WILL AFRICA'S PARTICIPATION IN HORTICULTURE CHAINS SURVIVE LIBERALISATION?

IDS Working Paper 106

Christopher Stevens and Jane Kennan

SUMMARY

Trade in horticulture has been identified as an African export success story, with some producers in Kenya and Zimbabwe among others inserting themselves satisfactorily into value chains. This raises questions about how to maintain or improve upon this position in highly competitive markets [Dolan *et al.* 1999]. It also raises questions over whether the markets will alter their character as a result of trade policy change, and the implications of this for production and export strategies.

Kenya's and Zimbabwe's horticultural exports to the EU have grown over the past decade by comparison with their total agricultural exports to Europe and other countries' horticultural sales to the EU. There has also been a broadening of the range of items exported by Kenya and Zimbabwe. And the unit value of the EU's horticultural imports from the two African suppliers is in most cases higher than the average for all suppliers of horticulture, and has increased faster than the average of all EU imports.

The European horticulture trade has been heavily influenced by policy. Although the import protection provided to European farmers by the Common Agricultural Policy (CAP) is less substantial for horticulture than for cereals, sugar or meat, it is nonetheless sufficient to influence trade flows. Kenya and Zimbabwe benefit from trade preferences that give them a competitive advantage over non-preferred exporters. This edge may have contributed to their export success.

The potential contribution of trade policy to the pattern of EU horticulture imports is underlined by two characteristics of the main supplying countries. There has been considerable stability in the membership of the main supplier group over the past decade. And all group members benefit from relatively generous trade preferences. Further work is needed to assess how far the European participants in the value chain are influenced by preferences, but the working hypothesis is that only preferred states are able to participate.

If the hypothesis is correct it suggests that any major change in policy could alter trade patterns. For Kenya and Zimbabwe the short-term concern is that the preferential access they have enjoyed for many years will be diluted after the Lomé Convention expires in February 2000. The longer-term issue is whether the CAP will be eroded through unilateral reform (unlikely) or multilateral negotiation in the WTO. Projects that have a payback period of five years or less should be safe. Those requiring over ten years are more problematic.

CONTENTS

INTRODUCTION

Purpose of the report

This Working Paper reviews a proposed methodology and presents some initial findings for an analysis of the extent to which recent promising developments in sub-Saharan African (SSA) exports of horticultural products to the EU could be affected by changes to European policy. It takes as its starting point the study of the horticulture industry in Kenya and Zimbabwe [Dolan *et al.* 1999]. This indicated *inter alia* that, 'for those firms that can participate' in the UK supermarket-driven horticulture commodity chain, 'the reward can be considerable' [p.1]. Value-added 'tasks are being transferred to Africa, generating many jobs in the horticulture sector'. In short, the horticulture industry might offer Kenya and Zimbabwe (and, by implication, other SSA states) greater opportunities to insert themselves into global value chains in a way that gives potential for future development of skills and added value.

This Working Paper asks whether this broadly optimistic conclusion needs to be tempered in the light of potential changes to agricultural and trade policy in the EU. It deals with the question of whether the opportunities that exist now could be altered (for worse or better) by possible changes to EU policy. It concludes that the picture is ambiguous, but there are sufficient areas of potential concern to warrant further investigation. Such further work would benefit greatly from collaboration between firm-level analysis and trade data work. To a significant extent the one helps the other to focus on key issues.

Hypotheses

The two hypotheses upon which the Working Paper is predicated are that:

- the horticulture trade is heavily influenced by current policy;
- current policies are quite likely to change.

The twin policy influences on current flows are, on the one hand, the Common Agricultural Policy (CAP) and, on the other, trade preferences under the Lomé Convention. The effect of the CAP is to maintain prices in the European market that are higher than would obtain under a liberal trade regime. Whilst intended primarily to benefit European farmers, this subsidy from consumers can become available, under certain circumstances, to non-European suppliers. The existence of trade preferences, such as those under the Lomé Convention, is one such circumstance. By relieving favoured suppliers of all or part of the import restrictions designed to maintain the high European prices, the preferences allow their beneficiaries to enter the European market without provoking downward pressure on price levels.

The result is a transfer to the supply chain from the EU treasury and the European consumer. Trade analysis by itself cannot determine the shares of this transfer that accrue to each level of the supply chain, but the findings of Dolan *et al.* [1999] suggest that a part accrues to the exporting states either directly or indirectly in the sense that demand for their product is greater than otherwise it would be. The transfer from the treasury can be calculated precisely, since it is the tariff revenue forgone. The transfer from the consumer

cannot be calculated using the commodity-by-commodity approach of this study (and of Dolan *et al.* 1999), since it requires an estimate to be made of the price-raising effects not only of the import restrictions but also of all other interventions designed to distort the market.

Happily these limitations are not a serious constraint for this Working Paper. It does not seek to calculate either the size of the transfer or its distribution within the value chain. Rather it is concerned with the prospects for the continuation of such transfers. The working assumption, derived from Dolan *et al.* [1999], is that *some* gain results to Kenya and Zimbabwe from the present arrangement. If exports have been facilitated in this way, then their future growth and development may be influenced if:

- the artificially high price levels in the EU are reduced;
- and/or the preferences are diluted absolutely or relatively.

The analysis of trade flows and policy cannot resolve these questions, it can only illuminate them. Ideally, it should be combined with direct interviews with actors in the trade. The analysis can throw up additional questions for the actors that might not otherwise figure on the agenda, and may provide information in areas where actor opinion is unreliable or lacking.

Methodology

The methodology for the study is set out in Table 1. The issue is addressed through four steps.

- What is the evidence of Kenya's and Zimbabwe's success in exporting horticultural products?
- What evidence is there of the role that the combination of protectionism and preferences has played in this growth?
- How may the CAP and preferences change in the medium-term future?
- What would be the implications of such change for the horticulture exports of Kenya and Zimbabwe?

For each of these steps, the table sets out the main questions that need to be asked and the subsidiary questions that are implied by them. For each of these it tries to identify an indicator that would supply an answer to the question, as well as sources of data for this indicator. In cases where the preferred data source is unlikely to be forthcoming, a less satisfactory, but available, alternative is identified.

The extreme right-hand column of the table indicates the level of confidence that can be ascribed to the conclusions drawn from this analysis. A high level of confidence indicates that the question can be appropriately answered from quantitative data that are available. In cases where the confidence level is less than high, this is either because quantitative data can provide only a partial answer to the question and/or because the most appropriate quantitative data are not available.

The remainder of this Working Paper provides a first application of the methodology. As will be seen, this initial analysis is more robust for some parts of the methodology (notably Steps 1 and 3) than for others. But in all cases further research would be likely to yield significant additional depth in determining causality.

Table 1. The potential impact of EU CAP reform on SSA horticulture exports

Main question	Subsidiary question	Required indicator	Sources of data		Confidence level
			ideal	*available*	
Step 1: Evidence of SSA success					
Have exports risen?	Current	Export value	COMEXT		High
	Real	Deflator	Unit value of items cf total *exports*	Unit value of items cf total EU *imports*	Good
Has there been diversification?	Into new items	Time series on export value	COMEXT		High
	Into better items	Unit values of old and new items			High
	Into a wider market	Share of relevant product group			Quite good
Step 2: Evidence on the role of preferences and protection					
What is the EU regime?	For SSA	Tariff and non-tariff barriers	Lomé		Quite good
	For competitors		*Taric*		
	For rest of world		WTO schedules		
What inferences can be drawn on the impact of preferences?	Do preferred suppliers perform better than non-preferred?	Importer choices	Information from importers	Trade and tariff data	Moderate
Step 3: How may the CAP/preferences change?					
How may the CAP change?	Are the relevant regimes vulnerable to autonomous change?	EU policy plans	*Agenda 2000*		High
	Are they likely to be raised under WTO agricultural negotiations?	The negotiating programme	An agreed WTO agenda	AIEA	Moderate
	Are they vulnerable after the Peace Clause?	Interpretation of URAA	WTO texts		Quite good
How may preferences change?	Absolute changes	Post-Lomé accord	REPA/GSP texts	Views on Framework Agreement	Quite good
	Relative changes	All other EU trade accords	Clear EU plans	Hunch!	Moderate
Step 4: Implications of change for SSA					
How dependent are exports on current *relative* preferences?	For established exporters on established items	Importer choices	Information from importers	Trade, tariff and production cost/quality data	Moderate
	For established exporters on new items				
	For new exporters				

And in many cases such research would ideally combine the methodological approaches that are the stock-in-trade of value chain and trade analysis.

EVIDENCE OF SSA SUCCESS

Questions and evidence

The principal question asked in this section is whether Kenya and Zimbabwe have been 'successful' in their horticulture exports. The answer depends, of course, on how one defines 'success', and how it is measured. There is probably no single indicator that adequately addresses the question, but the relative merits of trade analysis as opposed to interviews with firms in the value chain include:

- assessing performance for a whole country and not just a number of firms within it;
- comparing the performance of one country with that of others.

This section focuses, therefore, on this broad picture in order that it may be combined with information in Dolan *et al.* [1999]. Reasonably good data are available to show the absolute and relative trend in the volume and value of exports of horticulture products and, to that extent, conclusions can be drawn with a relatively high level of confidence.

The principal area of doubt is to be found not in the identification of trade trends but in deciding what they mean. As will become apparent, even such simple changes as a rise or fall in the unit value of exports could be open to diametrically opposed interpretations. Like Dolan *et al.* [1999], therefore, this initial paper should be considered an exercise in narrowing the field of investigation and focusing attention for a subsequent round of research into more precisely defined questions. The answers to these are likely to involve a combination of different types of analysis, including both trade data and interviews with actors in the value chain.

Have exports risen?

The significant horticultural exports (i.e. those of €500,000 or more) of both Kenya and Zimbabwe have clearly increased in terms of current value. This is shown in Table 2 (which provides a full time series on total agricultural and horticultural exports and on important products) and Table 3 (which shows for 1993 and 1997 the value of all the main horticultural export items). The average annual increase in the total value of the items listed in Table 3 between 1993 and 1997 was 13 per cent for Kenya and 35 per cent for Zimbabwe.

Zimbabwe

Zimbabwe's exports of horticulture have increased over twice as fast as its total agricultural exports. The two items that were sufficiently substantial in the base year to make growth rate figures meaningful (mangetouts[1] and citrus fruit) achieved annual average growth rates of 24 per cent and 11 per cent respectively. Moreover, for two of the three remaining products covered in Table 2, the absolute value of exports by the end of the period was significant.

Added to this, there has also been an increase in the number of items exported from five to 16 (Table 3). In some cases this simply reflects EU code-splitting to sub-divide the year into smaller calendar windows (as with mangetouts and beans exported during autumn and winter). Without monthly import data it is not possible to identify whether or not there has been any change in the seasonality of exports. In some cases, however, there has been movement into genuinely new categories (such as summer beans).

Kenya

In the case of Kenya, too, horticultural exports have grown more rapidly than total agricultural exports. Even beans, which was already a mature export in the base year, saw an average annual growth in current value that is one-third higher than for agricultural exports as a whole. Two of the other products identified in Table 2 were also sufficiently substantial in the base year to make average annual growth figures meaningful, and in both cases the increase was almost twice as rapid as for agricultural exports as a whole.

When account is taken of calendar splitting, there has also been an increase in the number of Kenya's exports, but a much smaller one than in the case of Zimbabwe — possibly reflecting the more mature nature of the sector in the base year (Table 3). Four new items have emerged (onions, summer mangetouts, guavas etc. and passion fruit etc.) and three, substantial, exports have ceased to be significant (miscellaneous leguminous vegetables, miscellaneous fruits and bananas).

Other suppliers

The principal external suppliers of the EU horticultural market appear to form a fairly stable group. Whilst competition is certainly fierce, the trade statistics do not appear to bear out the view in Dolan *et al.* [1999] that 'new countries are entering the sector all the time' (p.1), at least among states that have achieved a significant market share. This is illustrated in Table 4, which takes the product groups from Table 2 and shows the number of countries reaching a set threshold, established in both proportionate and absolute terms, in selected years.

---

[1] The CN description for this item is 'peas "*pisum sativum*"', which we are assuming to be mangetouts.

Table 2. The pattern of agricultural exports from Kenya and Zimbabwe to the EU, 1989–97

HS	Description	Exports to EU (€000)									Avg. ann. change
		1989	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*	
Kenya											
1–24	Agricultural exports	467,315	423,898	468,326	432,332	436,912	504,142	573,576	658,942	738,030	6%
7–8	Horticultural exports	42,798	43,731	47,923	53,510	57,270	60,508	63,512	73,998	91,961	10%
070810	Peas ‘pisum sativum’	52	52	66	418	1,865	3,322	4,814	8,113	10,007	93%
070820	Beans ‘vigna spp., phaseolus spp.’	22,628	27,511	28,332	29,475	26,804	27,540	31,250	37,720	41,527	8%
0709	Other vegetables	7,410	6,470	8,063	9,406	14,026	15,696	12,950	15,234	17,701	11%
0804	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens	6,445	5,653	5,998	8,910	7,293	8,233	9,646	7,742	15,333	11%
0805	Citrus fruit	5	3	4	34	58	2	58	2	17	17%
Zimbabwe											
1–24	Agricultural exports	246,890	226,421	298,207	256,200	202,982	323,712	332,099	379,472	432,767	7%
7–8	Horticultural exports	11,107	11,403	11,868	11,331	12,695	15,407	19,264	24,996	36,706	16%
070810	Peas ‘pisum sativum’	1,867	2,689	3,681	5,135	6,335	6,677	6,777	7,089	10,276	24%
070820	Beans ‘vigna spp., phaseolus spp.’	120	433	1,080	788	1,428	1,440	2,575	4,212	3,953	55%
0709	Other vegetables	209	361	422	415	852	1,246	1,751	2,693	3,955	44%
0804	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens	14	44	8	32	33	84	72	424	922	69%
0805	Citrus fruit	5,851	4,888	3,368	2,657	1,955	3,248	4,087	7,187	13,944	11%

Source: Eurostat 1998.

