Impact of EU's Agricultural Trade Policy on Smallholders in Africa

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Impact of EU's agricultural trade policy on smallholders in Africa

Kerstin Bertow
Antje Schultheis

Abstract

IMF and World Bank liberalisation policies have had an uncertain impact on African economies and their agricultural sector. Despite some improved macro-economic data these liberalisation measures had a negative impact on smallholder farmers and their right to food. The shift in the EU-ACP partnership during the 1990s away from preferential treatment of the ACP states to reciprocal free trade areas follows the international liberalisation paradigm. This study seeks to examine the potential impact of the EU's policy, especially the effects of the forthcoming Economic Partnership Agreements (EPAs), on smallholder farmers and their food security in Sub-Saharan Africa. The examples of Uganda, Zambia and Ghana contribute to substantiate the analysis and allow some considerations on particularly affected products.

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Authors: Kerstin Bertow, Antje Schultheis

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Dr. Werner-Schuster-Haus
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Phone +49 (0) 228 60492-0, Fax -19
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E-mail: info@germanwatch.org

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Abbreviations

ACP	African, Caribbean, Pacific countries
COMESA	Common Market for Eastern and Southern Africa
DG Trade	Directorate General Trade
EBA	Everything But Arms Initiative
EC	European Community
ECOWAS	Economic Community of Western African States
EDF	European Development Fund
EPA	Economic Partnership Agreement
ESA	Eastern and Southern Africa
EU	European Union
GDP	Gross Domestic Product
GM	Genetically Modified
HIPC	Heavily Indebted Poor Countries
IMF	International Monetary Fund
LDC	Least Developed Country
NGO	Non-governmental Organisation
PRSP	Poverty Reduction Strategy Paper
SADC	Southern African Development Community
SAP	Structural Adjustment Programme
SPS	Sanitary and Phytosanitary Standards
UK	United Kingdom
WTO	World Trade Organisation

1 Introduction – EPA setting

EPAs in general

As agreed in the Cotonou Agreement of 2000, the European Union (EU) and the 78 ACP (Africa, Caribbean, Pacific) states are currently negotiating free trade areas that shall enter into force in January 2008. These Economic Partnership Agreements (EPAs) are negotiated in six regional groups – four in Sub-Saharan Africa, one in the Pacific, and one in the Caribbean region. The relationship between EU and ACP states originates from colonial times and found its expression in the Yaoundé and ensuing Lomé Conventions. The replacement of the Lomé system of preferences by WTO-compatible free trade areas includes the principle of reciprocity between the trade partners and the objective of world market integration. Beside the principle of free trade between these different partners they agreed on strengthening regional integration processes of ACP countries as a step towards the global economy, the consideration of the special development needs of the ACP countries and, above all, the eradication of poverty:

> "Economic and trade cooperation shall aim at fostering the smooth and gradual integration of the ACP States into the world economy, with due regard for their political choices and development priorities, thereby promoting their sustainable development and contributing to poverty eradication in the ACP countries."[1]

Impact of EPAs

The establishment of the Cotonou Agreement initiated a lively but often controversial discussion about the pros and cons of the potential impact of the EPAs[2] which has sharpened during the last months, as there is not much time left for influencing the potential outcome.

The difficulties in estimating the potential effects of the EPAs firstly result from the fact that the final drafts of the different regional agreements are still unknown, particularly their foreseen development dimension. Secondly, the correlation between liberalisation processes and their outcomes is nondistinctive[3]: Parallel to the EPA negotiations, International Monetary Fund

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[1] European Commission (EC)/ACP-States: 2000/483/EC: Partnership agreement between the members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its Member States, of the other part, signed in Cotonou on 23 June 2000 - Protocols - Final Act – Declarations, Official Journal L 317 , 2000, p.3-353. http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:22000A1215(01):EN:HTML [20/05/2007], Art. 34,1.

[2] Koroma, Suffyan/Deep Ford, J. R.: The agricultural dimension of the ACP-EU Economic Partnership Agreements (FAO commodities and trade technical paper; no. 8), 2006. ftp://ftp.fao.org/docrep/fao/009/a0676e/a0676e.pdf [01/04/2007], p.1.

[3] Paasch, Armin: Der Handel mit dem Hunger. Agrarhandel und das Menschenrecht auf Nahrung,

(IMF) and World Bank still spur on further liberalising the developing countries, and additional multilateral liberalisation processes take place at World Trade Organisation (WTO) level. Lastly, there exists only a weak empirical basis for serious analysis. For instance, in the case of the liberalisation programmes of IMF and World Bank, it took more than ten years after completion to analyse their economic, political, and social impact on developing countries[4] – and EPAs are not even in force.

Despite these difficulties, it is crucial for ACP countries to assess the EPA prospects, because the free trade agreements will trigger a fundamental change in the ACP economies – either positive or negative. Although promised in the Cotonou Agreement, the EC did not critically examine "all alternative possibilities"[5] and, so far, does not offer any serious alternatives to the EPAs, as Commissioner Mandelson states:

> "So the question of alternatives to the path we have chosen is a valid one. I'm always open to the arguments, but I don't believe there is any remotely realistic alternative to EPAs that have the same content and potential."[6]

In the light of absent serious alternatives, the EPAs seem to become almost inescapable and thus even more important for the ACP countries and their agricultural sector.

Agriculture is essential for many African ACP economies: Agriculture contributes an average GDP share of 35%, the average export earnings (as share of total exports) amount to 35%, and the employment in agriculture averages 70%.[7] Despite its importance, the agricultural sector absorbs only a small market size, and the population is spread over large areas of land.[8] In many African ACP countries, smallholder farmers represent a large part of the rural population, and they often rely on simple technologies and cultivation practises;[9] the degree of irrigation, for instance, is very low in African ACP

2006. http://www.forum-ue.de/fileadmin/userupload/publikationen/aglw_2006_agrarhandel_neu.pdf [05/05/2007], p.13.

[4] Bazaara, Nyangabyaki: Impact of liberalisation on agriculture and food security in Uganda. Final report, 2001. http://www.saprin.org/uganda/research/uga_liberalization.pdf [08/05/2007], p.12.

[5] Cotonou Agreement, Article 37.6.

[6] Mandelson, Peter: Address to the European Socialist Party Conference on Economic Partnership Agreements (SPEECH/06/612-19/10/2006), 2006. http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/06/612&format=PDF&aged=1&language=EN&guiLanguage=en [20/05/2007].

[7] Hurungo, James: An outline and analysis of EU export subsidies on production of export interest to ESA countries, 2006. http://hepta.designat7.co.zw/tradescentre/binarydata/EC%20Subsies%20and%20ESA%20report-Final%20Hurungo.doc [17/05/2007], p.5.

[8] Faber, Gerrit/Orbie, Jan: The EU's insistence on reciprocal trade with the ACP group. Economic interests in the driving seat?, 2007. http://www.unc.edu/euce/eusa2007/papers/orbie-j-05g.pdf [05/06/2007], p.7.

[9] Siegel, Paul B./Alwang, Jeffrey: Poverty reducing potential of smallholder agriculture in Zambia: Opportunities and constraints (World Bank Africa region working paper series; No. 85), 2005.

countries. Small-scale farmers mainly produce for their own consumption, and their access to input and output markets is limited or even non-existent. The responsibility of agriculture, especially the smallholder production, for food security, must not be underestimated as African ACP countries still suffer from poverty.

Food security is not only a circumstantial element for the development of African ACP countries, but a critical factor to judge EPA outcomes and welfare implications for the poor.

Food security and the right to food

Not only in the Universal Declaration on Human Rights (Article 25), but also in binding contracts on human rights like the International Covenant on Economic, Social and Cultural Rights, the right to food is seen as essential: It is not only defined as self-sufficiency but

> "the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing and housing, and to the continuous improvement of living conditions."[10]

This right applies to the national and international level:

> "Although the primary responsibility to ensure human rights will always rest with the national Government, in the current climate of globalization and strong international interdependence, the national Government is not always able to protect its citizens from the impacts of decisions taken in other countries."[11]

The right to food is thus not only affected by national policies, but also by the international level. The dominance of the liberalisation paradigm in world economy influences the right to food and food security aspects in many ways:

> "There is no doubt, for example, that the programmes of economic reform imposed by IMF and the World Bank on indebted countries have a profound and direct influence on the situation of the right to food and food security in many countries."[12]

When discussing EPAs, one has to have in mind that:

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http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2005/11/16/000090341_20051116140443/Rendered/PDF/342460PAPER0ZM0smallholder0AFRwp85.pdf [15/04/2007], p.2.

[10] UN Economic and Social Council: Substantive issues arising in the implementation of the International Covenant on Economic, Social and Cultural Rights. General Comment 12: The right to adequate food, E/C.12/1999/5, 1999. http://www.unhchr.ch/tbs/doc.nsf/385c2add1632f4a8c12565a9004dc311/3d02758c707031d58025677f003b73b9?OpenDocument [21/05/2007].

[11] UN Economic and Social Council: Substantive issues arising in the implementation of the International Covenant on Economic, Social and Cultural Rights. General Comment 12, p.13.

[12] UN Economic and Social Council: Economic, Social and Cultural Rights. The right to food. Report of the Special Rapporteur on the right to food, Jean Ziegler, E/CN.4/2005/47, 2005. http://www.righttofood.org/ECN.4200547.pdf [09/05/2007], p.12.

> "ACP states depend relatively high on trade for their food security. Their economies are relatively open. Many are reliant upon trade in agricultural products to earn export revenue and on food imports to satisfy domestic consumption. Some states rely on trade for both agricultural exports and imports."[13]

EU and ACP states will have to create their new trade relations with special regard to food security issues and their responsibility to respect an essential human right, the right to food, for African people.

Trade policy changes in ACP countries – from Bretton Woods to EPAs

The economies of the African ACP states experienced many significant changes but

> "most of trade policy change […] has been the result of policy-based lending led by the international financial institutions (IFIs), bilateral/regional trade negotiations among African countries as well as autonomously determined change."[14]

Due to the stagnation of the Doha Round negotiations on agricultural trade reforms, the future impact of WTO on ACP countries remains uncertain. In any case, Least Developed Countries (LDCs), which make up a large share of ACP countries, will be exempt from further tariff reduction commitments in the WTO, and non-ACP LDCs will likely be modest. One might say that the "impetus for any agricultural liberalisation for African Least Developed Countries (LDCs) over the next 10-15 years, therefore, is likely to lie outside the WTO".[15] IMF and World Bank still have a strong influence on the African developing countries' economies, but the loss of legitimation as a result of the failed adjustment programmes weakens their position. Rather than WTO or IMF/World Bank, now EPAs could be seen as "the prime candidates as likely drivers of change".[16]

This study

Firstly, the liberalisation measures and outcomes of IMF and World Bank adjustment programmes are examined with a focus on the agricultural sector, specifically the small-scale farmers and the aspect of food security. The liberalisation policy of IMF and World Bank serves as an indicator for the impact of further liberalisation measures in the EPA context.

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[13] Koroma/Deep Ford: The agricultural dimension of the ACP-EU Economic Partnership Agreements, 2006, p.42.
[14] Stevens, Christopher/Kennan, Jane: Agricultural reciprocity under Economic Partnership Agreements, 2006. http://www.tcd.ie/iiis/policycoherence/index.php/iiis/content/download/549/2052/file/iiisdp111.pdf [08/05/2007], p.2.
[15] Stevens/Kennan: Agricultural reciprocity under Economic Partnership Agreements, 2006, p.2.
[16] Stevens/Kennan: Agricultural reciprocity under Economic Partnership Agreements, 2006, p.2.

Secondly, after analysing former liberalisation outcomes, the study will focus on the forthcoming liberalisation framework of EPAs and their impact on the agricultural sector which "will be determined by how much change results to the market conditions within the sector operates."[17]

The study pays special attention to three countries – Uganda, Zambia, and Ghana – within two EPA regions – ECOWAS[18] and ESA[19] – due to the heterogeneity of African ACP countries.

