakers themselves. Still, the policies of external partners like the United States and Europe have the power to open international markets, build capacity, and enhance — or undermine — business efforts on the ground.

The complex challenges facing the developing world call for an approach that is tailored to specific needs, rather than best guesses by policymakers in remote capitals. One principle increasingly called upon to guide policy decisions is a “demand-driven” approach, which implies that policy interventions should be guided by the stated needs of those they are intended to serve. This principle is most often applied to international aid policies to help ensure that they target the needs of program beneficiaries. At the same time, however, it has been virtually absent from trade policy discussions, even as they relate to development in impoverished parts of the world. Further, even in aid practices, the demand-driven approach’s practical application is often poorly developed or little understood.

True demand-driven policy interventions must be market-based and stem from an awareness of business opportunities and the barriers that prevent their success on the ground. Lasting economic development is ultimately synonymous with business’ — as opposed to governments’ — ability to generate and make available the jobs, products, and services that people need. This targeted policy approach works best when it is very specific at the product or industry level (for example, U.S. and European trade negotiators are often very effective when representing the specific needs of domestic companies), but it does have broader institutional implications as well. Developed country policymakers can put in place a policy framework that will support demand-driven policy responses by establishing regular dialogue with business, creating more certainty for investors, focusing development interventions on improving markets, facilitating trade, and mitigating risk to spur the creation of viable businesses, as well as coordinating across policy areas in order to best leverage resources.

This essay will focus on the intersections and inconsistencies between transatlantic food security, trade, and aid policies, leading to recommendations that outline how policymakers in the United States and Europe could better position international policies to respond to real needs and demands on the ground. It argues that the current focus on food security, coupled with more targeted trade and development policies, provides a unique opportunity for transatlantic policymakers to roll out a more coherent and effective approach. It concludes by making specific recommendations for transatlantic policymakers to support food security, target development policies, and use trade as a true development tool.
Agricultural development holds great promise for unlocking countries’ economic potential more broadly. In parts of the world where much of the population works in the agricultural sector, this is particularly true, and nowhere are the challenges and opportunities in agriculture more striking than in sub-Saharan Africa. This essay will focus on that region, with its small and fragmented markets, predominance of smallholder farmers and prevalence of widespread poverty. Despite emerging opportunities, sub-Saharan Africa is plagued by difficult business environments, woefully inadequate infrastructure, low levels of trade (concentrated mostly in commodities subject to price volatility), and little economic diversification.

Agriculture is the backbone of economies throughout sub-Saharan Africa. In eastern Africa, for example, employment in agriculture ranges from a “low” of 75 percent of the total workforce in Kenya (compared to 3.8 percent in France and less than 1 percent in the United States) to a high of 90 percent in Rwanda. Most in the rural economy are smallholder farmers on fewer than two hectares of land who earn fewer than US$2 a day. These farmers also tend to be women struggling to feed entire families. Across sub-Saharan Africa, this smallholder population of some 600 million people exists largely outside of market systems, with inadequate access to infrastructure and market information.

Greater focus on connecting small farmers to markets, either physically through infrastructure or through enhanced capacity and new commercial relationships, would produce exponential payoffs. This is not only because small farmers have the potential to produce more food, but also because food security relies on income security. Giving small farmers the chance to access markets, whether to sell food products, staple crops, or other agricultural products, will strengthen food economies and also increase the capacity of these farmers to use new sources of income to feed their families. While international markets are largely out of reach for many of these farmers, international policies both shape farmers’ production decisions and determine the resources put into strengthening infrastructure and sharing technical and commercial expertise.

While policy reform is underway in many countries, international and local businesses continue to cite policy barriers and red tape on the ground as one of the most significant factors impeding trade, investment, and economic development. Creating a policy environment conducive to broad-based development is perhaps one of the most significant tasks facing African national governments, locally invested businesses, and regional institutions. Among the needed policy changes are implementation of regional and international commitments to connect markets, improved infrastructure of all kinds and along entire value chains, adequate knowledge sharing, training in product and food safety standards, and reliable processes for movement of goods within and across borders.
In both the United States and Europe, constructive development assistance, trade policy, and food security efforts do exist. However, these initiatives are largely developed and implemented in isolation from each other, and other policies are often outright contradictory and lack connection to what is happening on the ground. True demand-driven policy approaches are rare, because existing policy structures do not support these approaches. The current transatlantic focus on food security does, however, present an opportunity to better align trade, development, and agricultural policies. The section below will highlight these opportunities as well as the inconsistencies between policy approaches.

**International Food Security Efforts**

On both sides of the Atlantic, one of the most dominant issues on the current development policy landscape is food security. The EU alone has committed €2.7 billion, and the United States has pledged to spend at least $3.5 billion over three years. Many donor countries are choosing to focus their efforts largely on Africa, primarily through support of the Comprehensive Africa Agriculture Development Programme (CAADP), which is an African-led framework for organizing and prioritizing increased investment in the agriculture sector. CAADP requires countries to develop agricultural development plans with specific goals and targets, with the aim of both increasing the amount of money spent on agriculture and improving the way in which that money is allocated. Donors are providing technical assistance to develop these plans and are channeling their funding through CAADP-supported programs. Assuming that the needs of businesses, entrepreneurs, and smallholders are represented in these processes, this could be a tremendous opportunity to allocate significant resources in a demand-driven way.

