

New ACP-EU Trade Arrangements: New *Barriers* to Eradicating Poverty?



By

GAWU, DHS, CIECA, ADEID, GRAPAD and *EUROSTEP*

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Brussels, March 2004

Eurostep - European Solidarity Towards Equal Participation of People

Eurostep is a network of autonomous European non-governmental development organisations, set up in 1990, working towards peace, justice and equality in a world free of poverty. It advocates changes in Europe's policies and practice based on the perspectives drawn from direct experiences of an active involvement of its members and their partners in development in over 100 countries across the world.

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In June 2000 the European Union (EU) signed a co-operation agreement with the African, Caribbean and Pacific (ACP) group of countries known as the Cotonou Agreement. The Agreement provides the framework for the EU's co-operation with 78 ACP countries until 2020. As a successor to the Lomé Conventions, the new Agreement covers most aspects of the EU's co-operation with the ACP, including trade, aid and political dialogue.

Title II of the Cotonou Agreement defines the objectives and principles of the new trade arrangements between the EU and the ACP countries. According to the Agreement, the Parties agreed to conclude new World Trade Organization (WTO) compatible trade agreements, which aim to progressively remove barriers to trade and enhance cooperation in all areas relevant to trade. These trade arrangements are supposed to replace the preferential non-reciprocal trade system foreseen by the Lomé Conventions. The objective is to enable ACP States to play a full part in international trade and advance poverty eradication and sustainable development in the ACP. To this end the ACP and the EU began negotiations on Economic Partnership Agreements (EPAs) in September 2002, and are supposed to end these negotiations by December 2007 at the latest. EPAs, which are an integral part of the Cotonou Agreement and are supposed to embody the new ACP-EU trade arrangements, are based on four main principles: partnership, regional integration, development, and compatibility with the WTO. However, a serious point of concern is on their ability to contribute to the general objective of the ACP-EU partnership - poverty eradication.

This study, carried out by *Eurostep* together with partner organizations, will focus mainly on the issue of removal of barriers to trade the ACP-EU trade arrangements and its consequences for ACP countries. The aim of this independent civil society study is to explore the challenges and opportunities that exist within the parameters for new trade arrangements set by Article 36.1 of the Cotonou Agreement and to examine to what extent EPAs, as proposed by the EU, would effectively contribute to the fight against poverty in ACP countries.

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EXECUTIVE SUMMARY

This study describes how proposed ACP-EU trade arrangements – Economic Partnership Agreements - could impact on the fight against poverty in five ACP countries: Jamaica, the Dominican Republic, Ghana, Benin and Cameroon. The main focus of the study is on examining what the different consequences are for people in the ACP with the removal of tariff barriers to EU products on the one hand, and the easing of non-tariff barriers to ACP products on the other. It sets benchmarks for a credible process and outcome of the design of ACP-EU trade arrangements that advance poverty eradication in the ACP. Its analysis is based on experiences and forecasts of people from the five countries working in close proximity with people living in poverty, and with sectors that are key to its eradication.

The conclusions of this analysis are that if EPAs are based on liberalised trade between the EU and the ACP countries, rather than advance poverty reduction, they will set back poverty reduction programmes and strategies in the ACP and undermine the Cotonou Agreement, with regard in particular to the promotion of social sector funding.

The Cotonou Agreement states that the overall goal of the ACP-EU Partnership is poverty eradication. It follows that EPAs as an integral part of this partnership should contribute towards this objective.

The Agreement sets two conditions to be met by EPAs:

- They should progressively remove barriers to trade; and
- They should be WTO compatible.

The EU's starting point in the negotiations has been to interpret WTO compatibility as reciprocal free trade and the reference to removal of trade barriers as a license to focus primarily on the ACP dismantling tariff barriers. However, WTO compatibility cannot be considered as synonymous with reciprocal free trade, chiefly because WTO rules are currently under negotiation and WTO compatibility could be redefined. This state of affairs has now been recognised by both the EU and ACP. There is therefore no reason why the trade arrangements should be shackled to rules that are evolving, especially if the implications of the rules have been found to run counter to recognised poverty reduction strategies in the ACP.

Regarding the removal of barriers, to date the negotiations have mainly focused on tariff barriers. But it is evident that all ACP countries stand to lose huge amounts of revenue, which could be pumped into social sector programmes, by removing customs duties on EU imports. This will constrain the implementation of article 25 of the Cotonou Agreement that aims to promote adequate levels of public spending in social sectors. The loss of funds is also even more critical considering that the EU puts the onus on the ACP for any financial adjustments to be made for new trade arrangements. In addition, the influx of EU products fuelled by massive Common Agricultural Policy (CAP) subsidies, which will result from the removal of tariff barriers, will overwhelm ACP economies by putting a lot of poor men and women out

of jobs, and by damaging key export earning sectors in cash strapped and debt burdened ACP countries.

At the same time, ACP countries are presently unable to overcome a range of non-tariff barriers such as health standards, and rules and regulations, which hinder their exports to the EU in areas that are vital to the poor in terms of employment and income generated for the government. In certain cases some of these standards are questionable in terms of their relation to internationally agreed health standards.

The CAP has also acted as a barrier to exports by restricting certain products from the market and lowering world prices of ACP countries produce, as have a range of domestic constraints to export production.

Women, who make up the majority of the poor in ACP countries, are employed at the lowest end of the trade process and have not benefited from current ACP-EU trade arrangements. They are likely to suffer further from the disproportionate detrimental impact that the CAP has in their main area of employment – agriculture.

COUNTRY CASE STUDIES

Extracts from country case studies on Jamaica, Dominican Republic, Cameroon, Ghana and Benin below, give some examples of how the problem of poverty in the ACP is aggravated with the maintenance of EU non-tariff barriers that restrict ACP exports and which will be compounded by the removal of ACP tariff barriers towards EU exports.

1. JAMAICA

“[Opening up of our markets to the EU] would be the last straw to break the camels back. It would totally wipe out the local dairy farmers.” Aubrey Taylor, Chairman of Jamaica Dairy Farmers Federation (JDFF).

In Jamaica dairy producers, many of which are small poor farmers, have no means of achieving the health standards set by the EU on dairy products and thus have no prospect of exporting to the EU. Sugar producers are restricted by the EU sugar regime in exporting high value processed sugar even though this is crucial to the survival of an ailing industry, which is still the second largest single employer in Jamaica and the third largest foreign exchange earner.

To add to these problems EU dairy exports are set to increase their inundation of Jamaican markets to the detriment of the local dairy industry, if EPAs do not allow Jamaica to protect its industry. The dairy industry has been identified as strategic to the development of the entire agriculture sector, which employs the majority of the poor in Jamaica.

2. DOMINICAN REPUBLIC

“In the absence of a protection and support programme for the sector, I don't think I can survive. Production costs rise everyday and I am at the mercy of middlemen who pay me whatever they wish for my milk”. Dairy farmer from the Dominican Republic. In the Dominican Republic promising exports in organic products are let down by difficult and costly processes for certification and import authorisation in the EU. Organic products have the potential to provide valuable income for small farmers due to their resistance to commodity price falls. But many individual small poor farmers find it impossible to meet the costs of certification of organic products.

Like in Jamaica, if EPAs introduce liberalised trade EU dairy products will overrun a market it already dominates, forcing thousands of dairy farmers out of jobs. Furthermore, the contribution of revenues from duties on EU imports to total customs revenue will drop from 13% to just 1.5%. The fall in public revenue that will result, could limit social sector spending in a country where slow progress on poverty reduction, even after years of economic growth, has already been attributed to low public social spending by the United Nations Development Programme (UNDP).

3. CAMEROON

“The elimination of the non-reciprocal preference system may threaten the Government Financial Operations Table and the achievement of the Millennium Development Goals (...) This situation would have a particularly negative effect on the national poverty reduction strategy, on basic infrastructure, health and education.” Professor Fouda – Cameroonian academic - on the impact of liberalised trade with the EU on Cameroon and the Millennium Development Goals.

Cameroonian exporters have been thwarted by a range of EU regulations ranging from CAP seasonal quotas of French beans, to the chocolate directive that restricts cocoa fat in chocolate. Through the chocolate directive in particular, which allows EU chocolate producers to substitute cocoa fat with other fats, Cameroon as a major cocoa exporter could lose huge amounts of revenue from its cocoa exports.

To add to the country's problems, the dismantling of tariff barriers through an EPA is likely to put thousands of poultry farmers, amongst others, out of the market and intensify food insecurity by increasing dependence on foreign imports in a country where 36% of all children are malnourished. According to analysts, trade liberalization could worsen the problem of malnutrition.

4. GHANA

“It is extremely difficult to figure out how the dumping of cheap poultry parts-like legs, wings, necks - that have no markets in the EU anyway, could be permitted in the name of free trade that is supposed to promote competitiveness”. Mr Adjei Henaku, the Executive Secretary of the Ghana Poultry Farmers on opening up of the Ghanaian market in an EPA.

In Ghana, cocoa, which is the biggest export product to the EU is also restricted by the chocolate directive. In addition a range of other barriers hold back promising

horticultural exports such as tough rules on banana exports, which aim to determine the form and size of the fruit. Banana farms have a much higher workforce per hectare than any other plantations in Ghana and therefore are a critical source of livelihoods for the poor.

Just as in Cameroon, a huge influx of poultry exports from Europe is expected with the dismantling of tariff barriers which will augment poverty not only for the poultry farmers it puts out of work but also the poorest section of Ghanaian society – the millions of crop farmers (many of which are women) - who are dependent on the poultry industry. Furthermore, it is estimated that Ghana could lose between 4-7% of government revenue, if a free trade arrangement is established between West Africa and the EU. This will reduce possibilities for public investment in social services. Yet Ghana's poverty reduction strategy calls for greater social spending and a tariff structure that maximizes revenues and minimizes unfair competition.

5. BENIN

“According to a recent study of four West African countries (Benin, Burkina Faso, Mali and Togo), if no corrective measures are taken the cotton sector could disappear in the next three years”. President Kerekou of Benin in a speech to the European Parliament in Brussels, September 2003.

In Benin cotton production is key to poverty reduction. American and European cotton subsidies have contributed to the plummet in world cotton prices over the last three years. Analysts have established a direct link between prices on cotton and poverty, whereby a drop in global cotton prices by almost 40% (as was experienced in 2002) increases poverty by 7-8%. This highlights the urgent need for the EU to work together with the US in eliminating subsidies on cotton. In the long term, an EPA could help promote the development of a viable textile industry in Benin only if it, among other things, involves a restriction in EU exports of used textiles. Such an action coupled with more favourable rules of origin and financial support to the sector, could contribute to the viability of the cotton industry.

Failing to protect Benin's economy from EU imports will also result in a drop in custom's revenue for Benin of close to 20%. This is likely to limit public social spending in a country in which the UNDP has emphasised the urgent need for a broadening of its tax base and an increase in public social investment if it is to achieve sustainable human and social development.

Key Numbers

15	The number of years some estimate it would take to restructure the Jamaican sugar industry if it is to face liberalised trade with the EU
10 000	The number of jobs that would be created in the Jamaican dairy industry if it was able to implement a strategy for milk production, which includes taxing all milk imports at 50%. (Most Jamaicans associate poverty with unemployment)
6-7	Percentage of social expenditure in the Dominican Republic – This figure, which is half of the Latin American average could fall further with the predicted loss of

	government revenue in loss of import duty receipts through liberalised trade with the EU
20 000	The number of dairy workers in the Dominican Republic who have lost their jobs in the last thirty years due to lack of protection of the sector and the high volume of milk powder imports, of which a significant part comes from the EU
50.5	Percentage of Cameroonian population living in poverty
20-30	Percentage range of fall in Cameroonian government revenue following reciprocal free trade with the EU taking into account accumulated job losses, tax shortfalls and lower growth rates
20	Percentage of revenue from cocoa exports that Ghana could lose because of the EU chocolate directive. Cocoa is the largest export to the EU making up 37% of all exports
25	Percentage of Ghanaian industries predicted to survive without import tariff support following implementation of free trade with the EU
334 000	The number of extra individuals that fall below the poverty line following a 40% reduction in world cotton prices in Benin
160	EU subsidies in € per kilo of cotton produced as % of world market price – the highest rate of subsidies per kilo given to cotton farmers in the world. These subsidies have contributed to increasing poverty in Benin
700 million	The estimated cost in dollars (€ 563 million) for African countries a year due to EU health standards that are higher than internationally agreed health standards
35 million	The estimated costs in pounds (€ 51 million) to African countries per day of the EU Common Agriculture Policy

Benchmarks for Poverty Focused Trade Arrangements

Representatives of civil society who were involved in the authoring of this report strongly believe that the ten-benchmark actions listed below need to be taken up by the negotiating parties to ensure future ACP-EU trade arrangements are focused on poverty reduction. Where possible these actions should be authorised by the revised Cotonou Agreement due in May 2005.

- It is imperative that the ACP and the EU work together in the WTO to obtain flexibility for trade arrangements that best address poverty.
- New ACP-EU trade arrangements' focus should include removal of EU non-tariff barriers (as opposed to tariff barriers) that have been shown to be detrimental to poverty reduction.
- The ACP and EU should ensure the protection of all ACP markets that are vulnerable to EU imports and are crucial to poverty reduction and the livelihoods of the poor.
- The ACP and the EU should promote further research on the impact of trade arrangements on women in the different ACP countries upon whose results the design of EPAs should be based.

EXECUTIVE SUMMARY

- ACP governments should be allowed to develop and pursue their own regional processes of integration along with the best processes of sequencing for different sets of negotiations in line with the goals they have set to generate sustainable development. This should involve a rescheduling of the dates and deadlines set for the different stages of EPA negotiations in the revised Cotonou Agreement to allow more time for the ACP to deal with these processes.
- The EU should fund programmes of assistance, designed to address the domestic constraints to exports faced in ACP countries. In tandem with the provision of funds the EU should support and contribute to debt relief in the ACP.
- EPAs should promote the development of agro-industry in the ACP. This should involve technology promotion and skill building in the agricultural manufacturing and services sectors.
- The EU, in the light of its commitment for external policy coherence, should allow external effects of CAP reform to be fully taken up and addressed in the negotiations.
- EPAs should support the development of safety nets for producers affected by the falling advantages of preferences.
- The ACP and the EU should support greater involvement of civil society groups including producer organisations in EPA discussions and negotiations in line with the provisions of the Cotonou Agreement.

EXECUTIVE SUMMARY

INTRODUCTION

By Guggi Laryea¹

1. ACP-EU TRADE: LOCATING THE NEGOTIATIONS FOR NEW TRADE ARRANGEMENTS

The Cotonou Agreement - the framework for partnership between the African, Caribbean and Pacific (ACP) Group of countries and the European Union – states the overall goal of the ACP-EU² partnership as centred on poverty reduction and eradication consistent with sustainable development and the gradual integration of the ACP countries into the world economy. Its preamble states that UN targets and principles on poverty, including the goal of halving world poverty by 2015, underpin ACP-EU cooperation as defined by the Agreement.

It therefore follows that the Agreement's provisions for new trade arrangements should effectively advance poverty eradication and sustainable development in the ACP.

The EU with around 38% of the world's exports in goods and services has by far the biggest share of global exports, compared to the US, 14% and 7% for Japan. (IMF, World Economic Outlook, 1998)

Compared to these numbers the ACP Group's share of world export is no more than 1.5%. On EU-ACP trade the ACP accounts for 2.7% of the EU imports and 2.8% of the overall EU exports. (European Commission, <http://europa.eu.int/comm/trade/issues/bilateral/regions/acp/stats.htm>)

Trade over which the EU has competency is arguably one of the most important policy areas influencing the developing countries. Despite the ACP's falling share of EU imports, the EU is still the biggest trading partner (both in terms of imports and exports) for most ACP countries. For many of these countries, changes in EU trade policies and practises could provoke financial losses or gains that outstrip the Official Development Assistance they receive from the EC.

The Cotonou Agreement binds the two parties to negotiate new trade arrangements that are WTO compatible and which progressively remove barriers to trade between them. These new trade arrangements will replace the non-reciprocal preferential trade enjoyed by the ACP under the Lomé Conventions since 1975. Under the current system ACP governments can export all industrial products and most agricultural products duty and quota free to EU markets. A limited number of ACP agricultural products have restricted access to EU markets due to the Common Agricultural Policy. By contrast EU exports to the ACP are subject to tariffs and quotas.

¹ Policy Advisor at *Eurostep*.

² This study was published before the 10 EU candidate Member States officially acceded to the EU. Therefore unless specified otherwise all references to the EU relate to the Union of 15 Member States before May 2004.

INTRODUCTION

The EU's interpretation of the above mentioned conditions for new trade arrangements, laid out for negotiation in the Cotonou Agreement, is that future trade arrangements should take the form of separate free trade agreements between regional groupings of ACP countries on the one hand (themselves practising free trade) and the EU on the other. It is assumed that WTO compatibility means reciprocal free trade, and the reference to removal of trade barriers is a license to focus primarily on the ACP dismantling tariff barriers.

The ACP's interpretation of the trade arrangements is less specific in relation to free trade and reciprocity. In relation to the objectives of the partnership a greater emphasis is laid on poverty eradication and sustainable development than on integration into the world economy. While there does not seem to be an explicit rejection of free trade, ACP guidelines on the negotiations state that ACP regional integration processes should take precedence over liberalisation and Economic Partnership Agreements.³

Negotiations for the trade arrangements began in September 2002 and are supposed to be completed by December 2007 at the latest. In theory Least Developed Countries (LDCs) can opt out of these arrangements. In 2004, the European Community (EC)⁴ will assess the situation of non-LDC ACP countries in relation to these agreements. If after consultations these countries decide they are not in a position to enter into Economic Partnership Agreements, the EC will examine alternatives in order to provide these countries new trade arrangements equivalent to their existing situation but in conformity with WTO rules. The ACP and the EC will then carry out a formal review in 2006 of the future arrangements planned for all countries to ensure that no further time is needed for preparations or negotiations.

The move towards free trade put forward by the EU is based on the rationale that new ACP-EU trade arrangements are required because non-reciprocal preferential trade has not lived up to expectations.⁵ The European Commission brochure on "Economic Partnership Agreements: A new Approach in the Relations between the European Union and ACP Countries" puts forward the following arguments:

"In summary, trade preferences have neither halted the increasing marginalisation of the ACP region in world trade nor in their trade with the EU."

"1) The objective should no longer be to promote trade between the ACP and the EU Rather it should be to foster ACP states integration into the world economy.

2) Tariffs are progressively losing their importance for trade, whereas non-tariff measures such as standards, veterinary, sanitary and phytosanitary rules or measures to protect the environment, are of growing importance.

³ ACP Council of Ministers, ACP Guidelines for the Negotiations of Economic Partnership Agreements, decision by the 75th session of the ACP Council of Ministers, Punta Canal, 26-27 June 2002.

⁴ In this study the term European Union (EU) is generally used to denote the collective body of European Union Member States who are officially party with the ACP to the Cotonou Agreement. The term European Community (EC) is specifically used when in reference to the merged of group of three communities – Economic, Coal and Steel, and Atomic Energy that represents the Union.

⁵ European Commission, Economic Partnership Agreements: A new Approach in the Relations between the European Union and ACP, Belgium, September 2002.

Moreover, trade preferences can only confer a competitive edge on the preferential market, but they do not automatically generate trade.

3) In reality, economic and trade co-operation is not self-serving. It is rather a means to contribute to the achievement of the overall objectives of ACP-EU co-operation and, therefore, a means to promote the sustainable development of the ACP countries and to contribute to poverty eradication in these countries.”

The brochure deduces that in the light of these conclusions, the ACP countries and the European Union agreed,

“to conclude new WTO-compatible trading arrangements, removing barriers to trade between them progressively and enhancing co-operation in all areas relevant to trade”.

2. PRELIMINARY OBSERVATIONS

The argument that preferences have not halted the marginalisation of the ACP is open to debate.⁶ However, even if this argument is accepted as true, a number of questions still remain as to why the particular path for regional based free trade is proposed by the EU.

First of all, accepting that trade preferences for the ACP in themselves do not halt its marginalisation does not lead to the natural conclusion that the solution to this problem lies in ACP countries opening up their markets to EU products. Rather it begs the question as to what needs to be put in place to allow ACP countries to seize on the opportunities for increasing their exports to the EU and to other countries. In 1995 the European Commission identified some general benefits accruing to the EU if developing countries open their markets to the EU in a Free Trade Area⁷, but these do not seem particularly related to the ACP’s problems diagnosed above or to the goals of the ACP-EU partnership.

Secondly, accepting the EC argument that non-tariff barriers are becoming more important than tariff barriers suggests that negotiations on new trade arrangements should focus on removing non-tariff barriers. With regard to the Cotonou Agreement’s call for the removal of barriers to trade it could be argued that the negotiations need not focus on ACP removal on tariff barriers to trade. Rather they could focus on ensuring that EU non-tariff barriers do not effectively obstruct ACP exports to the EU and to other countries. As the Cotonou Agreement makes no explicit reference to reciprocity, the removal of non-tariff barriers need not be done in a reciprocal manner.

⁶ There is evidence showing that to a certain extent ACP countries managed to take advantage of trade preferences. *“In those products where the Lomé Convention provides margins of preference greater than 3% the expansion in exports in volume terms was 61.9% rather than Lomé preferences having ‘failed’, Lomé preferences have played an important role in slowing down the marginalisation of ACP economies within the world economy.”* Dr Paul Goodison (1999), “The Lomé Trade Debate: Addressing Common Misconceptions”, European Research Office, Brussels, November.

⁷ The European Commission’s Communication (1995), titled: “Free Trade Areas: an appraisal”, points out that FTAs could, inter alia, *“help the EU to bolster its presence in faster growing economies of the world, reinforce our [the EU’s] presence in particular markets to attenuate the potential threat of others establishing privileged relations with countries which are economically important to us.”*

WTO compatible trading arrangements do not necessarily imply regional reciprocal free trade based agreements. WTO rules themselves are currently under negotiation. According to Onguglo and Ito:

*“Reforms can be usefully negotiated in the context of the negotiations launched at Doha on WTO rules governing Regional Trade Areas in clarifying and improving disciplines and procedures under the existing WTO provisions applying to regional trade arrangements and which would take into account the development aspects of regional trade arrangements.”*⁸

It is also important to note that while the need for WTO compatibility was an argument used by the EU to justify its proposal for free trade during the negotiations for the Cotonou Agreement, following these negotiations several Commission officials have stated that WTO compatibility is not the main motivation for free trade with the ACP. According to the Commission there is enough flexibility to allow the EU and ACP to agree the type of trade arrangements they deem necessary. The EU now claims that its proposals for free trade based regional arrangements are designed primarily to achieve sustainable development in the ACP and its integration into the world economy and not WTO compatibility.⁹ Despite the claim of flexibility, in the Joint ACP-EU Declaration recently adopted by the ACP and the EU, the EU indicates that 90%+ average coverage of products by reciprocal free trade is its general long-term ambition for ACP-EU trade arrangements.¹⁰

Most importantly there has been no clear illustration made thus far by either party on how the proposed new free trade arrangements relate to poverty such as its relation to employment, the prices of goods poor people buy and public spending in social sectors. Poverty has been both a factor contributing to poor ACP export performance as well as a result of it. The major constraints related to poverty that hinder the ability of ACP enterprises from competing effectively with EU enterprises are widely recognised. These range from unreliable provision of public utilities (electricity and water supply) and poor public infrastructure (run down roads and railways) through weak institutional and policy frameworks (leading to fluctuating exchange rates, high inflation and interest rates) to low labour productivity (arising from poor education, health and housing provisions).¹¹ These constraints actually leave ACP countries less equipped for free trade with the EU than under the present system of non-reciprocal preferential trade. Therefore it could be assumed that, if the concern is the falling share of ACP exports to the EU, then a significant part of the ACP-EU trade negotiations should be devoted to better addressing the abovementioned factors that are largely recognised as contributing to poor ACP trade performance.

⁸ Bonapas, O., I. Taisuke, (2002) “Towards Greater Flexibility and Special and Differentiated Treatment in WTO Rules in the Context of Economic Partnership Agreements between ACP States and the EU”, *Trade Negotiations Insights*, vol. 1, n.º 2, June, see: www.acp-eu-trade.org/tni.html Furthermore ACP and EU have now jointly recognised the evolutionary nature of WTO rules and agreed that EPAs should be compatible with WTO rules prevailing at the time of conclusion of EPA negotiations. See ACP-EC EPA negotiations (2003), “Draft Joint Report on the all-ACP – EC phase of EPA negotiations”, Brussels, 2 October.

⁹ This has been repeatedly stated at European Commission -civil society dialogue meetings.

See <http://www.eurostep.org/pubs/position/trade/tr2003.htm>

¹⁰ ACP-EC EPA negotiations, *op. cit.*

¹¹ Goodison, P. (2003), “The Commission’s Approach to Future ACP-EU Trade Negotiations: A Critical Analysis”, ERO.

3. AIM OF STUDY

This study, based on these aforementioned observations, aims to examine how the proposed free trade based regional agreements affect the fight against poverty in five ACP countries: Jamaica, the Dominican Republic, Ghana, Benin and Cameroon.

The choice of the countries tries to cover the spectrum of development performance of ACP countries ranging from Benin, which is 159th in the UNDP Human Development Index to Jamaica with a Human Development Index ranking of 78. The countries are from sub regions – Central Africa, West Africa and the Caribbean of the ACP where according to the European Commission¹² negotiations between these sub regions and the EU seemed most imminent at the beginning of the drafting of this study. At the time of the editing of this paper, separate negotiations had been launched with West Africa, Central Africa, and a group of East Central African countries.

The analyses are based on experiences and forecasts of people from the five countries working in close proximity to people affected by poverty and sectors that are key to its eradication.

The main focus of the study is on examining what the different consequences are for people in the ACP with the removal of tariff barriers to EU products on the one hand, and the easing of non-tariff barriers to ACP products on the other.

While the impact of tariff barriers such as import duties and quotas are well known in their restriction of the free flow of trade, non-tariff measures such as standards¹³, Sanitary – Phytosanitary standards¹⁴, and rules of origin¹⁵, effect on trade is less well researched. In theory most non-tariff measures are supposed to facilitate trade relations by providing relevant information about products being traded such as their quality, origin and safety. However, in practice they may act as effective barriers to trade by disqualifying goods from entering markets through complex and unnecessary conditions.¹⁶

The study also looks at the likely impact of the combination of the effects of the Common Agriculture Policy (CAP) with free trade between the EU and the five ACP countries. While the EU has been characterised as a proponent of free trade with the ACP, it is questionable whether trade arrangements between the EU and the ACP whereby the EU maintains the CAP with its distorting effects can be described as truly free trade.

The CAP has a detrimental effect on ACP and other developing countries in three main ways. First it lowers world market prices for their products because of increased

¹² European Commission (2003), “Presentation to civil society on EU-ACP negotiations”, meeting organised by European Commission - DG Trade on EU-ACP Negotiations on 6 March.

¹³ Rule and/or procedure specifying characteristics that must be met for a product to be sold in a country's domestic market.

¹⁴ Standards to protect health, of humans, plants, and animals.

¹⁵ A rule stipulating that goods for export originate from a particular country and comply with certain conditions concerning their manufacture.

¹⁶ National Foreign Trade Council, “The European Union in particular uses standards as barriers to trade and is aggressive in promoting its standards in third countries in order to gain competitive advantage”. “US Commerce Under Secretary for International Trade Grant Aldonas”, cited in *Looking Behind the Curtain: The Growth of Trade Barriers that Ignore Sound Science*, INC, May 2003.

production. Secondly the problem of increased production is compounded by the need to dispose of produce resulting in the dumping of cheap EU products in ACP markets therefore undermining productions. Finally, the CAP closes the EU market to some key revenue generating ACP products.

Though it is evident that the CAP and its ongoing reform will have a significant impact on the ACP, and the consequences of any new trade arrangements, the EU has stated categorically that it will not negotiate issues regarding the CAP reform with the ACP. The EU argues that the CAP and its reform are internal EU matters. However, the Cotonou Agreement does provide for ACP-EU consultations on such ‘internal’ EU issues that have an impact on the ACP, if so requested by the ACP.

In focussing on the five ACP countries, the studies examine to what extent the abovementioned observations on tariff and non-tariff barriers, and the CAP are reflected at the country level, and what the likely effects will be on people in those countries.

In any study assessing the impact on poverty of trade arrangements between developed and developing countries it is essential to look at the specific impact on women since 70% of the world’s poor are women. As stated by Women in Development Europe (WIDE) it is a major disappointment that the economic and trade co-operation provisions of the Cotonou Agreement do not refer to the gender aspects of trade.¹⁷ Given the concentration of employment opportunities for women in agriculture and the trade distorting effects of the Common Agriculture Policy there is a real danger that women throughout the ACP will disproportionately carry the burden of adjustment costs associated with liberalisation.

4. EXPECTED RESULTS

Through conducting the study, its authors have sought to:

- Push for trade arrangements that effectively advance poverty eradication in the ACP by:
- Seeking space within the framework of the negotiations for discussion and consideration of trade arrangements alternative to the current EU proposal of EPAs;
- Increasing awareness of the issues at stake in the negotiations with a view to fostering enhanced engagement in the discussions for European and ACP civil society and increasing dialogue between state and non-state actors on the issue;
- Encouraging debate on EU commitments on mainstreaming gender issues in all policies and agreements with third countries;
- Fostering more research on the relationship between ACP-EU trade and poverty eradication looking at inter alia the role of non-tariff barriers;
- Ensuring that clear proposals on how EPAs could address poverty in ACP countries are taken up by negotiators.

¹⁷ Arts, K. (2001), “Gender Aspects of The Cotonou Agreement”, WIDE.

INTRODUCTION

JAMAICA: A CASE STUDY ON ECONOMIC PARTNERSHIP AGREEMENTS

By Fiona Black¹⁸



Photo: Stefan Verwer

1. INTRODUCTION

This chapter aims to examine the likely impact of new ACP-EU trade arrangements - as proposed by the EU - on poverty alleviation and sustainable development on Jamaica from a civil society perspective, by examining in particular the role that tariff and non-tariff barriers play.

In its first part it aims to provide a snapshot of poverty in Jamaica, a description of its trade flows and the level of integration achieved in the Caribbean, the region through which Jamaica is supposed to partner the EU in new trade arrangements. It then endeavours to identify a number of obstacles that have hindered Jamaica in using current ACP-EU trade arrangements as a tool for sustainable development and poverty reduction. Subsequently it tries to forecast the likely implications of EPAs

¹⁸ Fiona Black represents DHS (Dairy Herd Service) in Jamaica.

(with a focus on the dairy industry), if based on liberalised trade¹⁹, on poverty eradication and sustainable development. Finally on the basis of all the above, it attempts to set benchmarks for new ACP-EU trade arrangements that effectively contribute to poverty eradication.

The chapter makes extensive use of existing literature but also draws primary information from a number of interviews with government officials, the private sector and workers in the dairy and sugar sectors.

Poverty in Jamaica

Jamaica is a small island Caribbean state with an area of 10,991 km, population 2.6 million and Gross Domestic Product of US\$9.8 billion²⁰ (€7,4 billion). In the Caribbean region Haiti and Jamaica have been the poorest performers with negative growth, whereas the Dominican Republic has been the best performer.²¹ Although renowned for its music and rich culture Jamaica has been struggling with a heavy debt burden and negative growth rate. Agriculture is an important part of the economy; employing 20% of the labour force and supporting 150,000 rural families. Jamaica is ranked higher in its Gender Development Index (#69) than in the Human Development Index (#82). Still unemployment has traditionally affected women more than men.²²

The poverty level for Jamaica stood at 16.8% in 2001. Seventy-two percent of the poor live in rural areas.²³ Gender is a key component of poverty in Jamaica as 66% of poor households are female headed. Women account for approximately 28% of the total agricultural labour force.²⁴ They tend to concentrate on the production of a mix of domestic market oriented crops, rather than the traditional export crops. They also tend to have smaller farms than men and on mixed farms are assigned the lower paid but less strenuous jobs such as picking, washing and packaging.