[17] Stevens/Kennan: Agricultural reciprocity under Economic Partnership Agreements, 2006, p.3.
[18] Economic Community of Western African States
[19] Eastern and Southern Africa

2 Liberalisation of agricultural markets in Sub-Saharan Africa under the rule of IMF/World Bank

2.1 Structural adjustment of IMF/World Bank in Sub-Saharan Africa

Agriculture after independence

After independence, the Sub-Saharan African countries followed an import substitution industrialisation strategy to facilitate the development of industry by home market development and the import of necessary machinery and production inputs. They established high tariff barriers to protect their national industries and set up an over-valued currency to reduce their import costs. Agricultural policy aimed at increasing export crops, staple food production and the food supply for the urban population. Governmental monopolies, so called parastatals, controlled processes, prices, and the mono-cropping of export and staple food crops. Furthermore, they provided subsidies on agricultural inputs, e.g. fertiliser. There has been a concentration on processing industries near large cities to provide food for urban people at the expense of small-scale farmers.[20]

Crisis during the 1970s

Not only the oil crisis affected many Sub-Saharan African countries due to their dependence on oil imports. The decline in world market prices of raw materials and the recession in Europe and the US negatively influenced the African countries' economies as well. Besides these external factors, internal reasons – like the costly import substitution industrialisation, the high but inefficient subsidies and, in some cases, large military spending, together with a lack of investment – led to balance of payment problems. Despite the first short-term facilities of the IMF during the 1970s, the countries suffered from rising external debt, trade and currency balance deficits, a decline in GDP, declining imports and exports, and rising inflation.

Turn to IMF/World Bank

The escalating debt situation gave rise to further IMF influence. IMF and World Bank long term structural adjustment programmes (SAPs) were implemented to stabilise the balance of payment and, above all, to deeply restructure the

[20] Pedersen, Poul O.: The development of the informal small-enterprise sector in Eastern and Southern Africa: from import substitution to structural adjustment, 2005. http://www.gbv.de/du/services/gLink/2.1/485035715/999/http://www.diis.dk/graphics/Publications/WP2005/pop_development_of_informal_small-enterprise_web.pdf [19/04/2007], p.15.

economy of developing countries.
The standard package followed the principles of the Washington Consensus: reduction of state intervention, opening of markets (liberalisation), and macro-economic stability. In practice, this meant the decrease of inflation, the devaluation of currency, the privatisation of state enterprises, reduction of government expenditure, the liberalisation of prices and trade, and a fundamental tax reform; positive social effects were expected from trickle-down processes.[21] Debt relief programmes under IMF rule aimed at the conversion of short-term into long-term debt but insisted on repayment and did not succeed as debts grew further.

The "new" IMF/World Bank approach

In the mid-1980s, criticism emerged concerning the negative social impact and the failure in the programmes' primary approach – in many cases countries suffered from the absence of growth and the promised trickle-down effects. This led to a "rediscovery of poverty"[22] in the international financial institutions during the 1990s and to reforms of IMF and World Bank policies. Additional measures were introduced to the former liberalisation programme: good governance, ownership, the creation of Poverty Reduction Strategy Papers (PRSP) and the underlying macro-economic framework of the Poverty Reduction and Growth Facility (PRGF). However, the new consensus implies no shift of conditions, but entails a rising number of conditions[23] that still follow neoliberal principles. State intervention in the economy is still seen as the main problem and, furthermore, the population is expected to benefit through trickle-down effects, albeit more emphasis is given on social safety nets. The failure of the implementation of PRSP policies[24] and the only moderate success in debt relief in the HIPC (Heavily Indebted Poor Countries) context also demonstrate that no fundamental shift in IMF/World Bank policies has taken place.

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[21] Cp. Setton, Daniela: Vom "Washingtoner Konsens" zum "Genfer Konsens": Strukturanpassung in neuem Gewand, in: VENRO (ed.): Welche Konditionalitäten braucht die Entwicklungszusammenarbeit?, 2006. http://www2.weed-online.org/uploads/venro_2015_im_gespraech_nr.10.pdf [09/04/2007].
[22] Sehring, Jenniver: Post-Washington consensus und PRSP – Wende in der Weltbankpolitik? (Department of Anthropology and African Studies/University of Mainz, working papers no. 23), 2003. http://www.ifeas.uni-mainz.de/workingpapers/Sehring.pdf [28/05/2007], p.14.
[23] Eurodad: World Bank and IMF conditionality: A development injustice, 2006. http://www.eurodad.org/uploadedFiles/Whats_New/Reports/Eurodad_World_Bank_and_IMF_Conditionality_Report.pdf [17/04/2007].
[24] Küblböck, Karin: Hoffnungsträger PRSP. Eine Bilanz der ersten Jahre, 2006. http://www.oefse.at/Downloads/publikationen/HoffnungstraegerPRSP.pdf [17/10/2006] and Steiner, Susan: Schuldenerlass für die ärmsten Länder: Spielt Good Governance wirklich eine Rolle?, in: Afrika im Blickpunkt, no. 2, July 2005, p.1-8. http://virtuelle-akademie.fnst.de/uploads/seminare/Afrika%20und%20Globalisierung//AiB2-05.pdf [31/08/2006].

Agricultural liberalisation

The liberalisation measures concerning agriculture aimed at increasing the incentive to export through the devaluation of currency, the reduction of excessive taxation on export crops, and the reduction of the urban bias. The results were mixed: Food crops were affected by increasing input costs, and so the gains from increased food crop prices were diminished.

> "At the same time, the elimination of pan-territorial prices meant that the cost of getting to the market in the peripheral parts of the country increased and often made the traditional agricultural production unprofitable. The structural adjustment policies therefore tended to increase the income differences among small and larger farmers, as well as regionally."[25]

The export crops were dominated not by domestic traders but by international companies, whose tendency to control the whole production process "requires both a large capital and a global presence which few domestic traders can live up to."[26]

IMF and World Bank impact on agriculture and smallholders in Sub-Saharan African countries is illustrated by the following examples of Uganda, Zambia and Ghana.

[25] Pedersen: The development of the informal small-enterprise sector, 2005, p.17.
[26] Pedersen: The development of the informal small-enterprise sector, 2005, p.19.

2.2 Impact of structural adjustment on smallholders in Sub-Saharan Africa – three examples

2.2.1 Uganda

Background

Uganda is a landlocked LDC which is highly dependent on the agricultural sector: The sector's share of GDP amounts to 42%[27], while over 80% of total employment is in the agricultural sector; the share of agriculture in total exports is 80%. Three-fifths of the poor reside in rural areas and the responsibility of smallholders for agricultural output amounts to 90%. Of these smallholders, 80% use less than two hectares of land per household.[28] After a decline during the 1990s, poverty increased in 2002/2003, and today 40% of the population live in absolute poverty.[29] There is a decline of mean calorie intake per person, so nutrition is inadequate in regard to food security.

Liberalisation processes

After the economic collapse ensuing the Amin dictatorship in the late 1970s, the government agreed its first SAP with the IMF in 1981. The macro-economic reforms aimed at economic growth and increasing exports, reducing the budget deficit and controlling inflation. Despite some economic success, e.g. the increase of GDP, a declining budget deficit and moderate inflation, the government broke with IMF and World Bank. After only a short time, the Ugandan government returned to IMF/World Bank conditionalities that intensified liberalisation programmes: Under the Economic Recovery Programme of 1987, a tight monetary and fiscal policy, foreign exchange rate reforms, consumer and producer price liberalisation, export promotion, and financial sector reforms were introduced. A mixed effect of these structural reforms can be identified: GDP growth and moderate inflation were the positive results, but despite liberalisation measures, there was a decline in export revenue (due to falling world market prices), increasing imports, and growing external debt.

Liberalisation in agriculture

During the early 1990s, agricultural reforms aimed at increasing agricultural

[27] Opolot, Jacob/Kuteesa, Rose: Impact of policy reforms on agriculture and poverty in Uganda, 2006. http://www.tcd.ie/iiis/policycoherence/index.php/iiis/content/download/557/2076/file/iiisdp158.pdf [08/05/2007], p.14.
[28] Baffoe, Jon K.: Structural adjustment and agriculture in Uganda, 2000, http://www.ilo.org/public/english/dialogue/sector/papers/uganstru/index.htm [18/04/2007], p.11.
[29] SEATINI: Technical Issues in the six Negotiating Clusters under the ESA-EU EPA Negotiations, 2005. http://www.epawatch.net/documents/doc298_1.doc [27/05/2007], p.8.

production through liberalisation of agricultural trade. Trade liberalisation included the abolition of the parastatals 1991-93, the liberalisation of output prices (by realignment to world market prices) and input prices (by reducing/abolition of subsidies), the elimination of pan-territorial pricing, and the liberalisation of the exchange rate. A strategy of export-led growth in combination with diversification of production to promote non-traditional exports, e.g. flowers (mainly large-scale farmers) and vanilla (mainly small-scale farmers), was established.[30]

The Poverty Eradication Action Plan of 1997 is a framework for eradicating poverty and guiding government policy. Agricultural modernisation is one of the five pillars of the framework, because "agricultural growth is expected to generate benefits to non-agricultural sectors in rural areas and beyond"[31] and is the basis for the PRSP with the World Bank.

The modernisation of agriculture is expressed through the Plan for Modernisation of Agriculture (PMA) of 2001. The "outcome-oriented multisector framework anchored to the government's decentralized structures"[32] aims at raising farm productivity, increasing marketable production, and creating off-farm employment. The

> "PMA encompasses a broader spectrum of stakeholders including medium sized enterprises especially agro-processing and marketing so that these are used as outlets and spring boards for small-scale enterprises and create employment opportunities for also the poor."[33]

Doubt continues to exist regarding the expected spring board effect. D. Owomugasho of the Uganda Debt Network refers to several case studies concerning the poverty reduction potential of large-scale farming and states that large-scale cash crop production

> "does not have the potential to contribute to poverty reduction in Uganda. An important message from the case studies is that tangible benefits for the poor people involved in production are actually quite limited, and the few who are involved are caught in a poverty trap."[34]

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[30] Bazaara: Impact of liberalisation on agriculture and food security in Uganda, 2001, p.18 and Kappel, Robert/Lay, Jann/Steiner, Susan: Uganda: no more pro-poor growth?, in: Development policy review no. 23(1), 2005, p.27-53. http://www.blackwell-synergy.com/doi/ref/10.1111/j.1467-7679.2005.00275.x [20/05/2007], p.41.

[31] Potts, Michael J./Nagujja, Stella: A review of agriculture and health policies in Uganda with implications for the dissemination of biofortified crops, 2007. http://www.harvestplus.org/pdfs/hpwp01.pdf [22/05/2007], p.9.

[32] Potts/Nagujja: A review of agiculture and health policies in Uganda, 2007, p.43.

[33] Ekwamu, Adipala/Ashley, Steve: Plan for modernization of agriculture: Report on the second review of the plan for modernisation of agriculture (PMA), 200[0]3, http://www.pma.go.ug/pdfs/PMA%20joint%20review%20volume%20one.pdf [17/05/2007], p.4.

[34] DENIVA/CONSENT: Discussion synthesis of informal trade and socio-economic dialogues ['tea & samosa'], 24/04/2007. http://www.deniva.or.ug/files/programme-agriculturetrade_dialogues_24%20April%202007_discussion%20synthesis.doc [19/05/2007], p.8.

The economic performance is characterised by a "relatively buoyant growth"[35] of GDP, the decline of inflation to a moderate level and a shift in the destination share of exports towards COMESA[36] (EU 35%, 27% COMESA, 6% Asia) as an indicator for market diversification. However, a low savings rate, declining poverty during the 1990s (but an increase since 2001) and continuing high indebtness indicate only a mixed outcome for the Ugandan economy and agriculture in particular.

Impact on smallholder farmers and food security

The reform of the financial sector, especially the micro-finance institutions created in 2002, did not benefit Ugandan smallholders: "Credit is still inaccessible to a large majority of rural smallholder farmers who subsist primarily on agricultural production."[37] Moreover, the mechanisms of granting loans are inadequate, "since farmers are expected to start loan repayment before the harvest season".[38]

The expected increase of smallholder income as a result of higher prices on produce and functioning markets did not materialise. The main reason for this undesirable development is the abolition of subsidies and, as a consequence, higher input prices that exceed gains from higher produce prices for smallholder farmers. Another factor is the "information asymmetry and lack of indicative prices [that] has led to the exploitation of rural smallholder farmers by private traders who are bent on maximizing profits".[39] One can assume that

> "Liberalisation in as far as it means higher income can only benefit those who have resources to grow those crops that are attracting higher prices on the market at the moment."[40]

Furthermore, no horizontal integration of rural farmers took place because of the weak transportation infrastructure and the lack of storage facilities.