Table 3. Selected horticultural exports to the EU, 1993 and 1997 (€ thousand) [a]

CN_1997	1997 description	1997 period	CN_1993	1993 period	Kenya		Zimbabwe	
					1993	*1997*	*1993*	*1997*
	No. items exported to value of €500,000 plus				**12**	**15**	**5**	**16**
07031019	Onions					2,117		
07081020	Peas 'pisum sativum'	Jan-May	07081010	Sept-May	1,520	4,830	3,200	1,747
07081090	Peas 'pisum sativum'	June-Aug				2,080	3,135	4,893
07081095	Peas 'pisum sativum'	Sept-Dec				3,097		3,636
07082020	Beans 'vigna spp., phaseolus spp.'	Jan-June	07082010	Oct-June	22,340	20,335	1,335	2,368
07082090	Beans 'vigna spp., phaseolus spp.'	July-Sept	07082090	July-Sept	4,464	8,676		807
07082095	Beans 'vigna spp., phaseolus spp.'	Oct-Dec				12,516		778
07089000	Leguminous veg. ex. peas/beans				859			
07096099	Capsicum/pimenta		07096099		3,698	3,030		1,213
07099060	Sweetcorn							1,985
07099090	Vegetables n.e.s.		07099090		10,020	14,195		578
07102200	Frozen beans		07102200		1,385	1,410		
08029085	Nuts [b]		08029080		953	616		
	Bananas, inc. plantains		08030010		1,079			
08044020	Avocados	Jan-May	08044010	Dec-May	2,158	5,354		
08044090	Avocados	June-Nov		June-Nov	4,790	9,364		
08045000	Guavas, mangoes and mangosteens					591		903
08051038	Navels etc.	June-Sept	08051035	16 May-15 Oct			1,377	7,898
08051039	Sweet oranges	16 May-15 Oct						1,615
08052029	Citrus hybrids	Mar-Oct						1,509
08054090	Grapefruit	May-Oct						1,712
08109040	Passion fruit, carambola and pitahaya					1,500		1,834
08109085	Fruit n.e.s.		08109080		1,276		1,097	547
				Total these items	**54,542**	**89,711**	**10,144**	**34,023**

Notes:
(a) Exports of €500,000 or more from Kenya or Zimbabwe, or both.
(b) Excl. coconuts, brazil nuts, cashew nuts, almonds, hazelnuts, walnuts, chestnuts 'castania spp.', pistachios, pecans, areca 'betel' nuts, cola nuts, pine nuts and macadamia nuts.
Source: Eurostat 1998.

Table 4. Number of significant EU suppliers of relevant horticultural imports

HS	Description	1989	1991	1993	1995	1997
Number of extra-EU countries supplying =>5% of EU market						
7–8	All horticulture	5	6	5	4	4
070810	Peas 'pisum sativum'	4	5	5	4	4
070820	Beans 'vigna spp., phaseolus spp.'	5	5	6	6	6
0709	Other vegetables	8	9	9	7	7
0804	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens	6	6	9	8	7
0805	Citrus fruit	6	7	8	8	7
Number of extra-EU countries exporting to a value of €1 mn or more to the EU						
7–8	All horticulture	94	94	98	102	100
070810	Peas 'pisum sativum'	4	4	5	4	4
070820	Beans 'vigna spp., phaseolus spp.'	7	7	9	10	10
0709	Other vegetables	19	23	21	31	33
0804	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens	24	25	24	24	22
0805	Citrus fruit	19	19	18	18	20
Source: Eurostat 1998.						

Table 4 indicates that there is no evidence of a general increase in the number of supplying countries. Of course, this finding would be perfectly compatible with the one in Dolan *et al.* [1999] if each new entrant were offset by a departing supplier. In general this is not the case. The names of the supplying countries are not listed, to keep the table simple, but fuller details are supplied in Appendix Table 1.

Real change

Does this current value increase represent a real rise or, indeed, one that is as good as achieved by other exports? The ideal indicator for this would be information on other world exports from Kenya and Zimbabwe, but data are not available from these countries. Instead, inferences have had to be made from EU import information.

One indicator of current value is the unit value of imports from Kenya and Zimbabwe, and a rough-and-ready deflator is to be found in the relationship between changes in this unit value and that of total EU imports. This is illustrated in Table 5, which shows the unit value for each year 1993–7 of the items that were listed in Table 3 and were exported in both of the years covered by that table.

Most of the items have experienced a substantial increase in current unit value. To put the figures in the right-hand column of Table 5 in context, the unit value of total extra-EU imports increased by 18 per cent over the period. In about half the cases in which comparisons are possible (i.e. Kenya or Zimbabwe exported in both years), there has been a unit value increase greater (and in most cases substantially greater) than this level. Although this is only a rough-and-ready proxy for European inflation (which is itself a less useful deflator than Kenyan/Zimbabwean inflation set against local-currency export values), the disparity is sufficiently large to give some confidence that these are real rises.

Table 5. Time series for unit values of important exports, 1993–7

CN code	Description	Period	Unit value of exports to EU (€/ton)						% change
				1993	*1994*	*1995*	*1996*	*1997*	
07081010 /20/95	Peas 'pisum sativum'	Sept.–May	Kenya	2,245	2,339	2,254	2,408	2,815	25%
			Zimbabwe	2,530	2,895	2,298	2,483	3,878	53%
07081090		June–Aug.	Kenya	2,255	2,314	2,238	2,389	2,811	25%
			Zimbabwe	2,733	2,795	2,396	2,935	3,541	30%
07082010 /20/95	Beans 'vigna spp., phaseolus spp.'	Oct.–June	Kenya	2,193	2,158	2,115	2,224	2,479	13%
			Zimbabwe	2,073	2,139	2,097	2,221	2,019	-3%
07082090		July–Sept.	Kenya	1,916	2,243	2,095	2,159	2,550	33%
			Zimbabwe	1,550	2,324	2,148	2,204	2,538	64%
07096099	Capsicum/pimenta		Kenya	2,104	2,112	1,529	1,561	1,906	-9%
			Zimbabwe	2,512	2,660	2,685	2,475	3,369	34%
07102200	Frozen beans		Kenya	1,532	1,620	1,717	1,533	1,934	26%
			Zimbabwe	—	1,667	1,438	806	—	
08044010 /20/95	Avocados	Dec.–May	Kenya	1,235	1,181	1,078	796	1,088	-12%
			Zimbabwe	—	—	—	—	1,500	
08044090		June–Nov.	Kenya	1,121	1,093	1,045	1,061	1,161	4%
			Zimbabwe	1,263	—	2,000	—	4,000	217%
08051034 /35/38	Navels, etc.	mid-May–mid-Oct. [a]	Kenya	720	—	—	—	—	
			Zimbabwe	485	410	466	423	486	0%

Note:
(a) This is the maximum period covered (by CN 08051035, which was valid until 1994). The other codes cover 2 weeks (08051034) or one month (08051038) less.
Source: calculated from data obtained from Eurostat 1998.

Has there been diversification?

It would appear that the horticultural exports of Kenya and Zimbabwe have prospered, but has there been diversification in the sense of extending the product range and the market share? As indicated in Table 1, this question is broken down into three subsidiary ones:

- whether there has been diversification into new items;
- whether there is any evidence that these are 'better' items; and
- whether such changes represent a widening of the market base.

Diversification

Table 3 has shown that in Zimbabwe there has been diversification into new items (although in the case of Kenya this has been offset to some extent by the loss of old ones). The unit values of the new items are generally high by comparison with the old ones (see Appendix Table 2). In the case of Kenya's exports of onions, guavas etc. and passion fruit etc., unit values compare well with broadly similar-weight items in the list. There is a similar picture for Zimbabwe.

Both Kenya and Zimbabwe are now year-round suppliers of mangetouts and beans to the EU market, even though competition is much more severe during the European summer. This would seem to support the finding of Dolan *et al.* [1999] that the supermarkets require consistency of supply.

Moreover, the summer mangetouts and beans have unit values that are, in the main, broadly similar to 'out-of-season' ones. The principal exception is autumn beans for Zimbabwe. This is a potentially interesting finding, although more work will have to be done (possibly through both interviews and trade analysis) to determine the lessons to be drawn. Clearly, if competition is greater during the European summer the prices

ought to be lower. The implication is that 'off-season' prices are forced down to the summer levels, perhaps by the supermarkets that require a consistent shelf price throughout the year.

International comparison

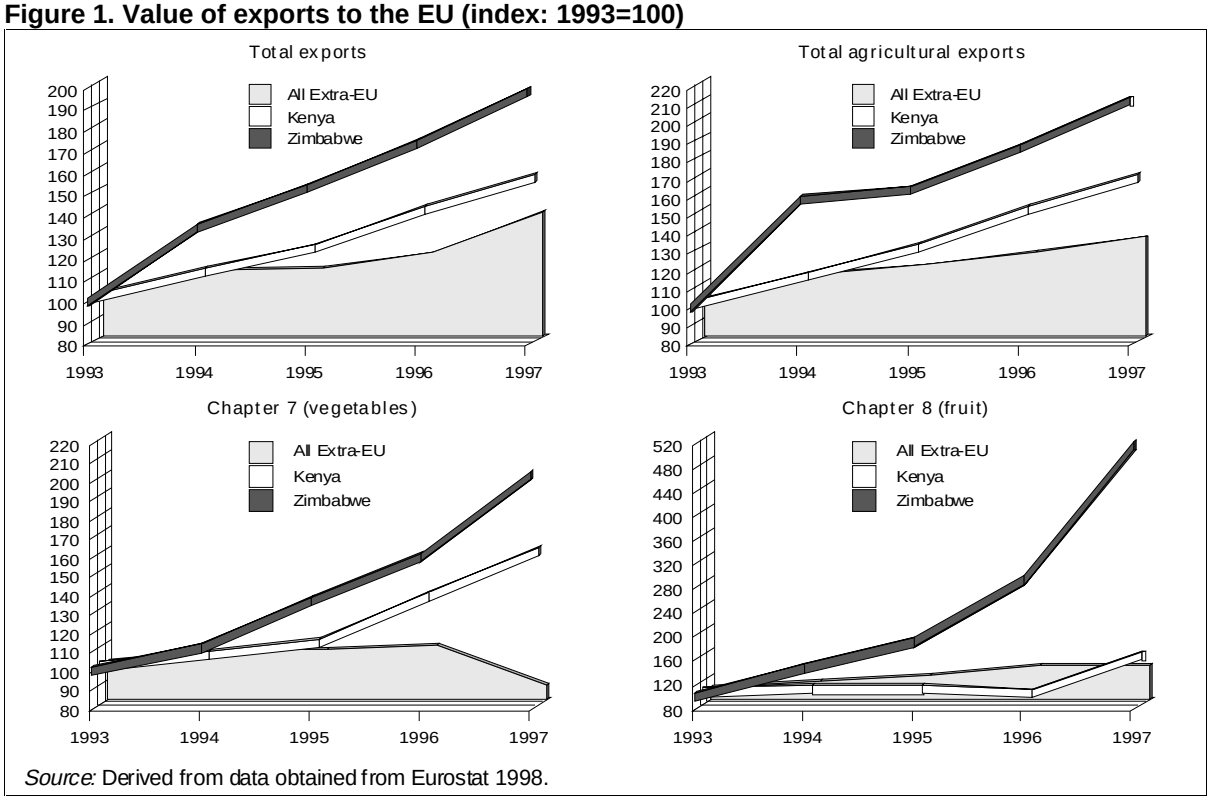
What information is there to judge whether or not the countries have done well by international comparison? Have Kenya and Zimbabwe simply been the beneficiaries of a generally favourable movement that has benefited many developing countries, or have they been able to improve their situation *vis-à-vis* their competitors? Illustrative information to throw light on this question is given in Figures 1–4.

Figure 1 provides a comparison of the value of EU imports from Kenya, Zimbabwe and the world. EU imports from both Kenya and Zimbabwe grew substantially faster from 1993 to 1997 than total imports, largely because of the strong performance of agriculture. In 1993, 83 per cent of the merchandise exports of Kenya to the EU, and 49 per cent of Zimbabwe's, were agricultural items. And in both cases imports of vegetables from these two states grew more rapidly than total EU vegetable imports. The same applies for Zimbabwean fruit.