Children also account for 50% of the poor.²⁵ While the last few years have seen gains in the reduction of the numbers in poverty, this has not been supported by increased productivity.

EPAs, as an integral part of the ACP-EU Partnership that has poverty eradication as an overall objective, will in practise have to effectively contribute to Jamaica's fight against the problems of poverty described above.

¹⁹ The EU has proposed that new ACP-EU trade arrangement to be agreed by the end of 2007 should be based on free trade areas between sub-regions of the ACP and the EU. As all ACP countries already enjoy over 90% access to the EU market, establishing these new arrangements basically involves ACP countries establishing sub-regional free trade areas which will then open their markets to the EU.

²⁰ "The World Factbook", 2002 and "Economic and Social Survey Jamaica", 2002.

²¹ CARIFORUM and European Community (2002), "Regional Strategy Paper and Regional Indicative Programme for period 2003-2007".

²² Government of Jamaica and European Community (2002), "Country Strategy Paper and Indicative Programme for period 2002 – 2007".

²³ Planning Institute of Jamaica and the Statistical Institute of Jamaica (2001), "Jamaica Survey of Living Conditions".

²⁴ NSAC, "Agricultural Trends and Small Farming in Jamaica", *Island Sustainability, Livelihood and Equity Program: Island Food Systems, Country Profile – Jamaica*.
<http://www.nsac.ns.ca/pas/courses/ifs/jamaica/Part2&3.html>

²⁵ Pricewaterhouse Consortium (2003), "Working Papers for Regional Workshop in the Caribbean", November,
<http://www.sia-acp.org/acp/uk/news.php>

2. CHARACTERISTICS OF TRADE FLOWS

Trade between Jamaica and the European Union (EU) accounted for 37% of exports in 2001. As such the EU is the largest player, followed by the United States (US) accounting for 31% and followed by Canada accounting for 16%. Imports are primarily from the US (45%), CARICOM, the Caribbean Community and Common Market (13%) and the EU (11%).²⁶ Jamaican trade with Latin America and Japan is also increasing. Total exports and imports in value are equivalent to, respectively, 20% and more than 40% of GDP. The country's trade deficit is considerable and widening. The balance of payment current account is also traditionally negative, since the positive contribution of tourism and overseas remittances from emigrants do not offset the deficit of trade in goods. The balance of payments depends on net foreign investment in Jamaica.²⁷

Jamaica has also always relied on the import of basic foodstuffs. Liberalisation of Jamaica's market following World Bank structural adjustment programmes has led to large increases in food imports and decline in food exports since the beginning of the 1990s. The main imported foodstuffs are cereals (80%), fish and meat (12%), dairy products (3%) and vegetables (2%). The US supplies most of the cereals, vegetables, meat and processed foods, while the EU supplies most of the dairy products. The import of dairy products in 2001 had a total value of US\$48 million (€37,9 million), an increase in foreign exchange expenditure of 53% over 2000.²⁸ Surges in food imports have been described by the FAO as 'highly negative' in relation to food security.²⁹

Michael Witter, Economist at the University of the West Indies (UWI) describes regional trade with the EU as involving the crucial and traditional exports and tourism. According to European Commission statistics³⁰ in 2002 chemicals represented 54% of Jamaica's exports to the EU. This was followed by sugar and textiles with 15% each. Fruits and nuts represented 7%, and miscellaneous products represented the other 7%. Imports from the EU were as follows: machinery (40%), aircraft (22%), vehicles (8%), chemicals (5%) and miscellaneous products representing 25%. In 2002 Jamaica had a slightly positive trade balance with the EU of €24 million.

3. REGIONAL INTEGRATION

Jamaica is a member of CARICOM, a Customs Union established in 1973, comprised of 15 member states, including the Organisation of Eastern Caribbean States (OECS). CARICOM countries together have a population of over 14 million people and a cumulative GDP of more than US\$22.8 billion (€18 billion). CARICOM was formed to allow Caribbean economies to co-operate, harmonise economic policies, increase

²⁶ Statistical Institute of Jamaica (2002), "External Trade 2001- Provisional Part 1".

²⁷ CARIFORUM and European Community, *op. cit.*

²⁸ Jamaica Dairy Development Board, "Dairy Facts & Figures, 2001-2002".

²⁹ FAO (2000), "Agriculture, trade and food security issues and options in the WTO negotiations from the perspective of developing countries".

³⁰ "Europa Trade", *Trade Issues*,

<http://europa.eu.int/comm/trade/issues/bilateral/regions/acp/stats.htm>

efficiencies and become more competitive to better meet the challenges of global competition. It is now being proposed that CARICOM have a Commission similar to that in the EU.

The Caribbean Forum of ACP States (CARIFORUM), which comprises CARICOM countries and the Dominican Republic, is the organisation through which the programming of the Caribbean Regional Resources under the European Development Fund (EDF) is channelled. Anthony Gonzales, Negotiator in the Caribbean Regional Negotiating Machinery (CRNM) argues there is enough integration in the region and it has already been agreed that CARICOM will negotiate an Economic Partnership Agreement (EPA) with the EU. The Dominican Republic has indicated that it will join CARICOM in those negotiations. Cuba is a member of CARIFORUM and the ACP Group but is not party to the Cotonou Agreement. Cuba is therefore not eligible to join the negotiations for regional EPAs.

In 2002 the governments legally established the CARICOM Single Market and Economy (CSME) but it still has to be brought into operation; trade restrictions should be fully removed by 2005. It is estimated that 95% of the intra regional trade is free of duties. The Common External Tariff (CET) is the primary instrument of the Community's external trade policy providing for common tariffs on extra-regional imports. Maximum tariffs for non-agricultural products are 10% and for agricultural products 40%. Intra-regional trade is increasing and now accounts for 22% of total CARICOM exports, compared to 12% in 1990.

Michael Witter, Economist UWI, says businessmen of the region are moving towards integration because of the economic need to cooperate. While there have been advances with some regional linkages, Witter says that achieving a common currency for the region is almost impossible to resolve because either the Jamaican currency will have to revalue or the other countries will have to devalue.

A number of other problems can be cited regarding CARICOM's integration process. Firstly it seems to be driven by trade negotiations with third parties, and its development may be thus determined by outside interests rather than regional concerns. Jamaica is a member of a wider grouping in the region of the Association of Caribbean States (ACS) comprised of 25 member states and 3 associated member states³¹. The ACS was formed to strengthen regional co-operation in the wider Caribbean but CARICOM's negotiations for the Free Trade of the America's (FTAA) has overtaken the ACS agenda.³² The ACS countries represent 240 million people and a trade value of US\$600 billion (€427,3 billion)³³. The Trade Advisor of the ACS, Juan Carlos Martiniez-Piva, has stated that, "*It has become necessary to introduce a new vision for the role of trade, far removed from the mercantilist view that prevails today.*"³⁴

³¹ ACS member states; Antigua & Barbuda, Barbados, Belize, Cuba, El Salvador, The Bahamas, Colombia, Costa Rica, Dominica, Dominican Republic, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, St. Kitts & Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad & Tobago, Venezuela, and Associated members; Aruba, Netherlands Antilles, France (on behalf of French Guiana, Guadeloupe and Martinique).

³² CARIFORUM and European Community, *op. cit.*

³³ Aleem Khan, Communications Charge, ACS, *The Sunday Gleaner*, June 22, 2003.

³⁴ *The Sunday Gleaner*, September 7, 2003.

Secondly, transport and communication costs are high and are a major constraint on trade and economic development. Freight costs as a percentage of exports can be 30% in the region, against 4% in large economies of the hemisphere such as Brazil. There have been complaints by Jamaican exporters trying to get products into Barbados and Trinidad and vice-versa relating to artificial barriers of bureaucracy at government ministries with labelling and HACCP (Hazard Analysis and Critical Control Points) requirements. Trade delegations from the abovementioned countries have been engaged with this problem.

Thirdly, it is likely that CARICOM will face problems in developing common strategies that address poverty and are relevant for its diverse economies. Haiti is the only Least Developed Country (LDC) in the region. It is one of the world's lowest ranked countries in the HDI (#150), while Barbados is ranked 27th in the world. Haiti as an LDC is a beneficiary of the Everything But Arms (EBA) initiative and therefore has the option not to participate in negotiations of EPAs. Haiti has, however, indicated that it will negotiate EPAs along with CARICOM. A trade official in the Ministry of Foreign Affairs and Foreign Trade says that an assessment should be undertaken that would indicate the possible effects of Haiti as an LDC in a Caribbean EPA. Michael Witter, Economist, UWI, speculates that Haiti, as an LDC within the EPA may mean that funds are stretched further. Also Haiti may have different legal requirements due to their historically French legal system and this may further stretch resources. There again, Witter speculates that a LDC within the group would pull down the average per capital income but perhaps attract more aid.

Another issue of concern is what the region has to offer in new trade arrangements with the EU. Jamaica's Prime Minister, P.J. Patterson has said that while the Caribbean was once famous for its large plantations, declining productivity from land resources now make it one of the most food insecure regions of the world. Anthony Gonzales of the Caribbean Regional Negotiating Machinery writes that the region does not have the export capacity to profit much from the proposed trade agreement, but this can be boosted with services and the movement of natural persons. He states the impact of the new trade arrangements will depend on the structural changes (skills development, institutional reforms, labour market changes, development of capital markets) to the economy.

There is also the issue of dealing with multiple sets of negotiations at the same time (WTO, FTAA, EPAs, CARICOM). One regional leader states that the Caribbean needs 'breathing space' (from WTO issues) in which to complete successfully the single market and prioritise its trade negotiations with Europe and the Americas³⁵. An experienced negotiator writes that 'time out' is required because the Caribbean will be severely handicapped if pressed to complete first the negotiations with the FTAA, where they have the least leverage³⁶.

Finally the Most Favoured Nation clause in the Cotonou Agreement may also mean that the Caribbean countries may simply have to grant the EU all market access concessions they grant to Canada and the US in the FTAA, rendering negotiations

³⁵ David Jessop, Executive Director, Caribbean Council, *The Sunday Observer*, September 7, 2003.

³⁶ Sir Shridath Ramphall, Chancellor of the University of the West Indies, *The Sunday Gleaner*, June 22, 2003.

with the EU on the specific interests of Jamaica redundant. This is especially crucial as FTAA negotiations are likely to be completed before EPAs.

The views above suggest a sequencing of the different negotiations facing Jamaica so as to ensure that it can make the best use of limited capacity while setting in place the necessary conditions required, in the right order, for the different sets of trade arrangements.

4. BARRIERS TO EXPORTS ARISING FROM EU POLICY

Even though the Cotonou Agreement provides duty free access to the EU markets for almost all Jamaican exports, producers still face a range of non-tariff barriers and other obstacles to market access. A few examples that have implications on poverty reduction are cited below. If EPAs are to achieve sustainable development they will have to tackle these problems.

Sanitary and Phytosanitary Standards

Based on experience working with Jamaican dairy farmers, in DHS's view it would be impossible for Jamaica to meet the Sanitary and Phytosanitary Standard (SPS) regulations for dairy products exported to the EU because there are not the systems in place to trace the milk to specific animals and their individual health records. These SPS regulations came into effect in the 1990s and stopped the export of processed cheese entering the EU. Jamaica is far from having the resources for this level of sophisticated recording.

Exporters of ground provisions and fresh produce (yam, sweet potato, dasheen, ackee, pumpkin, callaloo, mango) to the EU are satisfied with movement of goods for the moment but foresee problems ahead. Novell Quest, the chairman of Agriventures Jamaica Ltd., says new standards will soon be applied to his produce and he needs help with technology in post harvest treatment that will be acceptable. He also needs assistance to improve the packaging and labelling to get the best price for the goods. These problems experienced have important implications for poverty in Jamaica, as diversification of exports is a key part of Jamaica's poverty reduction programme.

Common Agricultural Policy (CAP)

Dairy export subsidies in the EU, under the CAP, encourage over production and Jamaica cannot compete with the 'dumped' prices of the dairy products being imported. This case is not just for exports to the EU but about competing in the local and regional market. Albert Walker, Managing Director of the Jamaica Dairy Farmers Federation says, "*The milk powder retailers do the minimum of processing to the product, such as add flavour and sugar and put on mark-ups of 240% and still be underselling the flavoured fresh milk we can produce.*" The Dairy Board projects that high levels of milk powder imports substituting for local fresh milk will see six to nine thousand people in rural Jamaica become jobless in the short term. This will no doubt have serious implications on poverty in Jamaica. According to an evaluation of

poverty in Jamaica, most Jamaicans relate poverty to unemployment and lack of economic opportunity.³⁷

The EU Sugar Regime

The EU Sugar regime within the CAP also restricts Jamaica and other ACP countries from selling refined sugar to the EU, to protect EU sugar processors. Under the ACP-EU sugar protocol the EU buys a fixed quantity of raw sugar each year from ACP producers at guaranteed prices, three times higher than world prices, but processed sugar is penalized with high tariffs. This seriously limits the possibility for the value adding to raw sugar in Jamaica. The sugar industry, the second largest single employer in Jamaica, is in serious decline. The number of people dependent on the sugar sector or indirectly involved is estimated at 120,000 – 150,000.³⁸ It is also the third largest earner of foreign exchange.³⁹ But the Sugar Company of Jamaica Ltd., which operates government-run sugar estates, recorded a US\$9 million (€7,1 million) loss for 2002-2003, thereby increasing its accumulated deficit to US\$106 million (€83,6 million).⁴⁰ Karl James, CEO, Sugar Industry Authority feels that the sector and government should have moved from the supply of primarily raw sugar many years ago despite the EU wanting it in this form for their own manufacturing and being prepared to pay for it. With the current rules of the sugar protocol and Jamaica's own problems of low sugar productivity in both farm and factory operations this will be difficult. Jamaica had projects to make alternative products but none has been successful but rum. An economist at the University of West Indies says that the region can market all the rum it could make from the existing sugar production.

Apart from the problem of not being able to export processed sugar a larger problem looms for the industry as the EU contemplates reducing the internal price of EU sugar due to pressures from Australia and Brazil who argue that the EU sugar regime creates global surpluses that depress world prices. This problem is compounded with the EU's "Everything But Arms" initiative, which provides LDCs duty free access to EU markets for all EU duty free products apart from arms. From 2009 quotas and tariffs will be scrapped for sugar exported by LDCs to the EU. This would be disastrous for Jamaica's sugar industry, as it will not be able to compete with these LDCs who have cheaper costs of production. A Ministry of Agriculture trade official says it would take a minimum of 15 years to develop the sugar sector to compete on the world market.

Given the role of the sugar industry in the Jamaican economy, the negative socio-economic repercussions and impact on poverty of the continuous decline of the industry are massive.

³⁷ Government of Jamaica (2002), "Jamaica Social Policy Evaluation: Consultations with Communities – May-July 2001", undertaken and reported by the Social Development Commission.

³⁸ Samuel Indalmanie, Sugar Industry Authority, July 2003.

³⁹ Planning Institute of Jamaica (2002), Economic and Social Survey of Jamaica.

⁴⁰ Street News Round-up, *The Agriculturalist*, June 2003.

5. IMPACT OF LIBERALISED TRADE BETWEEN THE EU AND JAMAICA ON THE DAIRY SECTOR

A fair estimate is that 110,000 hectares of improved pastures support the cattle population of 280,000 animals owned by 20,000 beef and dairy farmers. Some 70% of the farmers own 1 to 4 cattle. A serious financial loss being experienced in the industry is influencing an accelerated decline in the national herd resulting in idleness of lands and other factors of production related to the enterprise.⁴¹ But the dairy cow is celebrated as the most efficient converter of non-digestible energy and protein to milk and meat for human consumption.⁴² Dairy farming is well suited to ecologically friendly practices, particularly soil maintenance with pastureland.

The numbers of farmers with dairy animals was estimated at 3,000 in 1996 but the number selling formally into the milk trade was not more than 500 farmers. The majority of these were small farmers supplying milk in churns to one of two processors, Nestle and Serge Island. The link of the success or failure of dairy farming to poverty is evident as statistics indicate that 72.5% of the poor live in rural areas. Also, 26.9% of the rural population is poor and 69% of the poor work. Agriculture is cited as one of the main employment areas of the poor.⁴³ These small farmers produced about 8% of the 22 million litres sold into the trade in 2001. Many small farms are operated by men and women together but the women will defer to the man as the farmer. There are few statistics but studies in the Eastern Jamaica Agricultural Support Project indicated 11% to 25% female involvement on all farms.

Government has recognized the importance of milk production to rural development and when able has supported initiatives taken by farmers to revamp the sector. In 1998 the Planning Institute of Jamaica (PIOJ) voiced its commitment to using the dairy sector as the first leverage to develop agriculture and went on to say that they were searching for funds to support the industry.⁴⁴ This activity was successful and in 1999 the dairy industry was promised a loan of US\$10 million (€7.9 million) to implement the JDFF's Milk Marketing Project. The Ministry of Agriculture said it thought the dairy industry fit into the scenario of the development of agriculture for rural development.⁴⁵ The Project was a result of 'A Milk Production Strategy for Jamaica' written by the Commonwealth Secretariat in 1996 and adopted by the government in 1997. The Strategy included the formation of a federation of dairy farmers and a Dairy Board to guide policy. The Strategy also proposed that government tax all milk imports at 50% and use the tax revenue to develop the local industry. The Federation and Board were formed in the ensuing years but the change in tax on imports is still being debated. The Strategy estimates that 10,000 productive jobs would be created by this development but there has been no further assessment of the indirect employment opportunities that would be created and the socio-economic impact. Indicators show that there is an opportunity of providing for the demands of the local market, which is valued at US\$9 billion (€7.1 billion).⁴⁶ Given the importance of employment for poverty in Jamaica this could be crucial to any strategy

⁴¹ Wellington K.E., "Jamaica Livestock Industry: Contributing to the National Economy", *Jagrist*, May 2002.

⁴² "Hoard's Dairyman", editorial, January 1995.

⁴³ PIOJ and Statistical Institute of Jamaica, "Jamaica Survey of Living Conditions", 2001.

⁴⁴ Dr. Wesley Hughes, Director General PIOJ, *The Jamaica Observer*, November 25, 1998.

⁴⁵ Aaron Parke, Permanent Secretary, Ministry of Agriculture, *The Jamaica Observer*, January 30, 1999.

⁴⁶ Jamaica Dairy Development Board, "Medium Term Policy Framework for the Dairy Sector", August 2003.

on poverty reduction in the country. But according to a consortium of consultants carrying out a Sustainable Impact Assessment on new ACP-EU trade arrangements, Jamaica has been unable, because of World Bank pressures and of processing factory lobbying, to apply any taxes although that has suggested by several analysts as a means of preventing dumping.⁴⁷ According to some observers Jamaica may also be uncomfortable imposing taxes on imports from the EU as it depends on the EU for its preferential sugar and banana access.⁴⁸

EU Dumping of Dairy Products in Jamaica

The influx of imported dairy products started in the early 1990s when Jamaica reduced import tariffs on these products. Import duties on milk powder are now as low as 5%.⁴⁹ The EU has been able to take advantage of this action with its massive farm subsidies. In October 2002, EU export refunds⁵⁰ stood at €1850/tonne for butter and €760/tonne for milk powder. Since the early 1990s the EU has tripled its exports to Jamaica. The EU accounted for 67% of the volume of imported milk powder in 2000.⁵¹

The impact of the influx of EU milk products has had a seriously damaging effect on the dairy sector. Nestle in 2001-2002 made changes to cut milk purchases from local farmers from 15 million litres per year to 6 million litres. Collection stations were set up to replace churn collection routes, quotas set up for large farms to restrict production and the price cut for all.⁵² The most dramatic fallout was with small farmers whose production has fallen from 2.5 million litres to 300 000 litres in 5 years. The number of small farmers has fallen from thousands in the 1960s to less than a hundred at present. In total Jamaican milk producers now only account for 12% of the domestic milk market and production of local milk has sunk by 35% in the last two years.⁵³

In 1997 Jamaican farm gate price of milk was one of the highest in the world but through devaluation and processor price cuts the price has fallen to (US\$0.30 and US\$0.22 per litre) (€0,24 and €0,17 per litre)⁵⁴ levels on par with most countries in the world, and below the average prices in EU, US and Canada. Jamaican farmers have no government support systems and are highly vulnerable. The cost of production of milk (average US\$0.38 per litre) (€0,3 per litre) is still too high because farms cannot sell volumes to maximize efficiencies.⁵⁵ Over the last few years, several farmers have had to sell or slaughter animals in an effort to minimise losses.

⁴⁷ "Working Papers for Regional Workshop in the Caribbean", 05 November 2003.

⁴⁸ CAFOD (2002), "CASE STUDY- Importation of Milk Solids into Jamaica from the EU".

⁴⁹ In 1996 the government raised tariffs on milk powder from 30 to 50% but a tariff of only 5% exists for importers who classify themselves as 'manufacturers'. This term loosely interpreted means a great number of imports come in under the 5% tax.

⁵⁰ Subsidies are not just restricted to farmers, UK farm groups claim that milk processors and export companies can get up to 7 times more subsidies than dairy farmers.

⁵¹ <http://www.sustainweb.org/pdf/dairy.pdf>

⁵² CAFOD, *op. cit.*.

⁵³ *The Daily Gleaner*, February 4, 2002.

⁵⁴ *Jamaican Dairy Board*.

⁵⁵ August 2003, J\$60 to purchase US\$1.

⁵⁵ French D.L., R.C. Miller, P.G. Jennings (2002), "Cost of Production per Litre of Milk in Jamaica in Year 2001".

Impact Liberalisation on the Dairy Sector

Based on past evidence of the damage that EU imports caused with low tariffs, many in the industry believe that opening markets further to EU exports through EPAs would be disastrous for the dairy industry. Aubrey Taylor, Chairman, Jamaica Dairy Farmers Federation (JDFF) has said that if the EPA were to remove all tariffs on milk product imports then, *“That would be the last straw to break the camels back. We would see UHT (Ultra-High Temperature) milk come in large volumes. It would totally wipe out the local dairy farmers.”* Albert Walker, Managing Director, JDFF says the benefits of cheap milk imports are short-lived. *“The increased imports put pressure on the local currency and worsens devaluation,”* Walker says. Marjorie Stair, a former agriculturalist takes another view of the possibilities of the negotiations; *“as victims of trade distorting subsidies in developed countries the Jamaican dairy industry would like to benefit from the billions of dollars that the WTO and trade liberalisation should bring.”*⁵⁶

But Dr. Paul Jennings of the Jamaica Dairy Development Board writes that *“there is little justification to Jamaica’s fastidious observance of the WTO rules and there is much sympathy for the dairy farmers’ contention that there is a clear case for the imposition of countervailing duties on dairy imports originating in these countries (EU, Canada and the US).”*⁵⁷

Taking account of the PIOJ’s aim of using the dairy industry to revamp Jamaica’s agriculture sector, it is evident that if Jamaica is unable to protect its dairy industry and rather opens its markets further to EU dairy products in an EPA, it would be to the detriment of its entire agriculture sector.

6. GENERAL IMPACT OF LIBERALISED TRADE BETWEEN THE EU AND JAMAICA

Most forecasts of new ACP-EU trade arrangements highlight the following points as possible outcomes to of liberalised trade between the ACP and the EU:

- A fall in government revenue as a result of a loss of import duty receipts;
- An influx of EU imports and a displacement of local products and exports from sources on the market;
- The need for resources for adjustment.

This study aims to look at the implications for poverty implications of such findings.

Impact on Public Revenue

A trade official in the Ministry of Foreign Affairs and Foreign Trade cited the potential loss of revenue from customs duties as one of the main challenges of the EPA, as is the case with all Free Trade Agreements in which Jamaica is involved. 10% of Jamaica’s gross revenue comes from customs duties and charges. Officials are keen to ensure that the negotiations do not result in a deterioration of the country’s

⁵⁶ Marjorie Stair, “Cheap milk vs. food security”, *Financial Gleaner*, September 12, 2003.

⁵⁷ Jennings Dr. P.G., “Whither the Jamaican Dairy Industry?”, *Jagrist*, 2003.

economic fortunes and are particularly concerned about the impact of EPAs on poverty eradication. Nevertheless, they say it is still too early to predict the likely effects of EPAs on areas such as national revenue. A study commissioned by the EU in 1998 states that Jamaica would lose about 1% of government revenue through the implementation of free trade with the EU. This is equivalent to 11% of import value.⁵⁸ This could roll back any progress made in public spending on social services in recent years.

According to the trade official a lot of work still needs to be done in relation to the negotiations of the FTAA and this is already generating relevant information. The outcome of this will provide the guide for the groundwork that is required in the context of EPAs both at the local and regional levels. The deadline for the completion of negotiations for the FTAA is set for the end of 2004.

Impact of Influx of EU Imports

EPAs could also result in an influx of imports from the EU that Jamaican producers will not be able to compete with. Roger Turner, a highly respected, innovative estate owner producing several crops says, *“Jamaica has no economical advantage in anything other than coffee⁵⁹, and that is only true due to its unique taste.”*

In Jamaica’s ‘breadbasket’, the parish of St. Elizabeth, generally onions, escallion, thyme, watermelons among other market produce are grown. This is not a case of exporting to the EU, but rather a sector struggling in the local market against produce from farms with direct support. The farmers say *“foreign goods killing us”*. Small farmers like Almando Powell complain that *“Things getting harder for me still an’ it due to the cheap foreign produce.”* Rohan Ford, 38, says *“If you can’t afford to buy back the seeds and fertilizer, how you a go start back business, especially when you have children going to school? How do they expect us to live as a small man?”* Barrington Roye, a farmer for 30 years says, *“If the government stop the imports, local farmers can survive.”⁶⁰ “The Jamaican government does not have the resources to provide direct support to its farmers to keep them on the land as developed countries can,”* says a trade official in the Ministry of Agriculture. *“Jamaica only has tariffs which is what it can use to protect a sector. Still, we are already more open an economy than the US or EU.”* The government does not yet have figures on what the impact on employment will be but indications from the dairy industry give an idea of things to come. Given that a significant amount of EU exports to Jamaica are on agricultural products, which are produced by the poor, any downturn in employment will impact on poverty. EU agricultural products could threaten in particular the potato, food preparations and malt sectors, where tariffs are high.

⁵⁸ Institute of Development Studies Sussex (1998), “Study on the Economic Impact of Introducing Reciprocity into the Trade Relations between the EU”.

⁵⁹ Japan is the biggest importer of Jamaican coffee followed by North America and the UK. However the Coffee Industry Board is pursuing new markets. Prospects for coffee exports are only good for the high value high mountain coffee, but its production causes ecological problems because of the limited watershed. Exporting to the EU will require investment in other varieties of coffee.

⁶⁰ *The Sunday Observer*, September 7, 2003.

In Jamaica unemployment is perceived to affect development at all levels – necessities, health and education⁶¹. Furthermore the consortium of consultants carrying a Sustainability Impact Assessment on ACP-EU Trade Arrangements have pointed out that the relation of poverty employment is not restricted to unemployment, but significantly also to underemployment as a good number of the poor have jobs but are underemployed.⁶²

Impact on Consumer Prices

It has been argued by some that liberalisation leading to cheap imports of agricultural products could benefit the poor but an EU commissioned study on the EU-Caribbean trade states low prices cannot be counted on as a result of EU-CARICOM free trade.

*“if the effects of tariff cuts are passed on in the form of lower consumer prices, a REPA would have a positive economic impact. But the assumption of tariff cuts being passed on as lower prices is questionable given the structure of CARICOM markets.”*⁶³ An FAO report on Jamaica⁶⁴ goes further in refuting the theory of cheap imports:

“Further programmes of liberalization in the global agricultural sector are expected to increase the prices of certain food imports over time, and net food importing developing countries could then be faced with significantly increased food bills. In Jamaica’s case, this would exacerbate the already acute problems of a persistent food deficit and debt burden.”

Resources for Adjustment

Several problems seem to arise in adjustment costs, product development, impact assessment, human resources and transportation to meetings, which are all due to lack of funds. While the European Development Fund (EDF) resources are to support: (1) economic development (support for structural adjustment), (2) social and human development and (3) regional integration and cooperation these funds have been a problem to access.⁶⁵ According to a trade official of the Ministry of Foreign Affairs and Foreign Trade, Jamaica has to also contend with human and financial resource capacity constraints.

The Ministry of Foreign Affairs and Foreign Trade state that the new trade arrangements with the EU will impact on Jamaica in terms of adjustment. Companies will have to take the necessary steps to modernize and become more competitive in order to be able to withstand the increased competition. The island has supply side constraints, which have to be addressed. A Ministry of Agriculture trade official says Jamaica has to ask of itself, what are these new competitive products to trade in and replace commodities. Studies still need to be done on maximizing advantages and opening horizons within the markets that will be available with the EPA. The Foreign Affairs and Foreign Trade official made reference to the enlargement of the EU and

⁶¹ Government of Jamaica (2002), “Jamaica Social Policy Evaluation: Consultations with Communities – May-July 2001”, undertaken and reported by the Social Development Commission.

⁶² PriceWatehouse Consortium (2003), “Working Papers for Regional Workshop in the Caribbean”, 05 November.

⁶³ Institute of Development Studies Sussex, 1998.

⁶⁴ FAO (2003), “WTO Agreement on Agriculture: The Implementation Experience - Developing Country Case Studies”.

⁶⁵ ECDPM (2001), “Cotonou Infokit”.

the possible advantages for Jamaica including the supply of products to these new markets as well as the challenges in terms of unknown competition. Jamaica would benefit from opportunities for product development. It would be impractical to expect “infant industries” to survive without adjustment support or protection for an initial period.

A total of €20 million was allocated to the ACP Group for capacity building for the negotiation of EPAs. The ACP experienced some delay with the disbursement of those funds. The Ministry has received funding for the assistance of a trade expert. The Ministry would welcome further assistance over the remaining five-year period of the negotiations. There are inadequate funds for the Ministry to hire enough staff, attend meetings and communicate with the private sector. Michael Witter, Economist says that approval for the EU funds is laborious and the PIOJ’s experience has been that they have to hire a specialist solely to complete the EU forms. The problems of accessing funds is particularly crucial considering that the EU seems place assign the responsibility of carrying out adjustments for new trade arrangements on ACP countries.

The Private Sector Organisation of Jamaica (PSOJ) spokesman on EPAs, Vivian Grey, says that there has only been one discussion on the issue so far and there are no studies available on the impact of the pending agreements (FTAA, WTO and EPAs). There is human resource support being provided by USAID and the Jamaican government has undertaken impact assessment studies but these are still incomplete. Grey’s view of non-involvement of some sectors with the PSOJ was their apathy. The Jamaica Dairy Farmers Federation (JDFF) Managing Director, Albert Walker says they are unable to fund staff or members to represent them at the meetings. The JDFF has still not been able to acquire funds for adequate representation of its members since its inception in 1998.

It is evident from the above arguments that there will need to be both an increase in resources to support adjustment costs (including fiscal reform), product development, as well as effective participation of key stakeholders, in the negotiations and an improved and efficient disbursement mechanisms of these resources.