The concentration on new export products caused a shift away from rural smallholders: The increase in export of fish or flowers, for example, benefited large-scale farmers, while smallholders lost income due to the decline of coffee export which "is the main source of livelihood for the majority of smallholder rural households in the central and western regions".[41]

The emphasis on the export of agricultural products and, in particular, the inclusion of food crops in this export made farmers replace their food crops for own consumption by those for export. Replacement rather than enlargement of

[35] Opolot/Kuteesa: Impact of policy reforms on agriculture and poverty in Uganda, 2006, p.15.
[36] Common Market for Eastern and Southern Africa
[37] Opolot/Kuteesa: Impact of policy reforms on agriculture and poverty in Uganda, 2006, p.7.
[38] Opolot/Kuteesa: Impact of policy reforms on agriculture and poverty in Uganda, 2006, p.7.
[39] Opolot/Kuteesa: Impact of policy reforms on agriculture and poverty in Uganda, 2006, p.18.
[40] Bazaara: Impact of liberalisation on agriculture and food security in Uganda, 2001, p.41.
[41] Opolot/Kuteesa: Impact of policy reforms on agriculture and poverty in Uganda, 2006, p.22.

production arises from limited land access for rural smallholders in Uganda; land reforms are still outstanding. Another reason for continuing food insecurity is that the population grows faster than agricultural production. Lastly, there is also a high "vulnerability of agricultural production to natural and weather calamities"[42], which is partly due to the low degree of irrigation in Uganda.

[42] Opolot/Kuteesa: Impact of policy reforms on agriculture and poverty in Uganda, 2006, p.23.

2.2.2 Zambia

Background

Like Uganda, Zambia is a landlocked LDC but, contrary to Uganda and other African countries, "Zambia has been the worst performing economy in Africa that has not suffered from conflict."[43] The agricultural GDP as share of total GDP accounts for 20%, the share of agricultural labour force in total labour force is 67%;[44] more than 90% of rural households are smallholders. Poverty and declining calorie consumption[45] are indicators that food security is still threatened: "The challenge to reduce poverty in Zambia still remains colossal."[46]

Liberalisation processes

Zambia embarked on import-substitution and a self-sufficiency strategy with an interventionist approach during the 1960s and 1970s. Zambia imported food in times of shortfall as long as prices of copper were stable.[47] The world recession with declining prices of raw materials and the oil crisis entailed increased borrowing and negative balance of payments.

The first IMF short-term facility was provided in 1971, further facilities followed during the 1970s but did not succeed, and so the first SAP was established in 1983. Macro-economic reforms included the reduction of the current account deficit and external payment arrears, the decontrol of domestic prices, the cutback of subsidies on basic food and fertiliser, and relax interest rate ceilings. Despite these measures, there was no growth in GDP but rising inflation and widening trade deficits; the World Bank blamed the Zambian government not to have taken action to reduce the high budget deficit and not to embark on a stringent monetary policy. After a short period of disengagement from IMF and World Bank, Zambia returned in 1989 and

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[43] Situmbeko, Lishala C./Zulu, Jack Jones: Zambia: Condemned to debt. How the IMF and World Bank have undermined development, 2004. http://www.wdm.org.uk/resources/reports/debt/zambia01042004.pdf [17/04/2007], p.36.

[44] Giovannucci, Daniele et al.: The impact of improved grades and standards for agricultural products in Zambia. Phase one assessment and recommendations for United States agency for international development the regional center for Southern Africa, RCSA, 2001. http://www.pfid.msu.edu/media/publications/techreports/zambia21.pdf [07/05/2007], p.4.

[45] Subbarao, Kalanidhi/Dorosh, Paul A./del Ninno, Carlo: Food aid and food security in the short- and long run: country experience from Asia and Sub-Saharan Africa (World Bank, SP discussion paper; no. 538), 2005. http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2005/11/17/000090341_20051117143743/Rendered/PDF/342920Food0aid0SP00538.pdf [15/07/2007], p.79.

[46] Mudenda, Dale: Zambia's trade situation: implications for debt and poverty reduction, 2005. http://www.jctr.org.zm/downloads/tradsitu0705.pdf [29/04/2007], p.3.

[47] Simatele, Munacinga C. H.: Food production in Zambia: the impact of selected structural adjustment policies (AERC Research Paper; no. 159), 2006. http://www.aercafrica.org/documents/RP159.pdf [19/04/2007], p.2.

implemented further liberalisation measures, including the devaluation of currency, higher interest rates, and the elimination of subsidies and price controls. After a change in government in 1992, more widespread structural reforms including privatisation, trade liberalisation, and agricultural liberalisation were introduced.

Liberalisation in agriculture

During the early 1980s, the liberalisation of agriculture was composed of the reduction of government intervention in the market (e.g. the removal of subsidies for all crops and commodities in 1985 with the exception of maize), the promotion of agricultural and non-traditional exports, and the improvement of food production. In the 1990s, the monopolistic parastatals were privatised, and fertiliser and other input subsidies (including maize production) were eliminated. The reduction of tariffs began in 1993 and was completed in 1996 with an average tariff of 13% ("with 21 per cent of tariff lines completely duty-free"[48]). Incidentally, the tariff reduction included in IMF conditionalities is stricter than WTO rules.[49]

In 1995, the Agricultural Sector Investment Programme (ASIP) of the World Bank and the Zambian government aims at replacing state-supplied agricultural services by private sector engagement. However, the World Bank itself stated that the elimination of subsidies on maize and fertiliser did not benefit the poor: "It appears that policy reforms have contributed to stagnation or even regression, instead of helping Zambia's agricultural sector realize the strong regional growth linkages".[50]

Zambia and the World Bank agreed on the Zambian Poverty Reduction Strategy Paper (PRSP) in 2002, and on prioritising agriculture "for diversifying production and exports, creating employment, increasing incomes, and improving food security."[51] But the "market-oriented views"[52] of the PRSP, founded on the new SAPs, the so-called Poverty Reduction and Growth

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[48] Situmbeko/Zulu: Zambia: Condemned to debt, 2004, p.31.

[49] The bound rates of the WTO account for 35-60% (the majority is 40-45%). Under the actual tariffs in Zambia 21% of the goods enter duty-free and 69% of the products account for tariffs about 15% or below; before liberalization there were eleven tariff bands between 0-100%; cp. Situmbeko/Zulu: Zambia: Condemned to debt, 2004, p.51. The Average tariff is around 13%, cp. Situmbeko/Zulu: Zambia: Condemned to debt, 2004, p.31.

[50] Deininger, Klaus/Olinto, Pedro: Why liberalization alone has not improved agricultural productivity in Zambia: the role of asset ownership and working capital constraints (World Bank policy research working paper; no. 2302), 2000. http://wbln0018.worldbank.org/Research/workpapers.nsf/bd04ac9da150d30385256815005076ce/4dba11e3b3220a4f852568aa0060ec2c/$FILE/wps2302.pdf [19/04/2007], p.4.

[51] IMF/Zambia: Poverty Reduction Strategy Paper. Joint staff assessment, 2002. http://www.imf.org/External/NP/jsa/2002/zmb/eng/050902.PDF [19/05/2007], p.7.

[52] Elliot, Howard/Perrault, Paul T.: Zambia: A quiet crisis in African research and development, in: Agricultural R&D in the developing world. Too little, Too late?, ed. by Philip G. Pardey, Julian M. Alston, and Roley R. Piggott, 2006, p.227-256. http://www.ifpri.org/pubs/books/oc51/oc51ch09.pdf [23/05/2007], p.234.

Facility (PRGF), are still a "top-down exercise"[53] from international financial institutions to the national government. Furthermore, "the implementation structures were not put in place so very few programmes have actually materialised."[54]

Export promotion and the strengthening of the private sector are the "two main pillars for sustained and economic growth"[55] in the Zambian liberalisation process. The diversification of export commodities is applied solely on agricultural products, with a comparative advantage in tobacco, cotton, paprika, fresh vegetables, cotton yarn, leather products, fresh flowers, and oil cake. The lower cost of these exports compared to the expensive imports of machinery and petroleum products shows that "Zambia is already disadvantaged in terms of trade"[56], and for some of these products world market prices are already declining (e.g. tobacco, coffee and cotton).

While the inflation rate is modest and further stabilisation of the exchange rate took place, a large budget deficit exists, and despite HIPC debt relief, Zambia still struggles with high indebtness.

Impact on smallholder farmers and food security

As a result of liberalisation of financial markets, farmers have to compete for credit with other borrowers; the small-scale farmers, due to their inadequate collateral, have only limited access to credits. Credits and marketing aspects under private sector promotion are often "uneven and unpredictable and once market forces had eliminated the implicit subsidies to remote and small farmers, many farmers were left worse off."[57]

The removal of subsidies on fertilisers caused the doubling of fertiliser prices and a decrease in the use by 50% during the 1990s. The Zambian government then reintroduced interventions in the agricultural sector, e.g. "subsidising farming inputs by 60%, buying off the crop from small-scale farmers and encouraging conservation farming practises."[58] But the fixed price of maize, so Guy Robinson, president of the Zambia National Farmers Union,

> "costs us a lot to produce the crop but the price at which we are required to sell it does not tally with the cost of production. We are calling for the establishment of an independent crop costing exercise to critically look at the cost of production for maize against the price

[53] Situmbeko/Zulu: Zambia: Condemned to debt, 2004, p.43.
[54] Sampa, Chilufya: Development issues in Economic Partnership Agreements (EPAs) for Zambia, 2006. http://www.cuts-epa.org/documents/Zambia_ChilufyaSampa.pdf [25/05/2007], p.8.
[55] Sampa: Development issues in Economic Partnership Agreements (EPAs) for Zambia, 2006, p.2.
[56] Sampa: Development issues in Economic Partnership Agreements (EPAs) for Zambia, 2006, p.7.
[57] UNCTAD: Economic development in Africa. From adjustment to poverty reduction: What is new?, 2002. http://www.unctad.org/en/docs/pogdsafricad2.en.pdf [28/04/2007], p.39.
[58] IRIN: Zambia: Maize exported before food security status known, 23/05/2007. http://www.irinnews.org/Report.aspx?ReportId=72327 [28/05/2007].

at which we are selling the crop."[59]

Tariff reduction on imports caused a decline in government revenues: The total income from tariffs fell by more than 50% and could not be compensated by other forms of taxation. The reduced government spending on infrastructure, especially transport and communications, diminishes the governmental support for smallholders to face the supply-side constraints that keep them away from participating in trade.

Cheap imports from the EU are another important consequence of tariff reduction on imports, especially in the manufacturing sector that accounts for most of the imports. The consequence is not only rising unemployment, but the "collapse of the manufacturing sector"[60], e.g. of the textile industry. But also for the agricultural sector cheap imports from the EU might have negative effects for the local and regional markets: In Zambia, paid employment in agriculture declined during the 1990s while the labour force as a whole has grown at the same time.

In general, "food security has not improved", and only due to copper export revenue the government is able to manage food insecurity.[61] Thirty years of IMF leadership in restructuring the Zambian economy did not generate any improvement in the case of food security.

[59] IRIN: Zambia: Maize exported before food security status known, 23/05/2007.
[60] Situmbeko/Zulu: Zambia: Condemned to debt, 2004, p.31.
[61] Simatele: Food production in Zambia, 2006, p.8.