Figure 2 shows that the unit values of EU imports of vegetables from Kenya and Zimbabwe are substantially higher than the average, and that the gap has widened in the most recent period. Kenyan fruit also has a higher unit value than the average, and has maintained its differential. The falling unit price for Zimbabwean fruit needs to be considered against the background of growing exports in a market where it is a minor supplier. It is always difficult to interpret unit value changes in isolation from a knowledge of the market. It could be that the growth in Zimbabwean exports became possible because it was able to cut unit values to become a more competitive supplier.

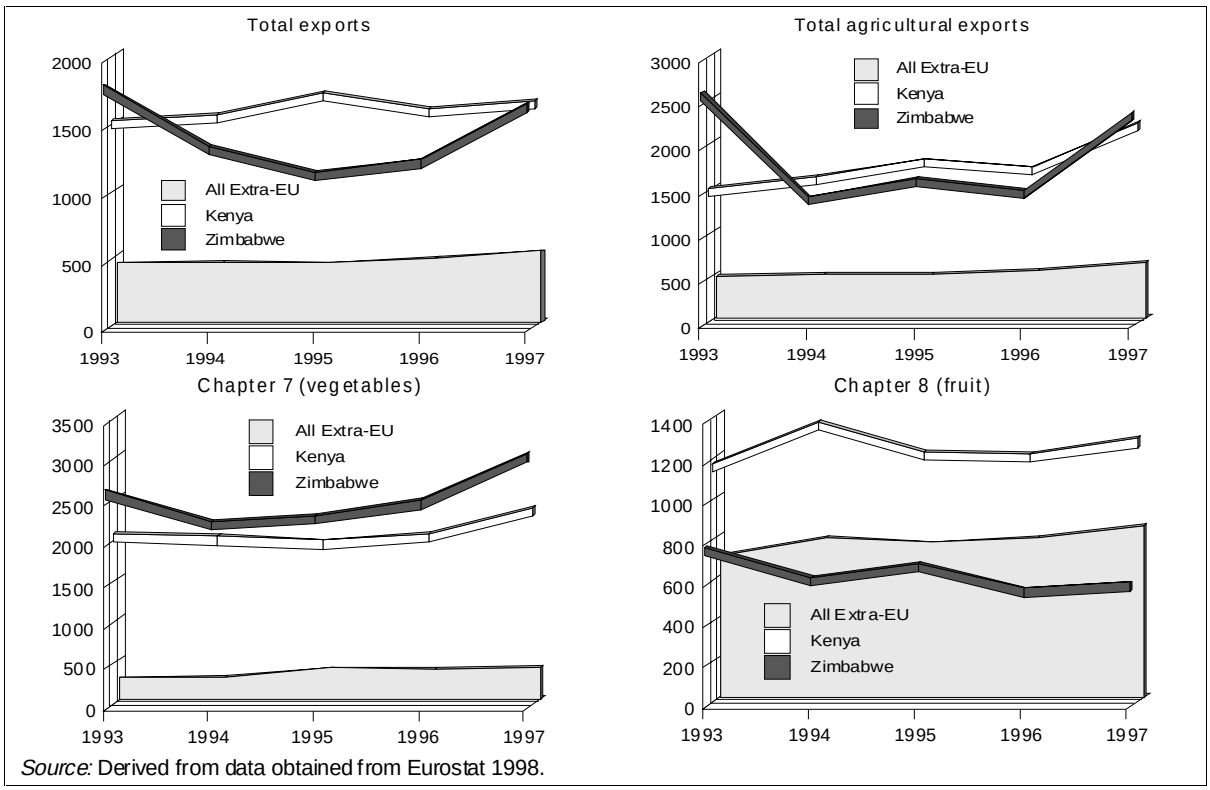
Figures 1 and 2 provide 'scene-setting' information on broad product aggregates; more detailed data on key export items are given in Table 6. For 1993 and 1997 the table shows the value and unit value of imports from the world, Kenya and Zimbabwe. It also shows the share of Kenya and Zimbabwe in total imports of the aggregate in question, as well as the relationship between unit values. The columns on the extreme right show the change between 1993 and 1997 in terms of: the value of imports, the unit value of imports, the difference in Kenya's and Zimbabwe's share of imports. The final column needs some additional explanation. It shows the change in the relationship between the unit value of imports from Kenya/Zimbabwe and the world, e.g. in 1993 the unit value of imports of onions from Zimbabwe was 262 per cent of the average for all imports of that product; in 1997 it was 278 per cent, and so there was a 16 percentage point increase — which is recorded in the extreme right-hand column.

Figure 1. Value of exports to the EU (index: 1993=100)



Source: Derived from data obtained from Eurostat 1998.

Figure 2. Export unit value (€/ton)



Source: Derived from data obtained from Eurostat 1998.

Table 6. Horticultural exports from Kenya and Zimbabwe: indicators of market share and competitiveness

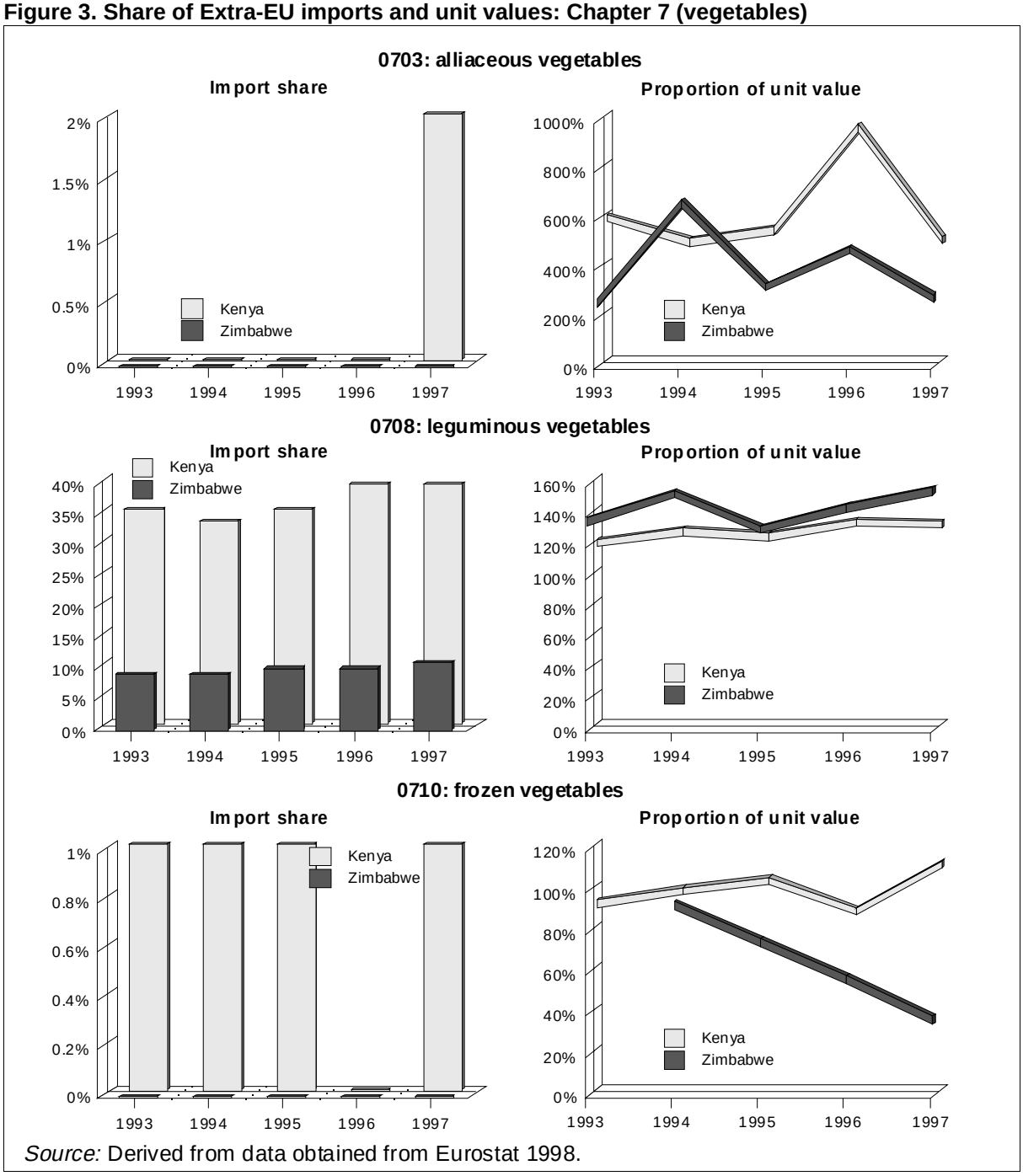
HS_4	Description	Source	1993				1997				Avg. annual change in values		Absolute change in share	
			EU import values		*K/Z share of extra*		*EU import values*		*K/Z share of extra*					
			€mn	*€/ton*	*Value*	*U/value*	*€mn*	*€/ton*	*Value*	*U/value*	*€mn*	*€/ton*	*Value*	*U/value*
0703	onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled	All extra	84.9	382			111.3	476			7%	6%		
		Kenya	0.03	2,214	0.0%	580%	2.2	2,335	2.0%	490%	191%	1%	2.0%	-89%
		Zimbabwe	0.01	1,000	0.0%	262%	0.1	1,324	0.1%	278%	106%	7%	0.1%	16%
0708	leguminous vegetables, shelled or unshelled, fresh or chilled	All extra	84.6	1,826			134.2	1,959			12%	2%		
		Kenya	29.5	2,150	34.9%	118%	51.8	2,554	38.6%	130%	15%	4%	3.7%	13%
		Zimbabwe	7.8	2,492	9.2%	136%	14.3	3,062	10.7%	156%	16%	5%	1.5%	20%
0709	other vegetables, fresh or chilled (excl. potatoes, tomatoes, alliaceous, brassicas, lettuce, chicory, carrots, turnips, beetroot, salsify, celeriac, radishes and similar	All extra	175.3	1,673			291.8	1,782			14%	2%		
		Kenya	14.0	2,003	8.0%	120%	17.7	1,949	6.1%	109%	6%	-1%	-1.9%	-10%
		Zimbabwe	0.9	2,888	0.5%	173%	4.0	3,242	1.4%	182%	47%	3%	0.9%	9%
0710	vegetables, uncooked or cooked by steaming or boiling in water, frozen	All extra	164.7	788			236.5	800			9%	0%		
		Kenya	1.5	1,529	0.9%	194%	1.5	1,961	0.6%	245%	1%	6%	-0.3%	51%
		Zimbabwe	0.0				0.0	667	0.0%	83%			0.0%	83%
0802	other nuts, fresh or dried, whether or not shelled or peeled (excl. coconuts, brazil nuts and cashew nuts)	All extra	848.2	2,669			1,390.1	3,658			13%	8%		
		Kenya	1.0	5,415	0.1%	203%	0.6	7,163	0.0%	196%	-10%	7%	-0.1%	-7%
		Zimbabwe	0.1	6,000	0.0%	225%	0.1	6,857	0.0%	187%	12%	3%	-0.0%	-37%
0804	dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fresh or dried	All extra	368.8	982			508.5	939			8%	-1%		
		Kenya	7.3	1,154	2.0%	117%	15.3	1,143	3.0%	122%	20%	-0%	1.0%	4%
		Zimbabwe	0.03	1,435	0.0%	146%	0.9	1,286	0.2%	137%	130%	-3%	0.2%	-9%
0805	citrus fruit, fresh or dried	All extra	594.1	428			892.2	519			11%	5%		
		Kenya	0.1	983	0.0%	230%	0.02	607	0.0%	117%	-26%	-11%	-0.0%	-113%
		Zimbabwe	2.0	481	0.3%	112%	13.9	488	1.6%	94%	63%	0%	1.2%	-18%
0810	strawberries, raspberries, blackberries, black, white or red currants, gooseberries and other edible fruit n.e.s., fresh	All extra	243.8	1,186			293.4	1,110			5%	-2%		
		Kenya	1.5	1,941	0.6%	164%	1.7	2,620	0.6%	236%	3%	8%	-0.0%	72%
		Zimbabwe	1.3	3,215	0.5%	271%	2.5	3,131	0.8%	282%	17%	-1%	0.3%	11%

Source: Calculated from data obtained from Eurostat 1998.