Overall Impact on Poverty

This study does not have the scope to provide a comprehensive analysis of how liberalised trade between the EU and Jamaica would impact on poverty reduction in Jamaica. However a few key indicators that are frequently used to demonstrate the effect of trade on poverty can be drawn from the above analysis to give some indication on the impact of trade liberalisation, such as its effects on:

- Government revenue derived from import duties;
- The effect on the agriculture production, the sector that employs most of the poor; and
- The impact on prices of goods that the poor spend their money on.

The evidence here, as well as that from most other studies on liberalised trade between the EU and ACP, that all three indicators, point to a worsened situation of the poor following the implementation of free trade with the EU. This is due to the foreseen fall in government revenue that could be channelled to programmes to

support the poor, indications of a growth in unemployment in the agricultural sector, and an eventual rise in prices of imported goods that the poor buy.

7. CONCLUSION AND RECOMMENDATIONS

Following the above arguments one could conclude that the effects of the EPAs will not alleviate poverty or benefit Jamaica and the region in any way unless it can address supply side constraints facing Jamaican exporters and halt the dumping of products on Jamaican markets. Small Island developing states cannot achieve the economy of scale to compete in efficiency with more developed and larger countries. The preferential arrangement ACP countries enjoy will ultimately be eroded, that reality has been accepted. It is accepted in Jamaica that the concept of free trade was taken on by Jamaica and liberalisation is further along here than for the developed countries primarily EU or the US.⁶⁶

So the main thrust of the negotiations should not be on establishing liberalised trade between the EU and Caribbean countries. Rather EU-Caribbean negotiations should focus on restructuring economies in the Caribbean and addressing supply side constraints and non-tariff barriers facing Jamaican exporters in an effort to promote regional trade as well as trade with other parts of the world, including the EU.

Recommendations for the Jamaican Government

- Put in place programmes to provide support and safety nets for agriculture producers to address loss of income.
- Well-targeted direct income and employment support programmes should be introduced.
- Propose protection of products in the interest of national food security and the protection of the livelihoods of the poor. Farmers must be guided by clear policy as to which products are best for land and labour utilisation. Assessment must be completed to select the products, which will go furthest to eliminate poverty in an environmentally sustainable way. Within the WTO rules governing such trade arrangements as the EPAs, the ACP and the EU need to work together to ensure that there is enough flexibility to protect such products. There is nothing romantic about being a poor small farmer; the future must be attractive for the next generation to remain managing the land.
- Promote the development of agro-industry that allows for value adding to agricultural produce and provide more income for the poor. This should also involve education and skills training.
- Put forward a plan for a comprehensive restructuring of the sugar sector. This should include provision of funds to retool the sugar factories for more competitive production. This must include development of innovative sugar products that add value, move away from marketing sugar as a commodity as well as meet the local needs for sugar.

⁶⁶ Government of Jamaica and European Community, 2002.

- Carry out studies on the costs and implications of non-tariff barriers that Jamaica faces for its economic and strategic fight against poverty, with a view towards putting forward proposals that could be taken up within EPAs.

Specific Recommendations on the Dairy Sector

- Implement a policy to increase use of local milk. A clear policy is needed to complete the steps of support for the dairy sector. The Dairy Board supported by the Dairy Farmers Federation has recommended a Tariff Rate Quota that is expected to be an incentive for processors to use local fresh milk without being as severe a penalty as an anti-dumping duty. Complete the legislation to empower the Dairy Board to collect information and set policy.
- Provide funds for dairy farmer representation. The case for defending productive jobs for dairy farmers has been repeatedly made since the farmers formed their Jamaica Dairy Farmers Federation in 1998. Still the farmers themselves do not have access to funds to hold meetings and send representatives to suitable forums. Seed funding must be found for the farmers to travel to regional meetings and learn of the overall position and voice their needs.
- Provide funds for dairy development projects. In order to improve methods of production and enhance trade opportunities the farmers will always need to be better at what they do. Suitable technology must be developed and employed by the dairy sector. For this to happen the funds must be found to develop projects that aim to enhance productivity.
- Control imports of milk products through a single body. While the Jamaica Commodity Trading Corporation handled all imports of milk powder it was possible to implement a parity transfer mechanism, which saw an increase in processors use of local milk. To police protection mechanisms for milk powder one importing entity is needed.

Recommendations for CARICOM

- Compile data and conduct socio-economic impact assessment. The impact assessment for the various trade negotiations has begun but more resources must be mobilised to complete this work. In the absence of this information the negotiations should not be concluded. If need be the negotiations must be delayed for lack of information. The region must be given the time to prepare properly.
- Fully develop the Regional Agricultural Policy Network (RAPN). A system for the region to work collectively has been designed through the University of the West Indies. Significant focus is being placed on networking as a cost-effective method of fostering widespread involvement of agricultural sector stakeholders in policy formulation and as a means of consultation, monitoring, review and evaluation. It needs full support of the private sector, civil society and the public sector to work effectively. This will aid CARICOM unity in achieving its extensive objectives.
- Develop the human resources at the University of West Indies (UWI) to assist negotiators. UWI students could work along with negotiators and Ministry staff on research and as resource personnel for a minimal fee. This would be a low cost

means of supporting the negotiation process while building the human resource in the required skills. It would expose young minds to the intricacies of the regional trade negotiations.

- Develop local standards in conjunction with the EU and support local producers to meet the standards. Local standards have worked in the interest of the consumer but not always with development of the economy as a whole in mind. Standards must function to protect the consumer and be guided by national policy of development. Local producers must be guided to meet practical standards while preparing producers for liberalisation. If most producers are unable to have a cowshed but have their milk quality is acceptable they should not be penalised.

Recommendations for the European Union

- Increase funds and improve their accessibility for: trade capacity building, adjustment costs, product development, impact assessment, and effective participation in the negotiations. By all estimates funds available for preparation for the trade arrangements and adjustment costs are not adequate and are not being released on a timely basis due to bureaucracy and complicated paperwork. The EU needs to first and foremost make more funds available beyond that programmed in the Country Strategy Paper, identify and address the bottlenecks that have slowed down spending such as the cumbersome process of application.
- Support a sequencing of the different ongoing negotiations. This would allow Jamaica to make the best use of limited capacity while setting in place, in the right order, the necessary conditions required for the different sets of trade arrangements.
- Allow sufficient time for economic adjustment and diversification before any consideration of liberalisation. Support special and differential treatment for Small Island Developing States (SIDS). The tendency will always be for the most powerful countries to defend that powerful position but reason must be seen and smaller, weaker states be allowed a fair opportunity to work through their inherent problems. This will mean liberalisation must be delayed for SIDS in comparison to their developed trading partners such as the EU. Longer transition periods may be necessary before preferences are phased out.
- Maintain the sugar protocol and its quotas to allow time for restructuring of the sugar sector. The EU should work together with the ACP in dialoguing with countries such as Brazil and Australia that have challenged the sugar protocol, on the importance of the protocol for countries like Jamaica. A strategy for contesting their positions in the WTO should be developed. In addition the EU should remove tariff restrictions of processed sugar from ACP countries to allow exports of value added products.
- Stop dumping products fuelled by the CAP on the world market. In Jamaica it is the dairy sector that is being damaged by CAP funded milk powder. The reasons for Jamaica to support its dairy sector are just as strong as the reasons for the EU to support their dairy sector: employment, sustainable land use, efficient energy and protein conversion, and food security. Stop dumping or let Jamaica protect its own critical sectors as the EU has done.

- Develop a comprehensive strategy on standards. Support Jamaica and other ACP countries in participating in EU and international standard setting. Assist ACP countries with the costs of technical compliance and verification and allowing transitional periods, which permit temporary derogations from stringent standards.

DOMINICAN REPUBLIC: A CASE STUDY ON ECONOMIC PARTNERSHIP AGREEMENTS

By Miosotis Rivas Peña⁶⁷



Photo: Angela Mendes Ferreira

1. INTRODUCTION

This chapter assesses the likely impact on Economic Partnership Agreements, as proposed by the EU, on poverty reduction and sustainable development in the Dominican Republic. The first part aims to provide a snapshot of poverty in the Dominican Republic, an overview of trade flows and integration levels in the Caribbean, the region through which the Dominican Republic is supposed to partner the EU in the new trade arrangements. Secondly, it seeks to identify a number of obstacles hindering the Dominican Republic from using the ACP-EU trade arrangements as a tool for sustainable development and poverty reduction. Thirdly it tries to forecast (with a focus on the dairy industry) the likely implications of EPAs, if based on liberalised trade⁶⁸, on poverty eradication and sustainable development. Finally, on the basis of the above, it attempts to lay down benchmarks for new ACP-

⁶⁷ Associate researcher at the Centro de Investigación Económica para el Caribe (CIECA).

⁶⁸ The EU has proposed that new ACP-EU trade arrangement to be agreed by the end of 2007 should be based on free trade areas between sub-regions of the ACP and the EU. As all ACP countries already enjoy over 90% access to the EU market, establishing these new arrangements basically involves ACP countries establishing sub-regional free trade areas, which will then open their markets to the EU.

EU trade arrangements that effectively contribute to poverty eradication.

The paper relies largely on secondary material but is complemented by inputs from interviews with key actors in relevant sectors and government officials.

Poverty in the Dominican Republic

In the last twenty years the Dominican Republic has evolved from an agriculture-based economy to one increasingly dependent on three key activities: free trade zones, tourism and communications. Indeed, while these activities accounted for just over 1% of GDP in 1971-1981, today they represent 3.3%, 5.1% and 4.3% respectively. Furthermore, during 1995-2000, the Dominican Republic's GDP grew at an average 7% annual rate, well above other Latin American and Caribbean countries.

Currently the country is going through one of the worst economic crises of its history, primarily due to the global economic context and the bankruptcy of one of the major commercial banks in the Dominican Republic. The crisis resulted in financial and currency markets instability. The currency has lost over 50% of its value since November 2002 and by the end of 2003, inflation had reached the 42% mark whilst Gross Domestic Product (GDP) grew by less than 3%. In this difficult context the country is about to sign an agreement with the International Monetary Fund to ensure greater fiscal control and stronger supervision of the Dominican banking system with a view to strengthening confidence of investors in the economy.

According to the Human Development Index, the Dominican Republic is a middle-ranking country whose index improved in the last quarter century from 0.596 (in 1975) to 0.737 (in 2000). In 2003 the Dominican Republic was ranked 94th in the UNDP HDI. An important reason for the improvement has been the increase in per capita income. In the Gender-Related Development Index the Dominican Republic was ranked notably higher at 77th.⁶⁹ However, despite this progress, high levels of poverty persist. This has manifested itself in a 25% unemployment rate, and high rates of illiteracy and infant mortality. According to the UNDP the 1990s economic growth did not dramatically reduce poverty, due to inequality and low public spending. Public expenditure in the Dominican Republic has been relatively low – about 16% of GDP in 1998. Social outlays have also been low – about 6-7% of GDP, half the Latin American average.⁷⁰

Poverty is more prevalent and severe in the rural areas. Over a third of the rural population is classified as poor, and this figure rises to 35% for workers in the agricultural sector.⁷¹ Women from the Dominican Republic are mostly concentrated in urban areas: 51.83% according to the 1993 National Census on Population and Households. Nevertheless according to a Canadian government report⁷², Dominican

⁶⁹ Human Development Indicators 2003,
http://www.undp.org/hdr2003/indicator/cty_f_DOM.html

⁷⁰ UNDP “Poverty Report 2000 - Dominican Republic Country Assessment”,
<http://www.undp.org/povertyreport/countryprofiles/domin1.html>

⁷¹ Mora-Báez Jacqueline (2003), “Agricultural Growth and Poverty Reduction - Poverty Module Dominican Republic”, Role of Agriculture Project, FAO, October,
http://www.fao.org/es/ESA/Roa/pdf/3_Poverty/Poverty_DR.pdf

⁷² INC, “Gender Profile The Dominican Republic”,
http://www.acdi-cida.gc.ca/cida_ind.nsf/0/f650760af2a3580085256c590066c4b6?OpenDocument#3

women constitute the most vulnerable and disadvantaged group of Dominican society. The report also indicates that only about 29% of the Dominican workforce is female, while 60% of the free-trade zones labour force is made up by women. Wages in the free-trade zones are only about 70% of those outside the zones.

New ACP-EU trade arrangements, as an integral part of the ACP-EU Partnership whose overall aim is poverty eradication, should practically and effectively contribute to solving the Dominican Republic's significant economic and poverty problems.

2. CHARACTERISTICS OF TRADE FLOWS

Since the end of the 1980s the Dominican Republic has engaged in a thorough transformation of the intensity and nature of its links to the rest of the world, as both the former pattern of trade based on primary production, exports and the Cold War – which also shaped economic relations– came to an end.

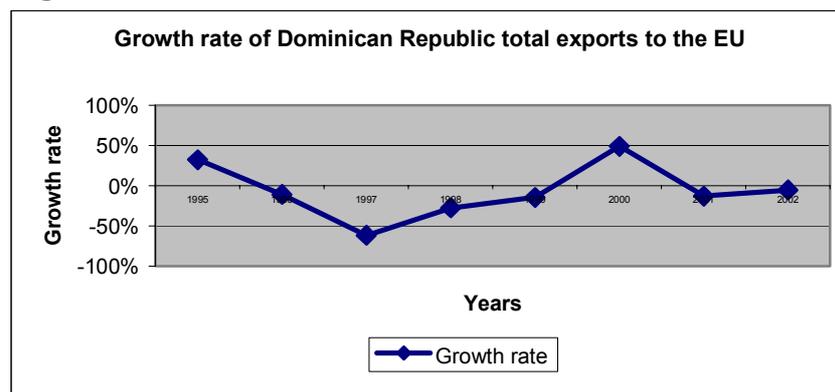
Regarding the composition of products traded, there has been a profound change as manufacturing free trade zones (especially for textile exports), tourism has begun to replace sugar and other commodity exports as the main sources of revenue.⁷³ At the same time there has been a relative diversification of services (mainly tourism) and sources of foreign direct investment – Europe now plays an increasingly important role as a crucial trading partner in services. It is also the major source of tourists and the largest investor in private tourist infrastructure development.

But relations with the US remain strong. The Dominican Republic is in the process of negotiating a separate bilateral agreement, with the US even as it continues negotiations on the Free Trade Agreement of the Americas (FTAA).⁷⁴

Trade in goods with the EU first gained impetus due to the Dominican Republic's accession to the ACP-EU Lomé IV Convention in 1990. *Figure 1* shows the growth rate of Dominican exports to the European Union market. Between 1995 and 2002, according to the Dominican Republic Central Bank data, growth fluctuated greatly. Indeed between 1995 and 1997 total exports fell from US\$543 (€438.4) to US\$187 (€151), but the trend picked up – although it was slowed down by the 2000 global economic downturn.

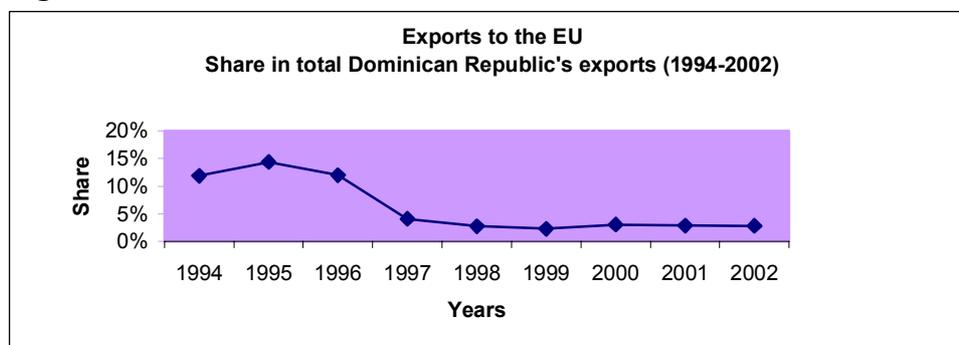
⁷³ Based on a CIECA report (2000), prepared for the Secretaria de Estado de Relaciones Exteriores de la República Dominicana, Mimeo, Santo Domingo, “Relaciones Internacionales y Dinámica de la Integración en Centroamérica y El Caribe: Evaluación y Recomendaciones de Política Exterior para la República Dominicana”, February.

⁷⁴ Although beyond the scope of this paper, it should be noted that, since March 2002, the Dominican Republic changed negotiation strategy, relinquishing the common negotiation efforts with CARICOM countries in the context of the Free Trade Area of the Americas (FTAA) initiative, as well as its positions within the "Like Minded" group of countries in the WTO. The primary reason for abandoning its negotiating position of attempting to gain special and differential treatment within the FTAA was its quest for a free trade agreement with the US. At the time of publication of this paper, the Dominican Republic was involved in the second round of bilateral trade negotiations with the US.

Figure 1

Source: Based on data from the Central Bank of the Dominican Republic.

The Dominican Republic's main export products are fruit (bananas, unroasted coffee, cacao, etc.), hides, tobacco and cigarettes, among others. The Dominican Republic Central Bank data indicated that, in 2002, exports to the European Union accounted for 2% of total Dominican figures, while European imports represented 8% of the total the same year. Trade flows between the Dominican Republic and the EU are very small and declining (while exports to the US, the main trading partner, continue to grow, reaching 80% of total exports and imports). *Figure 2* illustrates the fall in Dominican exports to the EU in the last eight years. Even though the Dominican Republic has preferential access to EU markets, it has a negative balance of trade with the EU due to the low aggregate value of its exports to the EU.

Figure 2

Source: Based on data from the Central Bank of the Dominican Republic.

The breakdown of Dominican Republic exports to the EU in 2002 was as follows: fruit/nuts (20%), iron/steel (16%), machinery (8%) optics (12%), tobacco (12%), footwear (6%), other products (26%). In the same year the breakdown for EU imports was: machinery (28%), vehicles (10%), iron/steel (8%) dairy products (8%), chemicals (8%), other products (38%). According to EU statistics the Dominican Republic had a negative trade balance of €677 million in 2002.⁷⁵

⁷⁵ EU Trade Issues.

<http://europa.eu.int/comm/trade/issues/bilateral/regions/acp/stats.htm>

Trade with the other Caribbean countries making up CARICOM⁷⁶ has been growing since the Dominican Republic signed a free trade agreement with CARICOM two years ago. According to the Government, in the first quarter of 2003, exports to CARICOM countries increased by 69.27% compared to the same period in 2002. The highest percentage of exports went to Jamaica (69%); followed by Trinidad and Tobago (22%) and Barbados (8%).

3. REGIONAL INTEGRATION

There are a number of economic integration schemes in the Greater Caribbean area: CARICOM⁷⁷ (Comunidad Caribeña –Caribbean Community), the Central American Common Market⁷⁸, the G-3 (made up of Mexico, Venezuela and Colombia), the Secretariat for Central American Integration (SICA), and more recently the AEC (Asociación de Estados del Caribe – Caribbean States Association).⁷⁹ Out of these the Dominican Republic is party to only the AEC and SICA, although it has signed free trade agreements with the CARICOM and the Central American Common Market countries. Together with other CARICOM countries, it is a member of CARIFORUM, which more than being an integration scheme, is a group coordinating European Development Funds at regional level.

CARICOM was established in 1973 by the Chaguaramas Treaty which had three main goals: a) promoting regional economic integration through a Common Caribbean Market (an Annex to the Treaty); b) fostering functional cooperation in several areas such as education, health, customs administration, standards setting, regional transport, disaster preparedness and meteorology; and c) coordinating foreign policies. CARICOM aims to consolidate the regional economies into a single market, and strengthen regional negotiation capacity as well as social, environmental and institutional policy implementation.

At the end of the 1990s the Dominican Republic concluded two free trade agreements with CARICOM and Central America Common Market countries. The significance of such agreements lies not so much in their impact on trading flows as in the fact that they included the issues of investment, liberalisation of trade in services, intellectual property, competition policies, safeguard and antidumping measures, etc. For the first time, through these agreements, the Dominican Republic made a commitment to its trading partners (on the basis of current legislation) to grant market access to most of their goods without tariff and non-tariff levies, and also to offer market access and national treatment to investors and service providers from the region, through a binding international treaty and not just through domestic laws.⁸⁰

The Dominican Republic is also embroiled in bilateral negotiations with the US. These negotiations only deal with market access issues, including agriculture and

⁷⁶ Even though the Dominican Republic has signed an FTA with CARICOM, not all of Caribbean the countries are part of it. The LDCs countries are excluded from a reciprocal agreement, receiving a differential and special treatment.

⁷⁷ See <http://www.caricom.org/members.htm>

⁷⁸ See www.acs-aec.org

⁷⁹ See www.exxun.com/ekio/io_CACM.html

⁸⁰ Though this agreement is supposed to be in effect, implementation on some issues such as services, intellectual propriety rights and rule of origin is still pending as they are still being negotiated.

industrial goods and services. The FTAA is an ambitious continental liberalisation project –which many observers consider as a US strategy to strengthen its hegemony over the region.

In order to negotiate new trade arrangements with the EU the Dominican Republic has agreed to join CARICOM in negotiating an EPA with the EU. But there are a number of concerns on how this arrangement could meet the strategic interests of the Caribbean countries regarding sustainable development.

Firstly the Dominican Republic does not seem to share the same strategy as other CARICOM countries in other negotiating fora. Within the FTAA discussions, CARICOM, is the only group of countries that has obtained special and differential treatment regarding market access, while the Dominican Republic abandoned its request for such treatment in its quest to negotiate a separate agreement with the US.

Secondly the different degrees of economic development presents CARICOM countries and the Dominican Republic a problem in pursuing a common strategy towards the EU in the use of EPAs as a poverty reduction tool. Haiti, a least developed country (LDC), has a per capita income of US\$ 510, (€411.8) while that of Bahamas stands at US\$ 15 000 (€12 112) – both members of CARICOM. Furthermore Bahamas is not a member of CARICOM's Common Market and discussions are still ongoing as to how Bahamas could participate in an EPA through CARICOM. Haiti on the hand, as an LDC, could opt for out of an EPA and rely on the Everything But Arms Initiative.⁸¹

Thirdly some commentators have even questioned the economic logic of the Dominican Republic and CARICOM granting the EU (a block of industrialized rich countries) a degree of market access that they do not grant each other.⁸²

Finally another problem for CARICOM and the Dominican Republic regarding negotiations with the EU is that the Cotonou Agreement's Most Favoured Nation clause could mean that the Dominican Republic and the Caribbean countries may simply have to grant the EU the same market access concessions they grant Canada and the US in the FTAA, rendering EU negotiations on specific Dominican sustainable development interests redundant. This is particularly crucial as FTAA negotiations are likely to be completed before an EPA.⁸³

These problems suggests a need for phasing the different negotiations to ensure they take place in an order that allows the Dominican Republic and the Caribbean to define their objectives regarding poverty eradication in each set of negotiations.

4. EXPORT BARRIERS ARISING FROM EU POLICIES

ACP countries are supposed to enjoy duty free access to the EU market, however a number of measures relating to non-tariff barriers, tariff barriers and the CAP have

⁸¹ An EU trade scheme that offers all LDCs free access to EU markets for almost all their goods.

⁸² Bilal San, Lodge Junior, Szepesi Stefan (2003), "The Caribbean-EU Relations: Towards an Enhanced Partnership?".

⁸³ *Ibid.*

effectively restricted gains to be made from exports to EU markets. EPAs will need to address these issues, which are currently hindering the ability of ACP-EU trade arrangements to contribute to sustainable development and poverty eradication.

Certification of Organic Products

For the Dominican Republic potential problems exist with the export of organic products to Europe. In recent years Dominican farmers have been able to take advantage of a growing market for organic produce in Europe and North America. In Europe concerns over food safety, after the mad cow disease, foot and mouth disease and cases of high dioxin levels in poultry, has increased the popularity of organic products. Climatic conditions in the Dominican Republic are particularly favourable for organic agriculture and Dominican farmers now engage in substantial production of organic cocoa, coffee, bananas and other fruits and vegetables. The country is the world's largest exporter of organic cocoa, and organic products have contributed to fruits and nuts becoming the Dominican Republic's biggest export to the EU. Organic products have also proved resistant to the general fall in prices of commodities and vegetables, and this type of farming lends itself well to small-scale farming.

As a result the Dominican Government, NGOs and private sector have promoted organic farming as a viable means of generating income for agriculture workers. However, small producers have faced problems in exporting to Europe. With regard to the import of organic products, the EU has established a list of 'recognised' countries from which organic products may be exported to the EU following certification by a recognised certification body in that country. However, the majority of developing countries including the Dominican Republic do not appear on this list. By way of derogation of the relevant EU regulation, organic imports from countries that are not on the abovementioned list are allowed into the EU till the end of 2005.⁸⁴ But these countries currently face a more complex procedure in exporting to the EU. Firstly importers wishing to bring goods into the EU from a 'non-recognised' country first have to be issued with an import authorisation document from the competent authority in their country.

Secondly exporters from the non-recognised countries have to employ an organisation that is recognised by the EU to certify their goods. In most cases this is an external (not local) organisation. According to an FAO report such a process is expensive, and many individual small Dominican Republic farmers find it impossible to meet the costs.⁸⁵ Buyers often have their preferences for the certification of a particular agency as a result producers have to pay several certifying agencies if they want to sell to several buyers. Besides certification lasts only one year therefore this process therefore has to be repeatedly carried out. According to some analysts the most effective way to lower costs of the certification of organic products is to create local

⁸⁴ In a letter from the European Commission to *Eurostep* in February 2004, the European Commission expresses its wish to find a solution for exports from non-recognised countries after 31 December 2005. The Commission intends to produce a Communication on an EU Action Plan on Organic Farming to the Council and European Parliament by the end of April 2004. "This Action Plan shall provide with the necessary actions to face the difficulties encountered by the sector."

⁸⁵ FAO (2002), "World Markets for Organic Fruit and Vegetables - Opportunities for Developing Countries in the Production and Export of Organic Horticultural Products - Dominican Republic", International Trade Centre Technical Centre For Agricultural and Rural Cooperation Food And Agriculture Organization Of The United Nations, Rome.

recognised certification agencies in the developing countries that export organic products.⁸⁶

Besides the problem of external certification other problems cited by both exporters and European importers relate to the workload for certification and label schemes and the lack of harmonization of standards within the EU and between the EU and other developed countries.

Furthermore, EU legislation adopted in 2000 now requires all imports of organic products to be accompanied by certificates of inspection before they can be cleared to enter the EU. In the past goods were cleared to enter while awaiting certification. According to some observers this recent legislation is more taxing for exporters as very often the time it takes to produce certificates of inspection may not allow exporters to meet the demands of their importers. Summing up the problems that relate to the export of organic products into Europe the European Network of Organic Agricultural Students states,

“The EU accreditation of local certifiers in producing countries is difficult, because it relies on the EU to accept certification procedures in third countries as “equivalent”. The EU regulations are not adapted to the reality of smallholders in developing countries. They change frequently and are implemented in different ways by the various national and local authorities within EU countries. Furthermore, it is generally felt that the regulations are becoming stricter. As a result of the above, the EU is being accused of protectionism against imports from third countries and non-EU certifiers.”⁸⁷

New trade arrangements between the EU and the Caribbean will have to address these problems especially in the light of the foreseen expiration of the derogation that allows exports of organic products from non-recognised countries after 2005.

5. IMPACT OF LIBERALISED TRADE BETWEEN EU AND THE DOMINICAN REPUBLIC ON THE DAIRY SECTOR

Several commentators have pointed to the importance of milk for Dominican households both as food for children and adults. According to the Dominican Republic's Central Bank's 1999 Survey on Household Income and Expenditure, spending on dairy products accounted for 8.3% of Dominican family expenses, a figure to be compared to expenditure on beef, 4.61%.

At the start of the 1970s, the country was practically self-sufficient in milk. In 1973 domestic production amounted to 93% whilst imports represented 7%. In absolute terms, this was 252 million litres and 19 million litres respectively, whilst ostensive consumption reached 271 million litres. Up to the mid-1970s national production averaged 98% and imports 2%. But the trend changed towards the end of the decade when a gap appeared between domestic production and ostensive consumption.

⁸⁶ Cileke Comanne and Javier Bogantes of the Fundación Güilombé, “The Certification of Organic Products - National Agencies Should be Established”, <http://www.ked-bayern.apc.de/Foremaus/certif.htm>

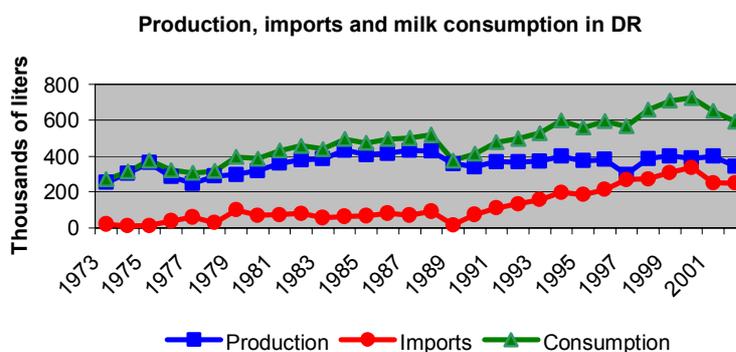
⁸⁷ European Network of Organic Agriculture Students, “Developing Smallholder Group Certification”, <http://www.enoas.org/stuff/thes/ex1.htm>

By 1979 imports accounted for 24.8% and national production for 75.2% of total consumption. This change was due to three main factors:

- The government's withdrawal of milk subsidies in 1973;
- The possibility for processing plants to add water to imported powdered milk from 1974-1975;
- And the serious electricity supply problems that strongly affected industrial demand for fresh milk, leading to a rise in milk imports.

Figure 3 shows the evolution of the national production, imports and consumption variables during the 1973-2002 period. Self sufficiency in milk ended in 1989, when a gap between production and consumption began to appear as a result of rising demand, in particular from the cheese and yoghurt industrial plants, from the growing tourist sector and from the establishment of the government's "School Breakfast" programme.⁸⁸

Figure 3



Source: CONALECHE

It is estimated that there are 30 000 dairy farmers, mainly in the South-Eastern, Eastern and Central regions of the country, the latter being (according to the Ministry of Agriculture statistics) the region with the greatest concentration of dairy cows and highest overall production –most of which are from small and middle-size farms. According to an Oxfam study 15% of dairy farmers also live in the Northwest region, where half the population lives in extreme poverty and only one child in two goes to school.⁸⁹

Surveys carried out by several dairy stakeholder organisations have shown that, in the last 30 years, there has been fall in the number of dairy produces by about 20 000 mainly due to lack of promotion and protection measures for the sector, and also due to the high quantity of powdered milk imports.

⁸⁸ The "school breakfast" programme was set up by the Education Ministry in order to guarantee a basic calorie intake for schoolchildren from the poorer social sectors. The government disposed that milk used for this purpose should be produced using 60% fresh milk of national origin, which accounted for 11% of total national fresh milk production.

⁸⁹ Oxfam (2002), "Milking the CAP: How Europe's Dairy Regime is Devastating Livelihoods in the Developing World", http://www.oxfam.org/eng/pdfs/pp021210_Dairy.pdf

EU Dumping of Dairy Products in the Dominican Republic

According to Bencosme, artificially low-priced EU dairy products entering the Dominican market has put thousands of small farmers out of business, as they are unable to compete.⁹⁰ Although aware of the EU Agricultural ministers' decision to reform the CAP, Dominican farmers are rather sceptical about its implementation. As one dairy producer put it, *“after ten years of hearing empty promises about cuts in subsidies within the WTO, I am not particularly hopeful concerning the CAP reform”*.