The intense focus on food security is relatively new to the transatlantic policy landscape, making full assessment of it difficult. At a fundamental level, the rhetoric and broad-brush planning surrounding the issue are largely encouraging in terms of food security’s potential to be a vehicle for a demand-driven approach. On the European side, policy documents acknowledge the importance of market mechanisms to achieving food security, noting that “access to food should be enhanced primarily by improving employment and income-earning opportunities…including through diversification, regional integration of food and agricultural markets and trade.” The European Commission has also voiced a promising picture of the way in which donors could best support these efforts: “Greater harmonization of policies and greater complementarity of instruments, as well as coordination with private investments, should lead to more effective action.”

The United States has similarly struck many of the right chords. U.S. food security documents refer not only to “improved agricultural productivity,” but also to “expanded markets and trade.” This dual emphasis is of critical importance: food security and agricultural development efforts have failed in the past when increases in productivity have been the sole focus. Over-production of the same crop in a single market can cause prices to crash; even when this does not happen, increased productivity is not sustainable if there are no readily available opportunities to sell surplus crops. Technical assistance to increase production and efficiency in farming, then, must be accompanied by access to functioning markets. Like Europe, the United States also acknowledges the importance of coordinating internally, with other donors, and with the private sector.

However, experience suggests that theory and practice do not always align. One potentially troubling early development has been the split...
over the World Bank-housed Global Agriculture and Food Security Program (GAFSP) trust fund. While the United States, Canada, South Korea, Spain, and the Bill and Melinda Gates Foundation committed or contributed substantial sums to the GAFSP as a dedicated mechanism for funding food security interventions, the rest of Europe declined to participate, reportedly due to hesitation to invest in yet another new tool to fight food insecurity. Aside from the debate over which is the right tool, of greatest concern is the seeming inability to coalesce around a common transatlantic approach to implementing the policies so compellingly laid out in U.S. and European statements about food security.

As transatlantic plans for addressing food security unfold, it will be particularly important to assess whether U.S. and European trade and aid policies support these efforts. Failing to adopt a market-led approach and allowing trade and aid policies to continue to operate separately from each other and from food security efforts will dull the effectiveness of global food security initiatives as they are rolled out.

**Trade Policy**

Though for years trade was maligned as being harmful to fragile developing economies, more recently it is increasingly being recognized as essential for income generation and poverty alleviation. Trade increases opportunities for a wider variety of businesses to find customers and employ workers and enables learning and skills acquisition. Unfortunately, sub-Saharan Africa has not benefitted as fully from international trade as other regions have, and its share of world trade has actually decreased since 1980, dropping from 6 percent to only 3.5 percent in 2008. The European Union and the United States are sub-Saharan Africa’s first and second largest trading partners, respectively, meaning that their policies to deepen trade ties with the sub-continent could have enormous impact.

**Trade Preference Programs and Europe’s EPAs**

Since the 1970s, the primary bilateral trade policy tool with sub-Saharan Africa, and also the primary tool used to link trade and development policies, has been the trade preference program. These programs allow beneficiary developing countries to export certain products into developed country markets free of duties. They cover only duties on trade in agricultural and manufactured goods and do not extend to trade in services or nontariff barriers. These preferences are nonreciprocal, meaning that developing countries do not need to reduce most internal barriers to trade in exchange for duty-free access to developed country markets.

Despite their good intentions, most preference programs, as currently administered, present some challenges to developing country beneficiaries. Preference programs are subject to strict and varying rules of origin to prevent pass-through of products from nonbeneficiary countries, and different countries impose different threshold requirements for a country to become and remain eligible under the programs. Trade preference programs also expire periodically, creating uncertainty that may complicate investment decisions made on the basis of receiving the trade preference. The U.S. Generalized System of Preferences (GSP) program has been subject to very short, one-year extensions for the last several years as the U.S. Congress anticipates approaching the larger question of reform of its preference programs. At the time of writing, GSP had actually lapsed, failing to secure renewal at the end of 2010, although Congress is actively considering reinstatement of the program along with several other trade-related measures. Europe’s GSP program is also set to expire at the end of 2011, creating a window of opportunity to simplify and
reform the legislation when it is renewed. Clearly, to create the certainty and straightforwardness required to encourage private sector investment, preference programs should not be subject to such frequent expiration, and their rules of origin should be as streamlined and uniform as possible.

The U.S. preference program with sub-Saharan Africa, the African Growth and Opportunity Act (AGOA), is one of its most comprehensive and generous. AGOA, which will expire in 2015, allows the majority of products shipped from eligible sub-Saharan African countries to enter the United States duty- and quota-free. Its product coverage, while incomplete, extends to far more tariff lines than GSP. Despite the fact that nearly 40 sub-Saharan countries are eligible for AGOA benefits, the vast majority of exports under the program are petroleum products from a few countries, which, as capital-intensive goods, have not led to much job creation or economic diversification. Meanwhile, in recent years, more than a dozen beneficiary countries have exported less than $1 million worth of goods each under AGOA, and a handful exported nothing at all.15 AGOA continues to exclude key agricultural products, instead maintaining a prohibitive tariff-rate-quota system for important products like sugar, peanuts, tobacco, and dairy as well as for any higher value-added products containing these commodities.