Market share

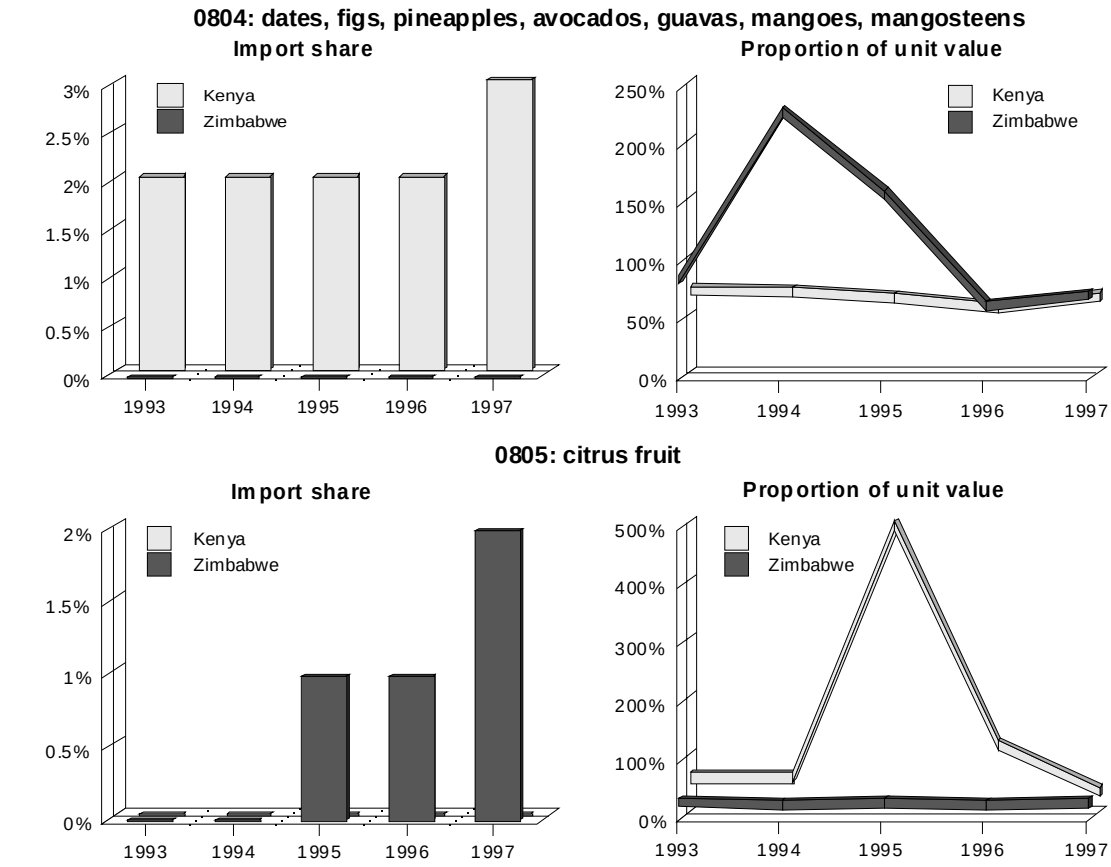
Figures 3 and 4 provide a graphical illustration of some of the data in Table 6. They show for those 4-digit products in the table that are not miscellaneous categories the share of Kenya and Zimbabwe in total EU imports of the item, and the relationship between the unit values of EU imports from Kenya and Zimbabwe and the world.

Figure 3. Share of Extra-EU imports and unit values: Chapter 7 (vegetables)



Source: Derived from data obtained from Eurostat 1998.

Figure 4. Share of Extra-EU imports and unit values: Chapter 8 (fruit and nuts)



Source: Derived from data obtained from Eurostat 1998.

In one product group (HS 0708 — leguminous vegetables) Kenya and Zimbabwe have a significant share of EU imports, and in three of the others one or other or them has a small but either stable or growing share. Kenya supplies over one-third of EU imports of leguminous vegetables, with Zimbabwe accounting for an additional 10 per cent. In both cases the unit value of African exports stands at a premium of 20-40 per cent to the average.

Kenya also supplies a stable share of EU imports of frozen vegetables (HS 0710) and miscellaneous tropical fruits (HS 0804). Although a 1 per cent market share for frozen vegetables might seem minute, the market is sufficiently large (and the range of potential competitors sufficiently wide) that this is not to be overlooked. The unit value of Kenyan exports mirrors quite closely that of the average for frozen vegetables. In the case of avocados (which are the principal Kenyan export in 0804), the share increased from 2 per cent to 3 per cent in 1997. Given the range of products covered, the figures on unit value are perhaps misleading. But they do at least suggest a stable relationship between the unit value of imports from Kenya and those from other sources.

In the case of citrus fruit, Zimbabwe has achieved a 2 per cent market share, albeit at a unit value that is much lower than the average. Some further investigation as to the precise product being exported in this group by Zimbabwe and its competitors might be worthwhile.

Hence, in most cases Kenya and Zimbabwe have increased their market share. This is true even at the HS chapter level. In most cases, too, the unit value of imports from Kenya and Zimbabwe is higher than the average, but in some cases this premium declined.

The trade statistics cannot show unambiguously what conclusions are to be drawn from this information. A decline in unit value could be interpreted as increased competitiveness or, just as easily, as a deteriorating market. And, given the nature of the markets concerned, it would be prudent to undertake analysis of monthly statistics before coming to any firm conclusions. This is an area of work which needs to be developed jointly through trade analysis and interviews.

EVIDENCE ON THE ROLE OF PREFERENCES AND PROTECTION

Questions and evidence

The key question is whether this export success has been due in whole or part to advantages over competitors conferred by EU trade and agricultural policy. This is the prior question which needs to be answered before the main one for this study, which is whether the removal of such advantages will cause export success to falter.

Since there exist clear rules for trade in horticultural products, it might be assumed that the question could be answered with a high level of confidence, but — as indicated in Table 1 — there are two areas of doubt. One is that, detailed though they are, the trade/tariff categories do not necessarily equate with the product categories identified by actors in the value chain. For example, whilst it is possible to identify the tariffs facing respectively Moroccan and Kenyan agro-widgets, doubt remains as to whether those products are competing head on or address slightly different niche markets. This is linked to the second area of doubt, which is how the immediate customers for the exports of Kenya and Zimbabwe view any differential tariff treatment. Preferences are only preferential if they influence the behaviour of actors in the value chain.

The 'solution' to both these problems lies in a second-round linking of the trade analysis with firm interviews. As with step one, the purpose of the present exercise is to narrow the field of enquiry and focus on a smaller number of issues that seem to be important. What we have been able to do is to identify the countries that *appear* to be competitors with Kenya and Zimbabwe and to note areas in which they *appear* to be treated differently. It is hoped that this will provoke a second round of interviews with firms to question them in particular on whether these appearances are borne out in reality.

The EU regime

The basic regime applicable to unfavoured states

The CAP provides tariff protection for the products exported by Kenya and Zimbabwe. Unlike some fruit and vegetables, there is no entry price system (which penalises exporters who seek to undercut a price designated by the authorities), and unlike grains and livestock products tariffs are not in the 100 per cent plus bracket. Hence by the standards of the CAP, the horticulture sector into which Kenya and Zimbabwe export

is only moderately protected. Nonetheless, the restrictions are sufficiently large to alter significantly relative prices between preferred and non-preferred suppliers.

The standard 'most-favoured-nation' regime, as established in the EU's WTO schedules, is set out in Table 7. The figures in the columns headed 'base' reflect the *status quo* before implementation of the Uruguay Round Agreement on Agriculture (URAA). The figures in the columns headed 'bound' represent the level to which market access barriers must be reduced by the year 2000 to fulfil the commitments made in the URAA.

Table 7 confirms the view that border protection for the products of significance to Kenya and Zimbabwe is set at a level which would be considered high for many industrial products but is only moderate for temperate agriculture. But it also shows that there has been only modest liberalisation during the URAA period. Of the ten items with a base MFN tariff of over 10 per cent, seven have bound tariffs that are also in double figures. The unweighted average bound tariff of the products in Table 7 is 7.7 per cent (excluding sweetcorn, for which there is no *ad valorem* tariff).

Preferential regimes

The most preferential access is available to certain suppliers under:

- the Lomé Convention; or
- bilateral agreements (such as the EU–Morocco and EU–South Africa free trade areas); or
- a superior tranche of the Generalised System of Preferences (GSP).

The EU trade policy system has grown up over time and is particularly complex. It provides different degrees of preference to various groups of developing countries. The depth and breadth of these preferences are not necessarily related to the level of development of the recipient country and, indeed, better-than-MFN access is not limited to developing countries. Figure 5 provides a simplified view of the multiple layers of trade policy. It identifies five bands, but also shows that the top three bands have much in common and are distinguishable as a broader grouping from the bottom two bands.

Relative positions

The position of each band in the hierarchy reflects its relative liberality (with the more liberal accords at the top). This positioning involves a degree of personal judgement since different agreements are not always directly comparable. However, the position of the top two bands above the next two, and the relative position of the GSP and the Super GSP are uncontentious. Hence, the area of judgement is primarily in relation to the position of Lomé and (some of) the bilateral agreements.

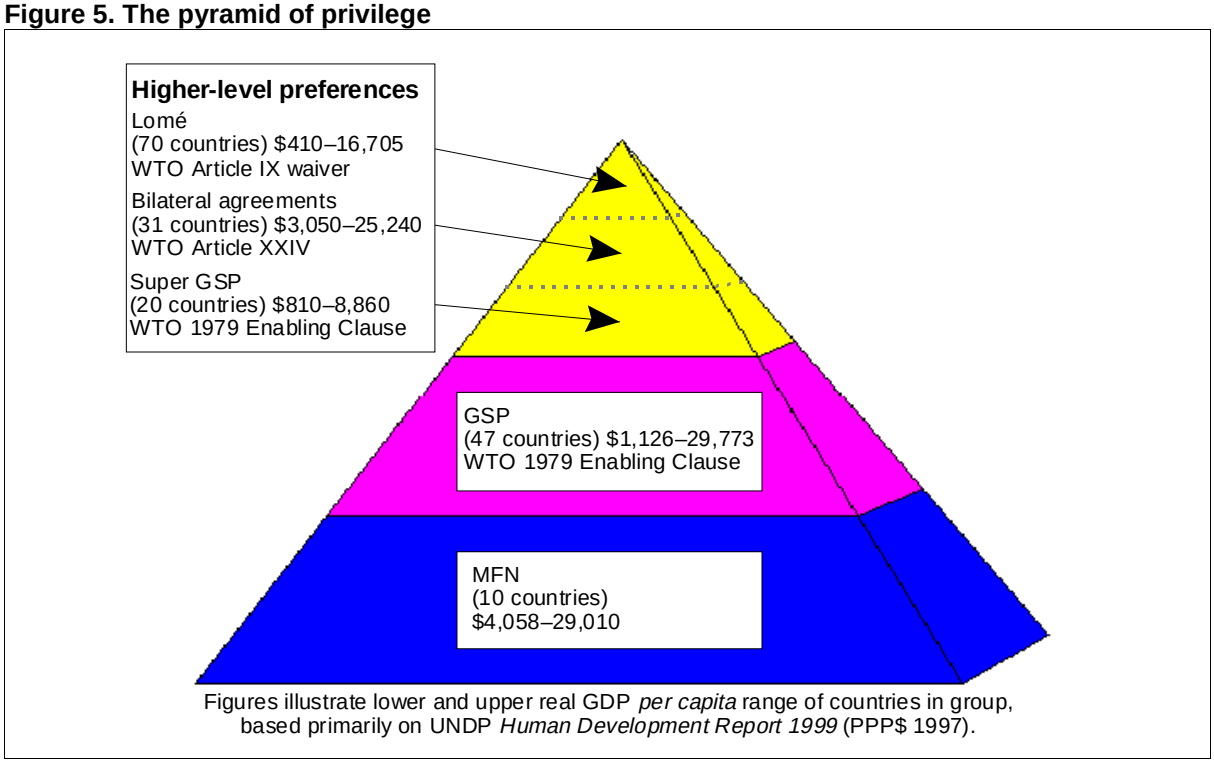
The Lomé Convention's claim to be at the apex of the hierarchy can be supported in at least five ways:

- it provides the most extensive set of trade preferences, covering *all industrial products* that meet the rules of origin as well as most tropical and mineral products and some CAP items;

Table 7. The EU's commitments under the Uruguay Round for Kenya's and Zimbabwe's significant horticultural exports

CN_1997	CN_UR	1997 description	1997 period	EU's WTO commitments				
				Base %	*Base other*	*Bound %*	*Bound other*	*Comments*
07031019	07031050	Onions		12		9.6		
07081020	07081010	Peas 'pisum sativum'	Jan-May	10		8.0		
07081090	07081090	Peas 'pisum sativum'	June-Aug	17		13.6		
07081095	07081010	Peas 'pisum sativum'	Sept-Dec	10		8.0		
07082020	07082010	Beans 'vigna spp., phaseolus spp.'	Jan-June	13	Min 2.0 Ecu/100kg net	10.4	Min 1.6 Ecu/100kg net	
07082090	07082090	Beans 'vigna spp., phaseolus spp.'	July-Sept	17	Min 2.0 Ecu/100kg net	13.6	Min 1.6 Ecu/100kg net	
07082095	07082010	Beans 'vigna spp., phaseolus spp.'	Oct-Dec	13	Min 2.0 Ecu/100kg net	10.4	Min 1.6 Ecu/100kg net	
07096099	07096099	Capsicum/pimenta		10		6.4		
07099060	07099060	Sweetcorn			147 Ecu/T		94 Ecu/T	
07099090	07099090	Vegetables n.e.s.		16		12.8		
07102200	07102200	Frozen beans		18		14.4		
08029085	08029092	Nuts		4		3.2		
08044020	08044010	Avocados	Jan-May	8		4.0		4% to be applied from 1995
08044090	08044090	Avocados	June-Nov	8		5.1		
08045000	08045000	Guavas, mangoes and mangosteens		6		0		
08051038	08051040	Navels etc.	June-Sept	4		3.2		
08051039	08051040	Sweet oranges	16 May-15 Oct	4		3.2		
08052029	08052020	Citrus hybrids	Mar-Oct	20		16.0		
08054090	08054030	Grapefruit	May-Oct	3		2.4		
08109040	08109091	Passion fruit, carambola and pitahaya		11		0		
08109085	08109092	Fruit n.e.s.		11		8.8		
Source: WTO 1996.								