2.2.3 Ghana

Background

Agriculture is the most important economic sector in Ghana with the largest contribution to overall GDP (36%).[62] About 70% of the workforce depend on agricultural production: Processing, transport, and trade of agricultural products and materials are also linked to this sector.[63] Within agriculture, 90% of value-added comes from small-hold farmers, using rudimentary technology.[64]

When looking at poverty aspects, one has to emphasise that 59% of the poor depend on growing food for their own consumption.[65] Therefore, domestic and small-scale production is crucial for livelihood security of poor people and Ghana's food security in general. Within the ECOWAS (Economic Community of West African States), Ghana is regarded as the most stable country in terms of its economy and political system.[66] The UNDP indicates a poverty rate of 39.5% (for the years 1990-2002), and 44.8% of the population live below 1$ a day (1990- 2003).[67]

Liberalisation process

Ghana has run through several economic reforms since its political independence in 1957. During the presidency of Jerry John Rawlings, Ghana's government launched numerous reforms negotiated with the IMF and World Bank.

- In 1983, the Economic Recovery Programme (ERP) was established, several Structural Adjustment Programmes followed from 1986 onwards. Crucial for the first phase of the programme (1983-1985) was the emphasis on the free market system.

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[62] Institute of Statistical, Social and Economic Research (ISSER): The state of the Ghanaian economy in 2003, 2004. http://www.isser.org/SGER%202003%20final.htm [10/05/2005].

[63] Khor, Martin/Hormeku, Tetteh: The impact of globalisation and liberalisation on agriculture and small farmers in developing countries: The experience of Ghana, 2006. www.twnside.org.sg/title2/par/Ghana_study_for_IFAD_project_FULL_PAPER_rev1apr06.doc [28/04/2007], p.16.

[64] Government of Ghana: Ghana poverty reduction strategy 2003-2005, an agenda for growth and prosperity, 2003. http://siteresources.worldbank.org/GHANAEXTN/Resources/Ghana_PRSP.pdf [05/05/2007]
p.38.

[65] Christian Aid/SEND: Talking trade. Communities making trade policy in Ghana, 2003. http://www.christian-aid.org.uk/indepth/311talkingtrade/talking_trade1103.pdf [30/04/2005].

[66] Schilder, Klaus/Schultheis, Antje: Mit dem Rücken zur Wand. Ghanas Handelspolitik zwischen Bilateralismus und Multilateralismus, 2005. http://www.epa2007.de/upload/pdf/eed-weed-multi-bi-ghana_deu_2005.2.pdf [05/05/2007], p.4.

[67] United Nations Development Programme (UNDP): Human Development Report 2005, International cooperation at a crossroads: Aid, trade and security in an unequal world, 2005. http://hdr.undp.org/reports/global/2005/pdf/HDR05_complete.pdf. S.227 [03/05/2007].

By 1986, Ghana had adopted a flexible exchange rate system. Tariff reduction had been arranged in 1983, when the tariffs were cut to rates of 30, 25, and 0%. The second phase of the liberalisation programme (beginning in 1986) promoted the further liberalisation of imports, reduced domestic price distortion, and deregulated the commodity and service markets. An increased growth rate, reduced budget deficit, devaluation of the currency, and a lower rate of inflation were parts of the programme. Ghana was aiming at both increasing its exports and diversifying its export base. The current applied tariffs for agriculture (for example, 20% for rice, poultry and tomato) were only introduced in 1992.

Liberalisation in agriculture

After implementing these liberalisation programmes, Ghana counted as a prime example for good reforms and was rewarded with loans and aid from diverse donors, in particular IMF and World Bank.[68]

Under the government of President Kufuor (since 2001), the export-focussed growth strategy has been intensified with a special emphasis on the promotion of non-traditional exports.

- In 2001, the Ministry of Trade launched the President's Special Initiative on Accelerated Export Development (PSI) in order to improve productivity and create jobs in agricultural production. The PSI tended to strengthen the agro-based and export-oriented industries and promoted the extension of horticultural products such as vegetables, cassava, pineapples, groundnuts, and beans.
- The Accelerated Agricultural Growth and Development Strategy (AAGDS), launched in 2001, was to provide a framework for the Government's policies and development programmes in the agricultural sector. The agricultural sector was considered crucial for achieving economic growth and poverty reduction.
- In 2002, the Food and Agricultural Sector Development Policy (FASDEP) was developed. It aims to make Ghana a leading agro-industrial country in Africa until the year 2010. This programme is coherent with the Ghana Poverty Reduction Strategy (GPRS), which was implemented from 2003-2005.

In 2003, the new National Trade Policy was launched. It is also in line with IMF programmes and recommendations. The two basic pillars of the renewed strategy are:

1. An export-oriented industrialisation strategy.

[68] Schilder/Schultheis: Mit dem Rücken zur Wand. Ghanas Handelspolitik, 2005. See also Government of Ghana: Trade policy review, Ghana, Report by the government, 2001. http://docsonline.wto.org/DDFDocuments/t/WT/TPR/G81.doc [02/05/2007], p.9.

2. An industrialisation strategy for the domestic market, which is based on a growing competition with imports.[69]

A growing facilitation of market access for agricultural imports as well as the further elimination of domestic subsidies have been the consequences.

Impact on smallholder farmers

Even the conclusions drawn by the Government are ambivalent in their assessment of the effects of the liberalisation programmes in the agricultural sector:

> "Ghana's agricultural policy, in the early stage of reform, was guided by the objective of food security and maximization of export earnings through increased producer prices, subsidies for inputs, and institutional development. In the latest phase of reform in the 1990s, subsidies were removed and guaranteed prices abolished with a view to market orientation. But, productivity and output suffered as subsidies were removed. Ghana's agriculture remains subject to low productivity due to outmoded farming practices and limitations of small-scale farming." [70]

The termination of the import licensing system and the progressive reduction of tariffs also meant that the imports of goods into the Ghanaian market increased rapidly, and Ghana's farmers became more exposed to competition from cheap imports.

There was also a step-by-step removal of input subsidies, for instance on fertiliser, down to zero in 1990. Consequently, "prices on fertilizers increased astronomically […] and consumption was reduced."[71] Once fertiliser subsidies had been removed, crops such as maize went through a decline in production.[72]

The removal of subsidised credit for agriculture in 1987 also had devastating effects on small-scale farmers.

The reforms also involved changes of the system of guaranteed pricing for some crops and removed guaranteed prices for, e.g. maize and rice, which caused problems for the producers meanwhile the consumers could profit in the short run.

The removal of minimum guaranteed prices affected several crops, especially those competing with subsidised imports. In 1990, the guaranteed minimum price scheme for maize was abolished. Since then, there is evidence of a

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[69] Government of Ghana, 2004: Ghana Trade Policy Background Paper, 2004. Unpublished document.

[70] Government of Ghana: Ghana poverty reduction strategy 2003-2005, 2003, p.38.

[71] Khor/Hormeku: The impact of globalisation and liberalisation on agriculture and small farmers, 2006, p.7f.

[72] Oduro, Abena D./Kwadzo, George T.-M.: African imperatives in the new world trade order: a case study of Ghana and the agreement on agriculture, 2003, p.21.

decline in production of maize and millet of 7% and a drop in maize real prices. Local maize producers suffer from the effect of dumping imports, which principally come from the US. Imported maize is often 30% cheaper than local maize.

Similar examples can be found for tomatoes, rice, and poultry, where subsidised imports from the EU or the US have entered an asymmetric competition with local products.

After the so called National Trade Policy Document has been launched, the Ghanaian non-governmental organisation Social Enterprise Development Foundation of West Africa (SEND) criticised in particular the lack of poverty relevance:

> "If the trade policies are to leverage poverty, then enhancing domestic trade should be a priority […] and secondly not exclusively target export growth as the answer since the poor producers and traders are engaged in production mainly for the domestic market."[73]

Friends of the Earth Ghana also oppose the National Trade Policy of Ghana:

> "Agriculture is not only crucial to Ghana's economy and export potential, but also to the food security and livelihoods of Ghana's people. […] The government must also provide subsidies and other support to agricultural production and processing to ensure farmers, producers and processors can increase their productive capacities to meet further demand for their products."[74]

Therefore, NGOs advocate a balance between an export-driven and an import-substitution model.[75]

Import dumping case of chicken in the light of IMF/World Bank conditionalities

For a couple of years now, Ghanaian farmers have suffered from the cheap imports of frozen chicken parts from the EU. Ghana imports almost one third of the EU frozen chicken that go to Africa.[76] In 2002, this was the equivalent of 26,000 tons of frozen chicken parts.[77] Because of sometimes insufficiently connected cold chains, these frozen parts can be of bad quality.[78] At the end of the day, not only the producers but also the consumers suffer.

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[73] SEND 2004: The National Trade Policy: How different? Unpublished manuscript, Accra.
[74] Friends of the Earth Ghana (FoE-Ghana): A briefing paper to summarise the Ghana trade policy and highlight key concerns for civil society, 2005. http://www.foeghana.org/trade_environment/briefing_paper.pdf [04/05/2007].
[75] Kachingwe, Nancy: Briefing Paper: Ghana national trade policy and Economic Partnership Agreements, 2004. http://www.bilaterals.org/article.php3?id_article=1156.
[76] EED: Keine chicken schicken: http://www.eed.de/meatexport
[77] Atarah, Linus: Playing chicken: Ghana vs. the IMF, 2005. http://www.corpwatch.org/print_article.php?&id=12394 [02/05/2007].
[78] Schilder/Schultheis: Mit dem Rücken zur Wand. Ghanas Handelspolitik, 2005. See also Government of Ghana, 2001: Trade Policy Review: Ghana Report by the Government, p.14.

Only 11% of the domestic chicken demand is satisfied by domestic producers.[79] In 2003, Ghana intended to increase the 20% tariff on poultry products to 40%,[80] in order to protect local chicken farmers. The tariff increases, which had become law already, were suspended only few days after the start of implementation as a result of the IMF pressure. The IMF called on the government to withdraw the tariff act, as it considered a raised tax to be in conflict with regional tariffs.

> "Finally, the tariff increase would have been inconsistent with Ghana's commitments to other African countries under its treaties with the Economic Community of West African States."[81]

Tetteh Hormeku from Third World Network/Africa draws the conclusion that "the ability of acting is limited because of the IMF and the World Bank. The example of poultry shows that the conditionalities of World Bank and IMF are quite high."[82]

All liberalisation policies are in line with IMF recommendations and requirements. Recent debates and studies examine the continuing issue of conditionality – even in the PRSP[83], World Bank and IMF continue to attach privatisation and liberalisation conditionalities to their loans and try to force their policies onto developing countries.

One also has to emphasise that the restrictions set by IMF and World Bank are tougher than those of the WTO:

> "This means that Ghana is able to raise its agricultural tariffs from the applied to the bound rates, in compliance with its rights in the WTO. This flexibility can be made use of especially when import surges adversely affect or threaten to affect local farmers. However, as later parts of the paper show, the government has been constrained from making use of this flexibility because of pressure from the international financial institutions."[84]

Therefore, the following comment made by an official of the Trade Ministry does not come as a surprise: "The problem is not EPA and not WTO, it is the

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[79] Daily Graphic, March 29th, 2005. www.graphicghana.com 2005. [30/05/05].

[80] ISODEC, n. d.: Ghana Trade and Livelihood Coalition (GTLC) and Campaigns: http://www.isodec.org.gh/campaings/Trade/tradenews_tariffs.htm [04/05/2007].

[81] This statement by the IMF is part of a letter from the IMF to the Ghanaian Ministry of Trade, dated May 2, 2005

[82] Schultheis, Antje: Interview led by Antje Schultheis with Hormeku, Tetteh, TWN-Africa. Accra. [14/03/2005].

[83] These views emerged at a Conference on Conditionality organized in November 2006 by the Norwegian Foreign Ministry. See: European network on debt & development (EURODAD): World Bank and IMF still pushing conditions, 2006. http://www.eurodad.org/aid/article.aspx?id=130&item=0284 [04/05/2007].
See also Independent Evaluation Office (IEO): Evaluation Report: The IMF and aid to Sub-Saharan Africa, 2007. http://www.imf.org/external/np/ieo/2007/ssa/eng/pdf/report.pdf [03/05/2007].

[84] Khor/Hormeku: The impact of globalisation and liberalisation on agriculture and small farmers, 2006, p.21.

IMF and the World Bank which causes Ghana the problem to breathe."

