



Office of the Chief Trade Adviser

THE ROLE OF DEVELOPMENT PARTNERSHIPS IN AGRICULTURE AND AGRIBUSINESS AND IN PROMOTING PROSPERITY, REDUCING POVERTY, AND ENHANCING STABILITY IN THE INDO-PACIFIC REGION

Submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade

Foreign Affairs and Aid Sub-Committee



Office of the Chief Trade Adviser

Introduction

The OCTA welcomes the invitation by the Australian Parliament Foreign Affairs and Aid Sub Committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade for the opportunity to contribute to the inquiry referred to the Sub-Committee by the Minister for Foreign Affairs, the Hon. Julie Bishop MP. The invitation to make a submission follows an earlier invitation by the same Committee to the OCTA to make a submission on the role of the private sector in promoting economic growth and reducing poverty in the Indo-Pacific region. The OCTA was pleased to be able to provide information to the inquiry into the role of the private sector in promoting economic growth and reducing poverty. It is particularly gratifying to note that shortly after the inquiry, Hon Julie Bishop announced a number of initiatives placing economic growth at the centre of Australia's aid programme.

The current inquiry into the role of development partnerships in agriculture and agribusiness and in promoting prosperity, reducing poverty and enhancing stability in the Indo-Pacific region is, therefore, fitting. It comes at an opportune time when the Forum Island Countries, and Australia and New Zealand are in the final stages of negotiations for a comprehensive FTA, commonly referred to as PACER Plus. PACER Plus includes chapters on, *inter-alia*, Trade in Goods, Trade in Services, Investment, Customs Procedures, Rules of Origin.

A common concern that has often been expressed by many Non-State Actors in the course of the negotiations has been the possible impact the elimination of tariffs could have on food security, rural livelihoods and rural development. It is feared, without any objective basis, that the elimination of tariffs on directly competing imported products could have a devastating impact on local production, as these become uncompetitive.

The Forum Island Countries are a diverse group of countries, comprised of countries such as Nauru with a population of approximately 10,000 and a land area of 21 square kilometres and Papua New Guinea with a population of over seven and half million and a land mass of about 462,840 square kilometres. This means that the challenges that are faced by the countries vary considerably, along with the potential for agricultural development, which depends on the availability of arable land for cultivation.

Besides the factor constraints of natural endowment, many FICs face other challenges to agricultural development. These constraints stem from their inherent characteristics as small island states, including geographical isolation, wide dispersal, lack of economies of scale, vulnerability to natural disasters, fragile economies. The FICs are exposed to exogenous and endogenous factors which exacerbate their vulnerabilities, sometimes threatening the existence of their agricultural industry and compromising food security.

Agriculture and Food Security in FICs

Agriculture constitutes a high percentage of economic activities in many FICs, most of which depend on agriculture for the livelihoods of most of their citizens. Whilst a very high percentage



Office of the Chief Trade Adviser

of the populations in FICs derive their employment from the agricultural sector, agricultural productivity remains low. In many FICs, agriculture is still dominated by smallholder family farms that typically employ smallholder production strategies. Such smaller holder farms are also characterised by access to less than two hectares of land, dependence on household members for labour, combining the farming of root crops and cash crops for consumption and income.

Countries		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fiji	Ag-exports	4	4	3	4	4	4	5	5	6	5	..
	Ag-% of GDP	14	14	14	13	12	11	12	12	12	..	..
Solomon Is	Ag-exports	..	..	..	..	..	..	50	..	48	1	..
	Ag-% of GDP	34	36	..	..	..	..	..	..	..	..	..
Vanuatu	Ag-exports	..	3	2	..	1	2	3	..	..	..	..
	Ag-% of GDP	25	24	24	23	23	23	26	28	28	..	..
PNG	Ag-exports	..	..	..	..	..	..	5	6	..	..	..
	Ag-% of GDP	..	..	..	..	..	..	..	..	..	..	..
RMI	Ag-exports	..	..	..	..	..	..	..	..	..	..	..
	Ag-% of GDP	..	..	..	..	..	..	..	..	..	..	..
FSM	Ag-exports	..	..	..	..	..	..	..	..	..	..	..
	Ag-% of GDP	24	24	27	28	27	27	28	..	..	..	..
Kiribati	Ag-exports	2	..	0	2	4	1	5	..	3	..	..
	Ag-% of GDP	24	24	25	26	26	25	26	26	26	..	..
Tuvalu	Ag-exports	..	..	..	..	..	..	..	..	..	..	..
	Ag-% of GDP	23	25	25	24	26	29	28	25	22	..	..
Nauru	Ag-exports Ag-% of GDP											
Cook Is	Ag-exports Ag-% of GDP											
Tonga	Ag-exports	8	6	1	7	2	2	22	5	8	26	
	Ag-% of GDP	21	19	20	18	18	19	20	20	21	21	..