For sub-Saharan Africa, the persistently low levels of preference program utilization are primarily a result of capacity and market challenges that stand in the way of taking advantage of the opportunities AGOA provides. This is why coherence between trade and aid policies is so vital. Persistent market barriers also remain to agricultural products that have untapped economic potential, as discussed in greater detail below.

Europe currently maintains a GSP program, a “GSP+” program that provides additional benefits to “vulnerable” countries that have ratified and implemented 27 international conventions on “human rights, labor standards, the environment, and governance,”16 and a comprehensive preference program, Everything But Arms (EBA), that extends duty-free quota-free market access to nearly all products (excluding only weapons outright, as the name suggests) from all least developed countries (LDCs). Like the U.S. GSP program, European GSP covers trade with a broader swath of countries but includes fewer products. As mentioned above, it is also due to expire at the end of 2011. In the middle of 2010, the European Commission opened a public consultation period to allow comment on GSP renewal; the process is now left to the various new European trade policy decision-making bodies under the Lisbon Treaty.

Through EBA, Europe does go beyond the United States and many other developed countries by offering expanded market access for the world’s poorest countries under a duty-free quota-free program that does not expire.17 Notably, EBA has opened north-south trade in sensitive agricultural products, including the commodities that the U.S. system continues to exclude. EBA, however, does include complicated rules of origin that make it difficult to use, and, of course, other product standards apply as discussed in more detail below. Encouragingly, at the beginning of 2011, some of EBA’s rules of origin were simplified, for example on apparel.

While EBA’s comprehensive product coverage for the LDCs is notable, Europe’s recent push to move beyond preferences to bilateral Economic Partnership Agreements (EPAs) has been very controversial and has caused perhaps unanticipated difficulties for nascent regional markets, particularly in sub-Saharan Africa.18 With the expiration of Europe’s previous preference program for the African, Caribbean, and Pacific (ACP) countries under the Lomé Convention, any non-
LDC countries in that geographic sphere are being forced to conclude EPAs or otherwise lose their previously preferential market access (LDCs are also involved in EPA negotiations but will not lose preferential market access if they fail to conclude an EPA, since they are eligible for EBA). This situation has propelled speedy negotiation of very complex agreements, often without institutional systems to support these commitments and incomplete understanding of what the ACP countries should try to get out of these new bilateral arrangements. The result is that many African countries have been pushed to negotiate access to the European market, which was previously freely granted.

The EPAs also have worrying implications for African regional trade. Negotiations with each of the five African regions are conducted with separate timelines, exclusions, and phase-ins for “sensitive products,” the designation of which varies across regions. In sub-Saharan Africa, this has resulted in a situation in which sensitive product exceptions, which cover at least 20 percent of tariff lines and can easily apply to all current production, do not overlap among regions, creating a disincentive to move beyond the status quo and complicating future regional trade opportunities that will be critical for long-term sustainable economic development. The remaining 80 percent of tariff lines are liberalized for European producers, causing trade diversion away from lower-cost, third party producers and limiting the ability of African companies to compete in the future. The EPAs also contain a notorious “MFN clause,” which requires that preferential market access negotiated with any other trading partner, including within Africa, be extended to Europe as well. Further, the EPAs create uncertainty with respect to cumulation, making open cumulation subject to completion of EPA negotiations — in contrast to the certainty of comprehensive cumulation under Lomé — thereby limiting opportunities for value addition across regions. While the European Commission (EC) touts the EPAs as a tool for encouraging regional integration, noting the EPAs’ positive effect of increasing institutional and inter-ministerial coordination, the regional trade implications of the EPAs are of concern and should not be overlooked.

**Agricultural Market Access Policies and Standards**

Although trade and development are increasingly linked in high-level political statements, a great deal of disconnect continues to persist in practice. One troubling disconnect is that between emerging food security policies and longstanding positions on trade. As discussed above, one key element to a successful transatlantic food security strategy will be the ability to help the many African smallholder farmers participate in trade. Ultimately, markets for food products and agricultural commodities need to be open all the way from the local level to the international.

Changes to international trade policies, including the preference programs discussed above, are on the agenda in both the United States and European Union, but it is too early to tell whether these policy debates will produce real results. Nonetheless, bilateral changes to U.S. and European trade policies may be the best avenue for change at the moment, since the multilateral Doha round of trade negotiations at the World Trade Organization (WTO) appears to have failed, at least in its present form.

Currently, agricultural market access for developing countries is limited both by policies that restrict trade in key agricultural products and higher value-added goods, including sugar, peanuts, and chocolate, and increasingly complicated procedures for complying with food safety standards. While some of the most restricted products are not staple foods and thus do not directly ensure food security,
their potential significance as income-generating crops in many food-insecure regions is enormous. In eastern Africa, several countries have untapped potential in sugar or sugar processing. Mozambique and Zambia, in particular, are currently competitive in sugar and have exportable surplus. Access to large developed country markets for sugar and other restricted products could directly impact incomes in rural areas and, at the same time, would help improve market channels necessary to move other food products.

For commodity products like sugar, peanuts, and tobacco, U.S. policies are particularly restrictive. Current U.S. policy limits opportunities in these products through a burdensome system of tariff-rate quotas (TRQs) that make it either impossible or commercially unviable to export commodities like sugar to the United States, despite significant U.S. demand. Even a relatively small slice of U.S. market share in these commodities could make a significant economic difference for these African exporters, as illustrated when Europe ended its import restrictions on these commodities (the case of sugar is described below). Trade experts have recognized this potential and have put forth recommendations for the United States to end or reform its TRQ restrictions on Africa.