Conclusions IMF/World Bank policy

The liberalisation of economy, in particular the agricultural sector, has had strong negative influence on smallholders and their right to food. Liberalisation, export promotion, and diversification did not benefit the smallholder farmers who are the backbone of African agriculture and therewith of the whole economy. Restricted access to credit, a decline or stagnation of income, reduced government spending, and cheap imports are pivotal factors for smallholder farmers and their food consumption.

3 Liberalisation of agricultural markets in the EPA framework

3.1 EPAs and their agricultural dimension

Lomé preferences and change of relationship

Under the Lomé system of preferences, the EU states offered their former colonies free market access for unprocessed products and products that did not compete with EU producers, whereas processed goods that competed with European domestic produce were to a greater or lesser extent subject to import tariffs.[85]

Due to several factors, the EC laid stress on a significant change in relations with ACP states, and during the 1990s aimed at phasing out the existing trade preferences. There are many reasons for this shift in relationship. First of all, the preferential system is not compatible with the WTO principle of Most Favoured Nation Treatment, since it provides better market access opportunities to ACP countries than to other developing countries. It has therefore been challenged by countries in Latin America and Asia. The preferences have also not been economically successful, as the ACP states were further marginalised in trade with the EU.

The reform of EU Common Agricultural Policy with the shift from price support to direct payments for EU farmers adjusts agricultural prices on EU market to world market price level. Exports from ACP countries that benefited from these high prices through preferential market access are going to decline "resulting in the collapse of export sectors affected in ACP states."[86] Furthermore, the erosion of preferences results from increased competition by the EU granting preferences to other developing countries in bilateral trade agreements, and, in the end, the results of the negotiation processes on WTO level.

Cotonou Agreement and EPAs

In the Cotonou Agreement, EU and ACP states agreed on EPAs which are constructed as a free trade area and shall come into force in 2008. This is also to respond to the WTO challenges against the preferences, since the WTO allows for more preferential treatment amongst the members of a free trade area or a customs union. Hence, in order to maintain their preferences, ACP countries have to enter into reciprocal free trade agreements with the EU,

[85] Kasteng: Agriculture and development in the EPA negotiations, 2006. http://www.sjv.se/webdav/files/SJV/trycksaker/Pdf_rapporter/ra06_32E.pdf [01/04/2007], p.25.

[86] SEATINI: Technical Issues in the six Negotiating Clusters under the ESA-EU EPA Negotiations, 2005, p.56.

which cover “substantially all trade”.
A waiver was granted by the WTO members that allows the preferential treatment of ACP states to be continued until 31 December 2007, by which time the free trade areas will have to be agreed upon.
The special development needs of the African ACP countries in the face of their weak economic performance and the already existing regional integration efforts shall, at least in the agreed documents, be taken into account.
The parties agreed to “promote and expedite the economic, cultural and social development of the ACP States”[87] and to pay attention to

> “differentiation and regionalisation: cooperation arrangements and priorities shall vary according to a partner's level of development, its needs, its performance and its long-term development strategy. Particular emphasis shall be placed on the regional dimension. Special treatment shall be given to the least-developed countries. The vulnerability of landlocked and island countries shall be taken into account.”[88]

Negotiating process

The EPA negotiation process began in 2002 on an EU all-ACP level. The negotiating partners agreed on a Joint Roadmap to define the objectives, principles, structures, and the sequencing of the negotiations.[89] Despite an ACP request for extended negotiations on all-ACP level, the regional negotiations in six negotiation groups began in 2003/2004.[90] The African EPA regions do not comply with already existing regional economic and trade arrangements. This causes the difficulty of overlapping memberships of African ACP countries which have to decide on one EPA option regarding the Common External Tariff (CET) of the different regional arrangements. Furthermore, the communication between the different EPA negotiation groups is weak due to the lack of funding and human capital; it has been widely criticised that the fragmentation of negotiation groups causes disadvantages in their negotiating position.
Despite the deadline at the end of 2007, most EPA regions are behind their schedule as far as the finalisation phase of negotiations is concerned. There are several reasons for the delay: the lack of preparation, the lack of resources to conduct negotiations in the best way possible, the heterogeneity (and

[87] Cotonou Agreement, Article 1.
[88] Cotonou Agreement, Article 2.
[89] ACP-EC EPA negotiations. Joint Report on the all-ACP-EC phase of EPA negotiations, ACP/00/118/03 Rev.1, Brussels, 2003. http://trade.ec.europa.eu/doclib/html/114136.htm [17/05/2007].
[90] Nalunga, Jane S./Kivumbi, Douglas: The Economic Partnership Agreements. Implications and way forward. A case for Uganda, 2004. http://www.seatini.org/publications/The%20EPAS%20Implications%20and%20way%20forward.pdf [23/05/2007], p.12.

through this different interests) of countries within one EPA region, the suspension of the Doha Round, inadequate communication between negotiation levels, and the fact that not all impact studies for the regions have been carried out.[91] Furthermore, the EC is made responsible for delay – some say this is the "key reason"[92]. SADC[93], for instance, had to wait for one year for the EU's response to its EPA proposal, the ESA region for six months – in the face of the tight negotiation schedule and the negative responses in most cases this implies a waste of time.

Agricultural markets in EU and African ACP countries

After the Second World War, the EC aimed at the rehabilitation of agriculture by concentrating on the domestic market, guaranteeing minimum prices and high tariffs for agricultural imports. The vast increase in agricultural productivity and the subsequent surplus production has led to an export strategy since the 1980s and enduring protection of the home market by domestic support and export subsidies. Corresponding to this agricultural export strategy, developing countries were pressed to open their markets – a coincidence?

Agriculture is of different importance in EU and African ACP countries. While "in almost all western economies, the share of agriculture in total GDP is less than four per cent",[94] nearly 50% of the worldwide agricultural trade is conducted by developed countries. To visualise the difference of EU and African ACP agricultural markets, one has to take into account that in 2005 the ACP GDP was 3.2% of the EU GDP.

Trade of EU and ACP states in agriculture

The West Africa EPA region and the Eastern and Southern Africa EPA region among the six EPA regions are the first and second largest exporters of agricultural products into the EU with an observed increase in exports but different rates: ECOWAS-EPA about 61% and ESA-EPA about 15%. The largest destination of EU agro-food exports to the African ACP region is the West Africa EPA region with 47,5% of the total agro-food exports, while the ESA region receives about 10%.

In contrast to EU agricultural exports which are largely diversified, the African

[91] Duffy, Eoghan et al.: Preliminary overview of on-going article 37(4) reviews of the EPA negotiations. ECDPM incomplete draft for discussion March 2007, 2007. http://www.acp-eu-trade.org/library/files/ECDPM_EN_010307_ECDPM_Preliminary-Overview-Article37(4)-Reviews-EPA-Negotiations.pdf [20/05/2007].

[92] Griffith, Mari/Powell, Sophie: Partnership under pressure. An assessment of the European Commission's conduct in the EPA negotiations, 2007. http://www.actionaid.org/assets/pdf%5CPartnership%20under%20Pressure.pdf [27/05/2007], p.25.

[93] Southern African Development Community

[94] UN Economic Commission for Europe: Trends in Europe and North America. The Statistical Yearbook of the Economic Commission for Europe, Chapter 5: Economy, 2003. http://www.unece.org/stats/trend/ch5.htm [10/05/2007].

ACP countries are still highly dependent on a few export products: In 21 of 51 ACP states, the four largest export products amount to more than 90% of total agricultural exports to the EU. This low degree of diversification implies a high vulnerability to changes in world market prices, weather conditions, diseases, etc.

The average applied tariffs on goods from the EU to African ACP countries are "quite high"[95], especially on imports on agro-processed goods, textile, wearing apparels, and light manufactures that "are subject to moderate to high tariffs in most countries."[96]

For LDC ACP countries, there is already duty- and quota free access to the EU. The problem is that agro-processed products (besides sugar and beef in some ACP countries) do still have high tariffs (tariff escalation). Non-tariff barriers as well as supply-side constraints in this case are more important when analysing the market access effects for ACP countries.

Impact of EPAs on agriculture and smallholders

EPAs will cause "significant changes into the trade environment of agricultural producers and agro-food commodity chains."[97]

Market access for agricultural products from African ACP states into the EU is going to be liberalised in the EPA framework. For LDC countries, this implies no significant change due to their already duty- and quota-free access in the context of the Everything but Arms Initiative (EBA). Moreover, the importance of market access through tariff reduction remains small as long as non-tariff barriers (like high agricultural subsidies and high sanitary and phytosanitary standards) hinder the market access of ACP exports into the EU.

The rules of origin define that products "must be wholly obtained or sufficiently processed within the free trade area, and be accompanied by a certificate of origin that verifies this" to "ensure that the preferences granted to a certain market can only be used by countries that are entitled to these preferences."[98] These rules of origin can serve as non-tariff barriers if they were complicated

[95] Raihan, Selim/Razzaque, Mohammad A./Laurent, Edwin: Economic Partnership Agreements. Assessing potential implications from some alternative scenarios, 2007. http://fesportal.fes.de/pls/portal30/docs/FOLDER/COTONOU/DOWNLOADS/NGO/OTHER_BACKGROUND_TRADE/GTAP_EPA_IMPLICATIONS_07MAI2007.PDF [29/05/2007], p.8. "Quite high" is relative to the point of view: before the liberalisation process the sub-Saharan African countries mostly had high tariffs to protect their industry in order to establish an import substitution industrialisation. The liberalisation process reduced these tariffs so that Stevens/Kennan state for Zambia that reciprocity will not cause "major changes" because of already low tariffs in Zambia, cp. Stevens/Kennan: Agricultural reciprocity under Economic Partnership Agreements, 2006, p.16.

[96] Raihan/Razzaque/Laurent: Economic Partnership Agreements, 2007, p.8.

[97] EAFF/PROPAC/ROPPA/SACAU/WINF: Midterm Review of the Economic Partnership Agreements (EPAs) according to the terms of article 37.4 of the Cotonou Agreement. Independent contribution of the regional networks of farmers' organizations. Synthesis of the regional assessments. Working document, 2006. http://www.bilaterals.org/IMG/pdf/synthesis_APE_midterm_review_Eng_FINAL.pdf [14/04/2007], p.9.

and technical, and they can differ among products and countries.
Due to the delay in EU reforms on rules of origin, ACP countries will have to sign EPAs without knowing the rules of origin that will emerge:

> "They are effectively being asked to sign up blind in the faith that the new rules will be more development friendly. However, indications from internal negotiations within the EU indicate a strong likelihood that the new rules of origin may end up being worse than the current ones."[99]

The sanitary and phytosanitary (SPS) measures aim at securing human and plant health, by setting high standards for the export of agricultural products into the EU. The slow information channels for new rules and high costs of inspection etc. prevent smallholders from the application of higher standards and therefore from participating in international trade. Often, the consequence is a shift from the smallholder model to large-scale farming which is better capable to guarantee the expected standards. Other factors that hinder market access are the trade-distorting measures in the EU agricultural market and the potential misuse of SPS measures to protect the domestic market against ACP exports.
Subsidised EU exports have two significant effects on smallholders in Africa. The lower world market prices reduce their export income while low-cost imports drive farmers out of the local markets. The EU imports lower the producers' income "if the household is a net seller of a commodity that becomes cheaper after liberalisation" but "provide cheap food to developing countries' consumers".[100] These imports are "vulnerable to external fluctuations in food prices"[101] and therefore will have a strong impact on food security.
In the case of the EPAs, market opening does not imply full reciprocity but the liberalisation of "substantially all trade"[102] that allows an exclusion of sensitive products up to 20%.[103] The positive aspect of asymmetric liberalisation – the ability of ACP countries to protect some sensitive sectors – contrasts with several difficulties. The ability to protect a limited number of sensitive products enforces a priority decision between the agricultural and the industrial sector

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[98] Kasteng: Agriculture and development in the EPA negotiations, 2006, p.21.
[99] Griffith/Powell: Partnership under pressure, 2007, p.28.
[100] South Centre: Trade liberalisation and the difficult shift towards reciprocity in the EPAs (South Centre Analytical Note; fact sheet no. 3), 2007. http://www.southcentre.org/publications/AnalyticalNotes/Other/2007Mar_EPA_Fact_Sheet_No3.pdf [25/04/2007], p.2.
[101] Hurungo: An outline and analysis of EU export subsidies on production of export interest to ESA countries, 2006, p.21.
[102] WTO: General Agreement on Trade and Tariffs (GATT), Article XXIV, 1986. http://www.wto.org/english/docs_e/legal_e/gatt47_e.pdf [15/05/2007].
[103] To this day the final draft is yet unknown, so 20% is in discussion but not necessarily coming into force.

and, in any case, one is underemphasised. Another difficulty arises from the exclusion of sensitive products:

> "The process of cherry-picking which products to exclude from liberalisation can have undesirable development implications as countries tend to protect existing sensitive products rather than providing spaces for areas which may provide key growth opportunities in the future."[104]

African ACP countries will have to carefully examine their pattern of production to detect benefits and challenges in the EPA context.