Figure 5. The pyramid of privilege



- the coverage of CAP products includes (but is not limited to) very deep, albeit quota-limited, preferences on items covered by special protocols, providing access (at high prices) for items that are suffocated, by EU protectionism, from other sources;
- the tariff reductions and relief from non-tariff barriers tend to be particularly deep, e.g. duty-free access for all industrial products and also full relief from the Multifibre Arrangement;
- it contains a built-in mechanism to negotiate extensions to the coverage of the most sensitive items;
- unlike the GSP (but like the bilateral agreements) it has provided a high degree of certainty.

But this pre-eminence is being eroded by improvements in the next layer in the EU's hierarchy, which is formed by the bilateral agreements that it has signed with almost all of its geographical neighbours to the south and east, from Morocco via Israel and Turkey to Poland and Hungary. This band includes the Europe Agreements. Each of these agreements is different, but in general they provide substantial preferences although sometimes on a more limited number of products than those covered by the Lomé Convention. Because the Europe Agreements (and those with Cyprus and Malta) foreshadow full EU membership, they could be placed in a higher tier than the others (and Lomé). But this is a question of judgement on the weight to be accorded future *possible* changes in status as against the actual market access currently provided.

The fourth tier of the hierarchy is formed by the Standard GSP. This is currently available to most developing countries. In general terms, the product coverage of the GSP tends to be more limited than under the other agreements, and often the cuts in MFN tariffs or relief from non-tariff barriers are less generous. At the base is the small group of (substantial trading) states that receive only MFN access.

One band of the hierarchy remains to be explained: the Super GSP. It is a superior tranche of the GSP that provides more favourable treatment than the Standard. During the mid-1980s, the EU began to accord

to countries on the UN's list of least developed states an improved GSP which, on many commodities, provided access terms that were as favourable as those under the Lomé Convention (although without the contractuality and the relief from non-tariff barriers). Then, in 1990, the Union agreed to extend, initially on a temporary basis, this Super GSP to four countries of the Andean Pact (as it then was) — Bolivia, Colombia, Ecuador and Peru. In 1991, the EU accorded to the countries of Central America, again on a temporary basis, Super GSP treatment for their agricultural, but not their industrial, exports. These extra preferences were continued in the new GSP which came into effect in 1995 and 1996, and were extended to Venezuela.

Tariff levels

In terms of tariff-linked market access alone, there is considerable similarity between the 'top' three tiers: Lomé, the bilateral accords and the Super GSP. These agreements cover no fewer than 121 states. An analysis of EU tariffs on the products of most interest to developing countries as exporters has shown that discrimination between the 'higher preference' states is less extensive than might be supposed from the plethora of different agreements [Stevens 1997]. Moreover, the generalised liberalisation under the Uruguay Round has effectively concentrated tariff preferences on a relatively small group of sensitive industrial products (such as footwear and clothing) and on temperate agricultural items (notably various fruits, flowers and vegetables).

For these reasons it is helpful to think of the EU's trade policy as defining three broad bands of states. The most favourable access is made available to the 121 developed, developing and transition states that fall into the three top tiers of the pyramid of privilege. Next come the newly industrialised, middle-income and poor countries that receive only the standard GSP, numbering some 47. At the base, with the least favourable access, are ten states: industrialised states (and developing ones graduated out of the GSP) that receive the misnamed *most*-favoured-nation treatment by virtue of their WTO membership, together with states that are not in the WTO but to which the EU offers autonomously MFN access. In 1997, countries in the MFN tier accounted for 40 per cent of EU imports (by value), those in the top tier for 34 per cent, and those states receiving the Standard GSP for 26 per cent.

The competitors — and their preferences

We have identified all of Kenya's and Zimbabwe's competitors on the EU market as well as can be done from trade statistics alone. Despite the proliferation of combined nomenclature (CN) items, some product codes are still larger than the real market niches into which Kenya and Zimbabwe sell. It remains perfectly possible, therefore, that *apparent* competitors identified from the trade statistics are actually selling into different niche markets. The only guidance on this point from the trade statistics is in relation to unit values, which are analysed in this section. It should be borne in mind, though, that this part of the work requires reinforcement through interviews with importers to identify the countries which they believe to be the most direct competitors.

In order to provide a 'longlist' of competitors, only those sources of EU supply for the items exported by Kenya and Zimbabwe in which unit values are substantially different have been excluded from the

analysis. These are countries whose unit value is less than 50 per cent or more than 150 per cent of the lower/higher unit value of Kenya/Zimbabwe.

In all cases except sweetcorn and some citrus hybrids, the access terms for Kenya and Zimbabwe are zero duty[2] and almost all of the competitor countries identified are eligible for one of the higher-level EU preferences. This information suggests that non-preference-beneficiaries may find themselves in an uncompetitive situation. In order to assess the robustness of this conclusion, work needs to be done to check that the absence of non-preferred states is not due simply to the fact that they do not possess the technical requirements to produce the products in question. For example, does Chile's climate allow it to produce green beans or sweetcorn at the same time of the year as Kenya or Zimbabwe? An initial investigation reveals some *prima facie* evidence of a supply capacity that would warrant further analysis.

The preliminary investigation of supply capacity involved checking the trade statistics of assumed potential competitors on like product to another market. An initial assumption was made that non-Andean Latin American suppliers were most likely to be victims of any protectionist exclusion from the EU, given their known competitiveness in some horticultural and fruit items and their lowly place in the EU's pyramid of privilege. Given this, and to facilitate comparison, the import statistics of the USA (assumed to be a natural market for Latin American exports) were analysed to identify whether among the lists of significant suppliers of the products covered in this Working Paper were to be found countries that do not feature in the ranks of significant EU suppliers.

Several such examples were found, reinforcing the robustness of the working assumption that the absence from the ranks of EU import sources of non-preferred states cannot be explained wholly by supply factors, and may be due to protection-induced uncompetitiveness. For many items Mexico is the main supplier, but because of the ease of land transport this may not be a relevant comparison. Chile is a significant supplier of avocados (US 08044000) and onions (HS 070310). The other Latin American suppliers are mostly Central and Andean states (and hence preferred in the EU); the Mercosur countries are largely absent. But among the US suppliers are a number of other states that are non-preferred by the EU: China (mangetouts, beans, onions), Thailand (beans, guavas etc.), Taiwan (beans), Australia (oranges, mandarins), and New Zealand (avocados).

Interestingly, however, although all of the EU supplier states belong to higher-level preference agreements, some do not actually have a preference on some of the products that they export. This discrepancy is possible because accords are categorised as being higher- or lower-level preferential on the basis of their overall liberality. There are many product-specific differences between them, so that on any given item even some 'favoured' countries may find themselves at a disadvantage. This is illustrated in the lengthy Appendix Table 3, which takes each of the items exported by Kenya or Zimbabwe and identifies the competitors, their broad trade regime, the tariff actually paid in 1997 and an approximation of the tariff payable in 2000 (calculated by applying the EU's GSP rates to its Uruguay Round bound rates).

---

[2] In all of the products except nuts, avocados (January–May), passion fruit etc. and fruit n.e.s. this can be checked from Appendix Table 3 because there is at least one other Lomé beneficiary listed among the competitors. In all the exceptions, the Kenyan/Zimbabwe access terms are zero duty.

The competitors that faced less favourable access terms in 1997 are listed in Table 8. Organised according to country rather than product, the table lists all items in which in 1997 the tariff paid was higher than that applicable to African, Caribbean and Pacific (ACP) states. In some cases the difference was negligible (as in the case of grapefruit, where for several countries it was 0.9 per cent), whilst in others it is highly likely that different products were involved (such as vegetables n.e.s. from USA and fruit n.e.s. from Russia). Moreover, no attempt has been made so far to relate this information back to the figures on Kenya's and Zimbabwe's exports (to see how prominently the items figure in their trade) or to time series (to see, for example, whether the market share of the disfavoured suppliers has been declining over time).

Table 8. Disadvantaged competitors in 1997

Competitor	Products on which disadvantaged
Egypt	mangetouts (January–May), beans (October–December)
South Africa	mangetouts (January–May, Sept.–December), beans (January–June), sweetcorn, avocados, navels etc., sweet oranges, citrus hybrids, grapefruit, passion fruit etc.
USA	capsicum, vegetables n.e.s., nuts, avocados, guavas etc., navels etc., citrus hybrids
Brazil	capsicum, avocados, navels etc., sweet oranges, citrus hybrids
India	capsicum, vegetables n.e.s.
Saudi Arabia	capsicum, navels etc., grapefruit
Thailand	sweetcorn, frozen beans, fruit n.e.s.
Mexico	vegetables n.e.s., avocados, guavas etc.
Pakistan	vegetables n.e.s.
Sri Lanka	vegetables n.e.s.
Morocco	frozen beans
China	frozen beans
Australia	nuts, guavas etc.
Argentina	navels etc., sweet oranges, citrus hybrids, grapefruit
Uruguay	navels etc., citrus hybrids, grapefruit
Cuba	navels etc., sweet oranges, grapefruit
Peru	citrus hybrids
Malaysia	passion fruit etc.
Israel	passion fruit etc.
Vietnam	passion fruit etc., fruit n.e.s.
Russia	fruit n.e.s.
Indonesia	fruit n.e.s.
Source: Appendix Table 3.	

Many such pieces of trade analysis could be done, but it is suggested that a first step might be to approach actors in the supply chain and to enquire about their attitude towards these disfavoured states. It has already been reported, for example, that Egypt is favoured as a supplier, even though it pays a 9 per cent tariff for mangetouts and beans whereas Kenya/Zimbabwe and other ACP states (together with several other suppliers) have duty-free access. What would be useful is to obtain from the value chain information on which of the disfavoured suppliers are favoured for which products. Trade analysis could then be used:

- to identify whether the supplier is disfavoured to a significant extent on the product in question;
- to identify whether there is any evidence when looking at the broader picture of all importers into the EU that there has been a loss of market share that could be attributable to the tariff disadvantage;
- and, if not, to obtain some quantitative guidance on the financial premium that importers are willing to pay in order to obtain the benefits that they perceive that they receive from favoured suppliers.

HOW MAY THE CAP/PREFERENCES CHANGE?

Questions and evidence

The preceding section has provided ambivalent information about the role of preferences. On the one hand, Kenya and Zimbabwe clearly obtain better-than-MFN access for their horticultural exports — but so do most of their competitors. Further investigation is needed in the form of interviews with firms in the value chain, but there is sufficient *prima facie* evidence that preferences could be an important factor to justify an initial analysis of the extent to which they might be vulnerable to policy change. That is the purpose of this section.

The section investigates four potential sources of policy change. These are:

- internally generated reforms to the CAP;
- changes to the EU's preferential trade regimes either for Kenya/Zimbabwe or for an actual/potential competitor;
- changes to EU agricultural policy that might result from the forthcoming WTO Agricultural Round;
- changes to the agricultural trade regimes of Kenya's and Zimbabwe's competitors following the WTO Round.

In their nature, these are speculative questions about what might happen in the future. Consequently, the level of confidence that can be placed in the conclusions is only modest. The one question for which Table 1 identifies a high level of confidence — concerning the extent of autonomous CAP change — achieves this status only because of the near certainty that Europe will not find the political will to make major changes to its domestic agriculture without strong external pressure!

The methodology summarised in Table 1 omits the approach most frequently encountered in analyses of the impact of agricultural liberalisation: partial or general equilibrium modelling. The reason for this omission is that it is assumed that the disadvantages of modelling (in the form of product aggregation) outweigh the advantages (of taking account of broader changes in consumption patterns). Nonetheless, it is important to bear in mind that this analysis only considers the direct effects of liberalisation. New opportunities would be opened up if there were substantial EU agricultural liberalisation, and some of these might accrue to those who are currently involved in the horticulture value chain.

Autonomous CAP reform

The EU's plans to reform the CAP were set out in the Commission's *Agenda 2000* plan, which was adopted in a very watered down form in 1999. The thrust is that in the short to medium term reform of the CAP should be limited to measures designed to cut the volume of subsidised EU exports and the level of administered domestic prices. There are a number of reasons for this, including two positive and one negative.

- The commitment made in the Uruguay Round that the EU, along with other developed countries, would cut the volume of its subsidised exports by 21 per cent over six years. There is concern that, at least in relation to cereals and beef, the EU may have difficulty fulfilling this requirement without substantially increasing its domestic stockpiles.
- At a time of financial stringency, the cost of agricultural support is under scrutiny. By lowering the price at which the public authorities are required to take responsibility for output (either through intervention buying or through export subsidies) the budgetary cost can be contained unless such savings are fully offset by increased transfers to agriculture under different headings.
- There are strategic advantages in deferring multilateral liberalisation until the WTO agricultural negotiations. Such negotiations typically take the form of a trading of 'concessions', and so any liberalisation undertaken unilaterally at this point could be seen as reducing the EU's stock of negotiable 'concessions' with which to buy improved access to other markets.