The difference between European and U.S. practices is particularly notable here and highlights the immediate impact more open international policies could make. In contrast to U.S. policies, Europe opened its market in these commodities for some of the world’s poorest countries through EBA. When EBA was announced in 2000, investment in sugar production immediately increased and a significant number of jobs were created in some countries, even though the expanded market access did not fully take effect until 2009. Investment and job creation quickly followed the announced change in European trade policy, and South African-based investors opened at least two new mills in Mozambique. Mozambique’s exports to Europe went from basically nothing in 2000 to over 130,000 metric tons in 2008, with steady increases each year as the European market went from being practically closed to sugar from Mozambique and other LDCs to being fully free of quotas and duties in 2009. Recently, the Mozambican government announced intentions to further increase the country’s sugar production, from 300,000 tons in 2009 to 500,000 by 2012. Opening the U.S. market could cause these numbers — and the jobs they represent — to increase even more.

Food safety standards, or sanitary and phytosanitary (SPS) measures, also have a significant impact on international trade. Agricultural products must conform to very detailed SPS standards imposed by both governments and private companies, which vary by product and type of industry (e.g. separate rules apply for organic or fair trade production) as well as by trading partner. Often, separate standards to ensure product safety, referred to as technical barriers to trade (TBT), are imposed as well. As commodities are transformed into higher value-added products, many standards become more exacting, and adequate transport and storage become even more critical and expensive. While these standards are clearly necessary, a great deal of discretion lies in their application, and the processes for administering these standards are often quite burdensome for developing countries.

Internationally, SPS standards can present a significant hurdle, due both to their complexity and the number of overlapping standards. European and U.S. SPS rules and procedures differ significantly, and the private sector often imposes additional standards of its own. For example, a recent study examining the SPS regimes in the United States and Europe for both green beans and shrimp (products commonly exported by developing countries) highlights what are likely
unnecessary differences complicating the export of these products, particularly for producers hoping to serve both markets. While the actual European and U.S. food safety, and animal and plant health requirements for horticulture and seafood are not fundamentally different (unlike, for example, those for biotech foods), U.S. and European regulators have imposed differing requirements for demonstrating compliance with these rules.

Further complicating export to the United States is the potentially lengthy animal and plant health approval procedure for agricultural imports. Every agricultural product imported into the United States requires pre-approval on a country basis, and this process can take two to five years (or more, in some cases). Many of the products that endured lengthy approval procedures, such as Kenyan baby carrots and baby corn and Zambian baby squash, were being exported to the European Union while awaiting approval in the United States. In fairness, there are differences in the animal and plant health hazards that exist in the United States and Europe, thus potentially affecting what can safely be exported to one or the other market. However, given that this is not always the reason behind long wait times for approval, these differences point to an often needless lack of coherence between rules intended to achieve the same ends, which increases the burden of compliance for developing country exporters. While the science underpinning these rules is critical to food safety, in many cases the processes for implementing the rules could be streamlined both internally and transatlantically and made more transparent.

Within Africa, food safety and product standards are increasingly being dealt with on a regional level, and both policy reform and capacity building are necessary to make regional SPS systems work to the advantage of agricultural development. Regional capacity building programs already underway could provide ideal platforms for encouraging development of regional SPS standards and pooling of resources. For example, the World Bank-financed Eastern Africa Agricultural Productivity Program is supporting Kenya, Uganda, Tanzania, and Ethiopia to enhance collaboration on agricultural research and specialization, agricultural training, and technology and knowledge transfer. For this and other regional agricultural projects, facilitating dialogue about SPS standards and providing assistance for collaborative testing and enforcement would further regional and international trade.

**Economic Aid Policies**

The United States and Europe are both significant donors to sub-Saharan Africa, and, as a result, substantial resources in the form of Aid for Trade, infrastructure support, and other economic development assistance could be better used to facilitate business activity. U.S. and European delivery and processes for development assistance are broadly divergent and have their own unique strengths and weaknesses.

In the United States, there is currently a great deal of focus on broad-scale foreign assistance reform, aimed, among other things, at decreasing the reliance on contractors over local business partners and shifting away from projects that may not have been designed in consultation with host countries, regional entities, or other stakeholders. The U.S. Feed the Future initiative is viewed broadly as an opportunity to roll out a new approach to foreign assistance, and the U.S. commitment to channel food security funding in Africa through the CAADP process is an encouraging step.

Europe, on the other hand, often provides direct budget support to countries meeting certain financial management criteria. While this is obviously a much less restrictive form
of aid, there is evidence that this method does not always produce the intended results. In addition to concerns about the potential for theft and corruption, there are cases such as Mozambique, where budget support to the ministry of agriculture, intended to boost agricultural productivity and rural incomes, was allocated to institutional development and capacity building within the ministry bureaucracy. While this did result in improved internal functioning at the ministry, there was ultimately little impact out in the field. In an era of donor austerity and a looming food crisis, it is increasingly important that resources have direct benefits for those who have the greatest need and potential for making lasting impact: the farmers and businesses themselves. Fortunately, the European Commission seems to have recognized these shortcomings, and recently conducted a public consultation on what has and has not worked with respect to budget support, including its links to performance and results.