Not only do price effects cause changes in production patterns, but supply-side constraints also prevent smallholders from benefiting from liberalisation.[105] For instance, "no amount of a price will make a difference"[106] due to limited land access of smallholder farmers and the restricted output.

A result of lower tariffs could be the reduction of government revenue. Most Sub-Saharan African countries do not dispose of a broad tax base, and "this can lead to a cut in government spending."[107] in public services like health and education, but also in support for the agricultural sector.

The reduced role of the state in economy, in particular the interdiction of utilising instruments like subsidies, tariffs, export taxes, investment measures, etc., curtails "the policy space that governments have to formulate and effectively implement policies to promote trade and development."[108]

Today, there is an increase in the total number of undernourished people in ACP countries, and the ACP countries account for 26% of the undernourished population in the developing countries 1999-2001 (compared to 10% during the 1970s).[109]

Criticism concerning the weak development dimension and the challenge of reciprocity in the EPA negotiations and their potential outcomes is expressed even by the European Parliament and the UK government. Nevertheless, the EU Council of Ministers insists on broad market opening of ACP countries.[110]

Constraints

The smallholder farmers face several constraints that keep them away from participating in world trade. One important constraint on the supply-side is the

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[104] South Centre: Trade liberalisation and the difficult shift towards reciprocity in the EPAs, 2007, p.11.
[105] Dixon, John et al.: African farmers and differentiated responses to globalization, 2004. http://www.unifi.it/eaae/cpapers/03%20Dixon_Tanyeri-Abur_Wattenbach_Ndisale.pdf [15/04/2007], p.11.
[106] Bazaara: Impact of liberalisation on agriculture and food security in Uganda, 2001, p.27.
[107] South Centre: Trade liberalisation and the difficult shift towards reciprocity in the EPAs, 2007, p.3.
[108] South Centre: Trade liberalisation and the difficult shift towards reciprocity in the EPAs, 2007, p.2.
[109] Skoet, Jakob / Stamoulis, Kostas / Deuss, Annelies: Investing in agriculture for growth and food security in the ACP countries, 2004. (FAO, ESA Working Paper No. 04-22) ftp://ftp.fao.org/docrep/fao/007/ae404e/ae404e00.pdf [05/09/2007].
[110] eed: Grünes Licht für den Ausverkauf Afrikas, 14/05/2007.

restricted access to land and the restricted output volume that limit the ability to react to higher prices with increasing production. Other factors related to land access are the low share of cultivated land as part of total cultivable land and the low degree of irrigation in the Sub-Saharan countries.

None or few food processing possibilities, a lack of storing facilities, and low financial reserves hinder the smallholder farmers from participating in world trade and raise food insecurity. Due to the lack of storing facilities, they have to sell their produce directly after harvest at very low prices. The low level of technology, e.g. low quality and quantity of extension services to optimise yields and product processing, undermines potential liberalisation gains. High credit costs, the lack of insurance markets and missing safety nets for the poor make it difficult for smallholders to have a stake in the future. High production and marketing costs result from the abolition of subsidies and a "lack of markets for timely buying and selling"[111] together with information constraints, which explains the weak integration of smallholder farmers into world trade.

Not only supply-side constraints, but also demand-side constraints hinder the Sub-Saharan African small-scale farmers to benefit from agricultural trade. For instance, the high volatility of world market prices for primary products affects them: "Agricultural households are vulnerable to such agricultural commodity price shocks, as household income diversification is still low."[112] The protection of the European market is achieved not only by the use of tariffs, but also by non-tariff barriers such as technical barriers to trade, rules of origin, SPS measures, and subsidies. Despite the liberalisation efforts in the WTO framework – lowering bound tariffs and export subsidies – the EU replaced the export subsidies for domestic agrobusiness by direct payments to the farmers. One consequence for African ACP states is that competition from cheap import products did not decline as had been expected.

[111] Siegel/Alwang: Poverty reducing potential of smallholder agriculture in Zambia, 2005, p.4.
[112] Kappel/Lay/Steiner: Uganda: No more pro-poor growth?, 2005, p.40.

3.2 Potential impact of EPAs on smallholders in Sub-Saharan Africa

3.2.1 ESA

ESA negotiating group

In the ESA region, 16 heterogeneous countries with partly overlapping memberships, including Uganda and Zambia, negotiate a free trade agreement with the EU. There are four non-LDCs – Kenya, Mauritius, Seychelles, and Zimbabwe – and so ESA members anticipate different levels of urgency to negotiate free trade areas. This different urgency emerges from the fact that the EU offers free market access for LDCs in the framework of the EBA (Everything but Arms) initiative for all products except arms and ammunition. This would be an option for the LDC countries within ESA in case of not signing an EPA. Non-LDC countries then solely would have the option to join the GSP (General System of Preferences) with less preferential access to the European market and consequently the reintroduction of tariffs for important exports.

The ESA regional EPA negotiations began in the first half of 2004 with the setting of priorities and developing a general framework on negotiations. During the second phase from September 2004 onwards, substantial negotiations took place, while at present ESA EPA negotiations are in the finalisation phase before supposedly coming into force in January 2008.

The objectives agreed on the road map include sustainable development, the smooth integration into the world market, the eradication of poverty, specifically sustained growth, the increase of production and supply capacity, structural transformation and diversification, regional integration and the efficient use of resources. In compliance with the Joint Report of the all-ACP-EU phase, the compatibility with WTO rules is stressed as well as the principle of taking different needs and levels and, in particular, the vulnerability of ESA countries into account.[113]

Negotiating issues

Key debates during the previous negotiation process dealt with the geographical and institutional configuration – the overlapping memberships with SADC, COMESA, EAC[114], and others and the coherence between the different EPA regions – and the development dimension of the forthcoming

[113] EC/ESA: Negotiations of an EPA with East and Southern Africa: joint roadmap, 2004. http://ec.europa.eu/trade/issues/bilateral/regions/acp/epa070204_en.htm [23/05/2007].
[114] East African Community

EPA.[115]

The negotiating cluster consists of development issues, market access, agriculture, fisheries, trade in services, and other trade-related issues. There are crucial differences between EC and ESA countries with regard to development issues. For the EC, the free trade principle in combination with the 10th European Development Fund (EDF) is sufficient to strengthen development and contribute to poverty eradication. The demand of ESA countries for additional (financial) measures is hardly satisfied. The regional development matrix includes supply-side support regarding infrastructure, SPS measures, capacity building, and foreign direct investment (FDI),[116] but additional funds are only foreseen from outside the EDF configuration, e.g. aid for trade support.

The ESA proposal on market access and agriculture offers market access for European products in line with the common external tariff (CET) in the foreseen customs union of COMESA. With regard to reciprocity, ESA is defining a list of sensitive products to be excluded from tariff liberalisation. ESA countries demand further duty-free market access for agricultural products into the EU market. As a reaction, the EU offered free market access for ESA agricultural goods, the exclusion of sensitive products, the EBA option for LDCs, and a phase-in period for the sugar and rice regimes.

A Policy Advisor of ACORD, Deborah Scott, states that

> "This is hardly a generous offer as the EU is offering to eliminate tariffs on the remaining 3 per cent of ACP imports, and in return they demand that Africa eliminates 80 per cent of its tariffs on EU imports. The risks – and the negative impacts – will be far greater for Africa."[117]

In the case of rules of origin "the EU is in favour of Rules of Origin that are harmonised across different agreements and does not favour asymmetrical rules for ACP countries."[118] This is the direct opposite to the approach of the Cotonou Agreement that promised to regard the "partner's level of development"[119] and the regional integration needs.

While a fisheries framework agreement is in negotiation, trade in services has

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[115] Bilal mentions that even UK officials fear for implementation of development dimension in EPAs, cp. Bilal, San: EPAs Process: Key issues and development perspective. With specific references to East and Southern Africa, 2006. http://www.cuts-epa.org/documents/Bilal02-06EPAsforCUTS.pdf [14/11/2006], p.23.

[116] Mutahunga, Emmanuel: State of play in the ongoing negotiations for an Economic Partnership Agreement (EPA) between the Eastern and Southern Africa (ESA) configuration and the European Union (EU), 2007. http://www.deniva.or.ug/files/programme-agriculturetrade_dialogues_EPA_Mutahunga.doc [29/05/2007], p.5.

[117] Ngunjiri: EU concessions to farmers suspect, The East African, 30/04/2007.

[118] Nalunga/Kivumbi: The Economic Partnership Agreements, 2004, p.17.

[119] Cotonou Agreement, Article 2.

not yet been negotiated, but the EU "favours a WTO-Plus approach"[120]. In matters of trade-related issues, the "EU wants to go beyond the trade-related areas listed in the Cotonou Agreement"[121] and presses for the introduction of e.g. Singapore issues (like investment and competition policy), which is also WTO plus.

Despite the delay in ESA EPA negotiations, David Nalo, a senior official in the Kenyan trade ministry, said in May: "The text is 70 percent done. We are waiting for the European Union to engage in meaningful discussions and remove all the brackets in the text." Negotiations will be completed in time, he said, but "some issues will need to be finalised well beyond" December 31.[122]

[120] Nalunga/Kivumbi: The Economic Partnership Agreements, 2004, p.18.
[121] E.g. government procurement, data collection, cp. Nalunga/Kivumbi: The Economic Partnership Agreements, 2004, p.18.
[122] Nyambura-Mwaura: Hurdles remain in Africa-EU trade talks, 14/05/2007.

3.2.1.1 Uganda

Impact on agriculture and smallholders

The Ugandan private sector is concerned about the nearing deadline and the anticipated EPA impact, expressed by Gabriel Hartega, executive director of the Private Sector Foundation of Uganda:

> "Time is running out. We will be signing the EPAs before Ugandan producers, manufacturers, and exporters have been told about it. A lot still needs to be done regarding understanding and readiness."[123]

The market opening might lead to deindustrialisation in sensitive sectors that are in competition with EU imports; the results will be unemployment, a shrunk tax base, and economic dependence. Furthermore, the development of the manufacturing sector is interrelated with agriculture:

> "The agriculture and manufacturing sectors are closely interlinked since manufacturing is characterized primarily by processing of agricultural raw materials and production of consumer goods. Agro-related industries account for 39% of all manufacturing establishments."[124]

The competition in the agricultural sector through cheap EU imports results from a lack of competitiveness and serious supply-side constraints of smallholder production as well as higher productivity of and subsidies on EU agricultural products.[125] Direct competition may arise for vegetables and cereals. Consequences for smallholder farmers are income losses and unemployment through this direct competition.

The estimated revenue losses for Uganda differ among the various scenarios but all lead to a decline in government spending.[126] This will be crucial for smallholders who will suffer from reduced spending in the area of health and education as well as the agricultural sector itself. Health and education are human rights. And health is an important factor for rural smallholders since most agricultural activities are labour-intensive and depend on the availability of labour force.

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[123] Okeowo: Uganda: more time needed for EPA negotiations, IPS news 25/05/2007. http://ipsnews.net/news.asp?idnews=37880 [05/06/2007]

[124] SEATINI: Critical analysis of the study of the impact and sustainability of Economic Partnership Agreement for the economy of Uganda, 2005. http://www.seatini.org/publications/Critical%20Analysis%20of%20the%20Study.pdf [17/05/2007], p.11.