No proposals at all were made in respect of the products that are the focus of this report. *Agenda 2000* is primarily oriented towards the cereals, beef and oilseed sectors, with only minor reforms proposed for dairy products. The fruit and vegetables sector has been dealt with already in the reforms of 1992, and other sectors (notably sugar) are not currently causing the same level of concern in terms of meeting the EU's Uruguay Round objectives. Even for the selected sectors the proposed intervention price cuts are small.

Changes to preferences

The only two major changes to the EU's trade preferences currently in sight are the implementation of the free trade agreement (FTA) with South Africa from January 2000 and the proposal to renegotiate the Lomé Convention over a 5–7 year period from 2000. Negotiations with Mercosur (and, by extension, Chile) on an FTA seem to have stalled. Those with Mexico appear to have been concluded successfully, but no details are yet available. Other bilateral changes are likely to occur (such as the expansion of the EU to include Eastern Europe), but it is probable that the trade policy implications of these will be subsumed into the WTO negotiations.

Since there is little to be said about the prospects for post Lomé at the present time (and a high probability that there will be no absolute deterioration in Kenya's and Zimbabwe's access to the EU market for all their horticultural products), this sub-section concentrates upon analysis of the implications of the EU–South Africa FTA. As was shown in Table 8, South Africa has faced relative discrimination in the past on a particularly large number of items.

Table 9 identifies the EU–South Africa FTA provisions on all the horticultural products that both South Africa and Kenya and Zimbabwe currently export to the EU. The conclusion to be drawn is very clear. The table confirms that South African exporters currently labour under a significant tariff disadvantage relative to Kenya and Zimbabwe for many of these items. But for almost all of these the discrimination will be removed in the coming years. The implementation period may not be as long as might appear at first sight

from Table 9. For ease of analysis the table simply takes the beginning and end years of the agreement, but it does not follow that the reductions will take the full ten-year implementation period to come into effect.

Table 9. South Africa's changing access to the EU for Kenya's/Zimbabwe's important horticultural exports

CN_1997	Description	Period	South African access to EU (duty %)	
			Year 0	*Year 10*
07081020	Peas 'pisum sativum'	Jan-May	8	0
07081095	Peas 'pisum sativum'	Sept-Dec	8	0
07082020	Beans 'vigna spp., phaseolus spp.'	Jan-June	12	0
07099060	Sweetcorn		8	8
08029085	Nuts		0	0
08044020	Avocados	Jan-May	4	0
08044090	Avocados	June-Nov	6	0
08045000	Guavas, mangoes and mangosteens		0	0
08051038	Navels etc.	June-Sept	4	0
08051039	Sweet oranges	16 May-15 Oct	4	4
08052029	Citrus hybrids	Mar-Oct	19	0
08054090	Grapefruit	May-Oct	0	0
08109040	Passion fruit, carambola and pitahaya		7	0

Table 10 provides more detailed information on implementation. It takes the four items from Table 9 in which there will be an absolute reduction in the tariff facing South African exports of eight percentage points or more, and shows the implementation period. In all cases, the start of liberalisation is delayed for 2–3 years, but then tariffs are reduced in a broadly linear fashion.

Table 10. Implementation schedule under the EU–South Africa FTA for most-affected items [a]

CN_1997	Description	Period	South African access to EU (duty %) in year:										
			0	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*
07081020	Peas 'pisum sativum'	Jan-May	8	8	7	6	5	4	3	3	2	1	0
07081095	Peas 'pisum sativum'	Sept-Dec	8	8	7	6	5	4	3	3	2	1	0
07082020	Beans 'vigna spp., phaseolus spp.'	Jan-June	12	12	12	11	9	8	6	4	3	1	0
08052029	Citrus hybrids	Mar-Oct	19	19	19	17	14	12	10	7	5	2	0

Note:
(a) Items with duty reduction of eight percentage points or more.

The two obvious next steps both involve a return to firm interviews — one necessarily so, and the other because it seems sensible to do so.

- The first step is to find out whether actors in the value chain consider South Africa to be an acceptable alternative source of imports and whether the existing tariff barriers have been a deterrent to sourcing from this country.
- The second step is to identify whether there are other horticultural products that are not currently exported by South Africa (because of the discrimination faced under EU preferences) into which there could be diversification as the EU–South Africa FTA comes on stream.

It seems most sensible to begin answering these questions by asking the views of actors in the value chain. When their response has been obtained, a return can be made to the trade/tariff analysis to identify whether the potential new exports do, indeed, benefit from significantly improved access under the EU–South Africa FTA.

The WTO Round

What may happen

While the great achievement of the Uruguay Round was to bring temperate agriculture into the same broad framework of rules as other merchandise, the price was that substantial liberalisation of trade in the sector was deferred. The WTO members will soon turn their attention to this unfinished business.

The URAA contains several commitments that will lead to a new set of negotiations on multilateral liberalisation despite the failure of the Seattle Ministerial to agree a broad Millennium Round. The provision that is widely perceived to be the most important stimulus to a further Agreement is Article 13 — the Peace Clause. Although doubt has been cast on the exact meaning of Article 13, it is commonly held to stop members from bringing challenges against export subsidies, the Green and Blue Boxes, and domestic *de minimis* supports until 2003–4 when it expires. This interpretation implies that current practices, which are not being challenged at the moment, could be subject to challenge after the Peace Clause expires. It follows that countries vulnerable to such challenge will have an incentive to conclude such negotiations on a successor agreement to the URAA before the deadline of 2003–4.

Since the negotiations have yet to commence, any review of the items on the agenda, let alone the results, must be speculative. However, there seems to be a consensus that the URAA has established the central architecture for multilateral rules. In other words, the agenda for the next Round is likely to take the form of parallel discussions under each of the main URAA headings. These are: domestic support, market access, and export subsidies. Of these, there appears to be the broadest consensus for major reductions in export subsidies.

The practice of subsidising agricultural exports is very heavily concentrated: only 25 of the 135 WTO members have a right to subsidise exports, and the bulk of subsidies are paid by two or three exporters [FAO 1999]. Three exporters account for 93 per cent of subsidised exports of wheat, while for beef and butter the relevant figures are two exporters, and respectively 80 per cent and 94 per cent of subsidies. Because of this limited number of countries with an interest in continuing the URAA tolerance of subsidised exports, and the highest priority attached to this issue by members of the Cairns Group, it is likely that this is an area on which pressure for change will be substantial.

Implications for EU policy

If it is assumed that the most likely outcome of the agricultural negotiations will be a substantial reduction of subsidised exports, it follows that the products most likely to be directly affected will be those on which the EU currently provides export subsidies. In the main, these are not the items of concern to Kenya and

Zimbabwe. They are primarily Northern European cereals and livestock products. But there are some exceptions.

Table 11 identifies the EU's commitments in the URAA and its annual reported implementation for 1997/8 for products that:

- are horticultural exports from Kenya and Zimbabwe;
- are products on which the EU has registered export subsidy commitments in the URAA.

Table 11. EU export subsidy commitments and notification in the URAA on important Kenyan/Zimbabwe horticultural export items [a]

CN_1997	Description	Period	Commitment				Notified subsidies 1997/8	
			Value (€ mn)		Volume (000t)		Value (€ mn)	Volume (000t)
			1995	2000	1995	2000		
Included in commitment on 'Coarse grains'			1,296.7	882.9	12,182.6	9,973.4	273.2	8,770.1
07099060	Sweetcorn							
Included in commitment on 'Fruit and vegetables, fresh'			96.7	65.9	1,107.8	906.9	26.0	837.4
08051038	Navels etc.	June-Sept						
08051039	Sweet oranges	16 May-15 Oct						
08052029	Citrus hybrids	Mar-Oct						

Note:
(a) These items form only part of the respective commitments.
Sources: WTO 1996; WTO 1999: document G/AG/N/EEC/20 of 16 November 1999.

The products identified are sweetcorn and certain citrus items. It must be emphasised that this does not mean that the EU necessarily engages in subsidised exports of sweetcorn for human consumption! The export subsidy commitments in the URAA are, mostly, aggregated into much larger product categories than those that are the concern of this study. But there is at least some potential for export subsidies to exist, and this represents a pointer to further research to check out the extent to which such subsidies are given.

The implications for Kenya and Zimbabwe of policy change in these areas would be a function of the domestic changes that the EU has to implement to bring about the subsidy reduction. Since the URAA commitments are in terms of both the value of subsidies given and the volume of exports subsidised, steps would have to be taken either to reduce the volume of domestic production or to stockpile the surplus. Either of these could easily have spill-over effects on the effective market access conditions for imports. For example, hidden (and not so hidden) subsidies could be given to domestic producers to enable them to compete more effectively with imports, or measures might be introduced (which would probably apply equally to importers) to reduce the level of market prices in order to act as a disincentive to production. Such measures are most likely to occur in relation to the citrus items in Table 11 (given the probability that there is no direct competition between imports from Kenya and Zimbabwe of sweetcorn and the EU cereal products that currently receive a subsidy).

Implications for competitor states' policies

The extent to which the *apparent* competitors of Kenya and Zimbabwe provide export subsidies on horticultural products is, of course, much greater. Table 12 identifies the URAA commitments of all those

competitors that have provided information to the WTO on their export subsidy commitments for products of potential interest to Kenya and Zimbabwe. The word 'potential' is used since, as explained in the previous section, export subsidy commitments are mostly made in relation to broader product aggregates than form the basis for this study. Neither Kenya nor Zimbabwe have registered any export subsidies on these items (or on any other items).

As with so much else with the WTO, the existence or non-existence of written commitments does not provide a definitive guide to actual practice. Not only can we not assume that countries with registered commitments actually do subsidise their exports, but we also cannot take it for granted that countries that have not registered commitments do not subsidise their trade. Unless and until a trading partner objects to any practice and takes the case to the WTO for dispute settlement, any 'irregularity' will go unchecked and unnoticed.

On the other hand, the WTO information is clearly a starting point for analysis. The information in Table 12 is supplemented in Table 13 with comparable data on the subsidies that were notified to the WTO as actually given in 1997/8. Only Turkey and Venezuela notified substantial volumes of subsidised exports.

If Kenya and Zimbabwe do not subsidise their exports (which is wholly plausible given their limited fiscal resources), and if some of their competitors do, then a future agreement that limited subsidies would tend to benefit the African states. It would increase the ability of their exporters to compete with those of other countries. For this reason, a comparison has been made between the information in Table 13 and that provided in the earlier sections to identify the countries/products in which such a change of competitive conditions might be most important.

Of the items that are the most valuable Kenyan/Zimbabwe exports (excluding miscellaneous 'n.e.s.' categories), the only widespread use of subsidies is on citrus fruit. The subsidies are large in relation to the value of Zimbabwe's exports (although, of course, they are not limited to either the specific items we are considering or the EU market). This suggests that tighter WTO disciplines would not benefit Kenya and Zimbabwe in practice through a reduction in competition from other sources of imports.

Table 12. Export subsidy commitments by Kenya's and Zimbabwe's competitors [a]

Competitor	CN_1997	Description	WTO export subsidy commitment							
			Broad group	Period	Value			Volume		
					Unit	*Period start*	*Period end*	*Unit*	*Period start*	*Period end*
Brazil	08044090	Avocados	Fruit and vegetables, fresh	1995-2004	$ mn	2.5	1.9	000t	141.0	123.0
	08045000	Guavas, mangoes and mangosteens								
	08051038	Navels etc.								
	08051039	Sweet oranges								
	08052029	Citrus hybrids								
Colombia	08109085	Fruit n.e.s.	Fruit	1995-2004	$ mn	59.0	46.1	000t	1,005.6	878.5
Cyprus	07099090	Vegetables n.e.s.	Vegetables	1995-2004	C£ mn	3.8	3.0	000t	142.0	124.0
	08051038	Navels etc.								
	08052029	Citrus hybrids								
	08054090	Grapefruit	Fruit	1995-2004	C£ mn	1.9	1.4	000t	102.5	89.4
Israel	07096099	Capsicum/pimenta	Vegetables, fresh	1995-2004	$ mn	9.0	7.0	000t	90.6	79.0
	08044020	Avocados	Fruits other than citrus fruits	1995-2004	$ mn	5.6	4.3	000t	54.6	47.6
	08044090	Avocados								
	08045000	Guavas, mangoes and mangosteens								
	08109040	Passion fruit, carambola and pitahaya								
	08051038	Navels etc.	Citrus fruits	1995-2004	$ mn	17.7	13.8	000t	424.2	370.0
	08052029	Citrus hybrids								
	08054090	Grapefruit								
S. Africa	07081020	Peas 'pisum sativum'	Vegetables	1995-2000	Rand mn	6.5	4.4	000t	48.4	39.6
	07081095	Peas 'pisum sativum'								
	07082020	Beans 'vigna spp., phaseolus spp.'								
	07099060	Sweetcorn								
	08029085	Nuts	Nuts	1995-2000	Rand mn	0.9	0.6	000t	8.2	6.7
	08044020	Avocados	Deciduous fruit	1995-2000	Rand mn	119.3	81.2	000t	356.1	291.5
	08044090	Avocados								
	08045000	Guavas, mangoes and mangosteens								
	08109040	Passion fruit, carambola and pitahaya								
	08051038	Navels etc.	Citrus fruit	1995-2000	Rand mn	56.4	38.4	000t	442.9	362.6
	08051039	Sweet oranges								
	08052029	Citrus hybrids								
	08054090	Grapefruit								
Turkey	08051038	Navels etc.	Citrus fruit	1995-2004	US$ mn	9.5	7.4	000t	273.6	238.7
	08052029	Citrus hybrids								
	08054090	Grapefruit								
Venezuela	07096099	Capsicum/pimenta	Pimentos	1995-2004	US$ 000	7.8	6.1	t	121.1	105.6
	08045000	Guavas, mangoes and mangosteens	Guavas, mangoes and mangosteens	1995-2004	US$ 000	1,441.5	1,122.5	t	5,283.6	4,608.4

Note:
(a) Those competitors which made export subsidy commitments under the URAA on these items.
Source: WTO 1996.