The dairy sector has only two protection mechanisms. Firstly, the technical rectification negotiated in the WTO for eight import products, including powdered milk; and secondly, the government's decision to use exclusively national pasteurised milk for its "School Breakfast" programme. More recently, in October 2003, the National Milk Board (CONALECHE) set up a compensatory mechanism for milk prices paid to the farmer, in the light of a study assessing production costs.⁹¹

The WTO technical rectification system is a special tariff regime for imported powdered milk, levying a 20% customs duty on the first 32 000 tonnes of imported powdered milk and higher tariffs for quantities exceeding that quota, namely, 83.9% in 1999, then falling to 56% by 2005, the last year of the negotiated compromise. Import quotas are distributed as follows: EU 22 400 tonnes, New Zealand 4 800 tonnes, others 4 800 tonnes (70%, 15% and 15% respectively).

The EU enjoys the highest import quotas because the subsidised nature of European milk production has allowed it to gain over a third import market share – to the detriment of other neighbouring producing countries and the Dominican Republic national production. In 2000 the Dominican Republic was the fifth most important market for EU dairy exports. By October 2002, EU export refunds were €1850/tonne for butter and €760/tonne for milk powder.⁹² Largely due to these subsidies EU powdered milk exports are 25% cheaper than fresh milk from the Dominican Republic. It is true that, from the consumers' standpoint, cheap EU imports have increased the Dominican population's access to dairy products, in view of the higher national milk processing costs. But such rises in imports has also put thousands of small farmers out of business with all the ensuing consequences for family livelihoods in the dairy sector.

A farmer from Monteplata province depicting the problem states that,

“people increasingly prefer powdered milk which is not only cheaper but easier to keep than fresh milk in view of the frequent power cuts in the country. But in the absence of a protection and support programme for the sector, I don't think I can survive. Production costs rise everyday and I am at

⁹⁰ Bencosme, Wellington (2003), “El Sector Agropecuario de la República Dominicana ante los procesos de liberalización comercial En Negociaciones Agrícolas en el ALCA: Principios y Estrategias de Negociación”, CIECA, *Cuadernos de Investigación*, n.º 4, pp. 76.

⁹¹ In an interview, Wellington Bencosme, Head of the Economics Department of CONALECHE, explained that the aim of this mechanism was to "guarantee the farmer a minimum of profitability" through a calculation of price of a litre of milk that takes account of production costs. This price is to be applied gradually, rising from RD\$7.25 (€0.1) to RD\$9.44 (€0.16). The first increase took place in October 2003; however, calculations had been based on an exchange rate of RD\$35 per one US dollar (€0.8), whilst in fact by the end of that month, the real exchange rate was already around RD\$40 per dollar.

⁹² Oxfam, *op. cit.*

*the mercy of middlemen who pay me whatever they wish for my milk”.*⁹³

Impact of Liberalised Trade on the Dairy Sector

The policy implications for poverty reduction regarding this predicament are being debated amongst analysts and stakeholders in the Dominican Republic. While it is possible that the cheaper prices from EU imports are beneficial to the poor, strategies for poverty reduction for the Dominican Republic being discussed within the FAO call for the expansion of agricultural production as a means of reducing prices of agricultural products. Apart from lowering prices such an expansion also has the effect of providing income to agriculture workers who are among the poorest in the Dominican Republic.⁹⁴

Ironically the EU is currently spending huge amounts of funds in rural development including cattle development. But its own subsidies do not allow for these funds to realise their objectives.

The tariff regime negotiated in the WTO is set to end in 2005 after when new quota discussions will start. CONALECHE fears that the EU, wielding WTO principles, might demand for higher quotas in EPA negotiations. This would have a negative effect on national production. Rather the best strategy would be to stick to the current arrangement that at least allows for some measure of protection against a skewed international market. Along these lines, ADIL (Asociación Dominicana de Industrias Lácteas) is calling on the authorities to seek –within the framework of the quota negotiations at the WTO– a new allocation offering greater access to other exporters. This would involve reducing the current EU quota.

From the foregoing if an EPA leads to further expansion of EU exports in dairy products as CONALECHE fear, it would lead to greater unemployment and reduce the income of Dominican dairy farmers, some of whom are already extremely poor. This would not be in line with the EU’s own commitment to poverty reduction in the Cotonou Agreement.

To avoid such a situation, an EPA would need to allow the Dominican Republic to protect its markets, as stated above. Furthermore it would have to promote investment and technology transfer and provide additional aid to the dairy sector, as well as to the electricity sector, on which the viability of the production of local fresh milk depends. Such measures would boost production, lower prices and thus have a positive effect on poverty reduction.

6. GENERAL IMPACT OF LIBERALISED TRADE BETWEEN EU AND THE DOMINICAN REPUBLIC

Most studies on the likely impact of EPAs point to their effects on fiscal revenue, their impact on employment and their influence on prices. This study tries look at these indicators from the perspective of poverty reduction.

⁹³ Carlos Pérez, small producer from Provincia de Monte Plata. R.D.

⁹⁴ Mora-Báez Jacqueline, *op. cit.*.

Impact on Public Revenue

Imports from the European Union accounted for 13% of total customs duties revenue in 2001. According to Isa Contreras⁹⁵, the likely outcome of EPA negotiations would bring that percentage down to 1.5% by the end of the “tariff phasing out” period.

Lower fiscal revenues have a direct impact on social public spending allocations. Generally speaking, lower tax receipts mean cuts in social programmes for the poorer sectors of society. Although specific studies have not been carried out on the social cost of the country's current trade liberalisation policies, it is clear that loan schemes for small and medium-size enterprises, especially agricultural, have shrunk over the years, as have social aid programmes. The likely drop in fiscal revenues may lead to fewer possibilities of launching new production promotion initiatives, or social development and environmental programmes. This is particularly worrying in relation to poverty reduction. As stated above the UNDP has pointed out that, even without a drop in fiscal revenues, the Dominican Republic's social spending is lower than other Latin American countries' average. The country's impending agreement with the IMF on fiscal control could also further constrain public social spending.

Impact on Influx of EU Imports on Employment

According to Contreras even worse than the direct fall in fiscal revenues will be the trade diversion effect of granting the EU preferential tariffs. EU subsidies may well alter the balance of import origins, tending to increase flows from the European Union and reducing those from other sources, which in turn would further lower fiscal revenues. This is because most EU exports to the Dominican Republic are more competitive than exports from the rest of the world.

Though there is not enough statistical information available to provide a thorough analysis of the impact of a trade liberalisation agreement with the EU on the employment situation in the Dominican Republic, it is evident that the consequences of reciprocal agreements with the EU would depend, among other things, on the labour-intensity of the sectors affected, on the protective tariff levels and on the relative importance of corresponding European imports.

The Dominican manufacturing sector employs around 16% of the working population and enjoys above-average tariff protection. According to Contreras⁹⁶, within that sector, the food and beverage industry is particularly crucial because – in addition to having a high level of protection (30% higher than the average)– it takes up about 50% of all manufacturing jobs. With reciprocal free trade, EU wines threaten to displace related Dominican products like rum and beer. This will push up unemployment.

The non-metallic minerals industry also has the twin characteristic of relatively high tariffs and high labour intensity. This industry, which is very linked to construction industry, has been very dynamic in recent years, but tiles and related products from

⁹⁵ Isa Contreras Pavel (2002), “Fiscal Impact in Sensitive Sectors of a Trade Reciprocity Agreement with the European Union: Preliminary Evaluation for the Dominican Republic”, Secretaria de Estado de Relaciones Exteriores Dominican Republic, December.

⁹⁶ Isa Contreras Pavel, *op. cit.*

Spain and Italy could displace local production with reciprocal free trade. This would also lead to increased unemployment.

But as regards poverty reduction, the agricultural sector may be the most crucial, as it employs most of the poor. Protection levels at 12% are also slightly higher than average protection. The share of imports from the EU in the sector stands at 15% compared to 9% in the manufacturing sector. This is largely due to the EU's dominance in milk powder exports. According to Contreras, this sector is likely to be identified for protection by the government in the event of liberalisation. The sector is protected by non-tariff restrictions such as quotas, and so could have a better chance of surviving negotiations on liberalisation of tariffs. A failure to do so is certain to lead to unemployment and increased poverty. An FAO paper⁹⁷ on poverty reduction in the Dominican Republic, giving an insight into the relation between tariffs and poverty, states that planned tariff reductions in the next 5 years in the Dominican Republic will negatively harm farmers in the absence of a well-established safety net.

Impact on Consumer Prices

While some have argued that liberalisation leading to cheap imports of agricultural products, such as dairy products, could benefit the poor, an EU commissioned study⁹⁸ on the EU-Caribbean trade expresses scepticism that in general low consumers prices will result from EU-CARICOM/Dominican Republic free trade. According to the study, competition policy in CARICOM and Dominican Republic in particular may mean that importers are not likely to pass on cheap prices to consumers.

Overall Impact on Poverty

Isa Contreras⁹⁹ concludes his study stating that,

“the lack of competitiveness of the Dominican manufacturing sector, the lack of competitiveness of some agricultural products and the heavy subsidies to agricultural products in the EU make a trade reciprocity agreement a serious challenge to the manufacturing sector and to selected agricultural products.”

It is difficult for a study of this nature to translate this analysis (and others cited) into a comprehensive assessment of the consequences on poverty of liberalised trade with the EU. However, some indications on the impact of trade liberalisation on poverty can be observed such as its effects on:

- Government revenue derived from import duties, which could be channelled to social services and anti-poverty programmes;
- Agriculture production, the sector offering employment to most of the poor;
- Prices of goods the poor spend their money on.

The first two issues point to a worsened situation for the poor following the implementation of reciprocal free trade with the EU. This is due to the expected fall in government revenues that could be spent on programmes supporting the poor, and to

⁹⁷ Mora-Báez Jacqueline, *op. cit.*.

⁹⁸ Institute for Development Studies (1998), “Study on the Economic Impact of Introducing Reciprocity into the Trade Relations between the EU and CARICOM/DR”.

⁹⁹ Isa Contreras Pavel, *op. cit.*.

the probable rise in unemployment in the agricultural and manufacturing sectors where the majority of the poor are employed. With regard to prices the picture is not so clear, but Dominican anti-poverty organisations call for support to the agriculture sector and to rising agricultural production as the way to achieve lower prices, rather than resorting to cheap imports.

7. BENCHMARKS FOR TRADE ARRANGEMENTS GEARED TOWARDS POVERTY REDUCTION

For EPAs to be a true development tool for the Dominican Republic a consensus must be found reflecting and involving all stakeholders' concerns.

With this in view, we propose two sets of recommendations addressed to the government of the Dominican Republic and to the Trade Directorate General of the European Union respectively.

Recommendations to the Dominican Republic

- Given that the Dominican dairy sector is vitally important for everyday family consumption and for the livelihood of large numbers of small farmers and their households, the government should adopt a package of measures promoting the country's self-sufficiency in milk production. Although the establishment of CONALECHE is a step in the right direction, there is a need to implement programmes boosting the competitiveness of the sector. The government should increase investment in the sector to expand production.
- The Dominican government should attempt at least to retain the current levels of protection against powdered milk imports, and seek to achieve preferential treatment for this category.
- Given that the EPAs must be WTO compatible, the Dominican government should start bilateral talks and negotiations with the main EU milk exporters in order to gain their support for setting up tariff quotas for powdered milk –through the WTO– from 2005 onwards.
- The Dominican government should encourage European investments in the dairy sector, especially in processing plants, but including local suppliers in the production chain. The government should also as far as possible lay down raw material origin requirements for processing, for example, that a percentage of milk processed should be from national sources.
- Well-targeted direct income support programs for poor farmers should be implemented to compensate for fiscal reform effects. These programs should include better conditions for farmers, especially women, in order to get more access to credit facilities.
- The government should promote better working conditions for all economic sectors through trade cooperation with the EU, including those sectors receiving substantial foreign investment and the free trade zones where a number of vulnerable women work.

Recommendations to the European Union

- Both the Dominican Republic and other Caribbean countries need to strengthen their negotiating capacity at this juncture. The EU should allocate more resources to negotiation capacity building through, for example, training of negotiating teams. It is an issue of paramount importance for Caribbean countries.
- Caribbean countries need support from the EU to set up and/or strengthen the institutions charged with implementing the agreements. Support, for example, for the modernisation of customs administrations, the entities managing the agreements, etc.
- The EU should simplify the process of export of organic products to the EU. EPA negotiations should address the development of a system that allows organic products easier access to EU markets following the expiration of the derogation that allows ‘non-recognised’ countries to export organic products to the EU after 2005. This should involve:
 - Harmonisation of practises amongst EU Member States in the implementation of EU regulations on organic imports;
 - Support for the development of certification institutions in the Dominican Republic and other ACP countries.
- The Sustainability Impact Assessments on the EPA negotiations undertaken by the European Commission should involve both negotiators and non-government stakeholders from the ACP countries. These studies should be published in a timely manner that allows them to influence the negotiations.
- The commitments the EU put forward during the Uruguay Round to support developing countries should be upheld, especially on the agricultural chapters.
- The EU should support the carrying out of studies to quantify the impact the CAP has had on ACP countries to ensure that negotiations start from a clearer baseline than is the case today. As far as milk production in the Dominican Republic is concerned, those studies should ascertain the cost to the Dominican dairy sector of the European subsidies that have led to overproduction.
- The EU should initiate an effective reform of the Common Agricultural Policy in consultation with ACP and other developing countries, taking on board the demands of the ACP peoples who have suffered from practices such as EU subsidies for European farmers and tariff and non-tariff barriers against other countries' agricultural goods. The EU should support ACP demands at the WTO calling for special and differential treatment allowing developing countries to protect their own agricultural production, or to promote rural development through trade policy instruments.
- The EU should increase funds available to address supply-side constraints and trade adjustments. Two crucial areas that should be backed for enlarged production are the electricity and financial services sectors. These supporting funds should be on top of those allocated in Country Strategy Papers, and ways should be devised for making such funds more accessible.
 - These should include a cooperation fund to promote the dairy sector's competitiveness and guarantee a modicum of profitability to dairy farmers as

well as good prices and quality for consumers. Such a fund could finance studies of farm and processing plant costs in order to determine producer prices, and offer credit lines for small and middle-size farms.

- The EU should promote investment in the agro-industry in order to increase the Dominican Republic's export capacity, especially in sectors employing high numbers of the rural poor. This should also include support for skills transfer and training.

CAMEROON: A CASE STUDY ON ECONOMIC PARTNERSHIP AGREEMENTS

By Michel Takam and Guy Patrice Dkamela¹⁰⁰



Photo: KEPA

1. INTRODUCTION

This chapter assesses the likely impact of Economic Partnership Agreements, as proposed by the EU, on poverty reduction and sustainable development in Cameroon, from the angle of civil society. In this analysis it gives focus in particular to tariff and non-tariff barriers. The first part aims to provide a snapshot of poverty in Cameroon, an overview of trade flows and the level integration in Central Africa, the region through which Cameroon is supposed to partner the EU in the new trade arrangements. Secondly, it seeks to identify a number of obstacles hindering Cameroon from using the current ACP-EU trade arrangements as a tool for sustainable development and poverty reduction. Thirdly it tries to forecast (with a focus on the poultry industry) the likely implications of EPAs, if based on liberalised trade¹⁰¹, on poverty eradication and sustainable development. Finally, on the basis of

¹⁰⁰ Director and Representative of ADEID Cameroon respectively.

¹⁰¹ The EU has proposed that new ACP-EU trade arrangement to be agreed by the end of 2007 should be based on free trade areas between sub-regions of the ACP and the EU. As all ACP countries already enjoy over 90% access

the above, it attempts to set down benchmarks for new ACP-EU trade arrangements that effectively contribute to poverty eradication.

The chapter draws from both the extensive literature on the subject and the results of interviews with relevant officials and stakeholders.

Poverty in Cameroon

Cameroon has an area of 475 000 km² and 15.3 million inhabitants. It boasts a wide range of natural resources (oil, wood, cocoa, rubber, bananas, cotton, sugar, livestock, fisheries, etc.) and extensive human resources. The UNDP Human Development Index ranks Cameroon in 142nd place, and 114th in the Gender Development Index.¹⁰²

Recent studies¹⁰³ point to renewed economic growth and improving macroeconomic and budget indicators resulting from the first round of structural reforms. These reforms gained Cameroon admission –in October 2000– to the Highly-Indebted Poor Countries (HIPC) initiative, which will end in April 2004, one year after the implementation of the Poverty Reduction Strategy Paper agreed upon by donors in April 2003.

Using consumption measures, the 1996 "Enquête camerounaise auprès des ménages" (ECAM) estimated that 50.5% of the population lived in poverty, a further 31.4% could be characterized as middle class (consuming between FCFA 148,000 (€225.5) and 296,000 (€451) (per person) and 18.1% described as rich.¹⁰⁴

Food insecurity is one of the clearest outcomes of poverty in Cameroon. One consequence is that 36% of poor Cameroonian children are seriously underweight. While 250,000 children were malnourished in 1978, the figure was 466,000 in 1991, and 29% of children under 3 were chronically malnourished in 1998.

The prevalence of poverty is much higher in rural than in urban areas. Unlike in many African countries more men than women are poor in Cameroon. Yet the majority of women live in the rural areas.¹⁰⁵ A partial explanation for this anomaly is that women are the main providers of food to households. However, women are the main victims of other aspects of poverty. They work for longer hours than men, both in the fields and in domestic activities. While most of men's work is carried out in the labour market, very little of women's work is.

Other groups more likely to be poor are export crop farmers, livestock farmers in the forest areas and, in the towns, salaried workers and informal-sector operators, as well as the unemployed.

to the EU market, establishing these new arrangements basically involves ACP countries establishing sub-regional free trade areas, which will then open their markets to the EU.

¹⁰² Human Development Indicators 2003,

http://www.undp.org/hdr2003/indicator/indic_196_1_1.html

¹⁰³ Coopération Cameroun-Communauté européenne (2001), «Cadre de stratégie de la coopération Cameroun-Union européenne: 9^e FED», Yaoundé, July.

¹⁰⁴ CIDA, "Cameroon Poverty Profile",

<http://www.acdi-cida.gc.ca/cidaweb/webcountry.nsf/VLUDocEn/58B1DFA1CB8F8BFA8525697B005501C1>

¹⁰⁵ Aloysius Ajab Amin, "Rural Poverty and Agricultural Development in Cameroon", UNESCO, Colloque 2001. <http://ced.montesquieu.u-bordeaux.fr/SBAMIN.pdf>

The new ACP-EU trade arrangements, as an integral part of the ACP-EU Partnership whose overall aim is poverty eradication, should practically and effectively contribute to solving Cameroon's significant poverty problems.

2. CHARACTERISTICS OF TRADE FLOWS

The European Union is by far Cameroon's biggest trading partner, purchasing over half of all Cameroonian exports. The country's long-standing balance of trade surplus now amounts to €482 million.¹⁰⁶ In 2002, EU imports from Cameroon totalled €1 563 million while Cameroon's imports from the EU represented €1 081 million.

Exchanges with other partners follow a similar pattern: in 2001,¹⁰⁷ Cameroon exports totalled €1794 million whilst imports rose to €2064 million, a €270 million difference. Non-EU trade was as follows: imports from Nigeria, 14%, from USA, 8%, from rest of the world, 31%. Exports: 6% to China, 18% rest of the world. Cameroon trades relatively little within the Central African sub region (see section 3), although imports from neighbouring Nigeria accounted for over 13% of total figures in 2001.¹⁰⁸

Although Cameroon exports a range of products, oil alone represents over a third of exports, and is one of the seven products which together account for 80% of all exports. This shows the limited diversification of Cameroonian exports despite the boon of the CFA franc devaluation in 1994. Exports to the EU in 2002 were as follows: oil (42%), wood (25%), cocoa (11%), fruit (9%) and other products (13%). Imports from the EU were: machinery (25%), iron steel (7%), vehicles (10%), paper (5%) and others (39%).¹⁰⁹

Mr Mbog Paul Denis, Chairman of ONPCC (Organisation Nationale des Producteurs du Cocoa et du Café), argues that the European Development Fund (EDF) had for a long time funded Cameroonian companies helping growth rates reach the 7-9% mark. It would be sensible, he argues, if the EDF would finance the processing of basic products because exports of processed goods would ensure greater revenues for the producers themselves instead of concentrating profit margins in the exporting companies' hands.

3. REGIONAL INTEGRATION

CEMAC (Communauté Economique et Monétaire de l'Afrique Centrale) established in June 1999 replaced UDEAC (Union douanière et économique des Etats de l'Afrique centrale), as the main governmental regional organisation in Central Africa. CEMAC seeks to set up, in a gradual and progressive fashion, a common market involving its six member states (Cameroon, Central African Republic, Congo-Brazzaville, Equatorial Guinea, Gabon and Chad).

¹⁰⁶ Europe External Trade, <http://europa.eu.int/comm/trade>

¹⁰⁷ <http://europa.eu.int/comm/trade>

¹⁰⁸ <http://europa.eu.int/comm/trade>

¹⁰⁹ <http://europa.eu.int/comm/trade>

CEMAC is supposed to work through several decision-making and implementation bodies, some of which were recently founded. The official community texts give priority to improving the economic and trading environment through, among other things, a community passport, an investment charter, competition regulations, multilateral supervision of macroeconomic and monetary policy coordination, tax and customs reform creating a common external tariff, harmonised excises and VAT in the 15% to 18% range, and a regional currency market and stock exchange.

CEMAC has an area of 300 000 km² and a 30 million-strong consumer market, half of which is in Cameroon. The economies of the two land-locked countries, Chad and Central African Republic, are closely tied to Cameroon's, through which transit most of their exports and imports. There are few records on the trade patterns of the sub-region, but it is estimated that intra-community exchanges represent around 3-5% of the total. This is mostly between Cameroon and the rest of the region, for both manufactured and agricultural goods, between Congo and Cameroon (and then Gabon) for agricultural products, between Chad and Cameroon –and Congo and Gabon– for cattle.¹¹⁰ Cameroonian exports to the Gabon market reached 4 531 million FCFA (€ 6.9 million) in 2000, 4 713 million FCFA (€7.1 million) in 2001 and 4 794 million FCFA (€ 7.3 million) in 2002.¹¹¹ Total community exchanges were evaluated at 97 490 142 billion FCFA (€148 622 billion) in 1999 and 94 326 141 billion FCFA (€143 799 billion) in 2000, but these figures do not reflect the slight increase in actual quantities: 342 830 tons in 1999, and 353 690 tons in 2000, an increase of 10 862 091 kg.¹¹²

The CEMAC market appears small and it is not turned to best use by its member states. Their main partners are elsewhere, primarily the EU, accounting for 41.6% of CEMAC exports and 71.6% of imports.¹¹³ Nonetheless, the growing number of exports from the region in the last ten years has meant a greater diversification of trading partners –especially in 1993-1996, when new markets opened up in the US, Taiwan and China. Imports (except for Gabon and, more irregularly, for the Central African Republic) followed the same pattern. The changes were mostly due to rising oil production and prices. However, further CEMAC export diversification expected after the CFCA devaluation has not taken place.

The following figures from Y. Jadot show the importance of EU trade for CEMAC and Cameroon's development.¹¹⁴ Between 1988 and 1997 80% of CEMAC primary product exports went to Europe (14% being agricultural). For most CEMAC countries, agricultural exports represent over half of total CEMAC exports. Oil exports represented 80% of Congo and Gabon's exports, and over a third of Cameroonian exports.

¹¹⁰ Samuel Lontsi (2003), «La dynamisation des échanges intracommunautaire dans la CEMAC », Communication to the Séminaire national d'information et de sensibilisation sur les accords de partenariat économique UE-ACP, Yaoundé, 25-27 August, *op. cit.*

¹¹¹ *Source*: Direction nationale des douanes.

¹¹² Samuel Lontsi, *op. cit.*, p. 3.

¹¹³ European Commission (1999), "Commission staff working paper for Negotiation Group 3: Economic and trade cooperation. Synthesis of the studies of the impact of the EU's REPA proposal on ACP sub-regions", Brussels, 14 June.

¹¹⁴ Yannick Jadot (2000), «L'UEMOA et la CEMAC face à l'accord commercial de Cotonou», *Solagral*, November.

Three CEMAC countries are LDC (least developed countries): Equatorial Guinea, Central African Republic and Chad.¹¹⁵ However, recent growth in oil production in Chad and Equatorial Guinea will certainly change their situation. The difference in their economic standards will shape these countries' positions during EPA negotiations, given that LDCs have little interest in the GSP (Generalised System of Preferences)¹¹⁶ compared to the non-LDCs whose loss of fiscal revenue will be smaller than the former.¹¹⁷

Actions demonstrating common interests in the region remain weak (for instance, Cameroon the largest CEMAC economy, rejected the decision to set up a sub regional stock market in Gabon and instead established a rival market in Douala, Cameroon). Economic disparities among member states also threaten possible synergies within CEMAC in the forthcoming rounds of negotiations.

Planistat¹¹⁸, a consultancy commissioned by the EU to carry out a study on an EPA with Central Africa, concluded that an EPA should at first only be agreed with Gabon, Equatorial Guinea and Cameroon, as other CEMAC members are unlikely to benefit in the short term from such an agreement. However, Planistat conceded that such an arrangement would be detrimental to regional integration in Central Africa.

Many civil society actors from the region are also of the view that the region is not prepared enough to negotiate an EPA and still needs to restructure its economies, fine-tune its integration and master its trade potential. Also necessary is further capacity building of the countries' experts and potential negotiators.

Despite these concerns, a sub-regional EPA negotiating committee for the entire CEMAC membership plus São Tomé and Príncipe islands (also an ACP country 200 km off the coast of Gabon), has been established to organise and support these seven countries' participation in EPA negotiations. CEEAC (Communauté Economique des Etats de l'Afrique Centrale) also has a mandate to take part in the negotiations on behalf of the sub region.¹¹⁹

EU-Central African trade negotiations were officially launched on 4 October 2003. Comments from some ACP state representatives, present at the event, on the lack of preparedness of the CEMAC region confirm the above concerns of civil society actors.

The early start of the negotiations was also controversial because the ACP group of countries had not yet reached agreement with the EU on common principles for negotiations with all ACP sub regions. The ACP group would have liked to settle those matters in a binding agreement outlining the parameters for all regional

¹¹⁵ Source: Planistat, 1998, quoted by Yannick Jadot, «L'UEMOA et la CEMAC face à l'accord commercial de Cotonou», *Solagral*, November 2000.

¹¹⁶ Another trade program providing for preferential rates of duty for merchandise from beneficiary developing countries and territories to encourage their economic growth offered individually by different developed countries including the EU. Unlike EPAs they are simply offered by the EU rather than negotiated with the beneficiary country.

¹¹⁷ Yannick Jadot, *op. cit.*.

¹¹⁸ Planistat Belgique (1998), «Etude de l'impact économique sur l'UDEAC-CEMAC de l'introduction de la réciprocité dans les relations commerciales UE-ACP», Rapport final, Brussels.

¹¹⁹ Speech by Mr. Martin Okouda, Ministry of Environment and Forestry (MINEPAT) Cameroon, October 2003.

negotiations before negotiations were launched with Central Africa. This tricky situation is likely to further compound problems for the sub region in developing common negotiating strategies that can deliver trade arrangements that advance poverty reduction.

4. EXPORT BARRIERS ARISING FROM EU POLICY

Although all ACP countries are supposed to have free access to EU markets, a number of non-tariff barriers, regulations as well as the Common Agriculture Policy have hampered the flow of exports to the EU. In some cases these have also hindered exports to the regional market in Central Africa. However there is very little research on the costs of such barriers to the ACP economies and their implications for poverty reduction. According to Finger,¹²⁰ an average developing country has to spend US\$150 million (€121.1 million) in order to apply the WTO provisions on customs valuation, sanitary and phytosanitary measures or intellectual property rights. New ACP-EU trade arrangements will have to deal with these problems if they are to tackle poverty effectively. Below some of the current problems experienced by Cameroon are outlined.

The EU Common Agricultural Policy (CAP)

Although the majority of Cameroonian goods enjoy duty free access to EU markets, a number of key agricultural products are restricted by the Common Agricultural Policy (CAP). Seasonal quotas taking account the EU production cycle are applied to Cameroon's export of French beans to the EU. This has meant that the export of these crops to Europe have been significantly restricted, as the production cycle of French beans in Cameroon runs counter to that in Europe.

At sub regional level, subsidised EU agricultural exports disrupt trading relations between CEMAC countries. Cameroon has difficulties exporting local products to the sub-region that could compete with those from Europe such as poultry, eggs, beef, potatoes, tomatoes and onions. The low-priced European goods are a threat to the sub regional market. Local farmers are discouraged (as in the case of poultry production as will be seen below) and small and medium-size enterprises have been forced to cease trading, thus increasing unemployment and in turn perpetuating poverty in Cameroon.

The EU Chocolate Directive

The EU decision, in 2000, to replace 5% of cocoa butter in chocolate production has been a further barrier to the country's exports. Analysts calculate that the decision will lead to a 20% loss in revenue from cocoa exports for major cocoa exporting countries.¹²¹ Cocoa is Cameroon's largest agricultural export to the EU.

¹²⁰ Finger (1999), quoted by Pr. Séraphin Magloire Fouda, «Impact des accords de partenariat sur l'économie camerounaise et sur son intégration dans la sous-région», Communication au Séminaire national d'information et de sensibilisation sur les accords de partenariat économique UE-ACP, Yaoundé, 25-27 August 2003.

¹²¹ The New Taste of Chocolate in Europe,
[http://www.chocophile.com/stories/storyReader\\$278](http://www.chocophile.com/stories/storyReader$278)

5. IMPACT OF LIBERALISED TRADE WITH THE EU ON THE POULTRY SECTOR

Poultry farming is widespread in Cameroon. Most rural families keep chickens and in some regions, such as West Cameroon, there is a traditional sharing of responsibility and ownership: hens for women and cockerels for men. There are few up-to-date statistics on the sector but one expert,¹²² reviewing several sources, estimates total national production at 25 million birds, of which 17.5 million in the rural villages (i.e. 70%), the rest in intensive or semi-intensive poultry facilities of individual farmers or a few large companies. Most of the production of day-old chicks is in the hands of twelve companies of varying sizes. In 1992, the total number of chicks reached 17.8 million.¹²³

Over the last twenty years, chicken breeding has been one of the most common means of re-entry into the labour force for many people in Cameroon who have lost their jobs in other sectors. It is also an important sector for female farmers, providing them with a market for their maize and soya crops. Poultry production also contributes greatly to feeding the population. As indicated above poverty in Cameroon leads to malnutrition especially among children.

EU Dumping of Poultry in Cameroon

Over the last few years the State has allowed imports of frozen chicken and other edible offal to compete with local produce. (See Figure 1) Officially the imports purportedly cover a national shortfall in chicken meat of around 9.5 tonnes a year.¹²⁴ But although the 39.1% duty levied on these goods brings significant revenues to the state's coffers, the Cameroonian poultry sector has been seriously disrupted. The majority of poultry imports come from the EU, particularly France and Belgium.¹²⁵ According to the US Department of Agriculture exports of chicken parts from the EU to Cameroon increased from 447 tonnes in 1996 to 11,424 tonnes in 2002¹²⁶. Subsidies to European poultry farmers have been a key factor driving the rise in these imports. Apart from these subsidies that give the EU an unfair competitive advantage, EU poultry farmers have benefited from a recent reform of the EU cereal sector that has substantially lowered the cost of animal feed in Europe. Furthermore, for 2004, the EU has proposed a 16% increase in export refunds to EU poultry farmers.¹²⁷ This will further increase their ability to dump poultry on the Cameroonian market.