[125] DENIVA: Impact of the Economic Partnership Agreements (EPAs) with the European Union on the Ugandan economy. A synthesis of existing EPA impact studies, 2006. http://www.deniva.or.ug/files/programme-agriculturetrade_research_epasynthesis.pdf [23/05/2007], p.12.

[126] Munalula, Thema et al.: Revenue impacts of the Economic Partnership Agreement between the European Union and Eastern and Southern African Countries, 2006. http://www.rtfp.org/files/study2.pdf [13/05/2007].

The leading Ugandan agricultural export products (coffee, fish, tea, vanilla, cocoa, honey, cut flowers, raw hides and skins, cotton, animal products, fruits, and vegetables) enter the EU already duty- and quota-free, so more important for market access to the EU are non-tariff barriers like SPS measures and rules of origin.

In case of SPS measures, Uganda does not have enough inspection units and no international recognition of the four laboratories as testing centres. Improving the SPS measures' quality is expensive: In addition to the already high costs of restructuring there arise also high costs for ISO[127] certification every three years.

Due to similar export strategies and products, an intensified competition from other LDCs "in a large, but limited market"[128] emerges and will challenge the Ugandan agricultural sector.

Regional integration efforts will be weakened, and benefits from regional integration for smallholder farmers, e.g. the relatively low transportation costs, will be suppressed in case of EPAs.

The result is that

> "the major share of benefits from trade arising from the EPA will accrue to those households that own factors which are most in demand. Generally, these will not be poor households. This, however, does not mean that EPA trade will not benefit the poor, but rather it suggests that the poor will benefit the least."[129]

Agricultural potential and challenges

When estimating potential EPA effects on agriculture and smallholder farmers, one has to take into account the poor statistical data on agriculture in Uganda.[130] The first necessity therefore will be to improve the economic research capabilities, especially in the agricultural sector, in order to seriously appraise economic processes.

The Ugandan strategy of non-traditional export promotion during the 1990s aimed at restoring the balance of payments via export earnings and the reduction of revenue fluctuation in exports. In the Ugandan case, traditional export crops are coffee, cotton, tea, and tobacco which account for 40% of total merchandise exports. The non-traditional exports' share of total export accounted for 21% in 2005. Despite the increase of non-traditional exports, coffee remains the main foreign exchange earner with 21% of total exports in 2005.

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[127] International Organisation for Standardization

[128] DENIVA: Impact of the Economic Partnership Agreements (EPAs), 2006, p.16.

[129] DENIVA: Impact of the Economic Partnership Agreements (EPAs), 2006, p.19.

[130] Ahmed, Shukri: Special report. FAO/GIEWS review of crop and food situation in Uganda, 2006, ftp://ftp.fao.org/docrep/fao/009/j8416e/j8416e00.pdf [17/05/2007], p.4.

> "Non-traditional agricultural exports provide income and employment, but they are not the solution to poverty in rural Uganda. Ugandan coffee generates income and employment for nearly five million people: more than 100 times as many people as are involved in non-traditional agricultural exports."[131]

Non-traditional exports during the 1990s included primarily hides and skins, sesame seed, maize and beans; today also fish, cut flowers, vanilla, fresh fruits, and vegetables are part of these non-traditional exports. Currently, marginal non-traditional exports with potential for increased export are e.g. dried bird's eye chillies, mangoes, mushrooms, honey, papain (from papaya), cocoa beans, groundnuts, soya beans, pyrethrum, and organic cotton. Nevertheless, the export potential is limited in several cases: The production of chillies is characterised by little investment costs and is therefore suitable for smallholder farming, but the chillies are exported to a highly competitive world market with unstable prices. The declining prices on roses, vanilla, sesame seed, and hides/skins affected producer prices and raised insecurity, in the case of vanilla particular for smallholder farmers. Another challenge is the fact that the European market for non-traditional exports, especially fresh fruits and vegetables, grows slowly and there emerges competition among African countries with similar export strategies and products.[132]

Furthermore, the export of exotic fruits, which of course are not exotic but traditional fruits in the regions they are planted, is another export option for Uganda. Exotic fruits are mostly produced by smallholder farmers who benefit from their less demanding character. The high nutritive plants might be attractive for European consumers and their rising demand for healthy food. Furthermore, the agro-biodiversity is strengthened by the increased production of various traditional fruits. The main obstacle for the export of exotic fruits to the European market, besides infrastructure requirements in the ACP countries, is the Novel Food Regulation with strict rules and complex procedures for import.[133] In the Ugandan case, the export of jack fruit gains popularity on local and regional markets[134] – maybe this could be an option for the European market as well, at least in the long run.

Furthermore, export promotion led to a dominance of large firms in export of

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[131] Dijkstra, Tjalling: Export diversification in Uganda: Developments in non-traditional agricultural exports (ASC Working Paper 47), 2001. http://www.foodnet.cgiar.org/SCRIP/docs&databases/ifpriStudies_UG_nonScrip/pdfs/more_reports/Export%20diversification%20in%20Uganda,%20Dijkstra%202000.pdf [17/05/2007], p.iv.

[132] Singh, Bharat P.: Nontraditional crop production in Africa for export, in: Trends in new crops and new uses, ed. by J. Janick and A. Whipkey, 2002, p.86-92. http://www.hort.purdue.edu/newcrop/ncnu02/pdf/singh.pdf [17/05/2007], p.86.

[133] Moorhead, Anne: Missing the market. How exotic fruits are being barred from the EU, 2006. www.underutilized-species.org/documents/Publications/missing_the_market.pdf [14.11.2006].

[134] Uganda Communications Commission: District Information Portal (DIP) Uganda, 2004. http://www.dip.go.ug/english/agriculture/ [23/05/2007].

fresh fruits and vegetables and replaced smallholder production.

The market opening demand implies competition through highly supported cheap EU imports to Uganda, e.g. in the dairy sector. The negative effects will be income losses and unemployment for producers of the imported products.

> "The agricultural sector is a key and sensitive sector for Uganda, which would affect employment levels negatively due to the high competition and inflow of agricultural products from EU. Some of the key products, which were identified to be affected, include sugar, edible oil and other processed agricultural products. This means that some people especially those involved in the production and processing of the local products may find themselves out of employment due to competition from EU products."[135]

[135] SEATINI: Critical analysis of the study on the impact and sustainability of Economic Partnership Agreement for the economy of Uganda 2005, p.16.

3.2.1.2 Zambia

Impact on agriculture and smallholders

Dep. Minister of Commerce, Trade and Industry (MCTI), Zambia, Dora Siliya, stated in April: "We are not ready to embark on full market reciprocity arrangements…"[136]. But although Zambia does not feel prepared, the negotiations continue and are foreseen to be finished at the end of 2007.
De-industrialisation results from "price and quality competition from EU-based firms to local firms"[137] and will cause unemployment, poverty, loss of livelihoods, and demotivation of new firms to enter the market.

> "Since Zambian firms have not fully adjusted from the import substitution industrialization and the impact of the structural adjustment programme, they face adverse competition from the efficient EU producers."[138]

Moreover, cheap imports from EU producers affect the agricultural sector:

> "Dumping of cheap agricultural surpluses (dairy products, cereals, beef, etc.) will threaten the viability of agriculture and agriculture-processing industries, particular for small scale farming sector that does not receive state support."[139]

A Policy Advisor of ACORD, Deborah Scott, criticises:

> "Increased competition from the EU's highly subsidised agricultural products such as maize, milk, tomatoes, and meat could mean the loss of domestic and regional markets for millions of African smallholder farmers. And loss of markets means loss of livelihoods, which in Africa often leads to loss of life altogether."[140]

Effects will be the "collapse of the rural economies", rising poverty, and a threat to food security for rural smallholder farmers, "particular amongst women who are the backbone of the agricultural sector."[141]
Just like in the Ugandan case, the extent of the revenue loss for Zambia varies among the different scenarios. Emphasis has to be placed on the importance of tariff reduction and revenue losses because "[u]nlike in the EU, customs duties in these countries are not protectionist measures but financial resources".[142] Smallholder farmers will be affected by reduced government spending for social and health programmes; citizens might be affected by

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[136] Sitali, Muyatwa: Endangering Cotonou! EPAs: towards development or disempowerment?, Presentation at the ESA EPA Information Seminar, Lusaka/Zambia, 31/05/2007. http://www.jctr.org.zm/jubilee/ESAEC%20310507.ppt [12/06/2007], p.3.
[137] Mudenda: Zambia's trade situation, 2005, p.23.
[138] Mudenda: Zambia's trade situation, 2005, p.23.
[139] Mudenda: Zambia's trade situation, 2005, p.24.
[140] Ngunjiri: EU concessions to farmers suspect, The East African, 30/04/2007.
[141] Mudenda: Zambia's trade situation, 2005, p.24.
[142] Mudenda: Zambia's trade situation, 2005, p.22.

higher taxes.
Financial liberalisation abolishes foreign exchange controls which may lead to capital flight and therefore reduce government support possibilities in general. The liberalisation process diminishes the role of the state systematically. For smallholder farmers, this implies further disintegration into regional and global agricultural economy in face of supply- and demand-side constraints.
The effect of liberalisation on market access to the EU is marginal for Zambia as far as tariff reduction measures are concerned. As an LDC, Zambia already reaps the benefits of EBA access to the European market.[143] More important for increased exports to the EU market are SPS measures, rules of origin, and other non-tariff barriers that hinder Zambian produce to gain access to the European agricultural market.

Agricultural potential and challenges

The promotion of non-traditional agricultural exports was strengthened during the liberalisation policies in the 1990s and the share of non-traditional exports in total exports increased from 10% in the early 1990s to 35% in 2003. The traditional export goods in Zambia's case are copper and minerals, while non-traditional exports are composed of cotton, sugar, cut flowers, tobacco, textiles and semi-precious stones. A competitive advantage for Zambia is seen in floriculture and horticultural products, cotton, tobacco, sugar, fish, fresh vegetables and fruits.
Non-traditional exports face several difficulties with regard to smallholder concerns: no proper handling of produce, poor storage conditions, weak transportation infrastructure, underdeveloped processing industry, lack of marketing structure, poor production practices, lack of information, and others. But even if these supply-side constraints were removed by supply-side support in the EPA context, obstacles would remain for the export of non-traditional produce, for instance declining world market prices on agricultural products. This may lead to the conclusion that agriculture might be an "engine of growth"[144], but "it is clear that this is a short-term measure".[145]
The recommendation to strengthen the horticultural sector in order to benefit not only agriculture but smallholder farmers should be treated with care. Global value chains generate a shift to commercial farms, world market prices decline, high quality standards become stricter, and non-tariff measures on developed countries' markets increase. The comparative advantage for

[143] However, Zambia never even used the offer fully due to supply- and demand-side constraints.
[144] Jackson, Chris/Diao, Xinshen/Byerlee, Derek: Agriculture, rural development, and pro-poor growth. Country experiences in the post-reform era (World Bank agriculture and rural development discussion paper series; no. 21), 2005. http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2006/08/24/000160016_20060824091559/Rendered/PDF/370580Agricult1poor0growth01PUBLIC1.pdf [15/04/2007], p.1.
[145] Sampa: Development issues in Economic Partnership Agreements (EPAs) for Zambia, 2006, p.13.

Zambia emerges from the labour-intensive production of organic fruits and vegetables as well as tropical fruits.[146]

> "However, horticulture alone cannot be a viable solution. The increased stringent quality standards are too costly for most smallholders, and especially for the rural ones who are far from the main domestic urban markets and infrastructures needed for exports."[147]

An alternative might be the regional integration:

> "Lately, relevance has been given to the development of South-South trade of staple crops and integration of regional markets. There is no doubt that such trade could really promote poverty reduction among smallholders. Not only small farmers would be food sufficient, but they will not have to bear the costs linked to the increased phytosanitary standards."[148]

Further positive effects will be relatively low transport and logistic costs.

Products with relevance for smallholder farmers as well as local and regional markets are not easy to search out. Two examples will be highlighted in the following. The case of peppers might be interesting for smallholder farmers in Sub-Saharan Africa including Zambia. Already introduced is the small birds-eye variety, other varieties are possible. Further diversification is not expensive and seeds are available on the world market. The most important advantage is that production capabilities and processing (use of drying racks) are similar to those of paprika: "It can be easily grown by smallholders and presents a lucrative and relatively low-risk cash crop diversification."[149] Necessary is a proper storage system and timely transportation to the market to avoid microbial contamination etc.