Office of the Chief Trade Adviser

Samoa	Ag-exports	1	1	0	0	0	0	0	0	0	0	..
	Ag-% of GDP	..	..	..	..	..	..	..	..	..	..	..
Palau	Ag-exports	..	..	..	..	..	..	..	1	..	..	..
	Ag-% of GDP	4	5	4	5	5	5	5	5	4	4	..
Niue	Ag-exports											
	Ag-% of GDP											

Source: World Bank

The above table shows the contribution of agriculture to the GDP of FICs. It represents more than 20 per cent of the GDP of six FICs.

With the exception of a few FICs which are self-sufficient, the majority are net food importing countries, and are, therefore, susceptible to volatility in global foods and commodities prices. Shocks in global foods prices may undermine the food security of many FICs. This was evident in the global food crisis that occurred in 2007 – 2008, bringing with it astronomical rises in food prices and attendant economic and political instability in the most severely affected countries. Actions taken at the household and national levels to combat food insecurity have thus far not been able to deal with this issue effectively. A concerted effort is required at the global level where international cooperation is essential to address the impact of subsidies on over-production and depression in world food prices, leading to loss of production in countries that are most vulnerable to food insecurity.

According to World Food Summit in 2009 “food security exists when all people at all times have physical, social and economic access to sufficient, safe and nutritious foods to meet their dietary needs and food preferences for an active and healthy life”. This definition raises many important issues, including the notion of equity consideration regarding food security, removal of barriers to food security, ensuring food safety, etc. These issues are related to the impacts trade liberalisation may have on the attainment of food security.

The objectives of food security encompasses the household, national and global levels. This broad spectrum requires putting in place necessary systems to ensure the attainment of food security at all levels. The overarching goal is ensuring the availability of affordable, nutritious foods, which is accessible to households. Agriculture plays a critical role in attaining the objective of food security at all levels, including through production, income generation, and agribusiness which increases economic growth and employment.

Food security at the household level can be realised either by production or purchase of food, with agriculture contributing to both. However, production is often hampered by challenges leading to low productivity, including land access, soil quality, water, pest and diseases, inputs, natural disasters and climate change. On the other hand, the capacity to purchase food may be limited by income due to challenges arising from lack of market access and competitiveness as a result of low productivity, quality and consistency of supply, quarantine issues, infrastructure and equipment, information and communications, business skills, finance and credits.



Office of the Chief Trade Adviser

The challenges inhibiting production may be addressed by well targeted support to raise farm productivity, promote agriculture for youth, strengthen knowledge, information and skills, and build resilience in farming systems. Similarly, challenges limiting the capacity to purchase foods may be addressed by, *inter-alia*, support to enhance enterprise competitiveness, set, meet and regulate standards, address quarantine issues, strengthen infrastructure and improve business skills.

At the national level, agriculture can support food security by production focussing on promoting local production and marketing, facilitating imports and agribusiness. Attaining food security at the national level faces many challenges impeding production, agribusiness and imports. The former have been addressed above under household food security. The challenges to imports include biosecurity issues, standards, quality and safety, economic shocks and balance of payments.

Tackling Food Security at the Global Level

The objective of food security at the global level should reinforce action at the household and national levels by facilitating availability of affordable and nutritious food. The fulfilment of the objective is hampered by numerous challenges, including equitable global governance, loss of biodiversity, environmental degradation, cross-border pests and diseases, loss of indigenous knowledge etc. These challenges can be combatted by providing appropriate support to implement international conventions and agreements, as well advocate for a strengthened global governance system, facilitate capital flows and investment, protect biodiversity, control spread of pests and diseases.

The FICs recognise the importance of action at the global level to tackle the challenges of food security. This is reflected in them being signatories to a number of important international treaties such as the Convention on Biological Diversity, the International Treaty on Plant Genetic Resources for Food and Agriculture (ITPGRFA), and the International Plant Protection Convention (IPPC). The CBD provides a framework for the conservation of biological diversity, the sustainable use of its components, and the fair and equitable sharing of the benefits arising from genetic resources. The ITPGRFA is aimed at the conservation and sustainable use of plant genetic resources for food and agriculture, fair and equitable sharing of benefits arising from the use of plant genetic resources. In recognition of the enormous contribution of farmers to the diversity of crops, the ITPGRFA, aims at providing farmers access to genetic resources and ensuring the sharing of benefits derived from the utilisation of genetic materials. The goal of the IPPC is to protect cultivated and wild plants from the introduction and spread of pests and diseases so as to preserve food security and biodiversity as well as facilitate trade.