In addition to the complex processes for delivering aid and the drawbacks associated with certain forms of assistance, there is also the persistent problem of coordination both within and between donors. The United States administers foreign assistance through multiple agencies, and development assistance is not always as closely coordinated with trade, investment, and other policies as it should be in order to ensure long-term sustainable development.

While Europe, both as a whole and at the bilateral level, has an impressive record as arguably the world's foremost donor, coordination within the Commission and between the Commission and member states is complex. Recently announced institutional changes to the structure of the European Union as a result of the Lisbon Treaty will have a great impact on European aid-giving and trade policy mechanisms and decision-making processes: for example, the European Parliament must now consent to all trade agreements, making the process more politicized (akin to the U.S. system) than before. Additionally, the Lisbon Treaty established the European External Action Service, a diplomatic body, and gives it a role in development strategy and programming alongside the implementation and expertise role performed by the European Commission. These changes to the European development architecture do not necessarily appear to guarantee a streamlined, efficient work process. In particular, the politicization of the trade policymaking process makes the task of coordinating trade and aid policies more complicated.

**Trade Capacity Building**

Trade capacity building assistance (synonymous with Aid for Trade) is one of the primary forms of economic growth assistance and has particular potential for achieving sustainable development through a demand-driven international policy approach. By the WTO definition, "Aid for Trade aims to help developing countries, particularly least-developed countries, develop the trade-related skills and infrastructure that is needed to implement and benefit from WTO agreements and to expand their trade." However, there is no one universally accepted definition of what specific activities are and are not "trade capacity building," and, as a result, it is difficult to accurately measure the magnitude or, more importantly, the effects of the funding. The definitions used by different donors are often very broad and vague (not unlike the WTO definition), creating opportunities for double-counting and fragmentation.

By donors' own expansive definitions, significant resources are devoted to TCB: in 2009 the United States spent $1.8 billion, and Europe committed to devote €1 billion each from both the Commission and the member states as a group by 2010. Yet
despite all the funds committed to TCB, sub-Saharan Africa’s share of world trade remains staggeringly low. This may be partly attributable to the fact that the resources committed are often highly fragmented, spread across a variety of activities — a situation exacerbated by the fact that TCB’s broad definition allows many projects to quickly add up to large amounts of money, masking the disconnected nature of these efforts. For example, in 2008-09 the U.S. government had 20 different TCB projects in Tanzania, covering programs from agricultural research to labor law compliance to improving access to electrical power.33

TCB’s failure to deliver increased levels of trade is also attributable to its lack of connection to the real needs on the ground and in the field. To be sure, many of the activities on which TCB funds are spent are important and effective. However, much of the transatlantic TCB activity is directed at institutional reforms that, while not unimportant, are not always the most efficient means of actually increasing trade and economic activity. In the case of Europe, the budget support provided to Mozambique with little effect on farmers in the field is a prime example of this problem in agricultural development. In the context of trade capacity building, Europe looks set to repeat a similar mistake: the EC has prioritized “trade policy and regulations — e.g. training, explaining rules and regulations” and “trade development — e.g. investment promotion, analysis/institutional support for trade, market analysis and development” as its two priority work streams for fulfilling its TCB commitments.34 In order to really respond to the needs on the ground and increase actual opportunities to trade, and in light of the austerity-driven need to ensure the biggest bang for the development buck, it may be more worthwhile to focus on some of the efforts described below, rather than maintaining a heavy emphasis on providing institutional support.

One way that trade capacity building could be better aligned with the goals of promoting regional integration and markets in the service of food security would be to focus more TCB efforts on trade facilitation. A subset of trade capacity building is devoted to trade facilitation, which the World Bank defines as “measures that reduce the cost of trading across borders,” enabling exporters to “move goods and services across borders rapidly, cheaply, and above all predictably.”35 Trade facilitation projects include decreasing the number of roadblocks and checkpoints; upgrading border post facilities and processes by standardizing and consolidating necessary paperwork and training agents in more efficient inspection and clearing techniques; and computerization of customs procedures at ports and land borders.

**Support for Regional Integration and Infrastructure**

Another significant area in which food security, trade and aid policies and programs could be more effectively targeted is to help support functioning regional markets in sub-Saharan Africa. In the face of low agricultural productivity, undiversified economies, and persistently low levels of trade, African regional integration is critical for several reasons. First, many African countries’ markets are too small on their own to attract significant investment or achieve a varied division of labor. Creating larger markets through regional integration provides more fertile ground for investment and diverse, sophisticated production by pooling together more resources, skills, and customers. Second, regional integration is important because landlocked countries rely on their neighbors for access to international trading opportunities, since the majority of globally traded goods are transported by sea. Landlocked
or not, neighboring countries are also potential markets in their own right, and regional integration encourages increased economic activity among neighbors.