Table 13. Export subsidy notifications by Kenya's and Zimbabwe's competitors [a]

Competitor	CN_1997	Description	Notifications to the WTO on export subsidies granted			
			Broad group	*Notification for year*	*Value*	*Volume (tonnes)*
Brazil	08044090	Avocados	Fruit and vegetables, fresh	1998	No export subsidies granted on any products	
	08045000	Guavas, mangoes and mangosteens				
	08051038	Navels etc.				
	08051039	Sweet oranges				
	08052029	Citrus hybrids				
Colombia	08109085	Fruit n.e.s.	Fruit	No notifications found		
Cyprus	07099090	Vegetables n.e.s.	Vegetables	1997 and 1998	No export subsidies granted on these items	
	08051038	Navels etc.				
	08052029	Citrus hybrids				
	08054090	Grapefruit	Fruit		C£ 000 56	249
Israel	07096099	Capsicum/pimenta	Vegetables, fresh	1997/8	No export subsidies granted on these items	
	08044020	Avocados	Fruits other than citrus fruits			
	08044090	Avocados				
	08045000	Guavas, mangoes and mangosteens				
	08109040	Passion fruit, carambola and pitahaya				
	08051038	Navels etc.	Citrus fruits			
	08052029	Citrus hybrids				
	08054090	Grapefruit				
S. Africa	07081020	Peas 'pisum sativum'	Vegetables	1998	No export subsidies granted on these items	
	07081095	Peas 'pisum sativum'				
	07082020	Beans 'vigna spp., phaseolus spp.'				
	07099060	Sweetcorn				
	08029085	Nuts	Nuts			
	08044020	Avocados	Deciduous fruit			
	08044090	Avocados				
	08045000	Guavas, mangoes and mangosteens				
	08109040	Passion fruit, carambola and pitahaya				
	08051038	Navels etc.	Citrus fruit			
	08051039	Sweet oranges				
	08052029	Citrus hybrids				
	08054090	Grapefruit				
Turkey	08051038	Navels etc.	Citrus fruit	1998	US$ mn 3.7	108,861
	08052029	Citrus hybrids				
	08054090	Grapefruit				
Venezuela	07096099	Capsicum/pimenta	Pimentos	1997	US$ 000 2.9	70.7
	08045000	Guavas, mangoes and mangosteens	Guavas, mangoes and mangosteens		US$ 000 95.57	1,184.2

Note:
(a) Those competitors which made export subsidy commitments under the URAA on these items.
Source: WTO 1999: various documents in the series G/AG/N/.

IMPLICATIONS OF CHANGE FOR SSA

The evidence from the trade analysis required to answer the questions posed in this paper is ambiguous. To a certain extent the ambiguities can be reduced by further trade analysis, but it may make more sense for the next step of the research to combine this with further firm-level enquiry. But while the evidence is not sufficiently unambiguously clear to uphold the two fundamental hypotheses — that horticultural trade is heavily influenced by current policy, and that this is likely to change — it is certainly sufficiently strong to warrant continued concern.

Major change is unlikely to occur within the next five years, and quite probably not until substantially later. This means that export development opportunities that have a pay-back time of five years or less can probably be considered largely invulnerable to the changes, even if the fears that underlie the paper are fulfilled. It is a different matter, though, with investment and other measures that require a significantly longer pay-back period.

Moreover, whilst the data may not be conclusive on the central issues considered by this paper, they do underline the point that the horticulture trade is a volatile one. There are many other countries that appear to be competitive suppliers to the EU, most of which enjoy comparable terms of access to Kenya's and Zimbabwe's. Within a relatively short period of time both of these countries have seen a significant change in their export basket. This suggests that particular weight be given in the horticulture sector to the understanding that value chains are not static concepts but change continuously as a result of endogenous factors and a whole range of exogenous ones, of which trade policy is simply one example.

Among the areas of trade analysis that appear most desirable (in terms of their pay-off time and potential contribution) are:

- A review of the production potential of disfavoured, missing competitors (such as Chile) — i.e. those countries that are not supplying the EU market, are known to be disfavoured in trade policy, and which might have been expected to figure in the statistics. The aim would be to confirm or undermine the apparent finding that only higher-level preference countries seem able to engage successfully in the horticulture business.
- A time series analysis for a limited number of Kenya's and Zimbabwe's exports and competitors to see whether there have been changes in market share that could be explicable in terms of changing relative access.
- A monthly analysis for a very limited number of products and competitors (initially for one year only) to identify whether there are distinct calendars that in practice reduce the apparent competition between Kenya and Zimbabwe and other states.

Most of the other obvious areas of trade research would benefit from a prior round of further firm-level interviews to help narrow down the field of enquiry. The areas concerned have been highlighted already in the preceding sections.

APPENDIX TABLES

Appendix Table 1. Significant EU suppliers of relevant horticultural imports

HS	Description	No. of EU suppliers [a]				
		1989	*1991*	*1993*	*1995*	*1997*
Supplying =>5% of EU market						
7–8	All horticulture	5	6	5	4	4
070810	Peas 'pisum sativum'	4 Morocco Guatemala Zimbabwe Zambia	5 + USA	5 + Kenya (USA)	4 (Morocco)	4 no change
070820	Beans 'vigna spp., phaseolus spp.'	5 Kenya Egypt Burkina Senegal Morocco	5 no change	6 + Ethiopia	6 no change	6 no change
0709	Other vegetables	8 Yugoslavia Turkey Poland Morocco Thailand Israel Kenya USA	9 + Hungary	9 + Lithuania (Yugoslavia)	7 (Lithuania) (Morocco)	7 + Morocco (USA)
0804	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens	6 C.d'Ivoire S. Africa Israel Tunisia Turkey Mexico	6 + Costa Rica (Mexico)	9 + Brazil + Mexico + USA	8 (USA)	7 (Brazil)
0805	Citrus fruit	6 Morocco S. Africa Israel USA Argentina Cyprus	7 + Turkey	8 + Uruguay	8 no change	7 (Cyprus)
Supplying to a value of €1 million or more						
7–8	All horticulture	94	94	98	102	100
070810	Peas 'pisum sativum'	4 Morocco Guatemala Zimbabwe Zambia	4 no change	5 + Kenya	4 (Morocco)	4 no change
070820	Beans 'vigna spp., phaseolus spp.'	7 Kenya Egypt Burkina Senegal Morocco Thailand	7 + Zimbabwe (Thailand)	9 + Tanzania + Surinam	10 + Cameroon + Gambia + Mali (Tanzania) (Surinam)	10 + Zambia (Cameroon)
0709	Other vegetables	18 Yugoslavia Turkey Poland Morocco Thailand Israel Kenya USA Hungary Chile Egypt S. Africa Mexico Surinam Argentina Zambia	22 + Bulgaria + Cyprus + Gambia + Jordan + Tunisia (Bangladesh)	21 + Croatia + Ghana + Latvia + Lithuania + Romania + Slovenia (Argentina) (Bulgaria) (Cyprus) (Jordan) (Tunisia) (Yugoslavia)	31 + Bangladesh + Belarus + Bulgaria + Canada + China + Cyprus + Macedonia + Russia + Tunisia + Zimbabwe	33 + Dom. Rep. + Yugoslavia + Jordan + Uganda + Ukraine + Zambia (Macedonia) (Gambia) (Latvia) (Russia)

HS	Description	No. of EU suppliers [a]				
		1989	*1991*	*1993*	*1995*	*1997*
		Bangladesh Peru				
0804	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens	24 C.d'Ivoire S. Africa Israel Tunisia Turkey Mexico USA Costa Rica Brazil Algeria Kenya Venezuela Honduras Ghana Iran Peru Mali Thailand Guinea Pakistan Iraq India Dom. Rep. Burkina	25 + China + Guatemala + Jamaica (Guinea) (Iraq)	24 + Chile + Guinea (China) (Guatemala) (Jamaica)	24 + Réunion + Benin + Ecuador + Cameroon (Burkina) (Chile) (Honduras) (Mali)	22 + Honduras + Mali (Réunion) (Benin) (Ecuador) (Guinea)
0805	Citrus fruit	19 Morocco S. Africa Israel USA Argentina Cyprus Brazil Turkey Tunisia Swaziland Honduras Uruguay Zimbabwe Cuba Mozambique Mexico Egypt Jamaica Chile	19 + Saudi Arabia (Chile)	18 (Saudi Arabia)	18 + Venezuela (Honduras)	20 + Dom. Rep. + Honduras + Saudi Arabia (Mozambique)

Note:

(a) The countries in the 1989 column are listed in descending order of magnitude of their exports to the EU. Each subsequent column indicates additional/(lapsed) suppliers relative to the previous column.

Source: Eurostat 1998.

Appendix Table 2. Horticultural exports to the EU of €500,000 or more from Kenya, Zimbabwe or both, 1993 and 1997: unit values (€/ton)

CN_1997	1997 description	1997 period	CN_1993	1993 period	Kenya			Zimbabwe		
					1993	*1997*	*Change*	*1993*	*1997*	*Change*
	Total EU imports from extra-EU				**446**	**526**	**18%**	**446**	**526**	**18%**
07031019	Onions					3,237				
07081020	Peas 'pisum sativum'	Jan-May	07081010	Sept-May	2,245	2,840	25% [b]	2,530	4,210	53% [b]
07081090	Peas 'pisum sativum'	June-Aug				2,811		2,733	3,541	
07081095	Peas 'pisum sativum'	Sept-Dec				2,778			3,737	
07082020	Beans 'vigna spp., phaseolus spp.'	Jan-June	07082010	Oct-June	2,193	2,423	13% [c]	2,073	2,226	-3% [c]
07082090	Beans 'vigna spp., phaseolus spp.'	July-Sept	07082090	July-Sept	1,916	2,550	33%		2,538	
07082095	Beans 'vigna spp., phaseolus spp.'	Oct-Dec				2,577			1,575	
07089000	Leguminous veg. ex. peas/beans				2,220					
07096099	Capsicum/pimenta		07096099		2,104	1,906	-9%		3,369	
07099060	Sweetcorn								3,564	
07099090	Vegetables n.e.s.		07099090		1,967	1,940	-1%		2,181	
07102200	Frozen beans		07102200		1,532	1,943	26%			
08029085	Nuts [a]		08029080		5,415	7,163	32%			
	Bananas, inc. plantains		08030010		542					
08044020	Avocados	Jan-May	08044010	Dec-May	1,235	1,088	-12% [d]			
08044090	Avocados	June-Nov	08044090	June-Nov	1,121	1,161	4%			
08045000	Guavas, mangoes and mangosteens					1,489			1,272	
08051038	Navels etc.	June-Sept	08051035	16 May-15 Oct				485	486	0% [d]
08051039	Sweet oranges	16 May-15 Oct							370	
08052029	Citrus hybrids	Mar-Oct							719	
08054090	Grapefruit	May-Oct							440	
08109040	Passion fruit, carambola and pitahaya					2,683			2,693	
08109085	Fruit n.e.s.		08109080		1,954			2,965	6,216	110%

Note:
(a) Excl. coconuts, brazil nuts, cashew nuts, almonds, hazelnuts, walnuts, chestnuts 'castania spp.', pistachios, pecans, areca 'betel' nuts, cola nuts, pine nuts and macadamia nuts.
(b) Calculated on the unit values (€2,815/ton for Kenya, €3,878/ton for Zimbabwe) resulting from the combined values/volumes of codes 07081020 and 07081095, which together cover the same period as the 1993 code.
(c) Calculated on the unit values (€2,479/ton for Kenya, €2,019/ton for Zimbabwe) resulting from the combined values/volumes of codes 07082020 and 07082095, which together cover the same period as the 1993 code.
(d) The time periods covered by the respective codes in the two years are not entirely comparable.
Source: calculated from data obtained from Eurostat 1998.

