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Policy Brief

Sudan's Proposal to Accede to the WTO: Impacts on Agricultural Markets

Imad Eldin Elfadil Abdel Karim and David Abler

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Sudan is currently negotiating its accession to the World Trade Organization (WTO). In order to benefit from its accession to the WTO, Sudan should reorient its agricultural policy towards increasing global competitiveness by raising agricultural productivity, reducing direct and indirect taxation of the agricultural sector, and cutting fees imposed on agricultural production and exports.

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Sudan's Proposal to Accede to the WTO: Impacts on Agricultural Markets

By Imad Eldin Elfadil Abdel Karim and David Abler

Sudan is a low-income, least developed country. Its economy is based largely on the production and export of primary commodities. The main agricultural commodity exports are cotton, gum Arabic, sesame, peanuts, sorghum, livestock, and sugar. Although Sudan has recently become an oil exporting country, agricultural trade remains an important component of overall economic activity and continues to play a major role in domestic agricultural production and employment.

Over the last 15 years, the government of Sudan has undertaken economic liberalization, focusing in particular on the country's foreign trade regime. Sudan is not a member of the World Trade Organization (WTO), but it is currently in the process of negotiating its accession to the WTO. Given the importance of agriculture and agricultural trade to Sudan's economy and the changes in trade policy that would occur as part of its accession to the WTO, a study was conducted to examine whether the agricultural tariff reductions contained in Sudan's WTO accession proposal fall within acceptable levels under WTO agreements and to assess the possible impacts of the proposal on Sudan's agricultural markets (see Abdel Karim and Abler 2009). To analyze the impacts on agricultural markets and determine which of Sudan's agricultural commodities are most sensitive to the elimination of border protection, the study used the Partial Equilibrium Agricultural Trade Simulator (PEATSim) model, an economic model of global food and agricultural markets. In particular, the model was used to estimate changes in domestic prices, production, consumption, exports, and imports of agricultural commodities under different tariff rate scenarios.

Sudan's WTO accession proposal follows a tariff binding approach, under which the government commits to keep its tariffs at or below agreed-upon (bound) levels. Different ranges of tariffs have been proposed for different types of agricultural products. Sudan's final offer concerning agricultural goods includes bound tariffs on 740 items (covering 100 percent of agricultural products), with nine tariff bands ranging from 25 percent to 300 percent. The study finds that the proposed bound tariff rates for about three-fourths (74%) of the products covered in Sudan's proposal are above their current applied rates (i.e., the rates actually charged or levied on imported goods); about one-fifth (18%) are below their current applied rates; and the rest (8%) are equal to their current applied rates. The simple average bound tariff for agricultural goods in Sudan's proposal is 53%, compared to a current applied rate of

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35%. Moreover, Sudan's average bound tariff rate is considerably below the rates in other developing countries. For example, in 19 other African countries the simple average bound agricultural tariff rate is 100% or more.

In addition to tariff bindings, Sudan's offer for agricultural products includes peak tariffs for sensitive products (i.e., those that are particularly susceptible to competition from imports) and tariff rate quotas[1] for five strategic food products (sorghum, broad beans, millet, wheat flour and sugar). Special safeguard measures[2] are designated for 22 tariff lines, including frozen meat and dairy products. Sudan has also selected 17 agricultural products (mainly perishable agricultural products) on which seasonal tariffs will be applied.

It seems clear that Sudan has inflated its tariff schedule in its offer for agricultural products, which is a good basis for negotiation. However, if and when Sudan accedes to the WTO, the final schedule is likely to be less favorable to Sudan because current WTO members must agree to Sudan's accession.

The results of the analysis using the PEATSim model indicate that the agricultural commodities that are the most sensitive to the trade liberalization that would result from Sudan's accession to the WTO are oilseed products: peanut oil and meal, and other oilseed oil and meal. Moreover, the study finds that the trade liberalization that would occur as part of Sudan's accession to the WTO could lead to significant declines in domestic prices and production of these products. These products are important to Sudan's agricultural production and trade, accounting, on average, for 20% of total agricultural production and 40% of agricultural exports.

The results of the analysis suggest that in order to benefit from its accession to the WTO and overcome the negative impacts of trade liberalization on those agricultural products that are not currently competitive internationally, Sudan should reorient its agricultural policy towards increasing global competitiveness. To move in this direction, Sudan needs to adopt policies that will help raise agricultural productivity, reduce direct and indirect taxation of the agricultural sector, and cut other fees imposed on agricultural production and exports.

Reference

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[1] A tariff rate quota – or TRQ -- combines two policy instruments: quotas and tariffs. Goods imported under the quota portion of a TRQ are usually subject to a lower tariff rate, while imported goods that exceed the quota face a much higher tariff.
[2] Special safeguard measures are "emergency" actions taken against imports of products that have caused or threaten to cause serious injury to the importing country's domestic industry.

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