¹²² Ngandeu Emil Teleu (2002), «Etude sur l'amélioration de l'efficacité de la commercialisation et de la compétitivité des filières de produits: analyse de la filière avicole», Mission d'appui FAO/CP, *Revue du secteur rural*, Yaoundé, March.

¹²³ Source: Etude du secteur national de l'aviculture, Projet CAPP, 1992, quoted by Emil Teleu N., *op. cit.*

¹²⁴ DSCN, Etude du CIRAD-IEMVT, 1995, quoted by Emil Teleu Ngandeu, *op. cit.*

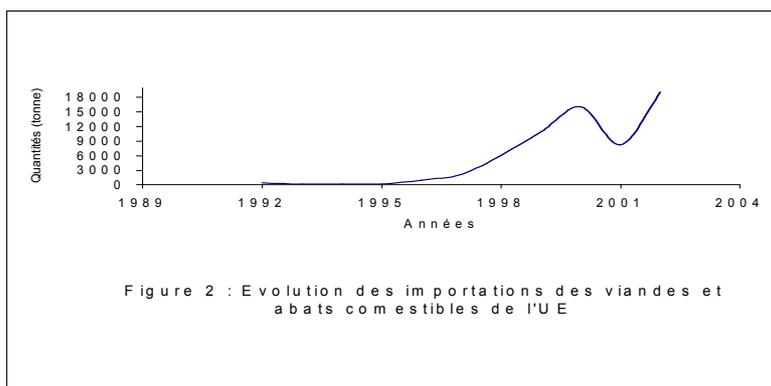
¹²⁵ MHR Viandes Bernin,

<http://www.mhr-viandes.com/fr/docu/docu/d0000839.htm#Cam>

¹²⁶ «European Union's Broiler Situation»,

<http://www.fas.usda.gov/dlp/countrypages/euchsit.pdf>

¹²⁷ *Ibid.*



The influx of imported frozen chicken and edible offal has undermined the local Cameroonian poultry market. Many people who were inclined to turn to the poultry-breeding sector, after losing salaried employment, due to the economic situation, no longer have this option. Employment and household income losses extend beyond poultry to the agricultural sector in general. An expert¹²⁸ calculated that 10 tonnes of chicken imports a year meant a loss of trade of around 48 000 tonnes in poultry and 24 000 tonnes of maize, mainly from female farmers. Even if one calculates the price of a kilo of maize at only 100 FCFA (€ 0.15), this represents a 2 400 million FCFA (€3 658 000) loss to farmers each year.

The disarray of many small farmers concerning EU frozen chicken imports is illustrated in an article of a farmers' monthly,

*"The sober reality is that many poultry farms have become hostels, or have been divided into small flats, or more generally have simply been abandoned to the bush. And for many small peasants, including rural women who used to be engaged in traditional or modern chicken breeding, the poultry sector is no longer an option".*¹²⁹

The following biographical sketches¹³⁰ vividly portray this problem.

Liberalisation and two farmers' experiences

Case 1: In 1990, taking advantage of the paid voluntary redundancy schemes offered by several Cameroonian companies, trying to weather the economic crisis, P.M. decided to leave his job in the railways and become a poultry farmer. Business flourished and, by 1997, he was selling 3000 chickens a month on the Douala market and a further hundred per week locally. P.M. is one of the few farmers who survived the shock of the FCFA devaluation in 1994. But since 1998 he has been unable to compete with the influx of imported frozen chicken and edible offal, which, that year, increased by 279%. He could hardly sell five chickens a week to neighbours. Activity levels fell. Out of his former six full-time employees he only kept three, and on a temporary basis. By 1999, P.M. was seriously thinking about finding a new job as a taxi-driver or greengrocer.

¹²⁸ Jean Roger Noutchogouin, Délégué provincial de la chambre de commerce de l'Ouest et Directeur général de la Société des Provenderies du Cameroun.

¹²⁹ *La voix du paysan*, n.° 86, mars 1999.

¹³⁰ Adaptées de *La voix du paysan*, n.° 86, mars 1999 et de *Grain de sel*, n.°22, janvier 2003.

Case 2: A.B. is a retired Yaoundé policeman with 14 children His official salary was never enough to keep such a large family. Thus, since 1983, A.B. has bred chicken to increase his household income considerably. But despite a lot of investments in the farm he was forced to cease trading in April 2002 after selling his last flock of 3000 chickens the previous month at a loss. His two employees were made redundant. A.B. is clear about the reasons of his bankruptcy: "How do you expect a housewife to buy a chicken from me for 1 800 FCFA (€2.74) when she can get 1kg of well-cleaned frozen chicken for 900 FCFA (€1.37)? Indeed, I even saw some people selling frozen chicken for 500 FCFA (€0.76) a kilo".

6. IMPACT OF LIBERALISED TRADE ON POULTRY IMPORTS

If EPAs promote liberalised trade in poultry they will maintain or even worsen the farmers' precarious situation. The combination of the ever-increasing export refunds to EU poultry farmers and the removal of Central African import duties will prove disastrous for Cameroonian poultry farmers. In the sub regional market those poultry firms – such as Société des Provenderies du Cameroun and Élevage Promotion Africa– that had managed to grow before being stopped in their tracks by currency devaluation, will be unable to compete with EU poultry and edible offal imports.

The poultry sector crisis is linked to the overall agricultural recession and affects both rural and urban families. The failure of many more former salaried employees to successfully pick up a career in poultry breeding will make their families more vulnerable and will force housewives to enter the generally uncertain informal labour market.¹³¹ The crisis will mean great difficulties and social unrest among people in the poultry sector.

While imported chicken may be cheap and benefit the poor in the short term, this must be weighed against the loss of livelihoods for poor maize and soya crop farmers and all the workers in the chicken industry –who are amongst Cameroon's poorest. Professor Amin in his paper on poverty¹³² favours promotion of local production over food imports.

Furthermore, as stated in the introduction, food insecurity is one of the clearest outcomes of poverty in Cameroon. Reliance on imports for poultry - a key nutrition source - could increase food insecurity and worsen the already serious nutrition problem in the country. Ajua Aloysius Njie, a researcher, who writes that food insecurity will increase if Cameroonian poultry farmers are put out of business, supports this view. She argues that this situation will lead to greater protein-deficiency malnutrition.¹³³

¹³¹ Xavier Durang (2000), «Sortir du salariat et réapprendre à vivre 'petit», in Georges Courade (dir.), *Le désarroi camerounais. L'épreuve de l'économie-monde*, Paris, Karthala.

¹³² Amin, *op. cit.*.

¹³³ Forum européen sur la coopération au développement local, «Trade of agricultural products in Cameroon», http://forum.inter-reseaux.net/article.php3?id_article=179

7. GENERAL IMPACT OF LIBERALISED TRADE BETWEEN THE EU AND CAMEROON

A study commissioned by CEMAC published in December 2002, on the impact of an EPA between the EU and Central Africa ¹³⁴ predicts the following as regards liberalised trade between the EU and Cameroon:

- A loss of import duties of up to 90, 954 billion FCFA (€ 139 billion);
- A loss in total budget revenue of about 7%;
- A 1.15% decrease in growth in GDP;
- A fall in the general level of prices of between 0 to 4.3%. (0 in the case that importers do not pass the benefits of cheap imports on to consumers);
- A growth in imports from the EU by 1.13 billion FCFA (€0.0017 billion) (and an increase by 12 billion – € .02 billion - for all imports) (a rise 1.13%);
- Greater productivity in sectors that utilise raw materials imported from the EU (agro-industry, refined agricultural exports electricity, gas, water and transport);
- Weakened productivity in the food industry (palm oil, coffee, cocoa by-products , drinks and tobacco) textiles and clothes;
- No tangible impact on investment in the short term;
- No tangible impact on intra-regional trade as levels of trade at present are too low to be influenced;

It is important to examine how these findings generally impact on poverty in Cameroon.

Impact on Public Revenue

The fall in public revenue predicted will definitely impact on poverty by limiting resources to be channelled to social and anti-poverty programmes. Government spending on education was already in decline in the late 1990s. In Cameroon 18% of young men and 32% of young women do not graduate from school, the proportions rise to 29% and 46% in rural areas.

Pr. S.M. Fouda's ¹³⁵ analysis of the outcome of liberalised trade with the EU is even more severe than the above CEMAC findings.

“It is clear, reading the Poverty Reduction Strategy Paper (PRSP), that the Cameroon government's decision aims at the 2015 deadline, which is the date fixed by the UN for LDCs to achieve the Millennium goals. From the Government Financial Operations Table (GFOT) of the PRSP we can draw two conclusions. Firstly, oil revenues are predicted to fall between now and 2015. Secondly, starting from 2008, non-oil revenue (i.e. direct taxes, trade tariffs, special oil duties and other levies on goods and services) will represent 80% of State income. The elimination of the non-reciprocal preference system may threaten the GFOT and the achievement of the Millennium goals (...) A rough estimation of annual revenue loss after 2008 might be between 20%

¹³⁴ Monkam André, Itambe Hako Prosper (2002), «Etude sur l'impact des Accords de Partenariat Economiques et les Scenarios des Ajustements Preliminaires: Rapport Provisoire», December.

¹³⁵ Pr. Séraphin Magloire Fouda, «L'Accord de Cotonou: un cadre contraignant de politique économique au Cameroun», Université de Yaoundé II.

and 30%, through accumulated job losses in manufacture, tax shortfalls (trade tariffs, VAT, etc) and lower growth rates (1% or 2%). This situation would have a particularly negative effect on the national poverty reduction strategy, on basic infrastructure, health and education.”

Other civil society representatives are equally pessimistic. According to an official of the South West Farmers Cooperative Union (SWEFCU), the State has not prepared producer cooperatives for the sudden implementation of liberalisation –which will result in bankruptcy as cooperatives lack the money to fulfil their social duties (for instance, loans for school gear, credit to producers in need, etc). Today the credit sector is cutthroat and loan sharks charge up to 100% rates, often forcing farmers to undersell their products. *“I doubt if EPAs [as proposed by the EU] are good for the country, rather I fear a trap and the upshot may be worse still than liberalisation”*.

Impact of Influx of EU Imports

As stated earlier, poverty is particularly severe in the rural areas hitting export crop and livestock farmers and the CEMAC study identifies the food sector as one of the areas to be hardest hit, in EU imports displacing local production. Unemployment or reduced incomes in this sector is sure to increase poverty. The textile industry is also vulnerable to EU imports. According to the CEMAC study this sector was one of the most profitable sectors in 2000/2001 and reciprocal free trade with the EU will now throw the whole sector into chaos and increase unemployment.¹³⁶

For Mbog Paul Denis, ONPCC's Chairman, an EPA could be dangerous because it exposes the country's still fragile economy to harsh competition. He argues that no country at a similar development phase as contemporary Cameroon ever grew by exposing its economy to unbridled competition. The state must protect the fledging national industrial fabric. EPAs, as put forward by the EU, will transform ACP countries into unilateral clients of the North. The state will lose a major source of income and will be at the mercy of multinational corporations. For ACP states, customs duties are not protectionist measures but financial resources.

Mr Forbi Francis, Chairman of the Kumba Association pour Coopérative Développement, claims that liberalisation has knocked cooperatives off balance, greatly reducing their ability to offer services to their producer members. He explains,

“I'm afraid of unfair competition from consultants and other service providers from the North, who win just about every EU international tender. If the income of the middle classes is unsure, how can we fight against poverty? I fear mortality rates will rise, as will illiteracy rates¹³⁷. There will be fewer social services, and more poverty.”

It must however be stated that the CEMAC study forecasts productivity to improve in other sectors such as agro-industry. It argues that if companies no longer have to pay common external tariffs for imported raw materials, equipment and semi-processed products they will have additional resources for investment.

¹³⁶ Monkam André, Itambe Hako, *op. cit.*

¹³⁷ Household spending on education has been falling faster than public spending as families have had to cope with reduced incomes,
<http://www.acdi-cida.gc.ca/cidaweb/webcountry.nsf/VLUDocEn/58B1DFA1CB8F8BFA8525697B005501C1>

Impact on Consumer Prices

Cheap prices of imports are often cited as one of the key advantages of liberalisation. But the CEMAC study is in two minds about the impact of liberalised trade with the EU on consumer prices, as it is unclear whether importers will pass on their lower costs to the consumer. It is therefore uncertain what the impact on prices will mean for poverty.

8. OVERALL IMPACT ON POVERTY

The grim analysis and figures concerning social spending, employment and prices show that, at the very least, liberalised trade with the EU through an EPA will not promote poverty reduction and sustainable development. Even growth in regional trade, a prospect predicted for other regions that may engage in liberalised trade with the EU, does not seem possible in the CEMAC case. According to Planistat¹³⁸, an EPA with CEMAC will bring little benefit i) because there are few common economic interests and ii) because of the lack of technical capacity for designing and implementing reforms.

Dr Amin's recommendations for poverty reduction and sustainable development in Cameroon emphasise the need for the promotion of agriculture, the development of safety net mechanisms and greater access to social services.¹³⁹ The above forecasts on loss of public revenue and the influx of goods such as EU poultry, and the resulting rise in food insecurity do not bode well for the implementation of these recommendations.

9. CONCLUSION AND RECOMMENDATIONS

The arguments outlined in this study of the Cameroon case do not leave much room for optimism on the appropriateness of an EPA, as proposed by the EU, as a tool for poverty reduction. At the macroeconomic and budgetary levels, an EPA's effects are generally detrimental, although it may have some positive influence on the consolidation of sub regional integration.

At the microeconomic level, for the "man in the street", it will lead to greater vulnerability. The negative impact of liberalisation on the poultry sector in particular, documented above, bodes ill for the reciprocity arrangements of the new trade agreements. In view of all this should we really engage in trade negotiations? The question no longer applies as Cameroon, the other CEMAC countries (including São Tomé et Príncipe) and CEEAC have already begun negotiating an EPA with the EU.¹⁴⁰ Now the relevant issue concerns the conditions for preparation and participation in order to ensure that Cameroon and other regional partners manage to obtain advantageous conditions. The following recommendations might be useful in this respect, although the exploratory nature of this study somewhat restricts their scope.

¹³⁸ Planistat 1998.

¹³⁹ Amin, *op. cit.*.

¹⁴⁰ Opening speech by Mr Martin Okouda, Ministry of Environment and Forestry (MINEPAT) 2003.

Recommendations to the Cameroon government

- Cameroon should not open up its vulnerable economic sectors such as agro-industries, textiles and clothing, wood industry, cereals, poultry to competition with EU products.
- The government should design income support programmes to reduce the vulnerability of the poor to the price and income shocks resulting from trade with the EU and the rest of the world.
- Credit and other economic resources should be made more available to poor crop farmers who are directly or indirectly affected by trade with the EU.
- Regarding poultry farming the government should:
 - set up a support and compensation mechanism for farmers, and apply further levies on poultry imports (or revising upwards current ones). The support for farmers badly hit by liberalisation may include gifts in kind (chicks, breeding equipment, etc.) or in cash as well as soft- or free loans.
 - Given that EU chicken and edible offal imports account for most of Cameroonian consumption, thus posing problems of dumping and (sanitary) quality.
 - the import duties should be at least proportional to the price gap between such imports and local market products, and,
 - fiscal and sanitary provisions should be reinforced. The fiscal revenue obtained could partly fund support for local farmers.
- The government should intervene to reorganise the cocoa sector. It should adopt anti-trust measures promoting local suppliers of goods and services. Moreover, Cameroon should carry out the reforms needed for the sustainable development of local industry, production and consumption.
- As trade alone cannot be the engine of development (according to Professor Fouada it is rather an appendix), special accompanying measures should be adopted for the Cameroonian economy in general and for the more vulnerable local producers in particular. These measures should include strengthening their organisational and negotiating abilities, as well as giving direct aid for production (as in the case of the CAP). The survival of rural communities, and rural women in particular, is at stake.
- The government should commission microeconomic impact studies to civil society organisations following the EPA process to better ascertain its consequences on people.
- The government should support and promote civil society participation, including producers' associations, in the negotiations.
- Studies should be undertaken on the potential impact of EPAs on women, with proposals for reducing their vulnerability.

Recommendations to Central African states

- Impact studies should be carried out in all the sub region countries to ascertain their needs for capacity-building, sub regional economic restructuring and special and differential provisions to be included in the EPAs.
- Studies should also be carried out on the impact of non-tariff barriers on CEMAC economies with proposals on how these could be addressed.
- Given the artificial and precipitate fashion in which the regional market was created, it is probably not mature enough to support negotiations on the current narrow agenda. Therefore Cameroon and its partners should try to roll back the pressing datelines regarding the establishment of an EPA in order to further their regional integration efforts before opening up to any further liberalisation.
- The principle of building national and sub regional alliances for the composition of the negotiating teams is generally accepted, but it should be strengthened. Team members should be chosen according to their competence. Producers and economic operators should account for at least half of the membership (they are the main stakeholders after all) and experts from civil society or other backgrounds should also be included. The teams would need training in trade negotiations and on the basic principles and mechanisms of the WTO.

Recommendations to the European Union

- The EU should support the Central African integration efforts and CEMAC capacity-building, ensuring sub regional ownership of the integration process.
- The EU positions and demands concerning Central Africa should be consistent with the overall negotiations with all other ACP countries for as long as the EU-ACP talks last.
- The EU should review its decision to replace cocoa butter by other fats, engaging in negotiations with other cocoa producer countries, the European Parliament and the ACP-EU Joint Parliamentary Assembly. The labelling of chocolates clearly indicating the use of vegetable fats rather than cocoa butter should be discussed.
- The pricing of products such as cocoa should be reviewed to reflect the real costs for producers in the South, thus making good the EU's declared wish to humanise the EPAs.
- Likewise the seasonal quota imposed on Cameroonian French beans (a growing crop sector) should be lifted to help promote this crop's potential to contribute poverty reduction.
- The EU should review its export subsidies and direct aid to agricultural production and stop dumping goods on ACP markets.
- The EU should increase the amount and availability of funds to help develop Cameroon's trade potential, cover adjustment costs, and finance development projects, impact assessments and effective participation in negotiations. Current funds are insufficient and are often paid late due to red tape and administrative problems. The EU should give priority to making more funds available for implementing the country strategy paper programmes, ensuring that barriers are

identified and removed –including those relating to the burdensome fund application administrative procedures. Such funds should also help the Cameroon government implement the recommendations on trade negotiation preparations mentioned above.

- The EU should cooperate with Cameroon and Central African countries in setting common capacity-building standards in line with the strict SPS and other regulations. The drafting of these standards should be based on current international rules and include European and CEMAC consumer organisation participation. Technical and financial support must be given to the regions to help them meet those mutually approved standards.
- The EU should support technological transfer and skills training in order to boost the development of agro-industry and production of value added goods.

GHANA: A CASE STUDY ON ECONOMIC PARTNERSHIP AGREEMENTS

By Kingsley Ofei-Nkansah¹⁴¹



Photo: 11.11.11

1. INTRODUCTION

Ghana is a developing country in West Africa with a population of about 19.2 million, a growth rate of 2.4 per annum and a nominal Gross Domestic Product (GDP) of about five billion US dollars. Agriculture is the mainstay of the economy¹⁴² accounting for about 40 % of the GDP, over 54% of the working population and over 35 % of export earnings.¹⁴³ International trade relations are important for Ghana given the dependence on imports for much needed manufactured goods and earnings from the export of primary commodities. Ghana ranks 129th on the UNDP Human Development Index, and somewhat higher on the Gender Related Development Index, at number 104.¹⁴⁴

The challenge of reducing and eventually eradicating poverty in Ghana is colossal given the 39.5 percent living below its poverty line. The Ghana Living Standards

¹⁴¹ Kingsley Ofei-Nkansah is the Deputy General Secretary of the General Agricultural Workers Union of Ghana.

¹⁴² ISSER (2003), The State of the Ghanaian Economy in 2002, ISSER, University of Ghana, Legon.

¹⁴³ *Ibid.*

¹⁴⁴ http://www.undp.org/hdr2003/indicator/cty_f_GHA.html

Survey, which is the source of this data, also reveals the fact that a greater number of the poor – up to about 70 percent – are women.

The incidence of poverty is highest among food crop farmers (59.4%), as compared to other socio-economic groups like export crop farmers (30.7%), non-farm self employed (28%), private formal employees (25.2%), public sector employees (22.7%) and others. Key causes and characteristics of poverty in Ghana identified include unemployment, limited access to social services, low health profile and malnutrition.¹⁴⁵

New ACP-EU trade arrangements, as an integral part of the ACP-EU Partnership that has poverty eradication as an overall objective, will in practise have to effectively contribute the reduction of Ghana's problems of poverty described above.

This chapter seeks to examine the likely impact of the new trade arrangements (Economic Partnership Agreements - EPAs), as proposed by the EC, on poverty eradication and sustainable development in Ghana, with a focus on the Poultry industry. In its first part it aims to provide a description of Ghana's trade flows and the level of integration achieved in West Africa, the region through which Ghana is supposed to partner the EU in the new trade arrangements. It then endeavours to identify a number of obstacles that have hindered Ghana in using current ACP-EU trade arrangements as a tool for sustainable development and poverty reduction. Subsequently it tries to forecast the likely implications of EPAs (with a focus on the poultry industry) on poverty eradication and sustainable development, if based on liberalised trade¹⁴⁶, on poverty eradication and sustainable development. Finally on the basis of all the above it attempts to set benchmarks for new ACP-EU trade arrangements that effectively contribute to poverty eradication.

The study makes extensive use of secondary material from official circles in the European Commission and Ghana, as well as a wealth of material from civil society organisations. The study also draws input from questionnaires administered to some thirty commercial poultry farmers and policy makers, as well as Ghanaian researchers working on ACP-EU trade relations.

2. GHANA'S EXTERNAL TRADE FLOWS

Ghana's trade has been dominated by traditional exports like cocoa, minerals and timber products. Other exports have been dominated by non-traditional export (NTEs) products composed of agricultural products, processed and semi-processed products and handicrafts in recent years. An examination of the composition of exports, as shown in *Table 1 - Merchandise Export Earnings by Sector, 1998 – 2002* points to the fact that Ghana – like many ACP countries – depends largely on a limited range of

¹⁴⁵ Korsi, A. and Ridder, S. D. (2001), "Livelihoods of the Poor in Ghana: A contextual Review of Ghana-wide definitions and trends of poverty and with those of Peri-Urban Kumasi".

¹⁴⁶ The EU has proposed that new ACP-EU trade arrangement to be agreed by the end of 2007 should be based on free trade areas between sub-regions of the ACP and the EU. As all ACP countries already enjoy over 90% access to the EU market, establishing these new arrangements basically involves ACP countries establishing sub-regional free trade areas, which will then open their markets to the EU.

primary products with low demand growth and stagnant prices. Consequently increased export volumes have been matched by low export earnings.

Table 1: Merchandise Export Earnings by Sector, 1998 – 2002 (US\$ Million)

	1998	1999	2000	2001	2002
Gross Exports (US \$m) of which	2,090.8	2,005.5	1,936.3	1,867.1	2,063.8
1. Cocoa Total	620.4	552.3	437.1	381.1	483.4
% Contribution	29.7	26.0	22.6	20.4	22.5
2. Minerals Total	717.9	749.1	755.9	691.4	756.5
% Contribution	34.3	37.4	39.0	37.0	36.6
3. Timber Total	171	174.0	175.2	169.3	182.7
% Contribution	8.2	8.7	9.0	9.1	8.8
4. Other Exports	581.5	530.1	568.1	625.3	661.2
% Contribution	27.8	27.9	29.4	33.5	32.1

Source: ISSER (2003)

Non-traditional exports (NTE) continue to show some potential for broadening the range of Ghana's exportables, according to the latest data provided by ISSER and as shown in Table 1b below - Summary of Non-Traditional Exports Merchandise Export Earnings, 1998 – 2002.

It is significant that in 2002 NTEs yielded US\$504.3 million, an increase of 9.7% in earnings over the previous year.¹⁴⁷ There was however a reduction in the number of products exported under the NTE category and this occurred mainly in the processed and semi-processed category, thus reinforcing the continued dependence on primary commodities. Horticultural products dominated the agricultural non-traditional export category, accounting for 39.2% of earnings in 2002, with the contribution of pineapples to total earnings of horticultural products increasing from 16.2% in 2001 to 18.1% in 2002. This increase in earnings is largely due to a 31.9% increase in export volume rather than an appreciation of value, thus reinforcing the often-made observation that increased export volumes are often matched by low earnings.

Coming second in the list of agricultural non-traditional exports is fish and seafood products, which earned US\$12.2 million in 2002, a rise of 18.4% over the previous year. Significant, once again, is the vast increase in volume exported, from 16,881 tonnes in 2001 to 17,810 tonnes in 2002.

The EU is by far the single most important trading partner of Ghana, accounting for 50% of Ghana's exports and for about 32% of imports into Ghana in 2001¹⁴⁸. In 2002 Ghana had a positive trade balance with the EU worth €106 million. The breakdown of Ghana's exports to the EU in 2002 was as following: cocoa 37%, pearls; precious stones, metals 16%; aluminium 14%; wood 12%; other products

¹⁴⁷ ISSER (2003), "The State of the Ghanaian Economy in 2002", ISSER, University of Ghana, Legon.

¹⁴⁸ Trade Issues, <http://europa.eu.int/comm/trade/issues/bilateral/regions/acp/stats.htm>

15%. In the same year the imports breakdown was: machinery 29%; chemicals 12%; vehicles 12%; and other products 47%.

Table 1b: Summary of Non-Traditional Exports Merchandise Export Earnings, 1998 – 2002

<i>Item</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>
Total Number of products	253	263	272	260	257
Value (US\$m)					
Of which: -	401.7	404.4	400.7	459.6	504.3
1. Agricultural Products					
Number of Products	72	74	77	75	78
Value	77.8	84.5	74.5	82.0	85.7
% Contribution	19.4	20.9	18.6	17.8	17.0
2. Processed and Semi Processed Products					
Number of Products	170	178	184	174	168
Value (US\$m)	317.5	313.3	321.1	362.7	407.2
% Contribution	79	77.5	80.2	78.9	80.7
3. Handicrafts					
Number of Products	11	10	11	11	11
Number of Exporters	6,387	6,656	5.0	14.9	11.3
Value (US\$m)	1.59	1.60	1.2	3.2	2.2

Source: ISSER (2003)

That Ghana's trade with Economic Community of West African States (ECOWAS) countries ranks second after the EU even though ECOWAS accounts for only some 12.5 % and 11.5% of exports and imports respectively¹⁴⁹ underscores the importance of the sub-regional market for the purpose of diversifying foreign market destinations and sources. It also points to the potential for expanded trade that could be realised through regional integration.¹⁵⁰ Indeed, there has been growth in imports originating in the ECOWAS region since 2000. With Nigeria, Ivory Coast and Togo as the main sources of Ghana's imports from the Sub-Region the share of total imports moved from 23.8% in 2000 to 29.3 in 2001, with continued growth performance being recorded into 2002. Exports to destinations within the sub-region have been on the low side, excepting Nigeria, which has been rising consistently since 1999. The potential for increased sub-regional trade may lie in the pursuit of ECOWAS protocols and the creation of a Free Trade Area within the Sub-Region. The challenge however is to harmonise economic policies in a manner that is compatible with sustainable development in the individual West African countries, through an organisation that has been slow in realising any level of synchronization of policies in its almost 30 year history.

¹⁴⁹ UK Department for International Development and Government of Ghana (2002), "Ghana Trade Policy Project, Outline Strategy for Negotiation with WTO, EU-ACP and ECOWAS", October .

¹⁵⁰ *Ibid.*

3. REGIONAL INTEGRATION

ECOWAS together with Mauritania has agreed to negotiate an EPA with the EU. Ghana is one of five Anglophone member States (Ghana, Nigeria, Gambia, Liberia, Sierra Leone) of the 15-country ECOWAS. The other countries are the eight Francophone countries (Senegal, Burkina Faso, Togo, Ivory Coast, Benin, Mali, Niger, Guinea) and two Lusophone countries (Guinea Bissau and Cape Verde).

The ECOWAS treaty of 1975 and the subsequent revised treaty of 1992 have sought to promote regional integration to further trade and development within the sub-region, among the 15 member countries. In particular the ECOWAS Trade Liberalisation Scheme (ETLS) of 1999 has sought to promote the removal of tariff and non-tariff barriers to trade within the Region.

Dr Robert Osei, a Research Fellow of the Institute of Economic Affairs in Accra, has expressed the view that the main advantage of the new trade arrangement that an EPA should establish is that it could help to boost intra-regional trade. As indicated above, Ghana's trade with sub-regional neighbours has potential. The essence of promoting regional integration is by and large to harness this potential for increased intra-regional trade. This has however been slow in being realised.

Integration efforts are extremely constrained by the different levels of economic development among countries in the region, the large number of Least Developed Countries (LDCs) (12 out of 15), the internal conflicts and unrests and the varying legacies of the different colonial heritage. Historically, the colonial heritage and their effects on trade and other relations have meant a huge flow of trading activities between the Francophone countries and France on the one hand and the Anglophone countries and Britain on the other. The advanced stage of development of a customs and monetary union of the predominantly Francophone countries within ECOWAS, through the framework of the West African Economic Monetary Union (WAEMU), has tended to impede negotiations and implementation of an ECOWAS-wide customs union.

What is more, West African States also have to develop common policies that accommodate the regional giant – Nigeria. Nigeria with a population of over 150 million is by far the biggest market and economy in West Africa. Nigeria alone accounts for 18% of all ACP-EU trade and the fact that West Africa is the top ranking ACP sub region in terms of trade with the EU (41%) is mainly due to the sheer volume of EU-Nigeria imports and exports. Unlike most other West African states Nigerian exports are dominated by oil.

Many West African civil society actors are of the view that ECOWAS is far from realising the level of economic and financial integration and institutional development that the WAEMU community has already realised. On the other hand it is clear from all indications that EU-WAEMU negotiations of EPA would certainly undermine the decades-old regional integration efforts through an ECOWAS that has demonstrated strength in political interventions, with particular reference to peacekeeping. Nevertheless in the face of these concerns, EPA negotiations between the EU and ECOWAS plus Mauritania were launched on October 6 2003, with ECOWAS setting

itself the schedule of establishing a free trade area at the end of 2005 and a customs union by 2007.

Many observers of integration in the region question the feasibility of these pursuits in that timeframe, given the fact that there has been little progress on economic integration efforts since the organisation was set up as far back as 1975. Furthermore that ECOWAS has to extend integration to Mauritania solely for the purpose of negotiating an EPA, raises the fundamental question as to whether regional integration driven by external forces will meet the needs and requirements of the region to address poverty. ECOWAS officials are however not oblivious of the immense challenges entailed in fast-tracking the regional integration process to make it a relevant instrument for poverty reduction and sustainable development.

4. EXPORT BARRIERS EU POLICIES

It is noteworthy that even under the current non-reciprocal market access provided for ACP products through current ACP-EU trade arrangements, Ghana, like other ACP countries, face a number of barriers in exporting to the EU. Without a doubt, the Common Agricultural Policy (CAP) of the EU also exacts an enormous toll on producers in Ghana and the ACP, the so-called reforms notwithstanding. Furthermore various sanitary and phytosanitary standards and technical restrictions on a number of agricultural and value-added food products, *ad valorem* tariffs, special duties, quota and seasonal restrictions have further limited access of Ghanaian products to the EU market.¹⁵¹ If EPAs are to tackle poverty they will have to address these limitations. A few examples of such limitations and their consequences on poverty are detailed below.