Appendix Table 3. Significant Kenyan/Zimbabwean horticultural exports to EU, 1997: access terms for competitors with similar export unit values

CN_1997	1997 description	Period	Competitors in EU market, 1997 [a]			
			Name	*Broad regime*	*Tariff 1997*[b]	*Tariff 2000*[c]
07031019	Onions		None			
07081020	Peas 'pisum sativum'	Jan-May	Guatemala	Andes/CA GSP	0%	
			Egypt	Bilateral	9%	6%
			Morocco	Bilateral	0% (e)	
			Zambia	Lomé	0%	
			S. Africa	Stan.GSP/Bilateral [d]	9%	8%
07081090	Peas 'pisum sativum'	June-Aug	Zambia	Lomé	0%	
			Guatemala	Andes/CA GSP	0%	
			Swaziland	Lomé	0%	
07081095	Peas 'pisum sativum'	Sept-Dec	Guatemala	Andes/CA GSP	0%	
			Zambia	Lomé	0%	
			S. Africa	Stan.GSP/Bilateral [d]	9%	8%
			Morocco	Bilateral	0% (e)	
			Dom. Rep.	Lomé	0%	
07082020	Beans 'vigna spp., phaseolus spp.'	Jan-June	Morocco	Bilateral	0% (e)	
			Senegal	Lomé	0%	
			Ethiopia	Lomé	0%	
			Burkina	Lomé	0%	
			Gambia	Lomé	0%	
			Zambia	Lomé	0%	
			Mali	Lomé	0%	
			Cameroon	Lomé	0%	
			Madagascar	Lomé	0%	
			Jordan	Bilateral	0% (e)	
			Guatemala	Andes/CA GSP	0%	
			S. Africa	Stan.GSP/Bilateral [d]	11.7% min 1.8 (f)	12%
			Tanzania	Lomé	0%	
07082090	Beans 'vigna spp., phaseolus spp.'	July-Sept	Zambia	Lomé	0%	
			Dom. Rep.	Lomé	0%	
07082095	Beans 'vigna spp., phaseolus spp.'	Oct-Dec	Egypt	Bilateral	4.6% min 0.7 (e,f)	
			Burkina	Lomé	0%	
			Morocco	Bilateral	0% (e)	
			Mali	Lomé	0%	
			Senegal	Lomé	0%	
			Ethiopia	Lomé	0%	
			Zambia	Lomé	0%	
			Madagascar	Lomé	0%	
			Dom. Rep.	Lomé	0%	
			Gambia	Lomé	0%	
			Cameroon	Lomé	0%	
07096099	Capsicum/pimenta		Turkey	Bilateral	0%	
			Ghana	Lomé	0%	
			Jordan	Bilateral	0%	
			Israel	Bilateral	0% (e)	
			Zambia	Lomé	0%	
			St Lucia	Lomé	0%	
			USA	MFN	8.2%	6.4%
			Bangladesh	LLDC GSP	0%	
			Uganda	Lomé	0%	
			Dom. Rep.	Lomé	0%	
			Gambia	Lomé	0%	
			Madagascar	Lomé	0%	
			Surinam	Lomé	0%	
			Egypt	Bilateral	0%	
			Brazil	Standard GSP	5.7%	3.2%
			Venezuela	Andes/CA GSP	0%	
			India	Standard GSP	5.7%	3.2%
			Senegal	Lomé	0%	
			Saudi Arabia	Standard GSP	5.7%	3.2%

CN_1997	1997 description	Period	Competitors in EU market, 1997 [a]				
			Name	*Broad regime*	*Tariff 1997*[b]		*Tariff 2000*[c]
07099060	Sweetcorn		Thailand	MFN minus labour	12.1	(f)	94 €/T
			Zambia	Lomé	11.9	(f)	94 €/T
			S. Africa	Stan.GSP/Bilateral [d]	12.1	(f)	8%
			Gambia	Lomé	11.9	(f)	94 €/T
07099090	Vegetables n.e.s.		Bangladesh	LLDC GSP	0%		
			Morocco	Bilateral	0%	(e)	
			Ghana	Lomé	0%		
			Mexico	MFN minus labour	12.2%		10.9%
			Uganda	Lomé	0%		
			Cyprus	Bilateral	0%	(e)	
			Surinam	Lomé	0%		
			Dom. Rep.	Lomé	0%		
			Tunisia	Bilateral	0%	(e)	
			Congo DR	Lomé	0%		
			India	Standard GSP	10%		6.4%
			USA	MFN	14.4%		12.8%
			Cameroon	Lomé	0%		
			Senegal	Lomé	0%		
			C.d'Ivoire	Lomé	0%		
			Vietnam	Standard GSP	10%		6.4%
			Togo	Lomé	0%		
			Trinidad	Lomé	0%		
			St Lucia	Lomé	0%		
			Gambia	Lomé	0%		
			Pakistan	Standard GSP	10%		6.4%
			Sri Lanka	Standard GSP	10%		6.4%
			Mali	Lomé	0%		
07102200	Frozen beans		Morocco	Bilateral	13.7%		
			China	Standard GSP	13.7%		10.8%
			Cameroon	Lomé	0%		
			Peru	Andes/CA GSP	0%		
			Thailand	MFN minus labour	14.9%		12.2%
08029085	Nuts		Australia	MFN	2.0%		3.2%
			S. Africa	Stan.GSP/Bilateral [d]	0%		
			USA	MFN	2.0%		3.2%
			Guatemala	Andes/CA GSP	0%		
			Brazil	Standard GSP	0%		
			Pakistan	Standard GSP	0%		
08044020	Avocados	Jan-May	Israel	Bilateral	0%		
			S. Africa	Stan.GSP/Bilateral [d]	1.4%		3%
			Mexico	MFN minus labour	2.7%		3.4%
			India	Standard GSP	1.4%		0%
08044090	Avocados	June-Nov	S. Africa	Stan.GSP/Bilateral [d]	4.6%		6%
			Mexico	MFN minus labour	5.6%		4.3%
			Israel	Bilateral	0%		
			C.d'Ivoire	Lomé	0%		
			Dom. Rep.	Lomé	0%		
			USA	MFN	6.6%		5.1%
			Brazil	Standard GSP	4.6%		2.6%
08045000	Guavas, mangoes and mangosteens		Brazil	Standard GSP	0%		
			USA	MFN	3%		0%
			C.d'Ivoire	Lomé	0%		
			S. Africa	Stan.GSP/Bilateral [d]	0%		
			Peru	Andes/CA GSP	0%		
			Venezuela	Andes/CA GSP	0%		
			Israel	Bilateral	0%		
			Mexico	MFN minus labour	1.5%		
			Pakistan	Standard GSP	0%		
			Costa Rica	Andes/CA GSP	0%		
			India	Standard GSP	0%		
			Mali	Lomé	0%		
			Burkina	Lomé	0%		
			Ecuador	Andes/CA GSP	0%		

CN_1997	1997 description	Period	Competitors in EU market, 1997 [a]			
			Name	*Broad regime*	*Tariff 1997[b]*	*Tariff 2000[c]*
			Jamaica	Lomé	0%	
			Guatemala	Andes/CA GSP	0%	
			Gambia	Lomé	0%	
			Honduras	Andes/CA GSP	0%	
			Guinea	Lomé	0%	
			Nicaragua	Andes/CA GSP	0%	
			Dom. Rep.	Lomé	0%	
			Senegal	Lomé	0%	
			St Lucia	Lomé	0%	
			Australia	MFN	3%	0%
			Nigeria	Lomé	0%	
08051038	Navels etc.	June-Sept	S. Africa	Stan.GSP/Bilateral [d]	3.7%	4%
			Argentina	Standard GSP	3.7%	3.2%
			Uruguay	Standard GSP	3.7%	3.2%
			Brazil	Standard GSP	3.7%	3.2%
			Morocco	Bilateral	0% (g)	
			Swaziland	Lomé	0%	
			Cyprus	Bilateral	0%	
			Dom. Rep.	Lomé	0%	
			USA	MFN	3.7%	3.2%
			Saudi Arabia	Standard GSP	3.7%	3.2%
			Cuba	Standard GSP	3.7%	3.2%
			Israel	Bilateral	0% (g)	
			Australia	MFN	3.7%	3.2%
			Egypt	Bilateral	0% (g)	
			Mozambique	Lomé	0%	
			Turkey	Bilateral	0%	
08051039	Sweet oranges	16 May-15 Oct	S. Africa	Stan.GSP/Bilateral [d]	3.7%	4%
			Brazil	Standard GSP	3.7%	3.2%
			Argentina	Standard GSP	3.7%	3.2%
			Swaziland	Lomé	0%	
			Egypt	Bilateral	0% (g)	
			Dom. Rep.	Lomé	0%	
			Cuba	Standard GSP	3.7%	3.2%
08052029	Citrus hybrids	Mar-Oct	Morocco	Bilateral	0% (e,f)	
			Argentina	Standard GSP	15.3/15.8%	12%
			Uruguay	Standard GSP	15.3/15.8%	12%
			Israel	Bilateral	0% (e,f)	
			S. Africa	Stan.GSP/Bilateral [d]	15.3/15.8%	19%
			Cyprus	Bilateral	0% (e)	
			USA	MFN	18/18.7%	16%
			Turkey	Bilateral	0%	
			Swaziland	Lomé	0/3.7%	0%
			Jamaica	Lomé	0/3.7%	0%
			Brazil	Standard GSP	15.3/15.8%	12%
			Peru	Andes/CA GSP	0/15.8%	0/12%
08054090	Grapefruit	May-Oct	S. Africa	Stan.GSP/Bilateral [d]	0.9%	0%
			USA	MFN	2.7%	2.4%
			Israel	Bilateral	0%	
			Argentina	Standard GSP	0.9%	0%
			Honduras	Andes/CA GSP	0%	
			Cuba	Standard GSP	0.9%	0%
			Swaziland	Lomé	0%	
			Cyprus	Bilateral	0%	
			Mozambique	Lomé	0%	
			Mexico	MFN minus labour	1.8%	2%
			Saudi Arabia	Standard GSP	0.9%	0%
			Turkey	Bilateral	0%	
			Uruguay	Standard GSP	0.9%	0%
08109040	Passion fruit, carambola and pitahaya		Malaysia	Standard GSP	4.6%	0%
			S. Africa	Stan.GSP/Bilateral [d]	4.6%	6%
			Israel	Bilateral	5.5%	0%
			Vietnam	Standard GSP	4.6%	0%

CN_1997	1997 description	Period	Competitors in EU market, 1997 [a]			
			Name	*Broad regime*	*Tariff 1997*[b]	*Tariff 2000*[c]
08109085	Fruit n.e.s.		Colombia	Andes/CA GSP	0%	
			Thailand	MFN minus labour	8.4%	0%
			Russia	Standard GSP	6.9%	4.4%
			Indonesia	Standard GSP	6.9%	4.4%
			Vietnam	Standard GSP	6.9%	4.4%

Notes:

(a) Competitors exporting =>€100,000 and with export unit value of between 50% and 150% of Kenya's/Zimbabwe's. Where both Kenya and Zimbabwe export, their export unit values are in all cases within 50-150% of each other's, and the competitors shown have unit values above 50% of the lower of Kenya's/Zimbabwe's and below 150% of the higher. Competitors listed in declining order of value of exports.

(b) Tariff according to Taric 1997. For 'bilateral' countries, only the most advantageous tariff is shown (which may not be applicable to all sub-items). Entries in this column for South Africa reflect the Standard GSP treatment applicable in 1997.

(c) If not 0% in 1997:
for MFN: WTO bound MFN;
for GSPs: GSP 1998 rates (including labour standards reduction) applied to WTO bound MFN;
South Africa: Year 1 rate.
(In some cases this results in a tariff higher than that paid in 1997.)

(d) 1997 tariffs are those for Standard GSP, 2000 tariffs are those in the EU–South Africa FTA.

(e) This preference available for only some of 10d sub-components of CN8 code.

(f) €m/100kg/net

(g) 0% available only within quota.

Sources: Eurostat 1998; Taric 1997; GSP 1998; WTO 1996.

REFERENCES

Dolan, C.; Humphrey, J. and Harris-Pascal, C. 1999. 'Horticulture Commodity Chains: The Impact of the UK Market on the African Fresh Vegetable Industry', *Working Paper* No. 96. Brighton: Institute of Development Studies (September).

Eurostat 1998. *Intra- and extra-EU trade (annual data — Combined Nomenclature)*, Supplement 2 (CD-Rom). Luxembourg: Statistical Office of the European Communities.

FAO 1999. 'Some issues that may arise in the continuation of the reform process in agriculture'. Paper presented at a Round Table on Follow Up to the Uruguay Round Agreement on Agriculture, New Delhi, India, 18–19 January 1999, by Panos Konandreas, Ramesh Sharma and Jim Greenfield.

GSP 1998. 'Council Regulation (EC) No 2820/98 of 21 December 1998 applying a multiannual scheme of generalised tariff preferences for the period 1 July 1999 to 31 December 2001', *Official Journal of the European Communities* L 357, Volume 41 (30 December 1998). Brussels: Commission of the European Communities.

Stevens, C. 1997. 'How Substantial is EU Tariff Discrimination?', *Global Economics Institutions Working Paper Series* No. 31. London: Centre for Economic Policy Research.

Taric 1997. 'Integrated tariff of the European Communities (Taric) — Chapters 1 to 24', *Official Journal of the European Communities* C 257 A, Volume 40 (22 August 1997). Luxembourg: Office for Official Publications of the European Communities.

WTO 1996. *The Results of the Uruguay Round* (CD-Rom). Geneva: World Trade Organization.

WTO 1999. *Document Dissemination Facility* (www.wto.org/wto/ddf/ep/public.html). Geneva: World Trade Organization.