In order to better understand how transatlantic partners can truly support regional economies, it is helpful to parse “regional integration” into two major categories of activity. The first is policy-related, and involves the lowering of tariffs, harmonizing or adopting common policies and standards, and using policy tools (such as tax incentives) to encourage trade and investment within a regional bloc. In sub-Saharan Africa, the regional economic communities (RECs) are the primary interlocutors for this type of regional economic development. RECs are voluntary political groupings formed by the governments of African countries, which will gradually liberalize trade among members through free trade agreements and customs unions, as well as accompanying instruments and measures. While different RECs have varying missions and scopes of purpose, the basic premise is for neighboring countries to cooperate on trade and other economic issues in order to strengthen the regional economy and spur development. However, REC secretariats are not necessarily sufficiently empowered by national governments and often have limited authority or clout, and regional trade agreements, while often comprehensive, are not implemented completely or consistently. This is further complicated by the fact that most African countries are members of more than one REC, which divides allegiances and resources and makes advancing toward regional goals much less straightforward. For these reasons, transatlantic development partners sometimes struggle to engage with these actors on projects that require the management of large sums of money or coordinated decision-making.

Nonetheless, all the major African RECs pursue some combination of these and other policy-related integration objectives, albeit at different paces and with different goals in mind, and transatlantic partners can and do provide political guidance or financial incentives to encourage these political processes, as well as trade facilitation assistance to ensure that burdensome customs and related procedures do not complicate liberalized trading arrangements. One of AGOA’s best features is that it treats sub-Saharan Africa as a single region, receiving the same benefits and subject to the same rules, which encourages the development of supply chains across borders. This is good policy precisely because it keeps regional markets as open and simple as possible. On the whole, however, much of the impetus for political integration processes will have to be born out of political will on the parts of the member countries themselves.

The second major regional integration activity is physical: the development of infrastructure that connects neighbors to one another. This includes roads, bridges, and regional railway systems. Critically for development and food security, it must also involve rural roads connecting smallholders to the larger trunk infrastructure. This is the most tangible (though not the only, and not a sufficient) way of connecting smallholders to market systems, and neither economic development nor lasting food security will be achieved without this “feeder” infrastructure. As it currently stands, the World Bank estimates that fully half of infrastructure projects are not situated so as to maximize economic benefit. Further, historically only about 20 percent of public investment in infrastructure — whether well-placed or not — has gone to rural areas.

One important movement that could address regional connectivity and include smallholders in the process is the African development corridors movement. Building development corridors
involves expanding out from the existing transport corridors that cut across Africa and connect large investments, such as mines, to ports, in order to build the feeder infrastructure that makes movement of goods and people possible for producers in rural areas, not just those living along the mainline rail or road.

Aside from the physical infrastructure that actually links one country to another, there are other important infrastructure projects that support both regional integration and national and local economic activity. These include electricity generation, cold storage facilities, port rehabilitation, and telecommunications systems. These provide the backbone of economic activity in general, not only in rural areas. Cold storage (and by extension, electricity generation) is particularly critical, because without it, perishable crops are lost before they can reach most markets. It should be noted that while part of the “cold chain” is indeed comprised of warehouses and other large facilities, proper training in simple and effective on-farm storage techniques (involving no more than shade, proper crates, and other simple methods) is also necessary and much less costly.39

While better integration through infrastructure and trade facilitation is of critical importance across the continent, these measures have a particular significance for landlocked countries. Transport and insurance costs factor heavily into the overall cost of trading for landlocked countries, which can face transport costs up to four times as high as those in developed countries.40 Even within Africa, these countries are at a disadvantage: a recent report estimates that for the East African region, the average ratio of transport and insurance costs to total value of exports for landlocked countries is 85 percent greater than that of neighboring countries with maritime access.41 These problems are most acutely felt in agriculture, as transport costs are relatively higher for many farm products, including cotton, fruits, and vegetables. Delays and uncertainty in transportation can lead to spoilage, additional warehousing or port payments, and the need to maintain extra inventory. Numerous checkpoints along the transport routes that connect landlocked countries to ports only add to the delays, running up costs and hampering trade. An additional day’s delay due to transport and customs issues can cause exports of time-sensitive agricultural goods to decrease by seven percent.42 This is why trade facilitation is so important.

Although the need for regional integration is clearly understood, both the United States and Europe sometimes struggle to implement regional development initiatives. This is partly because of some of the administrative challenges associated with African regional bodies discussed above. In spite of the difficulties, the European Union is a bit farther along in this regard, having been the first donor to provide budget support to a REC (the Common Market for Eastern and Southern Africa, or COMESA) in 2005.43 The EU also chairs a COMESA donor coordination group. Despite concerns with the likelihood of budget support programs having an impact on producers on the ground, this engagement does bode well for overcoming the institutional and procedural hurdles that continue to plague transatlantic interaction with regional, as opposed to national-level, authorities. Further, budget support in the REC context may be more appropriate and timely than at the national level — one concern is that REC secretariats have not yet developed mechanisms for institutionalizing knowledge and lessons learned. Staff and institutional capacity, far less developed at the REC than at most African national levels, will be of critical importance if the RECs are to oversee the important regional integration efforts that must take place.44

Europe also has at least one mechanism to support physical integration: the EU-Africa Infrastructure
Trust Fund is able to support “trade, regional integration, and infrastructure.” Among European donors (which support development both jointly through the European Commission as well as bilaterally through various national aid agencies), the United Kingdom is particularly supportive of trade and infrastructure for development. The U.K’s Department for International Development (DfID) is one of the largest bilateral donors to the Infrastructure Trust Fund45 and is also a leader in supporting infrastructure on the corridors.