The treaties underscore the importance of international cooperation, given the cross-border effects of their respective subject matters. This reinforces the need for PACER Plus Parties to promote international cooperation, where regional action may not go far enough to address the multifaceted challenges of food security. The principle of cooperation in international fora is already encapsulated in key provisions of the PACER Plus.



Office of the Chief Trade Adviser

These challenges may be addressed by support to develop evidence base for decision making, skills development on policy analysis, trade negotiations, finance and business etc. Support may also be provided to develop and harmonise standards, strengthen infrastructure and adapt to and mitigate climate change.

PACER Plus, Agriculture Development and Food Security: Prospects

The Food and Agriculture Organisation has identified the constraints to market integration that FIC smallholder farmers face. These are constraints that inhibit production and consistency of supply, constraints that increase market costs, constraints that reduce market access and constraints that break market relationship and linkages. In addition, farmers are hampered by limited access to capital and input resources. FIC farmers are also affected by post-harvest loss in produce destined for both domestic and export markets. The effect of climate change is also being noticed as it undermines food production, water supply and economies of some FICs. Farmers in many FICs are cut off from markets due to the lack of infrastructure. The growing occurrence of natural disasters poses a threat to agricultural production and food security in the FICs.

There is a growing urban population in many FICs with limited access to land resources for food production. This has contributed to the weakening of traditional agriculture and given rise to local food security problems.

Despite the enormous challenges alluded to above, the envisaged framework under PACER Plus offers an opportunity to tackle challenges militating against agricultural development in the FICs. The outcome of such an endeavour has the potential to positively contribute to tackling the problems of food security.

The OCTA attaches significance to bolstering the capacity of the FICs to address challenges concerning agriculture development and food security. This should be an aim of regional economic integration in the Pacific under PACER Plus. Thus, the overarching question to guide the determination of this issue should be whether provisions in the PACER Plus Agreement help or hinder the FICs in pursuit of this objective. The OCTA considers that the PACER Plus negotiations envisages a framework that supports the efforts of the FICs to boost productive capacity, with a significant contribution to agricultural development and food security. However, it is recognised that commitments under a trade agreement, *per se*, would not facilitate the development of productive capacity and overcome supply side constraints. As such, the OCTA attaches considerable importance to the provision of assistance not only to support the FICs in the implementation of their commitments, but also to develop their productive capacity and overcome their supply side constraints.

The OCTA considers that the PACER Plus can promote the attainment of food security by its comprehensive scope covering, *inter-alia*, Trade in Goods, Sanitary and Phytosanitary Measures (food safety), Investment. The draft Trade in Goods Chapter together with tariff modalities have provisions affording the FICs flexibilities to respond to domestic sensitivities such as protecting domestic production to advance policy objectives. This should enable the FICs to foster agricultural development and safeguard food security. The protection of food safety is a facet of food security that is captured by the draft Chapters on Sanitary and



Office of the Chief Trade Adviser

Phytosanitary Measures and Technical Barriers to Trade. The objective of these Chapters is to ensure that the legitimate right of Parties to protect human, animal and plant health and life is not compromised by trade obligations. Several other Chapters, such as Trade in Services, Labour Mobility, Temporary Movement of Natural Persons, are aimed at boosting trade among the Parties with a view to increasing employment opportunities so as to strengthen the economic capacity of households to purchase nutritional foods. The Investment Chapter stems from the recognition of the limited capital formation, lack of modern technologies and absence of managerial skills that FICs face, which necessitate the importation of foreign capital. If well harnessed, it provides a framework by which foreign capital together with modern technologies can be attracted to boost agricultural production in FICs. Substantial investment in the agricultural sector will enable the FICs to meet the challenges to food security at household and national levels. Outside the agricultural sector, foreign investment can provide employment opportunities that facilitate the realisation of food security by households by providing access to cash to purchase food.

However, such benefits are not automatic. The Parties have therefore agreed that the developed country Parties (Australia and New Zealand) will provide assistance to the FICs for the implementation of their commitments and for broader trade and investment-related assistance. The OCTA acknowledges Australia's commitment to scale up its Aid for Trade to 20 per cent of its Overseas Development Assistance. We believe that this is a remarkable target, and a clear demonstration of Australia's determination to helping the FICs to achieve economic growth and sustainable development. Whilst we recognise Australia's past and ongoing support to the FICs, the OCTA views PACER Plus as presenting new opportunities to the Parties and would welcome the provision of additional support to enable the FICs to utilise such opportunities. The OCTA considers the following as areas where assistance is necessary to contribute to the food security of the FICs:

- Assistance to the FICs to adopt less-intensive livestock farming practices that can guarantee sustainability and enable the them to produce quality livestock products with a view to taking advantage of existing niche markets and responding to the needs of the middle income class and tourism.
- Smallholder agriculture, especially involving women and youth, can be assisted to become a vibrant business by providing new dynamic markets and employment opportunities as well as access to finance.
- The potential impact of climate change can be addressed at the pre-harvest stage by assessing current and possible crop varieties, as well as crop and livestock production systems to determine their climate resilience, and advanced farm management methods.
- There is also scope to enhance understanding of climate change effects on existing commercial crops and pest and disease regimes, as well as to consider the benefits of increased access to irrigation and water efficiency technologies. It is necessary to undertake an evaluation of the potential of aquaculture as a supplementary food supply source, and to enhance understanding of the impact of environmental problems, overexploitation of resources and pollution on climate resilience of food production capabilities.
- Given the importance of the fisheries sector to almost all the FICs, it is important for them to be able to manage their fisheries resources effectively so as to ensure sustainability. Assistance from Australia to this sector will ensure that it continues to



Office of the Chief Trade Adviser

sustainably provide for the livelihoods of many families, generate jobs and foreign exchange for FIC Governments through access fees and exports.

Australian Support for Agriculture Development and Food Security

Australia has provided critical support to facilitate agricultural development and promote food security in many FICs. Starting with agriculture, the Australian Centre for International Agricultural Research (ACIAR), in collaboration with Papua New Guinea (PNG) National Agricultural Research Institute (NARI), established the PNG Women in Agricultural Development Fund (PNGWiADF) with the aim of building the capacity of women by increasing their business, networking and marketing skills. Support is also provided through a 10-year Australian government programme, Pacific Women Shaping Pacific Development, which is aimed at helping Pacific countries to meet their commitments under the 2012 Pacific Island Forum Leaders' Gender Equality Declaration. The programme, *inter-alia*, supports reforms in PNG's coffee industry with a view to expanding opportunities for the cultivation of cash crops for women farmers in the Eastern Highlands Province, as well as increasing the number of skilled women agricultural extension officers who work directly with women.

Australia has supported many initiatives to promote food security. These include a project to improve community-based aquaculture production in Fiji, Kiribati, Samoa and Vanuatu, focussing on tilapia, freshwater prawns and sea cucumber. The objective is to address constraints to production, and investigate the impacts aquaculture on household income, nutrition, and the status of women and children. The programme is envisaged to explore ways to integrate aquaculture with fisheries, and encourage better coastal fisheries management. The anticipated outcomes include increased availability of fish for consumption and enhanced profitability and sustainability of aquaculture enterprises, supporting improved nutrition and income generation in Pacific communities.

Support was also provided between January 2010 and June 2015 towards increasing vegetable production in Central Province, PNG, to supply Port Moresby markets with high-value vegetables. The project was aimed at identifying and addressing vegetable supply chain priorities in the Central Province, to equip communities to enable them utilise this opportunity to enter the temperate vegetable market and thus improve their socioeconomic position in a sustainable manner.

A project was launched in 1987 to 1988 to undertake biological control investigation on the populations of fruit-piercing moth and passionfruit white scale that were destroying fruit crops in Samoa. The investigation was successful, with the discovery of an effective parasitizing wasp that resulted in the containment of the scale within two years.

Collaboration between ACIAR and the Government of Fiji on two research projects, with the objective of improving the performance of locally available strain of tilapia, resulted in a significant improvement in the growth rate and sales of tilapia, thus enhancing food security. The objective of the first project was to genetically map diversity in Fijian tilapia stocks and their hybrids, and to assess the productivity of existing culture strains, as well as enhance expertise in fish culture and stock improvement. The second project involved an evaluation of



Office of the Chief Trade Adviser

the performance of the best indigenous breed of tilapia in Fiji (Chitralada) against the genetically improved farmed tilapia (GIFT) strain imported from the Philippines.

Concluding Remarks

The foregoing demonstrably shows that enhancement in the performance of the agricultural sector is vital for the Pacific's overall economic growth and food security. It is necessary to inject considerable investment in the sector if the Pacific is to overcome the challenges to agricultural development and food insecurity. Australia is very much cognizant of some of these challenges, as evidenced by some of its interventions addressing agricultural development and food security in the Pacific. Trade liberalisation brings additional opportunities in the form of increased income to supplement local production and also attracting investment in the agricultural sector to boost productivity, but also risks to food security as cheaper imports can displace local production. Therefore, concerted efforts are vital to ensure that PACER Plus contributes positively to efforts designed to strengthen the food security in the FICs.