Sanitary and Phytosanitary Standards¹⁵²

Horticultural products like pineapples account for as much as 39.2 % of the value of NTEs. There seems to be great potential for exports in these products considering that fruit and vegetables are amongst the ACP products that have experienced the biggest growth in exports to the EU as a result of trade preferences. Increased production of NTEs occupies an important place in Ghana's Poverty Reduction Strategy.¹⁵³ But tough EU rules on food safety and other regulatory measures have constituted barriers to further expansion to some of the NTEs in Ghana. This is more so because SPS of the EU have become even more stringent since the Uruguay Round of WTO negotiations. David Yawson,¹⁵⁴ a Business Development Specialist, laments about the strain that Ghanaian exporters have had to go through to meet minimum standards with regard to the Maximum Residue Levels (MRLs) of agrochemicals in fresh fruits going to the European Markets. According to the Government, the EU rejects all products using pesticides that are not registered in the EU, or of which it does not have relevant data.

¹⁵¹ ERO (2002), "A Background to the opening of the ACP-EU Trade Negotiations", Brussels, September.

¹⁵² Standards to protect health, of humans, plants, and animals.

¹⁵³ Ghana Ministry of Finance, "Ghana Poverty Reduction Strategy",

<http://www.finance.gov.gh>

¹⁵⁴ David Yawson is the Business Development Specialist of the Federation of Ghanaian Exporters (FAGE).

Fish smokers from Lake Volta region have also complained about the ever evolving and unpredictable nature of SPS standards. In 2001 women fish smokers began building new smoking facilities so that their products would comply with EU hygiene and quality rules and allow for export. But even before the facilities were finished the EU changed its standards making it more difficult for the women fish smokers to meet the standards, and the project had to be abandoned resulting in an income decline for the fish smoking community.

EU requirements for the size and shape of bananas have also hit banana exporters from the Volta River Estate. The industry has argued that it has no problems meeting the health requirements but struggles to meet EU requirements relating to size. Manager Alex Yeboah Afari explains:

*“to make your bananas grow big in size and in length all that you have to do is to dump a lot of chemical fertiliser and in the next couple of months you have your big sizes and then your length. But we talk about fair trade, as a fair trade company, we believe that we have to grow our bananas in a more sustainable way.”*¹⁵⁵

EU Chocolate Directive

The European Union so-called chocolate directive adopted in 2000 allowing EU chocolate producers to replace cocoa butter with cheaper vegetable fats in chocolates constitutes another technical barrier to the export of cocoa in so far as this means considerable decrease in demand and hence loss of export revenues. This is particularly significant given the fact that some 11 million people in West Africa derive their livelihood from the cocoa industry, mostly in countries like Ivory Coast, Ghana, Nigeria and Togo. Analysts have calculated that major cocoa producing countries could lose 20% of their revenue on cocoa through this regulation.¹⁵⁶ For Ghana this is extremely significant as cocoa accounted for over 37% of its exports to the EU in 2002.¹⁵⁷ The loss of this revenue deprives cocoa farmers of valuable incomes and cuts government revenue that could have been invested in social sectors.

Rules of Origin¹⁵⁸

Canned tuna has accounted for over 20% of the value of NTEs in recent years. According to the Ministry of Food and Agriculture tuna exports more than doubled from 23 160 tonnes in 1995 to 52 454 tonnes in 1999. France and UK account for 74% of these exports. Ghana's tuna industry is particularly competitive in EU markets because of the trade preferences it receives. However, recently Ghana has encountered problems with the EU's application of the Rules of Origin on its canned tuna exports. The EU has accused Ghana of violating an aspect of the Rules of Origin relating to the requirement that 50% of fishing vessels used for tuna production should be owned by an EU or ACP country. As a result EU market access for

¹⁵⁵ Life Online, “The Trade Trap - A multimedia initiative on the impact of globalization”, <http://www.tve.org/lifeonline/index.cfm>

¹⁵⁶ Chocophile.com – stories “The New Taste of Chocolate in Europe”, [http://www.chocophile.com/stories/storyReader\\$278](http://www.chocophile.com/stories/storyReader$278)

¹⁵⁷ Trade Issues, <http://europa.eu.int/comm/trade/issues/bilateral/regions/acp/stats.htm>

¹⁵⁸ A rule stipulating that goods for export originate from a particular country and comply with certain conditions concerning their manufacture.

Ghanaian tuna has been restricted. While the issue is being contested by the Ghanaian government, it is unclear which party is in the right on the issue. However, what is clear is that Ghana has problems in applying the stringent Rules to the satisfaction of the EU. These Rules may thus be inconsistent with the object of attracting investments that are seen as critical for employment creation and poverty reduction. Apart from the implications for government revenue there are implications for employment as the tuna industry employs 1700¹⁵⁹ persons directly and a lot more indirectly. The ACP has called for asymmetry in the Rules that allow different rules to be applied to ACP and the EU on the basis of their different levels of development.

EU Banana Regime

Other than the standards requirement mentioned above, Ghana has suffered other considerable difficulties exporting bananas to the EU market following the institution of the EU common banana-importing regime in 1993. Ghana's access to European banana market was limited by dint of its categorisation as a non-traditional ACP banana producer. In the period after 2000 following various reviews of the EU banana regime Ghana still faces market access constraints through a limited quota. The General Agricultural Workers Union of the TUC has consistently followed the fate of Ghana's banana in Europe because the banana plantation in question provides very stable employment as well as a much higher workforce per hectare than any other plantation in Ghana. It is a critical means of livelihood in an otherwise very poor area.

5. IMPACTS OF LIBERALISED TRADE WITH THE EU ON POULTRY SECTOR

A study of the poultry sub-sector allows an insight into the likely effects of free trade arrangements on a promising domestic productive activity with immense possibilities for increased direct and indirect employment, internally integrated economic linkages and enhanced sources of livelihood. The pressing need to address malnutrition and the protein deficiency in Ghana from the standpoint of national food security, fundamental right to food and poverty reduction also make the poultry industry a relevant focus of study. Poultry has possibilities for intra-regional trade, and therefore allows a brief interrogation of how national interest in poultry could be reconciled with sub-regional interests given its exportable potential to net-food/maize importing and sometimes land-locked countries of the sub-region.

A Viable and Promising Poultry Industry

The history of Ghana's poultry industry shows how it grew from scratch in the late fifties, reaching its prime in the late 1980s and began to plummet in the 1990s. Government intervention in the 1960s targeting disease control in particular saw the poultry industry grow from one million birds in the late sixties to ten million by the late seventies. The rapid growth of poultry stocks on many occasions outstripped the local raw material and feed supply thus necessitating the next major Government intervention in the form of support for the production of local feed/raw material such

¹⁵⁹ Agro-Ind 2002, "Ghana",
http://www.agro-ind.com/html_en/ghana24.html

as maize, fish meal and soybean meal, as well as the importation of feed mill ingredients to meet supply gaps. What is more, the drive for more feed and the development of know-how led to the utilisation of otherwise waste by-products from agricultural processing activities, such as vegetable oil meal, fish meal, oyster shells, rice bran, wheat bran, etc. In addition to these supportive interventions targeting poultry in particular the industry also benefited from the Government's active support in mobilising credit towards agriculture at interest rates below the commercial.

The poultry industry had started maturing into full bloom when the effects of liberalisation under Structural Adjustment Programmes started denting the industry in the early 1990s. With the removal of government support for drug costs, the discontinuation of government importation and subvention for stopgap feed mill ingredients and the lowering of the preferential credit rates for agriculture many poultry operations began to curve in as production costs rose dramatically resulting in the closure of many operations.

EU Dumping of Poultry in Ghana

These heightening costs coincided with the liberalised import regime that led to the influx of "cheap" frozen poultry primarily from the EU and the US - mainly chicken legs, necks, wings and other such parts that have no market in Europe anyway. According to Christian Aid¹⁶⁰ in 2001 over 11,000 tonnes of chicken were imported into Ghana with over two-thirds of this coming from Europe. In 2002 the level of imports more than doubled to 23,100 tonnes¹⁶¹. There are approximately 400,000 chicken farmers in Ghana and the result of these imports is that only those operations with considerable improving production efficiencies have continued to operate. Beyond the CAP subsidies, that give the EU an unfair competitive advantage, EU poultry farmers have benefited from a reform of the cereal sector, which has substantially reduced the cost of animal feed. Even in the face of this influx, Ghana's industry has over the second half of the nineties accounted for as much as 50% of the total supply, even when import duty on imported poultry products have remained as low as 20%.

One of the effects of the unfair competition from highly subsidised poultry imports is the apparent wasteful under-utilisation of poultry facilities in the country; utilisation of hatcheries stands at 25%, feed mills at 42 and processing plants at 25 percent.¹⁶² The yawning capacity under-utilisation confirming the unprecedented growth rates of between 10 to 20% per annum in the 20 years from 1960 - 1980, with its attendant installation of modern production facilities reinforces the potentialities of the poultry industry given the right protective and supportive policy environment.

What is more, according to the Watt Poultry 1999 Statistical Year book Ghana is one of the lowest poultry consuming countries in the world, with a per capita consumption of 1.6kgs of chicken meat as against the 5.6kgs for Africa. Nor does it rank high with animal protein as whole. For a country whose per capita livestock consumption is

¹⁶⁰ Christian Aid, "Ghana and the IMF: The Farmer's Story"

http://www.christian-aid.org.uk/campaign/trade/stories/ghana_brief.htm

¹⁶¹ The Post IE, "Cancun Carries Dreams of the Developing World"

<http://www.thepost.ie/web/Sitemap/1.2did-801468454-pageUrl--2FBusiness-2FComment-and-Analysis.asp>

¹⁶² Mr Adjei Henaku (2002), Situational analysis of the poultry industry.

only 6.7% of the average for Africa and 2% of the FAO recommended levels it is not surprising that as many as 40 percent of the population are malnourished.

Increasing poultry product intake is globally the immediate choice for meeting shortfalls in animal protein, a characteristic of poverty in Ghana, because of its short production cycle of some five weeks and its suitability for intensive production. The immediate question that arises is whether to depend on the highly subsidised and therefore cheaper imported frozen chicken parts from the EU and sometimes from the US or concentrate on promoting local production of poultry products?

The wide gap between installed capacity and utilised capacity, between actual and FAO recommended consumption levels led to a number of studies that bring out the far reaching multiplier effects of increasing the production of poultry, more so through a broiler revitalisation programme –*poultry production for chicken meat* –as against increased production of layers – *production for eggs* -alone. This is consistent with the DFID study which makes clear arguments that the poultry sub-sector (like rice, livestock and fisheries) could realise their potential to become competitive in a 5-10 year time scale given the appropriate trade policies and complementary supportive measures.¹⁶³

The projections bring out the immense benefits of local production. Assuming a higher consumption level of 2.34kgs chicken meat per person per year in five years time when national population is estimated to be 24,536,092, the broiler demand would be 57,477,268 kilograms. A broiler revitalisation programme would result in local broiler demand of 43, 812,793 Kgs which would be 76.23% of total demand. Such a modest increase in consumption (still less than half of Africa's average) would, together with other price support and tariff barriers that are consistent with WTO obligations, certainly result in a number of expanded broiler production and various multiplier effects. It would result in:

- Higher level of feed milling activity;
- Increased demand for feed ingredients;
- Increased field crop demand;
- Expanded hatchery activity for the production of day old chicks;
- Savings on scarce foreign exchange.

For the same five year time scale it is estimated that total day old chick market value would be US\$31,947,690, (€25,124,008) a more than modest contribution to GDP, not to mention the implications for employment and incomes – especially in the rural sector where poverty incidence is most severe- as well as the utilisation of otherwise wasting under-utilised capital of hatcheries. The corresponding broiler feed requirement for the same time line is 195,802 tonnes, - *with a market value of US\$56,781,380 (€45,850,664)*- made up of 117,481 tonnes of maize, 58,741 tonnes of vegetable proteins, 29,370 tonnes of wheat bran and 11,748 tonnes of fish meal. Significant in the feed mill-cropped field relationship is that every 20,000 tons of feed provides a market for 13,000 maize farmers.¹⁶⁴

¹⁶³ UK Department for International Development and Government of Ghana (2002), “Ghana Trade Policy Project. Assessment of the Competitiveness of Local Agriculture and Industrial Production”, March.

¹⁶⁴ Source: Ghana National Association of Poultry Farmers (GNAFP).

With women accounting for about 70% of food producers in the country, their fortunes could be directly boosted by increases in poultry production, as one of the most widely grown food -maize- is also the single most important ingredient of poultry feed. At 1996 stock levels, the poultry industry's consumption of 25% of the nation's maize effectively created employment directly for 85,000 maize farmers. Taking into consideration the average dependency rate of three for the maize farmer the poultry sub-sector generated income for 250,000 people, many of who are rural women and often times household heads.

The import substitution¹⁶⁵ value of a revitalised broiler programme would for the five year time line amount to anything between US\$28,478,315 (€22,996,088.93) and US\$43,812,793 (€35,378,598.91) assuming a per kilo value of chicken meat to be anything between US\$0.65 (€0.48) and US\$1.00 (€0.8). For a country whose dearth of foreign currency is one of the major explanations for Balance of Payment difficulties and exchange rate instability the import substitution value of domestic poultry is crucial for a macro-economic environment that is supportive of sustainable development.

For the Ghana National Association of Poultry Farmers, an organisation sharing the same trade advocacy platform with the General Agricultural Workers Union of the Trades Union Congress, any package of policy responses to make the poultry industry realise its competitive advantage should include measures to neutralise the effects of producer and export subsidies on poultry products imported into the country. This certainly calls for appropriate levels of tariffs that should also add to Government revenue. It is estimated that a tariff level of 20-80 percent would generate incomes of US\$2,457,600 - 9,830,400 (€1,984,499 - 7,937,996) on the basis of the anticipated imports of chicken to supplement the local production based on the projections of the five year time line. Such revenue should enable the Government to provide to the poultry producers requisite guarantee price support and institute that over a specified period special long-term low interest finance, shielded from exchange rate risks, that should enable them to expand and realise economies of scale and look beyond the national market in furtherance of regional economic integration. This approach is supported by Ghana's Poverty Reduction Strategy, which states that, "*The current heavy reliance on imported frozen meat, dairy products and live cattle and sheep is a reflection of the lack of concerted efforts aimed at increasing productivity in the livestock sub-sector*". The Strategy goes on to call for the "*implementation of a tariff and tax structure that expedites trade, minimizes tax avoidance and penalizes 'dumping'*".¹⁶⁶

The immense potential that emerges from these accounts is based on the conscious and programmatic revitalisation of broiler production alone. Anticipated increased layer production in the same period gives a broader purview of the viability of the industry.

¹⁶⁵ A strategy for economic development based on replacing imports with domestic production.

¹⁶⁶ Ghana Poverty Reduction Strategy,
<http://www.finance.gov.gh>

Impact of Liberalised Trade between EU and Ghana on the Poultry Industry

From the foregoing it is quite clear that reciprocal free trade with the EU which results in prying open the domestic market increase the influx of “cheap” subsidised frozen chicken and in the process destroy completely the viable and promising domestic poultry production, the allied feed mill industry, the poultry processing plants and the promising multiplier effects on the maize and agro-processing production activities and other feed mill ingredients production. Ominously for 2004 the EU has proposed a 16% increase to export refunds to EU poultry farmers further increasing their ability to dump poultry on the Ghanaian market.¹⁶⁷ As Mr Adjei Henaku, the Executive Secretary of the Ghana Poultry Farmers Association put it, *“it is extremely difficult to figure out how the dumping of cheap poultry parts-like legs, wings, necks - that have no markets in the EU anyway, could be permitted in the name of free trade that is supposed to promote competitiveness.”*

The EU could through its dumping of poultry or livestock products in the West African region undermine the possibilities for strengthening intra-regional trade. Again, the study goes to confirm in clear vivid terms the revenue losses that would arise with the dismantling of tariff barriers, as well as the revenue gains that would accrue to Government when justifiable protection from imported poultry products is imposed.

Clearly, the poultry sub-sector has strong implications for food security and rural income generation, especially for women who form the majority of the poor in the rural areas. What is more, the poultry industry is particularly relevant for redistributing income between the rural and urban areas and stemming the tide of rural-urban migration being an activity present in eight out of the ten administrative regions and given its vital linkages with agricultural and allied industries in the rural areas.

6. GENERAL IMPACT OF LIBERALISED TRADE BETWEEN EU AND GHANA

Many a credible study suggest that liberalised trade with the EU for the ACP countries could mean:

- Loss of government revenue;
- Undermining Regional Integration or at best fashion it for the EU’s own needs and interests;
- Worsening terms of trade given the envisaged dumping of European products onto the ACP market without a corresponding increase in earnings from exports;
- Adjustment cost pressures;
- Fiscal and budgetary constraints that are likely to affect macro-economic stability;
- CAP-induced depression of domestic agriculture and agro-based industrial development.

¹⁶⁷ US Department of Agriculture – Foreign Agricultural Service, «European Union’s Broiler Situation», <http://www.fas.usda.gov/dlp/countrypages/euchsit.pdf>

While there are very few comprehensive studies on the likely impact of free trade on Ghana in particular, all indications show that they are likely to be similar to these general negative findings.

Impact on Public Revenue

The Ghanaian Government is dependent on customs duties and loss of these duties would require substantial efforts towards fiscal reform. Ghana in 2002 derived about 10.5% of total revenue from import duty, thus confirming the estimation of Government official that free trade arrangement may result in 4-7% government revenue loss.¹⁶⁸ This according to a Ghana government study will amount to up to something in the area of US\$72 million (€58.1 million) fall in revenue.¹⁶⁹

For a Highly Indebted Poor Country like Ghana such shortfalls in revenue put undue pressures on fiscal and budgetary measures and undermine the social and economic programmes being pursued within the growth and poverty reduction programmes. Even without taking into account of such shortfalls Ghana's Poverty Reduction Strategy states that levels of spending on health and education at 2.0% and 2.8 % of GDP respectively are much lower than African averages and have constrained poverty reduction. The strategy also states "*Revenue mobilization must be perpetually strengthened with a tariff structure to maximise revenues and minimize unfair competition.*"¹⁷⁰

Impact on Influx of EU Imports

The lessons emerging from the poultry industry study easily apply to other productive activities and the economy of Ghana as a whole, as to be expected, given the fact that the EU is by far Ghana's most important trading partner, receiving about 50% of Ghana's exports and accounting for some 32% of imports in 2001. With liberalised trade, imports from the EU are expected to increase by up to US\$115 million (€92.8 million) annually.¹⁷¹ A host of other domestic productive activities, many with immense potential, could be threatened with the free trade arrangement that the EU is seeking to realise in the negotiation of EPA.

In April 2003 Ghana's then Minister of Trade and industry, Dr Kofi Konadu Apraku, informed an ECOWAS meeting that studies on the competitiveness of industry and agriculture showed that, in the event of free trade with the EU only 25 % of Ghanaian industries could survive without import tariff support.¹⁷²

However, a high-level official of a member-state of ECOWAS believes that the European Commission is not inclined to give any convincing response to justifiable fears expressed about the likely impact of EPA because ACP countries are constantly

¹⁶⁸ Sonja Volten quotes Brahm Achiayao, a Ministry of Trade and Industry Official in Accra - Volten Sonja (2003), "Economic Partnership. A viable option for Ghana?", University of Amsterdam.

¹⁶⁹ Myjoyonline – News, "Ghana-EU Trade – Industries to Lose Billions"

<http://www.joy997fm.com.gh/frontarts.asp?p=3&a=1844>

¹⁷⁰ Ministry of Finance Ghana, "Ghana Poverty Reduction Strategy",

<http://www.finance.gov.gh>

¹⁷¹ Myjoyonline – News, *op. cit.*

¹⁷² Ghana Homepage, "Only 25% Of Industries Can Survive – Apraku,"

<http://www.ghanaweb.com/GhanaHomePage/NewsArchive/artikel.php?ID=35595>

taking a peep into the pockets of the EU to see what additional funding support is possible beyond the EDF budget lines.

The collapse of industries is likely to have a significant impact on unemployment and incomes in many of the sectors, which employ the poor. That imports of maize, rice, fish, poultry, eggs, wheat, hops and malt, sugar and dairy products constituted about 7% of non-oil imports in 2001, in spite of the high focus Government gives to food security, is a pointer to how the removal of tariff barriers to EU imports could result in dumping to the depression of local food production and the allied food processing industries.

Besides, with the expansion of EU cereals production since the mid nineties there has been considerable expansion of cereal-based food products, which are now exported to Ghana and other ACP countries thus undermining the prospects of agro-industrial processing activities and reducing the possibilities for diversifying away from primary commodity production. As stated earlier crop farmers are hardest hit by poverty in Ghana and any further expansion of EU imports in the crop sub-sectors is likely to lead to further hardship in unemployment and lower incomes.

In addition, the competitiveness of the Ghana livestock industry, as underscored by DFID/GOG studies, will be considerably lost, with the influx of artificially cheap meat, more so when the reformed CAP threatens to continue pampering the average EU cow with over one pound (€1.5) a day support. The implications for poverty alleviation in particular is obvious from the fact that the three northern-most administrative regions of the Ghana have the largest livestock production levels as well as the highest incidence of poverty, with 69 – 88% of the populations living below the poverty line. Meanwhile, the meat cannery activity processing livestock in heart of this poverty-stricken region has collapsed. The non-operation of this cannery factory certainly has negative implications for employment and livelihoods; what is more it deprives West African northern neighbour-Burkina Faso –of a market for livestock as well as leather that served the shoe factory located in Kumasi, the Ghana's centrally-located second city.

It may also be recalled that a three-day Workshop on Trade and Food Security in the Sub-Region organised by the General Agricultural Workers Union (GAWU) with the support of FES-Ghana in Accra, 27-29 October 2003, underlined the need to protect and support products in competitive markets, that meet the staple food and livelihoods needs of the population.¹⁷³

Indeed, the threat to agricultural production also extends to agro-processing industrial activities¹⁷⁴ like vegetable oil and tomatoes production. The development of Ghanaian agro-industry is a key part of Ghana's strategy in poverty reduction, and free trade

¹⁷³ They also recognised the need to protect and support production activities which have a high multiplier effect and lend themselves to boosting industrialization to ensure food security, diversification and sustainable development; the poultry sub-sector for the Workshop participants clearly meets the latter criteria in Ghana, Senegal, Nigeria and other West African countries that have a fairly reliable maize production record.

¹⁷⁴ According to the Pricewaterhouse Consortium, liberalized trade with the EU may accelerate the collapse of the modern West African manufacturing sector – Pricewaterhouse Consortium (2003), Mid-Term Report Summary Main findings and Way Ahead, *Brief n. ° 3*, November, <http://www.sia-acp.org/acp/uk/index03.php>

with EU as such may be far from enabling the country to develop industries based on its own domestic agricultural production or even that of its sub-regional neighbours.

The mirage of market access

Some poultry farmers have asked “*what is Ghana getting in return for allowing the EU to dump cheap goods on the Ghanaian market?*” While enhanced market access to the EU seems the obvious answer, it soon becomes clear that increased trade with the EU resulting from the reciprocal removal of trade barriers is a promissory note that leads into the market access mirage.

Given the extension of duty- and quota-free EU market access to all LDCs and other developing countries within the framework of the GSP, also known as the ‘Everything But Arms Initiative’ and the fact that these countries’ export product composition are almost similar to that of Ghana it stands to reason that the ensuing competition for EU market can at best be of little benefit or benefit only a few. Again, given the acknowledged multiplicity of constraints facing supply capacity of Ghana and other ACP countries market access is no good when there are no goods to send to the EU market-no matter how free! That means ACP countries effectively will get hardly anything return for opening up markets to EU products.

Overall Impact on Poverty

The case of the Ghana poultry industry demonstrates clearly that a trade arrangement that allows an influx of artificially cheap products from Europe can only undermine any effort to realise food security, poverty alleviation and sustainable development and remove elements that could bolster much needed regional integration. It shows how the CAP reforms could directly and indirectly impact negatively on productive sectors and take away livelihoods particularly of the more vulnerable sections of the population. Besides it brings out the likely loss of revenue and its attendant fiscal and budgetary constraints and pressures.

The promise of enhanced market access to the EU could be a mirage unless the EU consciously sets out to remove a host of non-tariff barriers which impede ACP exports and support the latter with enhanced capacity to meet justifiable sanitary and phytosanitary standards. Besides, unless due recognition is given to removing a host of impediments to productive capacity enhancement of the ACP economies and specific support instruments and budget lines are put in place for them the promise of market access for Ghana and ACP products would come to nought given the fact that the non-traditional exports which offer better possibilities enjoy an increasingly lower margin of advantage over non-ACP exporters. For Dr C. D. Jebuni,¹⁷⁵ to address poverty in Ghana, it is necessary to introduce into the trade arrangements “*supply capacity building measures through the provisions that encourage technology transfer and investment.*”

This study cannot pretend to provide comprehensive analyses of how liberalised trade with the EU would impact on Ghana. However a few key indicators often used to demonstrate the effect of trade on poverty come in handy here; these are the effects of

¹⁷⁵ Dr C. D. Jebuni, Research Fellow of the Centre For Policy Analysis, Accra, in response to a questionnaire.

trade liberalisation on 1) Government revenue derived from import duties which could be channelled to social services and anti poverty programmes; and 2) the effect on the agriculture production the sector that employs most of the poor. These two indicators do point to a worsening of the situation of the poor if the EPA negotiations should lead to the creation of free trade agreement between EU and ECOWAS.

Other oft employed indicators analysing trade and poverty such as impact on prices and the so-called dynamic effects like impact on investment and efficiency are not cited here. But other studies commissioned by the EU and the ACP¹⁷⁶ using these indicators have also failed to give a clear picture of how liberalised trade with EU could reduce poverty and promote sustainable development.

7. BENCHMARKS FOR TRADE ARRANGEMENTS GEARED TOWARDS POVERTY REDUCTION

The findings above show that negotiation of reciprocal trade liberalisation between ECOWAS and the EU is incompatible with the fight against poverty and the developmental needs of Ghana and the region. As a result observers in close proximity to peoples living in poverty in Ghana strongly believe that EPA negotiation should not result in the creation of Free Trade Agreements.

For the new trade arrangements to be consistent with the fight against poverty and developmental needs of Ghana and West Africa the negotiation outcomes should ensure that:

- No country is worse off as a result of the negotiations;
- The EU and ECOWAS do not assume the same levels of commitment with regard to reciprocity;
- ECOWAS and indeed all ACP countries should continue to enjoy significant levels of preferences;
- The non-tariff barriers that have hindered ACP countries from benefiting from trade are removed.

Flowing from the above conclusions and broad principles the negotiations should proceed only on the basis of rigorous set of bench-marks implied by the following recommendations:

The Ghana Government should:

- Support more comprehensive studies examining the socio-economic impact of liberalised trade with the EU while examining alternatives.
- Support civil society participation in the negotiations including producers' associations, in a manner that strengthens negotiators and addresses the critical concerns and issues for real development that makes meaningful integration into the global economy.

¹⁷⁶ Institute for Development Research (2003), "A Study of the Possible Impacts of an EU-ECOWAS Economic Partnership Agreement on ECOWAS", Ahmadu Bello University Zaria, February.
CERDI (1998), «Etude de l'impact économique de l'introduction de la réciprocité dans le relations commerciales entre l'UE et les pays de l'UEMOA et le Ghana».

- On the basis of studies identify and protect products that impact on the poor such as maize, rice and tubers in line with poverty strategy and food security needs.
- Devise a comprehensive strategy to support Ghana's poultry industry that aims to ensure the viability of this industry in 10 years. This could include tariff protection, income support and capacity building for farmers.
- Support the creation of new sources of employment and livelihoods in the Northern region in its strategy on trade with the ECOWAS and the EU.
- Support further research into the gender dimension of production and address the problem facing women traders such as poor access to credit.
- Invest in developing agro-industry for export of value added products to the EU as well as the development of cash crop exports to the EU such as cashew nuts in line with Ghana's Poverty Reduction Strategy.
- Work with ECOWAS and the EU and their various consumer organisations in devising a strategy on standards.

ECOWAS should:

- Develop a West Africa wide pool of experts that can assist government officials in the negotiations and ensure that their negotiation mandate has a strong political backing derived from the National legislative institutions as well as the ECOWAS Secretariat.
- Develop sub-regional development strategies that inform the development of a trade agenda for the sub-region.
- Establish a system of exchange of information on preparations for the negotiations in the different countries.
- Work with other ACP regions in ensuring coherence in positions between the different ACP sub regions.

The European Union should:

- Engage ECOWAS in a comprehensive strategy in overcoming non-tariff barriers. This should include:
 - Support to ECOWAS countries in participation in standard setting, compliance and verification.
 - Revision of the Rules of Origin that allows for asymmetry in the treatment of the ACP and the EU according their different levels of development and greater possibilities for derogation from stringent rules.
- Review the EU chocolate directive and introduce compulsory labelling of chocolates, which distinguish chocolates utilising cocoa fats.
- Review the CAP to allow external effects of CAP reform to be fully taken up and addressed in the negotiations, with a view to maintaining and enhancing the value of existing ACP agricultural preferences and ensuring effective protection of ACP markets from unfair competition.

GHANA

- Increase funds and improve accessibility not only for governments but civil society organisations, producer's organisations and woman's organisations for trade capacity building.
- Provide funds additional to what is foreseen in National and Regional Indicative Programmes to address supply side constraints water, power, health, education, roads, technological transfer and modern farming methods.

BENIN: A CASE STUDY ON ECONOMIC PARTNERSHIP AGREEMENTS

By Aurélien C. Atidegla in cooperation with Euloge Agbessi and Emmanuel Gahou¹⁷⁷



Photo: Christian Aid / Fabienne Fossez

1. INTRODUCTION

This chapter assesses the impact of an Economic Partnership Agreement (EPA), as proposed by the EU, on poverty reduction and sustainable development in Benin by examining the effects of the dismantling of tariff and non-tariff barriers on trade between Benin and the European Union (EU).

The first part aims to provide a snapshot of poverty in Benin, an overview of trade flows and integration levels in West Africa, the region through which Benin is supposed to partner the EU in the new trade arrangements. Secondly, it seeks to identify a number of obstacles hindering the country from using the ACP-EU trade arrangements as a tool for sustainable development and poverty reduction. Thirdly it tries to forecast the likely implications of EPAs, if based on liberalised trade¹⁷⁸, on

¹⁷⁷ President and representatives of GRAPAD (Groupe de Recherche et d'Action pour la Promotion de l'Agriculture et du Développement) respectively.

¹⁷⁸ The EU has proposed that new ACP-EU trade arrangement to be agreed by the end of 2007 should be based on free trade areas between sub-regions of the ACP and the EU. As all ACP countries already enjoy over 90% access

poverty eradication and sustainable development. Finally, on the basis of the above, it attempts to lay down benchmarks for new ACP-EU trade arrangements that effectively contribute to poverty eradication. The study focuses on the case of cotton, which is Benin's main export product, in analysing the impact of new trade agreements on the country's economy and their contribution to poverty reduction.

This chapter is based both on secondary sources and interviews with experts taking part in the trade negotiations.

Poverty in Benin

Benin has an area of 112 600 km² and an estimated population of nearly 7 million people. It is ranked in 159th¹⁷⁹ according to the Human Development Index (HDI), (one of the last sixteen countries), and 131st in the Gender Development Index. In 2001, Benin's GDP was 1 756 billion FCFA (€ 2.68 billion), with a US\$365 (€ 294) per capita income. The tertiary and primary sectors represent around 50% and 36% of total GDP, compared to 14% for the secondary sector. Although the production structure is partly explained by the country's high agricultural potential, its geographical situation and the capacity and/or propensity of economic operators to engage in commercial activities, stems from mid and long-term productive weaknesses in investment.