Finally, coordination among transatlantic donors for the regional projects that do exist is not as advanced as that for projects implemented at the national level, and even within a given donor government, regional and national desks may not communicate or cooperate effectively.46
Recommendations for a Transatlantic Policy Approach that Can Respond to Needs on the Ground

Below are recommendations to make all three transatlantic policy areas — trade, aid, and food security — more able to respond to on-the-ground demand. It is hoped that the momentum surrounding food security initiatives, new approaches to trade policy, and development architecture modernization, coupled with even the austerity-driven need to hone in on cost-effectiveness, will all contribute to catalyzing these necessary changes.

Mechanisms to Assess Demand and Integrate Policies across Ministries

Trade, investment, and development policies, whether in the context of food security or otherwise, would be most effective if better coordinated. Fortunately, whole-of-government approaches are being presented as the way to achieve greater food security, economic growth, and sustainable development. Even so, more and better tools are needed to ensure that these desired results will occur. On both sides of the Atlantic, business needs to be part of the equation from the beginning and at every stage of policy development in order to ensure that government policies are truly demand-driven.

• Coordinate donor programs and stakeholder participation through development corridor authorities and secretariats, through which private and public sectors are beginning to coalesce. These mechanisms can be useful in ensuring that donor programs to build infrastructure and value chains and otherwise contribute to development along the corridors are complementary and not overlapping.

• Make better use of interagency dialogues and include business in discussions. Use appropriate existing mechanisms, including the U.S. Trade Representative’s Trade and Investment Framework Agreements (TIFAs) and analogous European processes, to bring all relevant agencies to the table on both sides. These dialogues should be expanded to include business and looped into Feed the Future discussions, in order to ensure that market-driven trade and development concerns are addressed at every step along the way.

• Use the resources provided by WTO Trade Policy Reviews. The WTO Trade Policy Review Mechanism (TPRM) covers a broad range of trade disciplines for each WTO member at regular intervals (developing countries are reviewed every six years, with possible extensions for LDCs). The TPRM reports contain a wealth of information on countries’ tariff and nontariff barriers to trade, and are a solid, existing resource that could be used to inform many transatlantic trade- and market-based assistance policies.

Demand-Driven Trade Programs

Trade policies with developing countries should allow for future diversification as well as cover the products most important to economic development and food security in sub-Saharan Africa and other developing regions. While the framework and rules surrounding trade programs are vital, they must also be connected to capacity building that leverages private sector know-how, provides the necessary infrastructure, and involves all market participants, including women and smallholder farmers.

• Improve market access under U.S. trade preference programs. U.S. trade preference programs, including AGOA,
should cover all agricultural products, including key products currently subject to tariff-rate quotas. Specifically:

- **Reallocate historical in-quota allocations, and compensate countries surrendering TRQ rights appropriately.** This would require the consent of affected countries and would need to be consistent with WTO obligations.

- **Allow temporary transfer of TRQ allocations from under-producing countries to those that are able to export.** This could be a solution for raw cane sugar and has effectively solved quota misallocation issues in the past.

- **Allow for carryover of unfilled TRQ volumes in order to accumulate a quota volume sufficient for economically viable shipments.** Again, this could provide a solution for raw cane sugar, which is a bulk commodity. USDA does allow, via a petition process, for year-to-year carryover for raw cane sugar on a case-by-case basis, usually as a result of delayed shipments or other unusual or unique circumstances. Carryover could be made automatic for countries with quota allocations that are smaller than the current normal boatload. 47

- **Make European Economic Partnership Agreements demand-driven.** Short of a re-evaluation of the EPA model, which the authors would advocate to ensure increased future trade, make the process created by the EPAs more reflective of the needs on the ground. This includes elimination of the MFN clause, better cumulation provisions, and comprehensive, demand-driven capacity building tied to the EPAs.

- **Coordinate processes for meeting SPS and TBT requirements.** The United States and Europe should ensure that they are as coordinated as possible on the processes for compliance with food safety requirements. More technical assistance, as well as grants for the necessary laboratories and other facilities, should be provided to ensure that otherwise-competitive African producers are able to successfully export. Within the United States, streamline approval procedures at the U.S. Department of Agriculture's Animal and Plant Health Inspection Service (APHIS), the Food Safety and Inspection Service (FSIS), and the Food and Drug Administration (FDA), working toward creation of a “one-stop shop” for food safety standards in order to facilitate understanding of the import requirements of different U.S. food safety agencies. At the EU level, DG Sanco deals with all aspects of food safety, and laws and regulations are implemented at the member state level and often in divergent ways. The United States should thus address procedural steamlining, and the EU and its member states must streamline implementation.

**Improve U.S. and European preference programs to ensure transparency and predictability.** Programs that expire must be extended long enough to significantly enhance market predictability, and rules of origin should be simplified and harmonized as much as possible. Technical assistance should be provided to help more exporters comply with the requirements of preference programs and related programs, e.g. SPS requirements.
Targeted Aid Interventions

In general, aid should be more streamlined and focused on the interventions that will make the most impact on the ground. While this will vary over time and from region to region, this generally means leveraging private sector expertise and capital as often and as much as possible, prioritizing trade facilitation and infrastructure development, and ensuring that both infrastructure and technical assistance are accessible to those in rural areas, from smallholders all the way up the agricultural value chain.