Poverty in Benin is a phenomenal problem, affecting around a third of the population. The prevalence of poverty rose from 25.2% in 1994-1995 to 33% in 2001¹⁸⁰, a statistically significant increase. The depth and severity of poverty also worsened in this period, from 6.3% and 2.4%, respectively, to 9.4% and 3.9%. The overall increase in poverty has been due to risings costs of non-food items such as education, health and housing.

According to the UNDP, the country's economic growth has not translated into improved health and educational levels. Generally over the last five years economic performance has reduced urban poverty but rural poverty has significantly worsened and remains very high. This situation mainly reflects ineffective economic and social policies, resulting in an unequal distribution of economic growth and, consequently, in low rural income -in a context of rising food and non-food prices. The ineffectiveness of policy stems from a skewed allocation of income and economic and social investment to the detriment of the rural areas. Cities enjoy better communications, transport, basic consumer goods distribution, elementary education, primary health provision, drinking water supply, sewerage facilities, etc.¹⁸¹

Regarding gender, studies on female poverty in Benin,¹⁸² drawing from the results of two surveys – ECVR (Etude sur les conditions de vie des ménages) and ELAM

to the EU market, establishing these new arrangements basically involves ACP countries establishing sub-regional free trade areas, which will then open their markets to the EU.

¹⁷⁹ Human Development Index 2003,

http://www.undp.org/hdr2003/pdf/hdr03_HDI.pdf

¹⁸⁰ PNUD, «Rapport Sur la Situation Economique et Sociale du Bénin» 2002,

<http://www.undp.org/bj/publications/rapport-eco-soc-benin-2002.pdf>

¹⁸¹ Cf. Système des Nations Unies au Bénin (2002), «Bilan Commun du Pays», janvier.

¹⁸² cf. Marie Odile Attanasso (2002), «Analyse des déterminants de la pauvreté féminine au Bénin», *Document de travail*, MIMAP-BENIN, Cotonou.

(Enquête légère auprès des ménages)– show that, although the number of poor men exceeds that of women, the plight of the latter is more severe. Thus women headed 46% of poor urban households, whilst they only headed 26% of non-poor urban households. High levels of poverty of women is even more evident in non-monetary¹⁸³ areas such as basic needs for education, health, drinking water, food, and decision-making power on fundamental individual choices, etc.

Women are heavily involved in production of food crops while men specialise in cash crops. An estimated 45% of women taking part in commercial activities work primarily in the informal and cross border transactions sectors. Despite some success stories, most women are engaged in modest business activities and often lack the economic, information and training resources needed to increase profitability. Nearly 40% of the female workforce is classified as unpaid family labour.¹⁸⁴

EPAs, as an integral part of the ACP-EU Partnership that has poverty eradication as an overall objective, will in practise have to effectively address the abovementioned problems of poverty Benin is facing.

2. CHARACTERISTICS OF TRADE FLOWS

Benin's foreign trade covers 99 products and 104 partner countries. The most important export goods are cotton, edible fruits, tobacco, mineral fuel, cereals and oilseeds. The main destinations are the EU (29%), India (22%), Brazil (7%), Thailand (7%), Indonesia (7%) and Turkey (6%). As far as imports are concerned the main countries of origin are China (38%) and the EU (35%).¹⁸⁵

Before the entry into force of the CET (Common External Tariff) of the WAEMU (Union Economique et Monétaire Ouest Africaine), Benin had one of the lowest trade protection levels in Africa, with custom duties averaging just 13%.

In 2002, Benin had a negative trade balance with the EU (-€486 million). In that year, exports from Benin to the EU were worth €58 million. The composition was as follows: 33% hides, 22% cotton, 11% chemicals, 8 % oleaginous products, 7% residual foods, 6% fish. Imports from the EU were worth €544 million, (16% vehicles, 12% meat, 10% machinery, 9% chemicals, 5% textiles).

In the past Benin had few trade relations with other WAEMU countries, a mere 2% of exports. But with the implementation of the CET the situation is improving.

Regarding trade with ECOWAS (Economic Community of West African States), the main countries of origin for imports in 1999 were Ivory Coast (38.7%), Ghana (23.2), Senegal (17.8%) and Togo (11.1%). For their part, Nigerian imports include a broad range of goods, from agricultural to industrial, officially representing 4.3% of the

¹⁸³ UNDP (2001), "Report on Human Development in Benin".

¹⁸⁴ Martin, P.A, E. Adotevi-Dia and C. Gnimadi (2001), "Benin Gender Assessment and Strategy", Development Alternatives – Inc., WIDTECH, October,
<http://www.widtech.org/Publications/PDABW113.pdf>

¹⁸⁵ Trade Issues,
<http://europa.eu.int/comm/trade/issues/bilateral/regions/acp/stats.htm>

total, with a value of 2.6 billion FCFA (€0.004 billion), mainly oil products, plastic bags, motorcycles, cloth and fertilizers.¹⁸⁶

Unfortunately, these figures do not take into account the widespread informal transactions that are difficult to quantify. A significant amount of informal cross-border trade takes place, in which women traders dominate. However, few women have prospered in this sector due to their lack of access to resources, information and training.

Ghana is the main supplier of electricity, essential for Benin's economic and social development. Apart from electricity (representing 90% of Ghanaian imports), Benin also imports wax cloth (6.4%) and liquid butane (2.5%).

A significant part of Benin's trade involves the re-exportation of products to neighbouring countries. The re-exportation market is flourishing and may be a boon for the country, due to its geographical location, political stability and the relative efficiency of its port and (especially road) transport system.

Throughout the 1990-1998 period Benin's trade balance was in the red, the deficit growing from 4.9% of GDP in 1990, to 16.5% in 1991, then falling to 4.4% of GDP in 1994, only to rise again to 7.6% in 1995 and stabilise around the 6% mark in 1996-1998, finally to reach 7.6% of GDP in 1999. The main causes of the trade deficit have been:

- obsolete production equipment;
- weak diversification of exports;
- importation for re-exportation purposes (often unreported).

On top of these basic explanations of the foreign trade deficit other unfavourable factors should be added, such as the deterioration of the terms of trade and the strong appreciation of the FCFA during the 1990s.

Since the second half of 1998, the cotton sector has gone through a crisis due to falling world prices and mismanagement. Revenue from Benin's exports (cotton and its by-products make up 60-70% of total exports¹⁸⁷) as a result has fallen sharply in the five-year period and the trade deficit has risen since 1999. As will be seen below this trend has been detrimental for poverty reduction.

3. REGIONAL INTEGRATION

ECOWAS is a fifteen-country strong regional association set up in 1975. Its members are the eight West Africa Economic and Monetary Union (WAEMU) countries

¹⁸⁶ The moderate protection level in Benin stems from the authorities' decision to transform the country into a springboard for subregional trade. According to a WTO report, 40% of total Benin exports are re-exportations to Nigeria, Niger and Burkina Faso of previously imported goods. - Cabinet Boubacar BA (2003), "Etude sur la Compatibilite des Politiques Commerciales dans le Cadre du Processus d'Integration en Afrique de l'Ouest", March.

¹⁸⁷ Minot Nicholas and Daniels Lisa (2002), "Impact of Global Cotton Markets on Rural Poverty in Benin", IFPRI, November, <http://www.williams.edu/Economics/neudc/papers/Minot.pdf>

(Benin, Burkina Faso, Ivory Coast, Guinea Bissau, Mali, Niger, Senegal and Togo) plus Cape Verde, the Gambia, Ghana, Liberia, Nigeria and Sierra Leone. Its main purpose is to establish an economic and monetary union, and to promote integration in all areas of economic activity. This has involved focus on the creation of a common currency, the establishment of a free trade area, and the setting up of a Common External Tariff (CET). It is worth noting that the eight WAEMU countries have already, since 1 January 2002, established common external tariffs and have a common trade policy towards third countries.

The main tenets of the ECOWAS trade policy are laid down in the Treaty and implementation instruments arising from the protocols and decisions adopted by the Conference of Heads of State and Government, and the Council of Ministers.

In the framework of EPA negotiations, the West African region will be represented by ECOWAS states and Mauritania. West Africa tops the ACP as the sub region with the greatest trade with the EU, accounting for around 41% of the total EU-ACP trade.

In order to prepare for negotiations for an EPA, ECOWAS commissioned two studies on the compatibility of trade policies in the region¹⁸⁸, and on the impact of an EPA¹⁸⁹, respectively. The first study analysed the openness of regional states' trade policies and liberalisation within ECOWAS. It found that the CET had resulted in a general lowering of custom duties, a rationalisation of tariff systems and an increased trade with the rest of the world. But it must be recognised that the scope of the study was limited to issues relating to custom duties. Other important aspects of trade policy such as safeguard clauses, dumping and management questions- were not covered.

The seven countries that are not WAEMU members (Cape Verde, Ghana, Liberia, Nigeria, Sierra Leone, Guinea Conakry and the Gambia) have their own individual trade policies reflecting their own national priorities. However, the entry into force of WAEMU's CET has somewhat forced them to take on board its custom duty policies and to bring their own tariff structures closer to WAEMU's. Thus, the countries in the area have greatly opened up their markets with the notable exception of Nigeria, which has not only increased duties on most goods but also even banned trade in others.

This situation provides difficulties for the implementation of economic and financial harmonisation measures within ECOWAS and might hinder progress in the EPA negotiations with the European Union.

A further challenge that Nigeria poses to the establishment of common ECOWAS policies towards the EU lies in the specific features of the country. It has by far the greatest resources in the region with 60% of total consumers, 47% of the regional GDP, 50% of industrial capacity, 60% of total graduates.¹⁹⁰ Furthermore it has a wide-ranging and dynamic agricultural production that is able to supply most of the

¹⁸⁸ Cabinet Boubacar BA, *op. cit.*

¹⁸⁹ Institute for Development Research (2003), "A Study of the Possible Impacts of an EU-ECOWAS Economic Partnership Agreement on ECOWAS", Ahmadu Bello University Zaria, February.

¹⁹⁰ Pricewaterhouse Consortium (2003), "Regional Integration: Theory and Reality in West Africa", *Brief n.° 8*, http://www.sia-acp.org/acp/download/wa_sccw_brief_8_-_regional_integration.pdf

region. As a result its requirements from ACP-EU trade arrangements are likely to be quite different from the other West African countries.

Furthermore ECOWAS suffers from other institutional problems that limit its ability to forge common policies for the region. Consultants commissioned by the EU to assess the new ACP-EU trade agreements' impact on sustainable development have pointed to two shortcomings of ECOWAS in its quest for economic and financial harmonisation:¹⁹¹

- Its legal weakness resulting in a lengthy decision-making process and an inability to implement decisions.
- The institutional weakness of its Executive Secretary, with a lack of financial and technical capacities that do not allow for the supervision and coordination of decisions.

As a result of these observations many civil society observers of the regional integration process and negotiations between the ACP and the EU, do not believe ECOWAS¹⁹² is ready to engage in negotiations aimed at developing trade arrangements that could address the common problems of development and poverty in the region. Despite these concerns on 6 October 2003, ECOWAS together with Mauritania launched EPA negotiations with the EU.

4. EXPORT BARRIERS ARISING FROM EU POLICIES

The experience of ACP-EU cooperation has shown the significance of non-tariff barriers as an obstacle to Benin's ability to export to the EU market and other regions.

The EU will have to make and honour commitments regarding technical barriers applied by the EU to agricultural goods from ECOWAS and lift certain specific market access and trading constraints if EPAs are to contribute to sustainable development.

Rules of Origin¹⁹³

For West African cotton-producing countries there could be great potential in value-added in textile manufacturing. However, current rules of origin have not helped in making West African textile industries viable. (Development of textiles in West Africa may require the use of materials from third countries that may exceed current rules of origin limits). Despite their high cotton production and competitiveness in this sector, there are no viable cotton processing industries in West Africa countries. According to Pricewaterhouse – the leader of the consortium of consultants charged with assessing the impact on sustainable development of EU - West Africa trade – the regional cotton industry currently only covers 20% of regional demand. The rest of

¹⁹¹ Pricewaterhouse Consortium, *op. cit.*

¹⁹² Indeed a study commissioned by the EU on EPAs (CERDI (1998), "Etude de l'impact économique de l'introduction de la réciprocité dans les relations commerciales entre l'UE et les pays de l'UEMOA et le Ghana"), only examined the possibility of EPA negotiations between the EU and WAEMU (a more homogenous group) together with Ghana.

¹⁹³ A rule stipulating that goods for export originate from a particular country and comply with certain conditions concerning their manufacture. This rule is implemented to ensure that only goods which 'originate' in the countries to whom preferences are granted enter the market in question with the benefit of these preferences.

the market is supplied by smuggled imports (50%), used clothing from Europe (15%) and Asian goods (15%).¹⁹⁴ According to observers and experts, ACP countries could better benefit from their cotton industry if the EU allowed cumulation of origin from countries with either geographic or economic relevance.¹⁹⁵ Greater possibilities of derogations from rules of origin could also contribute to the viability of processing industries. As the price of raw cotton falls, the production of processed cotton could offer an opportunity to tackle poverty in Benin and other West African countries.

Sanitary and Phytosanitary Standards¹⁹⁶

Shrimps from Benin have proved popular with European consumers over the years, and provide a potentially significant source of income for the Benin government because of their high value. The Benin fishing industry is dominated by four main operators and their factories (SOBEP, FSG, CRUSTAMER and PRESTIGE DES MERS) –members of ATEP (Association des Transformateurs et Exportateurs de produits de Pêche)– which are the foundation of an emerging shrimp sector involving almost 350 000 people, including 45 000 fishermen and 1 000 direct jobs.¹⁹⁷ Exports rose from 333 tonnes in 1995 to 733 tonnes in 2001 with a 60% increase between 2000 and 2001 alone. The primary export markets being France, Spain, Belgium and the Netherlands. According to the Benin Department of Fisheries, Benin's shrimp is very well positioned in the European market. But this industry is now under threat following an inspection visit to the Benin shrimp industry by the European Food and Veterinary Office in March 2003. The conclusions of the visit were that the shrimp industry had not fully complied with European directives on ships and unloading practices, and had not correctly analysed the presence of heavy metal and bacterial contaminants. Calls were made for control measures to be strengthened by the end of 2003. In the meantime the EU restricted imports of shrimps from Benin by placing the country on its list of countries, which enjoy less favourable market access conditions.

But according to a representative of the Benin government the main company incriminated, FSG, carried out its own inspection that showed that its products are safe. The Benin government has thus demanded reparations for what its claims have been false accusations. According to the government, the European Commission, on 15 October 2003, published a note withdrawing its warning on shrimps from Benin.

But still the current situation has already resulted in lost income opportunities for both private operators and the Benin government, and has had a negative impact on poverty reduction. The economic agents state that the problem has contributed to about 1000 temporary factory workers being made redundant (95% of whom are women); high overhead costs hindering future factory development and the threat of strikes by full-time staff, (this could nullify the training efforts undertaken at the behest of the EU).¹⁹⁸

¹⁹⁴ Pricewaterhouse Consortium, *op. cit.*

¹⁹⁵ <http://www.emergingtextiles.com/?q=art&s=112103-trad&r=free&n=1>

¹⁹⁶ Standards to protect health, of humans, plants, and animals.

¹⁹⁷ Agro-Ind 2002 Benin,

http://www.agro-ind.com/html_en/benin23.html

¹⁹⁸ Interview with CRUSTAMER representative.

This problem shows that an EPA would need to support better and fairer systems for compliance and verification of standards if they are to address poverty. Insiders in the industry are also calling specifically for the EU to provide more support for the compliance with difficult standards.

5. COTTON AND THE ROLE OF AN EPA

“According to a recent study of four West African countries (Benin, Burkina Faso, Mali and Togo), if no corrective measures are taken the cotton sector could disappear in the next three years”, President Kerekou of Benin in a speech to the European Parliament in Brussels, September 2003.

Examining the impact of an EPA on Benin’s cotton production and trade is a good means of assessing the role an EPA could play in poverty reduction in the country, due to the close relationship between cotton and poverty and sustainable development in Benin. As stated above cotton accounts for 22% of Benin’s exports to the EU. Benin is the most dependent of the four main cotton-producer countries in West and Central Africa¹⁹⁹ (Mali, Chad, Burkina Faso and Benin), cotton being just about the only agricultural commodity exported through relatively well-organised channels and representing about 70% of total exports and 90% of agricultural exports.²⁰⁰ Cotton is a strategic product that greatly contributes to agricultural production, the overall economy, trade, employment and development, when things go well. Moreover, as cotton production is in the hands of small farmers, it has direct favourable effects on poverty reduction and the development of disadvantaged rural areas. Furthermore, as 95% of cotton is exported it creates many jobs indirectly.

Several studies show that the development of cotton crops in Benin has not only increased farmers' revenues but also improved the material and social infrastructure of the cotton-growing areas (rural roads, schools, primary health clinics, etc.) as well as the overall levels of health of the people. Household surveys have confirmed that the prevalence of poverty has declined faster in cotton-growing areas than in other regions.

Although cotton is grown in ten of the twelve departments of the country, production is concentrated in the Northern savannah areas. In 2001-2002, 58% of national production came from the Borgou department where 66%²⁰¹ of rural households were engaged in cotton growing, as it is the best means of ensuring monetary revenues.

Studies also show that, for an average farm, income from cotton represented half of household revenues. The average farm area was 5.3 hectares²⁰² and the typical household included ten people, with an average per capita daily income of 272 FCFA (€0.41).

¹⁹⁹ Cotton production represents 5 to 10% of the GDP of Benin, Burkina Faso, Mali and Chad, and employs over ten million people in those countries.

²⁰⁰ Minot Nicholas and Daniels Lisa, *op. cit.*

²⁰¹ *Ibid.*

²⁰² *Ibid.*

The Cotton Crisis and Poverty in Benin

Unfortunately over the last three years cotton fibre unit prices have fallen continuously in the world market due to an imbalance between supply and demand that has resulted in overstocking. Between January 2001 and May 2002 prices fell by as much as 39%. On top of lower prices for fibre, Benin's cotton prices have been penalised for reasons of poor quality. The price falls experienced have led to the current crisis in the cotton sector.

The crisis must be considered in a context of extreme instability and falling world prices of commodities in general. Indeed, although falling prices are partly explained by increased competition with synthetic fibres, the depressed world economic situation and the favourable climatic conditions that led to bumper crops in 2001-2002, it must be underlined that subsidies have played a crucial role. In 2001-2002, the amount of subsidies paid by the USA, China, Greece and Spain to their own cotton farmers reached the US\$6 billion mark (€4.8 billion), equal to the total value of world cotton exports that same year. According to Oxfam, removing US subsidies on cotton alone would raise global prices by 26%.²⁰³

The fall in cotton prices has been shown to have direct effects on poverty in Benin by the International Food Policy Research Institute (IFPRI).²⁰⁴ A 40% reduction in prices (as was recently experienced) is likely to reduce rural per capita income by 7% and lead to an 8% rise in poverty in the short run. This is equivalent to 334 000 additional people falling below its poverty line in Benin. In the long run it is predicted that falling prices will lead to a 5-6% drop in rural per capita income and to poverty rising by 6-7 %.

These startling figures have contributed to the intense global debate on the need to tackle the problem of cotton in Benin and other major West and Central African producers.

The Role of the EU

In the ongoing debate on cotton, the EU has claimed that its role in addressing the issue could only be minimal as it is not one of the world's biggest cotton exporters (cotton production is limited to Greece and Spain in the EU). However, the EU gives more subsidies per kilo of cotton than any other producer in the world. (See table below). Compared to other EU agricultural goods, cotton is the most highly subsidised (three to four times more than maize and oilseeds, and seven to eight times more than cereals). With the aid of the CAP, EU cotton production has doubled over the last 15 years and is now equivalent to half the level of production in West and Central Africa. These subsidies and production have had a role in the fall of global prices of cotton that has hit Benin. The EU is also the biggest importer of cotton.

²⁰³ Oxfam (2002), "Cultivating Poverty The Impact of US Cotton Subsidies on Africa", November.

²⁰⁴ Minot Nicholas and Daniels Lisa, *op. cit.*

Table: Some basics on cotton production and subsidies in 2001/02:

	World	USA	EU-15	China	West & Central Africa	Mali	Benin	B. Faso
PRODUCTION ⁽¹⁾ (Million tons)	21.5	4.4	0.5	5.3	1.0	0.24	0.17	0.16
EXPORTS ⁽²⁾ (Million tons)	6.4	2.4	-0.4	-0.03	0.7	0.13	0.13	0.13
Acreage ⁽³⁾ (Million ha)	33.5	5.6	0.5	4.8	2.4	0.5	0.4	0.4
Government subsidies (billion US\$)	>6	4.2	0.8	1.2	Nail			
Subsidies per kilo produced as % of world market price ⁽⁴⁾		± 100%	± 160%	± 25%				
Farmers involved (million units)		0.03	0.1		2			

(1) India 2.7 mt; Pakistan 1.8 mt; Uzbekistan 1.1 mt; (2) India -0.4 mt; Pakistan - 0.3 mt; Uzbekistan 0.8 mt; (3) India 9 million ha; Pakistan 3 million ha; Uzbekistan 1.5 million ha; (4) Average world market price in 2001/02: 42 \$cent/pound.

Sources: "Cotton - World Statistics", ICAC, September 2002; and other ICAC reports.

In recognition of the role the EU has played in the cotton crisis, and its responsibilities within the ACP-EU Cotonou partnership, ACP countries have called for the EU to set up a scheme compensating them for losses in income and to eliminate subsidies to the cotton industry. Benin's President, Mathieu Kerekou, in a speech at the September 2003 Cancun WTO Ministerial Meeting, called upon the EU:

- to support the cotton sectoral initiative tabled at the WTO by the cotton-producing African Least Developing Countries, calling for the progressive elimination of agricultural subsidies;
- to set up, in the framework of the ACP-EU partnership, and together with the countries directly affected, compensation procedures for loss of agricultural export earnings in order to bring swift help to the farmers;
- to back the establishment of a regional support mechanism for cotton production and for promoting the local processing of cotton fibre;
- to adopt long-term financial supporting measures for the development of other agricultural sectors, in the context of EPAs.

Even within the EU there have been calls for action in acknowledgment of the damaging role of EU subsidies. In a recent memorandum, the Dutch Government called for decoupling EU CAP subsidies from EU production of cotton.²⁰⁵

Unfortunately to date the European Union has shown little signs of fully supporting these measures. The CAP reform proposals adopted by the European Commission in November 2003 only partially decouple subsidies from production. 60% of subsidies (€700 million) will be decoupled and paid through income support measures. The

²⁰⁵ Netherlands Government, "Memorandum on Coherency between Agriculture and Development Policy", presented to Dutch Parliament on 2 December 2002.

remaining 40% will be paid through a new system of area-based production limited by national quotas. An extra €100 million will be made available for restructuring.²⁰⁶

Beninese households highly dependent on cotton production are therefore likely to continue to suffer from the negative impact of American and European agricultural subsidies. Given the large number of rural households directly affected, this situation has a disastrous multiplier effect on poverty.

In this context one must question the EU's oft-expressed commitment to the fight against poverty, outlined both in the Cotonou Agreement and the Treaty on the European Community. According to Benin's representative to the ACP-EU Joint Parliamentary Assembly, Hon Eustache Akpovi, there is a lot more the EU could do in providing support to cotton farmers if it were serious about its commitments to poverty reduction.

The Potential Role of an EPA

Notwithstanding the need to eliminate EU subsidies and set up compensatory mechanisms for Benin's cotton farmers many observers are of the view that these measures may not be enough in the long term to address the poverty problems associated with cotton in Benin. Projections by the International Cotton Advisory Committee suggest that world prices will remain chronically depressed for the foreseeable future.

Benin and other affected African countries will have to move beyond the production of raw cotton to other products. As stated above, production of processed textiles could offer an opportunity. There is great demand for textiles in the West African market and EPAs could support the development of the textile industry in Benin to meet this demand. Furthermore a gap in the European market could develop as a result in the continuing decline of EU textile industries. At present the EU is the biggest importer of cotton but most of its imports come from Asia. In theory Benin and other West African countries could capitalize on their low production costs of raw cotton to fill this gap. But a number of obstacles will have to be overcome.

Apart from the difficulty mentioned above regarding rules of origin, other more significant problems exist. The high cost and poor quality of electricity supply is one of the key factors that have contributed to the non-viability of West African textile industries. Free trade with the EU could further imperil the establishing of a viable industry. At present used clothes from the EU meet 15% of West African textiles demand. There is a possibility that this percentage may grow if EPAs lead to trade liberalisation between West Africa and the EU. Textiles already account for 5% of the EU's exports to Benin.

Pricewaterhouse²⁰⁷ has sketched out a number of policy changes with regard to West African cotton producing countries that could be implemented in an EPA in order to support the development of a textile industry. These include the following:

²⁰⁶ CAP Reform,

http://europa.eu.int/comm/agriculture/capreform/index_en.htm

²⁰⁷ Pricewaterhouse Consortium, *op. cit.*.

- Encouraging linkages between African farmers and EU traders and textile industry in order to secure access to products, quality requirements and training.
- Limiting or even banning imports of used clothes from the EU would help revive local and regional markets for clothes and thus the local textile industry, given that one of the major problems facing West African textile industry are the imports of these goods.

Additional aid, investment and technological transfer in the textile industry and the electricity sector should accompany these policy changes. Furthermore a change in EPA's rules of origin, which allow low percentages of textile components originating from Benin as well as extensive derogation possibilities, is required.

It must however be emphasized that the success of these measures depends on eliminating subsidies and establishing compensatory mechanisms as described above. Without the implementation of these short-term measures the cotton sector may have collapsed before the advent of EPAs.

6. GENERAL IMPACT OF LIBERALISED TRADE BETWEEN THE EU AND BENIN

It is not an easy task to comprehensibly assess the impact of liberalised trade with the EU on poverty reduction in Benin. This requires thorough research on many areas especially the agricultural sector. This has not been possible in the preparation of this study. However a relatively good forecast of the situation can be made by analysing other studies and the position papers that were drafted in the context of the preparatory meetings²⁰⁸ for the EPA negotiations and interviews with key actors monitoring the negotiations.

A study commissioned by the ACP secretariat on the effects of an EPA²⁰⁹ concludes that reciprocal free trade between ECOWAS and the EU will:

- Lead to a fall in public revenue leading to a rise in public deficit and macroeconomic instability;
- Undercut regional integration and lead to trade diversion;
- Lead to an inability of the public and private sectors to compete with EU goods;
- Undermine the provisions in the Cotonou Agreement on the promotion of the macroeconomic and structural reform, economic sector development and tourism due to an increase in external debt;
- Hinder growth of the agriculture, mining and manufacturing sectors.

²⁰⁸ Four meetings were held at sub-regional level to tackle these issues (before the launching of the second negotiation round, in October 2003), meetings attended by civil society representatives:

- A regional seminar in Abuja, Nigeria, on 20-22 February 2003.
- A meeting of experts from the Trade and Finance Ministries, in Accra, on 22 and 23 April.
- A meeting of experts from the Trade and Finance Ministries, in Bamako, on 21-23 July.
- A meeting in Cotonou, on 4 and 5 October 2003, before the official launching of the second round of negotiations.

²⁰⁹ Institute for Development Research (2003), "A Study of the Possible Impacts of an EU-ECOWAS Economic Partnership Agreement on ECOWAS", Ahmadu Bello University Zaria, February.

The implications of these findings for poverty reduction in Benin are significant.

Impact on Public Revenue

The abovementioned ECOWAS study places Benin in the group of countries to be hardest hit by government revenue losses within ECOWAS, and describes the situation for the country as very severe. In line with these findings another study on EU-WAEMU reciprocal free trade shows that Benin is likely to lose 19.41% of its customs revenue due to the loss in customs receipts derived from EU imports.²¹⁰ This predicted outcome for Benin will no doubt have a negative impact on government spending in education and health and other social sector programmes that are vital for poverty production. A UNDP report²¹¹ released at the end of 2003 shows that Benin needs to increase its spending in these social sectors. It states:

“The Benin National Human Development Report 2003, launched recently in Cotonou, the capital, focuses on financing for human development and finds that public spending on social priorities -- including basic education and health care, nutrition and water supply and sanitation – is inadequate. While foreign assistance is vital, it is no substitute for domestic financing of sustainable human development”.

The report calls on Benin to allocate at least 5% of its GDP for social priorities to promote human development and progress towards the Millennium Development Goals. At present less than 3% of GDP is allocated to social development. In another report the UNDP includes amongst its recommendations for Benin²¹² the following:

- A broadening of the tax base;
- An increase in expenditure in social sectors in particular health and education.

But liberalised trade with the EU will make it difficult for the implementation of these recommendations.

According to the analysis of the ECOWAS study²¹³ this limitation of the promotion of human and social development undermines the implementation of article 25 of the Cotonou Agreement, which aims to promote social sector development. Furthermore the achievement of the promotion of macroeconomic and structural reform, economic sector development and tourism (articles 22-24 of the Cotonou Agreement) will also be constrained. This is because a *“diminished capacity of governments to discriminate in favour of social and human development expenditures resulting from negative revenue shifts would not enable an upgrade either in public or private sectors and, neither the public nor private sectors would be able to compete on the international stage”*. Such a scenario is predicted to lead to inflation, a situation, which could be particularly injurious for the poor.

²¹⁰ Cellule d'Analyse de Politique Economique (2003), Impact des Accords de Partenariat Economique (APE) et les Scenarii des Ajustements Preliminaires: Cas de l'UEMOA, January.

²¹¹ UNDP, “Benin needs more funding for human development, says report”, <http://www.undp.org/dpa/frontpagearchive/2003/december/12dec03>

²¹² UNDP, 2003, <http://www.undp.org/bj/publications/rapport-eco-soc-benin-2002.pdf>

²¹³ Institute for Development Research, *op. cit.*

Impact of the Influx of EU Imports

Agriculture is the most important sector in Benin. According to the ECOWAS study as much as 80% of the population is engaged in agriculture.²¹⁴ The study states that if an EPA is based on reciprocal free trade, then the influx of EU agricultural imports is likely to undermine growth in export income in the West African agriculture sector. This would be a significant blow for poverty reduction in Benin as most of the poor work in the agriculture sector.

Describing the problem, a civil society representative questions:

“Why so much rush when one should focus on the impact on a primarily farming and cattle-breeding population? In the first place, subsidised European exports are unfair competition for African products. Secondly, West African exports are hindered by the subsidies and support European producers enjoy. Thirdly, the EU enlargement –with ten new Member States– broadens the possible sources of competitive agricultural supplies from European products.”

The manufacturing sector is not expected to fare much better. Pricewaterhouse argues that liberalised trade with the EU may accelerate the collapse of the modern West African manufacturing sector.²¹⁵ This sector is crucial to poverty reduction as a growing manufacturing sector is supposed to absorb excess labour from the agricultural sector, as well as allow West African countries to produce value added goods like textiles which generate more income than the raw materials they currently produce.

Impact on Prices

One of the often-predicted positive aspects of liberalisation is a fall in prices for the consumers due to the elimination of customs duties on imports. This could be significant for poverty reduction as it lowers costs for the poor. But a study²¹⁶ on EU-WAEMU free trade advises caution on the purported cheaper prices of liberalised trade, pointing out that liberalisation within WAEMU did not lead to cheap prices for consumers, as importers did not pass on low costs of imports to consumers.

Overall Impact on Poverty

As stated above this study cannot pretend to provide a comprehensive analysis of the impact of liberalised trade between the EU and ECOWAS on poverty in Benin. However a few key indicators often used to demonstrate the effect of trade on poverty can be cited here to offer some indication on such impact, for example, on:

1) Government revenue derived from import duties.

For all ECOWAS countries, including Benin, as pointed out above, there will be a huge drop in government revenue as a result of a fall in receipts from import duties. This is incompatible with strategies for sustainable development in Benin.

²¹⁴ *Ibid.*

²¹⁵ Pricewaterhouse Consortium (2003), Mid-Term Report Summary Main findings and Way Ahead, *Brief n.° 3*, November.

²¹⁶ Cellule d'Analyse de Politique Economique, *op. cit.*.

2) The effect on the agriculture production and sectors that employ the poor. The influx of EU products largely fuelled by CAP subsidies will have the twin effect of depriving the poor of their livelihoods, as well as hindering agricultural exports that generate vital revenue and foreign exchange. As pointed out above these serious consequences are not restricted to the agriculture sector but extend to the manufacturing sector that is also crucial to strategies against poverty.

3) The price of consumer goods. There is no clear indication that liberalised trade will reduce prices of the consumer goods the poor purchase.

7. CONCLUSION AND RECOMMENDATIONS

This study has examined EPA negotiations between ECOWAS and the EU and showed that free trade between these two parties will be detrimental to poverty eradication in Benin. If EPAs are to address poverty eradication it is imperative that Benin and other West African are not forced to open up their markets. This view is supported by the ECOWAS study, which states, *“From the experience of ECOWAS countries it is doubtful whether they should accept any reciprocal arrangement”*.²¹⁷ Furthermore other measures would have to be taken including a review of non-tariff barriers, elimination of EU subsidies to cotton and support to the development of textile industries in West Africa.

In view of the above, the following recommendations call for the government of Benin to:

- Ensure that all markets that involve goods which are vulnerable to EU imports are protected in order to encourage sustainable production systems;
- Devise a strategy for restructuring the cotton sector. This could involve plans for establishing a viable textile industry in Benin which includes restricting EU imports of used clothes;
- Support the development of cotton growers associations and their involvement in the debate on EPAs;
- Carry out a study on the costs of non-tariff barriers to Benin looking at, among other things, the cotton/textiles industry and the SPS standards on shrimps to be accompanied by a strategy for overcoming these barriers;
- Identify mechanisms for providing support to women engaged in cross border/informal trade, including providing them with better access to credit.

ECOWAS and its member states should:

- Speed up the drafting of the indispensable EPA country impact studies;
- Support national follow-up committees involving civil society and private sector participation, charged with monitoring the process and ensuring its transparency;

²¹⁷ Institute for Development Research, *op. cit.*.

- Increasing cooperation between WAEMU and other ECOWAS countries and Mauritania and developing a strategy for using Nigeria's strengths within the region;
- Ensuring consistent approaches, strategies and positions with other ACP regions.

The European Union should:

- Halt all forms of dumping on West African markets;
- Work towards convincing the US in the WTO to eliminate its cotton subsidies;
- Develop a joint strategy with West Africa towards the support of textile industries in the region including stopping exports of used clothes from Europe to West Africa and revising the rules of origin to make them more conducive to textile production in the West African region;
- Support ACP calls for the swift elimination of cotton subsidies and to provide compensation for the negative effects of such practices suffered by ACP countries; cotton should be considered as an essential factor in the development policies of the ACP producer countries;
- Support Benin's shrimp industry through capacity building efforts;
- Develop a joint strategy with West Africa on Non Tariff Barriers that involves participation of African countries in the setting of international standards. Support should also be provided for their compliance and verification of these standards, and transitional periods allowed for their implementation;
- Provide support to Benin and other West African countries in addressing supply side constraints that have hampered exports. This should involve funds additional to those provided in NIPs, with mechanisms ensuring easy disbursement and accessibility.

Annex I

COTONOU DECLARATION

(Declaration of West African civil society organisations at the launch of the second phase of trade negotiations between the EU and ECOWAS. Cotonou, 6 October 2003).

“Today, Monday 6 October 2003, the second round of negotiations between the EU and ECOWAS on the regional Economic Partnership Agreements begin.

It is a very important event with major consequences for West African countries and the region. The stakes are all the more crucial because of the following issues that affect current relations between the European Union and African countries (in particular ECOWAS):

- 1. The EU enlargement process.*
- 2. The Common Agricultural Policy reform which, linked to the previous item, is a highly sensitive issue.*
- 3. The recent failure of the Cancun WTO multilateral negotiations, which could lead to bilateral bargaining pressures. Developing countries may thus lose out what they had managed to achieve on the multilateral front.*
- 4. The subsidies given to agricultural products (including cotton) practiced by the US and European countries.*
- 5. The insufficient preparation of the ECOWAS region for the negotiations opening today, as evidenced by the delays and uncertainty surrounding the Sustainability Impact Assessments of EPAs.*
- 6. The unclear results of the first phase of the EPA negotiations results, which casts a shadow of doubt over the possible outcomes of the second phase.*
- 7. The purely commercial approach to EPA negotiations by the Europeans, while ECOWAS countries, mostly LDCs, have development needs that are countered by Northern strategies thus reducing the chances of poverty alleviation and eradication. Yet these are major aims underlying the conclusion of the Cotonou Agreement.*

In such a context, our states and civil societies are very concerned about the impact of the Economic Partnership Agreements on their economies and development.

Consequently, we, civil society organisations of the ECOWAS countries, on the eve of the launching of the second round of negotiations of the regional EPA, underline:

- 1. The need to give priority –in the EPA negotiations– to the development dimension.*
- 2. The need to avoid overhasty decisions on an EPA whilst no clear consensus is reached in the WTO context.*
- 3. Our support to the concerns expressed by the G21 Ministers Group declaration, in particular to the points outlined by ECOWAS in Cancun.*
- 4. Our commitment to strengthening the efforts made from Seattle to Cancun to inform, raise awareness and mobilise our peoples around the trade negotiations stakes so as to ensure that the current challenges of development are met.*

The participants

CONCLUSIONS

By Guggi Laryea

The findings of the previous chapters show that free trade between the EU and sub-regions of the ACP cannot serve as a tool for poverty eradication. Indeed, it is set to derail recognised international and national strategies and agreements aimed at poverty reduction, including the Cotonou Agreement. Forecasts from the Dominican Republic, Jamaica, Ghana, Cameroon and Benin - five countries which span the range of levels of development within the ACP - clearly show that ACP countries, by opening up their markets to the EU, will trigger unemployment in areas critical to people living in poverty such as the agricultural sector. Furthermore these countries stand to lose huge portions of government revenue that could be channelled to basic social services and anti-poverty programmes. In the light of these findings, and the overall goal of poverty reduction of the ACP-EU partnership, actors in close proximity to poverty stricken people in the ACP consider the actions proposed by the EU to establish free trade arrangements with ACP sub-regions as highly inappropriate.

There are few arguments to support the main feature proposed by the EU for EPAs (i.e. the opening up of ACP markets to EU products) given its detrimental impact on efforts to reduce poverty in the ACP. This leads one to the question as to what kind of arrangements are needed to effectively address poverty.

1. DESIGNING POVERTY FOCUSED ACP-EU TRADE ARRANGEMENTS

Before addressing this question, it is important to accurately judge the space and possibilities that are available to the ACP and EU to design trade arrangements that advance poverty eradication. It is essential to note that the Cotonou Agreement does not state that new ACP-EU trade arrangements should be based on reciprocal free trade. Indeed these terms are not mentioned at all in the Agreement.

The only two conditions that the Cotonou Agreement sets for EPAs are that: firstly they should progressively remove barriers to trade; and secondly they should be WTO compatible. Regarding the first condition the balance of focus on tariff or non-tariff barriers is up to the ACP and EU to strike. How this balance is struck should be informed by findings on the different outcomes for poverty that result when the different types of barriers are removed.

Concerning the second condition, it is important to recognise that WTO rules are currently under negotiation, and the particular rules that govern trade arrangements between Northern and Southern countries are clearly malleable. In recognition of the fact that these rules may be different by the time EPAs are adopted, the Joint Report agreed by the ACP and EU in October 2003 states that “EPAs must be compatible with WTO rules then prevailing and will need to take account of the evolutionary

nature of relevant WTO rules".²¹⁸ There is therefore no need to shackle ACP-EU trade arrangements to rules that both parties have recognised will evolve, especially if they have not been shown to be conducive to poverty reduction.

If one accepts that the boundaries that exist, within which an EPA can be constructed, are flexible then the next step in designing an EPA that effectively advances poverty eradication, could be to take stock of the existing problems in current ACP-EU trade arrangements that have hampered trade as a tool against poverty. In examining the options available it is important to study the possible impact of liberalised trade with the ACP on poverty.

2. PROBLEMS OF ACP-EU TRADE ARRANGEMENTS

Non-Tariff Measures

The EU rightly points out in its justification of EPAs that non-tariff measures are growing in importance in their influence on trade, while tariff barriers decline in importance.²¹⁹ It is therefore puzzling that so little attention is given by the EU to non-tariff measures in EPA discussions. Studies thus far that have been commissioned by both the EU and the ACP have rather focused on the costs and benefits of changes in policy regarding tariff rules. But the previous chapters clearly portray a wide range of problems for poor ACP producers including those faced by Jamaican dairy farmers regarding standards, Ghanaian and Cameroon farmers with the chocolate regulation, and Beninese fish folk with standards on shrimps.

The problems regarding non-tariff measures go beyond the inability of ACP countries to comply with them. In many cases the use and establishment of these measures are extremely questionable in the first place such as those cited by Ghanaian banana farmers on the form and size of their product.²²⁰ According to a 2000 World Bank study focussing only on standards, the EU consistently employs standards on imports, which are higher than internationally agreed Codex standards. This costs African countries \$ 700 million a year.²²¹ While the EU may argue that its more stringent standards are intended to protect European consumers, the World Bank points out that the health benefits that the EU may derive from implementing standards that are higher than those agreed by international bodies are statistically insignificant.

The problem with standards is not only restricted to the agriculture sector. According to Pricewaterhouse a failure of West African countries to meet the standards of their European partners could lead to the collapse of the West African manufacturing

²¹⁸ European Community and ACP Secretariat (2003), "ACP-EC EPA Negotiations Draft Joint Report on the all-ACP – EC phase of EPA negotiations", October.

²¹⁹ European Community and ACP Secretariat (2003), "ACP-EC EPA Negotiations Draft Joint Report on the all-ACP – EC phase of EPA negotiations", October.

²²⁰ If the world were to adopt EU standards instead of international agreed Codex standards there would be a US \$5.3 billion loss in world banana exports – Wilson, J. S. and Abiola, V. (eds.), "Standards & Global Trade A Voice for Africa", World Bank, 2003.

²²¹ Tsunehiro, O., Wilson J. S. and Sewadeh, M. (2000), "Saving two in a billion: A case study to quantify the trade effect of European food safety standards on African exports", *Development Research Group*, The World Bank, Washington DC.

sector²²². Manufacturing is the backbone of the West African economy and an important employer in urban centres.²²³

The Common Agriculture Policy

The problems that the CAP poses to ACP-EU trade are well demonstrated in the case studies of the five countries. European subsidy-fuelled exports dumped on ACP markets deprive poor people of their livelihoods in Ghana, Benin, the Dominican Republic, Jamaica and Cameroon as shown in the previous chapters.

To situate this problem in a wider context, according to CAFOD ‘European agricultural subsidies rob poor countries 35 million pounds (€51 million) a day in agricultural exports – money that could be spent on clean water, food and education’.²²⁴

Rather than ease these problems, according to observers, the recent reform of the CAP is likely to on the one hand increase competition for ACP agricultural sector producers on their own national and regional markets (as EU goods made cheaper by the switch to direct aid programmes under the CAP will flood ACP markets) and on the other hand reduce the value of preferential access to the EU market, as EU prices are brought down to world market prices levels by increased levels of direct aid payments.²²⁵

Supply side Constraints and the Promotion of Agro-Industry

As the previous chapters show supply side constraints constitute major problems for ACP countries. These constraints include inadequate skills and training of producers, lack of access to credit to poor farmers (especially women), health problems, the unavailability of adequate technology, poor public utilities such as electricity and water, unreliable infrastructure and poor institutional and policy frameworks. Addressing these problems is crucial to the ACP’s ability to produce and export.

ACP countries are mainly producers of raw materials, which have been consistently losing value in international markets. However, most of these products once processed attract a higher value and could provide value income for the poor in the ACP. Promotion of agro-industry is identified as a key tool in most strategies against poverty in the five countries. But supply side constraints particularly limit the ACP’s ability to add value to its raw materials through agro-industry.

Problems Faced by Women

Women make up the majority of the poor in ACP countries and as the above chapters show the vulnerable situation of women in many ACP countries as regards to trade is

²²² Pricewaterhouse Consortium (2003), “Summarized Midterm Report”, October.

http://www.sia-acp.org/acp/download/summarized_mid-term_report_final_doc_light.pdf

²²³ *Ibid.*

²²⁴ Facts about CAP - Common Agricultural Policy, CAFOD,

<http://www.cafod.org.uk/tradejustice/capfaq.shtml#4>

²²⁵ Press Release on the occasion of the opening of the EPA negotiations by the European networks of development NGOs, *Eurostep*, CIDSE, APRODEV, Wide, Eurodad, CLONG, <http://www.epawatch.net/general/text.php?itemID=91&menuID=1>

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related to the fact that women are often employed at the lowest end of the trading process or in non-trade sectors with appalling working conditions such as long working hours and low wages. Women's poor access to resources and credit for production has further hampered their ability to benefit from trade.

Furthermore, the problems that the CAP generates disproportionately affect women in the ACP, as women account for 70-80 per cent of food grown in sub-Saharan Africa. Women also play the crucial role in taking decisions on food purchasing, and in feeding their families, so reducing their income from agriculture is particularly harmful to family nutrition.²²⁶

3. COULD TRADE LIBERALISATION ADDRESS THE PROBLEMS OF ACP-EU TRADE?

Not only does it seem that liberalisation will fail to resolve many of the above problems it may actually perpetuate them and provide new challenges for the poor in the ACP.

The Impact of the Influx of EU Goods on the Poor

The above country case studies show that liberalisation will lead to a huge influx of goods from the EU. This is likely to disproportionately hurt the poor because of its massive impact on the agricultural sector. Liberalisation in the agricultural sector is particularly injurious due to the fact that EU agricultural exports are fuelled by large agricultural subsidies. ACP countries opening up their markets to EU agricultural products will have the twin effect of depriving many of the poor including those usually living in extreme poverty such as crop farmers of their livelihoods, as is demonstrated with Ghanaian maize farmers, as well as hampering agricultural exports that generate vital foreign exchange. Nearly 40 developing countries depended on agriculture for over 50 per cent of their export earnings in 1998-2000.²²⁷ Many of the African ACP countries are extremely dependent on agriculture as is seen in the studies on Ghana and Benin.

Furthermore in many cases cheap imports do not even guarantee low prices for the consumers due to restricted market organisation and the predicted price-rises of some food exports. According to Daryll E. Ray, an eminent expert on agriculture,

*“Relying on trade liberalization in agriculture to solve problems of malnutrition and hunger [key characteristics of poverty in the ACP] in developing countries may not bring the desired results. For one, the poor may not have the means to buy if food was available. The alternative, of boosting local food production, can be a more direct route to reducing malnutrition, as it also boosts the local economy.”*²²⁸

²²⁶ CAFOD (2002), “Dumping on the Poor - The Common Agricultural Policy, the WTO and International Development”, September;

<http://www.cafod.org.uk/policy/dumpingonthepoor200209.pdf>

²²⁷ *Ibid.*

²²⁸ Ray, D. E., (Blasingame Chair of Excellence in Agricultural Policy, Institute of Agriculture, University of Tennessee and Director of the UT's Agricultural Policy Analysis Center) Fighting Malnutrition: Trade Liberalization Or Increase Local Food Production,

<http://www.southcentre.org/info/southbulletin/bulletin58/bulletin58-04.htm>

The threat goes beyond the agricultural sector. As described earlier, according to Pricewaterhouse liberalised trade with the EU may accelerate the collapse of the modern West African manufacturing sector.²²⁹ This will deny West Africa and other regions the opportunity to add value to raw materials and develop new products for export. Most anti-poverty strategies argue the necessity of a viable manufacturing to relieve the agricultural sector of the excess labour in order to make agriculture more profitable.

The Impact on Government Revenue

A sure and certain trait of liberalisation will be significant shortfalls in government revenue as a result of lost receipts of import duties. This is forecasted in all the country case studies. As a result investment in basic social services and anti-poverty programmes is likely to be constrained in countries that are in bad need of greater spending in social services. Yet poverty reduction strategies show that many of these countries are already spending too little on social services, and call for an increase in spending in this area. Limiting government revenue is forecasted²³⁰ to contravene the implementation of article 25 of the ACP and EU's own Partnership Agreement, which calls for ACP-EU cooperation to pay special attention to ensuring that there are adequate levels of public spending in the social sectors.²³¹ The same forecasts also point to an undercutting of the promotion of the macroeconomic and structural reform, economic sector development and tourism (articles 22-24 of the Agreement) due to falls in government revenue.

The problem with falling revenue is further compounded by the fact that ACP governments will need to spend extra resources on adjustment costs and so-called flanking measures that will be required to soften the impact of liberalisation. Resources are also needed to prepare essential sectors for EU competition, such as substantial investment in capacity building, infrastructure and product innovation. Yet a European Commission working paper on Sustainable Impact Assessments on EU trade arrangements shows that the EC sees the responsibility of carrying out adjustments as one for the ACP, casting doubts on the EU's readiness to adequately support such initiatives.²³²

The Impact on Regional Integration

Liberalised trade between the EU and sub-regions of the ACP interferes with home grown regional integration as it forces a timetable of integration that may not suit the individual countries in the region to adequately prepare. It also imposes geographical configurations of integration that are not compatible with existing frameworks for integration. As is seen in the country case studies all the regions that have agreed to negotiate EPAs have had to revise their configurations of regional integration, by setting up new country groupings that do not match their own regional integration

²²⁹ Pricewaterhouse Consortium (2003), "Mid-Term Report Summary - Main findings and Way Ahead", *Brief n. °* 3, November, <http://Www.Sia-Acp.Org/Acp/Uk/Index03.Php>

²³⁰ Institute for Development Research (2003), "A Study of the Possible Impacts of an EU-ECOWAS Economic Partnership Agreement on ECOWAS", Ahmadu Bello University Zaria, February.

²³¹ "ACP-EU Partnership Agreement", signed in Cotonou 23 June 2000, http://europa.eu.int/comm/development/body/cotonou/pdf/agr01_en.pdf#zoom=100

²³² European Commission (2003), "Sustainability Impact Assessment of Trade Agreements – Making Trade Sustainable", Background Paper DG Trade Seminar, Brussels, 6-7 February.

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settings, for the sole purpose of trading with the EU. Some commentators have questioned the logic of the Dominican Republic and the CARICOM together granting the EU a level of market access that they do not grant themselves in the process of implementing free trade with the EU.

Regional integration is recognised as an important tool for sustainable development as it, among other things, helps foster greater trade and markets for products ACP countries produce within their regions. However, as the assessment of regional integration in the Central Africa region shows forcing through liberalisation within the region will not necessarily lead to greater regional trade due to the nature of the goods produced in the region.

The Impact on Women

The impact of trade liberalisation with the EU on women in relation to poverty in the specific countries studied in this report could not be sufficiently demonstrated due to a lack of specific data and capacity for analysis on this issue. But the results of analyses by WIDE (Women in Development Europe) and the Association of World Council of Churches related Development Organisations in Europe (APRODEV) on more general impacts of trade liberalisation between the EU and the ACP and other developing countries, provides certain strong indications as following:

- As women have less access to land ownership, capital, credit, education and training, they are unable to reap any opportunities of trade liberalisation, and export-led growth.²³³
- Female unemployment following trade expansion remains higher than male unemployment because the female labour supply increases at faster rates. This makes a reduction in the gender wage gap less likely to occur and does not help to improve labour standards in sectors that are female intensive²³⁴.
- Current EU policy on negotiating Free Trade Areas, which are accompanied by the trade distorting effects of the CAP, will lead to women throughout Africa disproportionately carrying the burden of adjustments associated with the implementation of such policies, because of the concentration of employment opportunities for women in agriculture and agro-processing industries.²³⁵

Clearly more research and analysis needs to be carried out on the impact of liberalised trade between the EU and ACP on women in individual countries and regions but the above points already indicate clear dangers for women if liberalised trade between the EU and ACP were to be implemented.

²³³ CAFRA/WIDE (1998), "Position Paper on the Future of EU/ACP Development Cooperation".

²³⁴ Espino, A. (coord.) and I. Van Staveren, (2001), "Instruments for Gender Equality in Trade Agreements: EU-Mercosur-Mexico", GEM-WIDE-CISCSA-CIEDUR, December.

²³⁵ APRODEV (2002), "EPAs - What's in it for Women? A gender based impact assessment study", in *Women in Zimbabwe: Issues in Future Trade Negotiations with the EU*, November.

4. BENCHMARKS FOR TRADE ARRANGEMENTS THAT FOSTER POVERTY ERADICATION

It is evident from the conclusions above that if EPAs consist of free trade arrangements they will not effectively contribute to the goal of the ACP-EU partnership of poverty eradication. In order to meet this goal, EPAs would need to focus on addressing the causes and characteristics of poverty in the ACP such as unemployment, malnutrition, weak access to resources and credit, poor availability of social services, difficult working conditions and the disproportionate vulnerability of women. EPAs should develop measures to deal with these issues, which may or may not include trade measures or certain levels of trade liberalisation. Such an approach should be bottom-up starting from the problems that need to be addressed instead of from an *a priori* choice for free trade. To this end representatives of civil society, who were involved in the authoring of this report, set out ten actions below, that they strongly believe need to be taken to allow EPAs to make an effective contribution to poverty eradication in the ACP. These actions could serve as benchmarks for a credible process and outcome of ACP-EU trade arrangements for peoples in close proximity to poverty in the ACP.

- It is imperative that the ACP and the EU work together in the WTO to obtain flexibility for trade arrangements that best address poverty. This should be clearly authorised in the provisions on trade arrangements of the revised Cotonou Agreement due in 2005.
- New ACP-EU trade arrangements should among others things focus on removal of EU non-tariff barriers (as opposed to tariff barriers) that have been shown to be detrimental to poverty reduction in ACP countries. This would be in line with article 36.1 of the Cotonou Agreement. However this article would need to be refined in the forthcoming revision of the Cotonou Agreement to better reflect the need for focus on non-tariff measures.
- Further research is also required on non-tariff measures and their impact on poverty. On the basis of the results of such research EPAs should include a comprehensive strategy to remove non-tariff barriers. This should involve:
 - Assisting ACP countries participating in EU and international standard setting based on scientific evidence and in line with international agreed standards.
 - Support to ACP countries in compliance and verification of standards.
 - Allowing transitional periods, which permit temporary derogations from stringent standards.
 - Reviewing EC regulations that hinder ACP exports such as the chocolate regulation and sugar.
 - Revise rules of origin by allowing asymmetry, with different rules applying to ACP and the EU on the basis of their different levels of development and allow greater possibilities for derogation from stringent rules.
- The ACP and EU should ensure the protection of all ACP markets that are vulnerable to EU imports and are crucial to poverty reduction and the livelihoods of the poor. Furthermore EPAs should include strong safeguard measures that protect ACP producers from the influx of EU imports.

CONCLUSIONS

- The ACP and the EU should promote further research on the impact of trade arrangements on women in the different ACP countries upon whose results EPAs should be based. This should involve the collection of statistics disaggregated by gender for ACP countries and the development of specific gender indicators, which allow the accurate measurement of the impact of different aspects of trade arrangements on men and women in the different ACP countries.
- ACP governments should be allowed to develop and pursue their own processes of regional integration along with the best processes of sequencing and timetables for different sets of negotiations in line with the goals they have set to generate sustainable development. Practically this should involve a rescheduling of the dates and deadlines set for the different stages of EPA negotiations in the revised Cotonou Agreement to allow more time for the ACP to deal with these processes.
- The EU should fund targeted and extensive programmes of assistance, designed to systematically and comprehensively address the supply side constraints faced by ACP countries. These should be based on strategies and programmes developed by ACP countries. Given the constraints and pressures on existing ACP Country Strategy Papers, such programmes would be best maintained outside these strategy papers and accompanied with efficient mechanisms that allow rapid funding. In tandem with the provision of funds the EU should support and contribute to debt relief in the ACP.
- EPAs should promote the development of agro-industry. This should involve technology promotion and skill building in the agricultural, manufacturing and services sectors. As well as an improvement in the financing of small-agricultural producers and small business in rural areas.
- The EU, in the light of its commitment for external policy coherence, should allow external effects of CAP reform to be fully taken up and addressed in the negotiations, with a view to maintaining and enhancing the value of existing ACP agricultural preferences and ensuring effective protection of ACP markets from unfair competition from EU agricultural and food product exports. This should lead to the elimination of CAP subsidies that have been demonstrated to be detrimental to poverty reduction.
- EPAs should support the development of safety nets for producers affected by the falling advantages of preferences and falling prices such as in the cotton sector need to be established and funded by the EU.
- The ACP and the EU should support greater involvement of civil society groups including producers' organisations, women's groups and consumer associations in EPA discussions and negotiations in line with the general provisions on Non-State Actor Participation in the Cotonou Agreement. But to ensure this, the provisions on Non-State Actor participation in the revised Cotonou Agreement will need to make a clear reference to the involvement of civil society groups in discussions on new trade arrangements.

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<http://www.jaspev.org>

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NSAC

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Statistical Institute of Jamaica

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<http://www.caricom.org>

Christian Aid

<http://www.christian-aid.org.uk>

Euforic

<http://www.euforic.org>

EPAwatch

<http://www.epawatch.net>

EUROPA

<http://europa.eu.int>

Eurostep

<http://www.eurostep.org>

FAO – Food and Agriculture Organization of the United Nations

<http://www.fao.org>

Oxfam GB

<http://www.oxfam.org>

SUSTAIN

<http://www.sustainweb.org>

The chocolate co-op

<http://www.chocophile.com>

UNDP– United Nations Development Programme

<http://www.undp.org>

US Department of Agriculture – Foreign Agricultural Service

<http://www.fas.usda.gov>

ACRONYMS AND ABBREVIATIONS

ACP	African, Caribbean and Pacific group of countries
ACS	Association of Caribbean States
ADIL	Asociación Dominicana de Industrias Lácteas
APRODEV	Association of World Council of Churches related Development
ATEP	Association des Transformateurs et Exportateurs des produits de Pêche
CAFOD	Catholic Agency for Overseas Development
CAP	Common Agricultural Policy
CARICOM	Caribbean Community and Common Market
CARIFORUM	Caribbean Forum
CED	Centre d'économie du développement
CEEAC	Communauté économique des Etats d'Afrique centrale
CEMAC	Communauté Économique et Monétaire de l'Afrique Centrale
CERDI	Centre d'Études et de Recherches sur le Développement International
CET	Common External Tariff
CIDSE	International Cooperation for Development and Solidarity
CONALECHE	National Milk Board from Dominican Republic
CRNM	Caribbean Regional Negotiating Machinery
CSME	CARICOM Single Market and Economy
DFID	Department for International Development
EBA	Everything But Arms
EC	European Community
ECAM	Enquête Camerounaise Auprès des Ménages
ECOWAS	Economic Community of West African States
ECVR	Etude sur les Conditions de Vie des Ménages
EDF	European Development Fund
ELAM	Enquête légère auprès des ménages
EPA	Economic Partnership Agreement
ERO	European Research Office
ETLS	Trade Liberalisation Scheme
EU	European Union
FAO	Food and Agriculture Organisation
FCFA	Franc de la Communauté Financière d'Afrique
FES	Friedrich Ebert Stiftung
FTAA	Free Trade of the Americas
GDP	Gross Domestic Product
GFOT	Government Financial Operation Table
GOG	Government of Ghana
GRAPAD	Groupe de Recherche et d'Action pour la Promotion de l'Agriculture et du Développement
GSP	Generalised System of Preferences
HACCP	Hazard Analysis and Critical Control Points
HDI	Human Development Index
HIPC	Highly Indebted Poor Countries
IFPRI	International Food Policy Research Institute

ACRONYMS AND ABBREVIATIONS

IMF	International Monetary Fund
ISSER	Institute of Statistical, Social and Economic Research
JDFP	Jamaica Dairy Farmers Federation
LDC	Least Developed Countries
MRL	Maximum Residue Levels
NGO	Nongovernmental Organisation
NIP	National Indicative Programmes
NTE	Non-traditional Export
PRSP	Poverty Reduction and Strategy Paper
OECS	Organisation of Eastern Caribbean States
ONPCC	Organization of Cameroon Cocoa and Coffee Producers
PIOJ	Planning Institute of Jamaica
PSOJ	Private Sector Organisation of Jamaica
RAPN	Regional Agricultural Policy Network
REPA	Regional Economic Partnership Arrangement
SICA	Secretariat for Central American Integration
SIDS	Small Island Developing States
SPS	Sanitary and Phytosanitary Standard
SWEFCU	South West Farmers Cooperative Union
TUC	Trade Union Congress
UDEAC	Union Douanière et Economique de l'Afrique Centrale
UEMOA	Union Economique et Monétaire de l'Afrique de l'Ouest
UHT	Ultra-High Temperature
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
US	United States
UWI	University of the West Indies
VAT	Value Added Tax
WAEMU	West African Economic Monetary Union
WIDE	Women in Development Europe
WTO	World Trade Organisation

PARTICIPATING ORGANISATIONS

ADEID - Action pour un Développement Equitable Intégré et Durable

ADEID is a Cameroonian NGO established in 1990, which pushes for sustainable solutions to problems faced by peoples fighting poverty. Its activities include programmes on environmental conservation, promotion of micro-enterprises and revenue generating activities for women, and development of sustainable agriculture and participatory rural development.

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CIECA - Centro de Investigación Económica para el Caribe

CIECA is a non-profit institution set up in 1987 to carry out research on economic, political and social issues in the Dominican Republic, the Caribbean and Central America. CIECA's main activities include research on domestic and international social economy, dissemination of scientific publications and sensitisation of the public.

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DHS - Dairy Herd Service

Dairy Herd Services was set up in 1995 to offer computerized herd recording to Jamaican dairy farmers. The range of services grew and shrank with demand from a dairy farmers' newsletter, farmer representation, supply of bovine semen and dairy equipment to consulting and research. It was involved in the formation of the Jamaica Dairy Farmers Federation in 1998.

Address: 48 Daisy Avenue, Kingston 6 – Jamaica W.I.

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GAWU - General Agriculture Workers Union of Trade Union Congress

GAWU is a trade union and therefore a membership-based organisation. The membership includes not only employees in the formal agricultural and forestry sector but also a whole range of non-wage agricultural and other rural workers. GAWU works through four main programme areas, namely, the Rights in Work Programme; Sustainable Agriculture and Rural Development Programme; Institutional Development and Empowerment Programme; and Policy Advocacy and Campaign Programme. GAWU's major advocacy and campaign issues presently include workers rights, multilateral trade and ACP-EU trade issues, child labour and gender violence.

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PARTICIPATING ORGANISATIONS

GRAPAD - Groupe de Recherche et d'Action pour la Promotion de l'Agriculture et de Développement

GRAPAD, a Beninese NGO, was created in 1989 on the initiative of some young Beninese agricultural engineers. Its principal objective is researching of ways and means of improving the living condition of the most underprivileged sectors of the Beninese company, in particular women and peasants.

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