- **Strengthen trade capacity building.** Give USAID Trade Hubs and other on-the-ground facilities providing Aid for Trade more staff and resources, link these resources to business on an ongoing basis, and help them to make their services mobile in order to ensure broader benefits. Streamline the many activities currently counted as TCB and focus on trade facilitation and other services requested specifically by the private sector.

- **Increase regional and improve national budget support.** Consider increasing budget support to RECs, which have much less institutional capacity than national governments (and therefore a greater need to focus on staffing and institutional capacity issues). At the national level, where institution building is important but perhaps not as pressing, ensure that budget support is conditioned upon demonstrable results on the ground, e.g. measured in terms of successfully attracting business investment or increasing smallholder incomes.

- **Promote regional integration.** Provide development assistance arms of both the U.S. and European governments with the legal mandate, budget, and tools to make grants regionally to sub-Saharan Africa. Encourage better dialogue among home offices, field offices, and regional missions, and support African efforts for a Tripartite Free Trade Agreement, which links together three RECs and would resolve some concerns with overlapping REC membership.

- **Build infrastructure where it is needed most.** Leading institutions supporting the corridors movement, such as DfID, should ensure that their efforts support true development corridors that link smallholder farmers to market channels, and not just the development of trunk infrastructure lines. Prioritize infrastructure investments generally, and ensure that improved roads, storage facilities, and processing plants are accessible to businesses large and small.
1 In his January 2011 State of the Union address, President Barack Obama highlighted policy coordination and international development as opportunities his government would seek to address.


4 See additional writing by Katrin Kuhlmann and TransFarm Africa for application of the demand-driven approach at the local and regional level, and publications by the German Marshall Fund on transatlantic policy approaches to further economic development.

5 In a research project commissioned by the German Marshall Fund in 2009-10, Dr. Cesar Hidalgo of the MIT Media Lab and Harvard Center for International Development applied his Product Space model (see Hidalgo et al, “The Product Space Conditions the Development of Nations,” Science Vol 317, 27 July 2007), which shows that the institutional, technological, infrastructural, and knowledge context in which goods are produced constrains possibilities for diversification of production, to demonstrate that under current conditions, options for diversification in all five countries are highly limited and lie predominately in agriculture. More information on Dr. Hidalgo’s research at GMF can be found at http://www.gmfus.org/events/virtual_forum_view?vf.id=692.

6 All labor force data found at the U.S. CIA World Factbook, accessed May 2011.


8 Though there are myriad ways to measure policy reform, one widely accepted standard in terms of economic development is the World Bank’s annual Doing Business reports, which measure policies in ten different areas related to the business climate at the national level. The most recent Doing Business report names Rwanda as the global top reformer of 2010 in terms of improvements to the business climate. Kenya, Mozambique, and Zambia all recorded at least one positive reform over the same period.


10 ibid


12 ibid


16 The European Commission defines “vulnerable” countries as those with low export levels or poor diversification of exports. For more information on GSP+ and its eligibility criteria, see http://ec.europa.eu/trade/wider-agenda/development/generalised-system-of-preferences/.


20 Cumulation (of value) refers to the calculation by which a good whose component parts are produced in several different countries is allowed to qualify for a trade preference when not all countries involved in the good’s production are subject to the same trade preferences. More liberal rules on cumulation allow for more cross-border value chains — e.g. open cumulation, which in the EPA context allows components to be sourced from any EPA country, not just those within one bloc.


The current U.S. tariff-rate quota system gives quota allotments based on trade flows between 1975-1981, when the sugar market was last relatively “open.” Based on this measurement, Zambia does not receive a quota share at all. Mozambique receives a small quota share, but with out-of-quota tariffs approaching 200 percent and the impact the tiny quota has on shipments (i.e. shipping such a small amount may not be feasible or commercially viable), this does not make much of a commercial difference.

David Skully provides a good analysis of possible improvements, some of which are referenced later in this paper.


For example, coffee exports to the European Union require compliance with complicated SPS and TBT measures (including labeling and packaging requirements), and individual member countries can impose different standards, as do different trading partners including the United States. United Nations Conference on Trade and Development, “Rwanda’s Development-Driven Trade Policy Framework,” New York and Geneva: 2010.


While the costs of transport delays are significant, the benefits of reducing transport times can be immediate and transformative. Mali and Senegal signed a border cooperation agreement that reduced the number of checkpoints from twenty-five to four, and transport time quickly went from seven to ten days to just one or two. “Doing Business in Landlocked Economies,” Washington, DC: World Bank Group, 2009.


Mackie et al.

In addition, the following modifications should be considered. For more information, see Skully 2010.

- **Create AGOA-only in-quota allocation** in addition to existing in-quota allocations to address existing problem with allocations that are too small to be feasibly used in market. This would not compromise the market access allocations of other WTO members and could be done consistent with existing WTO practice.

- **Modify in-quota tariffs to make all in-quota imports duty-free, as is authorized under AGOA.** For sub-Saharan Africa, this would affect only four tariff lines for cotton that have not been designated duty-free by GSP or AGOA, in addition to 25 tariff lines for sugar-containing products.

- **Address over-quota tariffs,** ideally through complete duty-free, quota-free market access along the lines of the EU’s Everything But Arms program.

- **Exempt sub-Saharan Africa from special safeguard tariffs on over-quota imports.**