Another example for smallholder produce is groundnuts. They are relevant for both food security and export, and production is already familiar to smallholders. The potential of processing, e.g. peanut butter, and the low-cost investments must be regarded, too. But besides poor storage capacities and unavailable chemicals, there emerges another constraint for groundnut production: "Because of superior packing, imports successfully compete with domestic brands even though consumers report that the domestic brands are of superior quality."[150]

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[146] Gioè, Mauro: Can horticultural production help African smallholders to escape dependence on export of tropical agricultural commodities? In: Crossroads, Vol. 6, no. 2, 2006, p.16-65. http://www.webasa.org/Pubblicazioni/Gioe_2006_2.pdf [23/05/2007], p.53.

[147] Gioè, Mauro: Can horticultural production help African smallholders, 2006, p.55.

[148] Gioè, Mauro: Can horticultural production help African smallholders, 2006, p.55.

[149] Giovannucci: The impact of improved grades and standards for agricultural products in Zambia, 2001, p.55.

[150] Giovannucci: The impact of improved grades and standards for agricultural products in Zambia, 2001, p.60.

3.2.2 ECOWAS/Ghana

Ghana's Position within the EPA negotiation

Looking at IMF conditionalities is one aspect of the liberalisation paradigm. Another important aspect is the power relation and financial asymmetry between the EU and ACP countries. Ghana is one of the countries which have benefited most from European aid, which raises the pressure to liberalise and open the economy to foreign goods, investors and services. In this context, it is not surprising that a specific openness towards EPA negotiations is visible.
With negotiating EPAs, Ghana's government is aiming

> "to produce an EPA agreement, which will act as an instrument for economic development and poverty reduction, and which will use regional integration initiatives as a vehicle to foster wider and more viable markets."[151]

Ghana has high expectations towards the EU: support for regional integration and facilitated market access as well as supply-side enhancement like improvements in infrastructure. Ghana expects explicit commitments by the EU for technical and financial support.
However, the Ghanaian Ministry of Trade (MoTI) has also concerns regarding regional integration, since financial, technical and administrative resources have to be required for implementing the customs union status by 2008. Ghana has doubts whether the EU is ready to provide development oriented and simplified rules of origin. Whether the EU is really committed to support ACP states in establishing a competitive production is another question of concern. The agricultural sector, in particular, requires the use of supply-side studies in order to identify lead products and sectors capable of increasing national export portfolios.
Given all these concerns, the most important condition is time. However, the request of Ghana for extending the negotiations-deadline by three years was rejected by the EU.[152]

In general, EPA negotiations in West Africa (ECOWAS) lag far behind the initial timeline. Not only the institutional weaknesses of the conducting organs, but also the disagreement[153] and the scope of the reforms to be undertaken

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[151] Brahms, Achiayao: The Development Dimension of Economic Partnership Agreements (EPAs) – Are We Still on Track? 2007. Presentation of Brahms Achiayao Director, Chief Commercial Officer Ministry of Trade & Industry, Ghana a Conference of Inwent on EPA, 2006. http://www.inwent.org/ef/events/epa/07386/index.en.shtml [03/05/2007].
[152] Ghana News Agency (GNA): Government asked to clarify position on EPA, 2007. http://www.myjoyonline.com/archives/business/200704/3680.asp [23/04/2007].
[153] Despite the failure of Singapore Issues in the Doha-Round and the clear rejection of the ACP countries the EC is pushing to include agreements on investment, trade facilitation, government procurement, and competition policy, cp. Schilder/Schultheis: Mit dem Rücken zur Wand. Ghanas

cause this delay.[154] ECOWAS members are still in the process of internally negotiating the Common External Tariff. Also the Ghanaian Ministry of Trade and Industry holds the position that, before finishing this task, substantial EPA negotiations do not make any sense.

Impact on agriculture and smallholders

> "The multilateral trade and Investment agreements or EPAs have the tendencies of strangling local initiatives. Local initiatives will be marginalized as poor folks cannot compete in the wake of highly sophisticated and expensive advertisement."[155]

Financial aspects

Negative impact of EPAs on Ghana's agricultural sector is expected due to the growing lack of fiscal revenues, which minimises the possibility to subsidise certain production facilitators, e.g. fertiliser.

A loss of tariff revenue between 9.1 and 11.6% per year, above 90 Million US$, is predicted for Ghana.[156] Even Kofi Annan expressed his concerns towards the ACP head of the states:

> "Many of your countries are heavily dependent on income from tariffs for government revenue. The prospect of falling government revenue, combined with falling commodity prices and huge external indebtedness, imposes a heavy burden on your countries and threatens to further hinder your ability to achieve the Millennium Development Goals".[157]

Growing imports and impact on regional trade

Relating to research results of EUROSTEP, just one quarter of Ghanaian industries would be able to survive without import tariffs.[158] This figure shows the importance of means of protection as well as the fear of being pushed out

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Handelspolitik, 2005. The Director of the DG Trade of the EC announced in Accra: "Yet the EC continues to insist that there will be 'no EPA without investment rules and full reciprocity'" (Karl Falkenberg, Deputy Director-General of Trade at the European Commission, Accra) Ghana, 29 June 2006. In: Oxfam: Unequal partners: How EU–ACP Economic Partnership Agreements (EPAs) could harm the development prospects of many of the world's poorest countries, 2006. http://www.oxfam.org/en/files/bn0609_unequal_partners_epas/download [03/05/2007].

[154] Network of Farmers' Organisations and Agricultural Producers in West Africa (ROPPA), 2007: Farmers' organisations conduct EPA mid-term review: The case of West Africa, in: Trade Negotiations Insights, From Doha to Cotonou, Vol. 6, No. 1, 01/02/2007. http://www.ictsd.org/tni/tni_english/6-1%20Eng%20print%202403.pdf [30/04/2007].

[155] Schultheis, Antje: Interview led by Antje Schultheis with Emanuel Abelwine from Market Access Promotion Network (Mapronet): Tamale, 2005. [10/03/2005].

[156] Busse, Matthias/Großmann, Harald: The impact of ACP/EU Economic Partnership Agreements on ECOWAS countries: An empiric analysis of the trade and budget effects, 2004. http://www.fes.de/aktuell/focus/aktuell/Docs/FES_Publikation_2004_EPA%20Impacts_Hamburg.pdf [28/04/2007], p.28.

[157] ACP-EU Civil Society Organisations: Six reasons to oppose EPAs in their current form, 2005. http://twnafrica.org/news_detail.asp?twnID=830 [05/05/2007].

of the market due to cheap imports.
The African Trade Policy Centre (ATPC) estimates that it will be the EU which is going to benefit by expecting strong growth of its exports to Ghana. The ATPC predicts a growth of EU exports to Ghana by 37.5% from 2008 onwards.[159]
While Ghana is interested in strengthening the regional markets, the increasing import from the EU will crowd out the imports from other ECOWAS countries to Ghana.[160] Up to 17% of the ECOWAS imports are expected to be replaced by EU imports.[161]
Apart from the economic side, one also has to realise the negative impact of EPAs on the environment. Transport over greater distances is not only undermining existing and potential trade with countries geographically closer than the EU, it also contributes to increasing rates of transport-related pollution.[162]
There is a considerable gap between export earnings and the loss of domestic markets due to increasing low price imports, as the example of chicken shows.

Impact on small farmers

Several agricultural sectors have already been affected by import liberalisation. With the upcoming EPAs, farmers fear even worse consequences.
One of the general concerns in ECOWAS countries is the competition with highly subsidised imports from the EU.[163] This does not only threaten agricultural products, it also undermines the domestic services sector by allowing EU companies to compete on the same terms as local companies. TWN[164] in Ghana criticises that the playing field is not level in particular concerning agricultural matters, since many agricultural imports gain subsidies from the EU.
Only some agricultural products meet the Sanitary and Phytosanitary Standards (SPS) or other quality standards of the EU[165]

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[158] EUROSTEP/GAWU/DHS/CIECA/ADEID/GRAPAD: New ACP-EU Trade Arrangements, 2004, p.5.
[159] Karingi, Stephen et al.: Economic and welfare impacts of the EU-Africa Economic Partnership Agreements, 2005. http://www.uneca.org/atpc/Work%20in%20progress/10.pdf [03/05/2007], p.70.
[160] Schilder/Schultheis: Mit dem Rücken zur Wand. Ghanas Handelspolitik, 2005, p.35f.
[161] Lang, Remi: Economic and welfare impacts of the EU-Africa Economic Partnership Agreements on ECOWAS, 2005. Presentation at the Regional meeting on EPAs of the United Nations Economic Commission for Africa (UNECA), Mombassa, 22-24/09/2005, p.6.
[162] Friends of the Earth Ghana (FoE-Ghana): ACP-EU Economic Partnership Agreements: Implications for Ghana and other ECOWAS countries, 2005. http://www.foeghana.org/trade_environment/impacts_ecowas.pdf [02/05/2007], p.10.
[163] EU farmers benefit from agricultural subsidies at least until 2013. At the 2005 WTO trade talks in Hong Kong, it was agreed that farm export subsidies should be gradually phased out by 2013. Ghanaian Times: Africa threatened by WTO decisions, 2006, p.1,4. [12/01/2006].
[164] Third World Network
[165] Thierry Apoteker Consultant (TAC): EU market access opportunities for Ghana and position for

The lack of storage facilities (with freezing opportunity) and deficient road systems worsen the problem of exporting fresh and high-quality agricultural products.

During a Ghanaian forum on the theme "Protecting Livelihoods, Services and Industries", local farmers argued that the Economic Partnership Agreements would lead to the collapse of local industries. They argue for an enhanced focus on sub-regional trade in furtherance of the objectives of ECOWAS and for the introduction of innovative technologies in the production and packaging of goods made in Ghana, such as rice, tomatoes, maize, and poultry to make them more attractive.[166] Farmers also complained that there is “no provision in the agreement for additional funding to allow ACPs to equip themselves to meet such competition.”[167]

Taking the promise of the EU into consideration that EPAs should also be used as a development tool which shall contribute to the reduction of poverty, one realises that this promise is hard to fulfil for the numerous small-scale farmers: The competitiveness of local farmers as well as the food sovereignty of Ghana is at stake, when small-scale farmers produce for export, and meanwhile, subsidised EU-imports threaten their basis for survival.

Considering that the agricultural sector provides the biggest part of employment, it is interesting to note the loss in employment since liberalisation programmes have started. Already between 1987 and 1993, Ghana experienced a vast loss of jobs: About 50,700 (out of 78,700) people lost their employment in manufacturing because of liberalisation in consumer imports.[168] Under EPAs, this negative trend is expected to increase, since there will be no possibilities to require investors to create long-term working places. Meanwhile, other people are likely to lose their jobs in agricultural production and in infant industries due to the growing competition without protection and governmental support.

Different researchers have already pointed out the negative impact caused by the lack of subsidies and unfair trade rules for poultry and tomatoes: Farmers have to sell products below market prices, and some give up their business. The case of tomato shall exemplify the implications in detail.

EPA negotiations, 2004. http://www.inter-reseaux.org/IMG/pdf/ghana_etude_ape.pdf [02/05/2007], p.71.

[166] Bensah, Emmanuel K.: Stop EPA day updates, 2006. http://www.twnafrica.org/news_detail.asp?twnID=953 [04/05/2007].

[167] Nnanna, Godwin: Farmers call for EPA negotiations to be halted, 2007. http://www.blackbritain.co.uk/news/details.aspx?i=2413&c=africa&h=Farmers+and+NGOs+pressure+African+govts+to+halt+EPA+negotiations [25/04/2007].

[168] Buffie, E. quoted in: Friends of the Earth Ghana (FoE-Ghana): ACP-EU Economic Partnership Agreements: Implications for Ghana and other ECOWAS countries, 2005. http://www.foeghana.org/trade_environment/impacts_ecowas.pdf [02/05/2007], p.10.

Case of tomato (-paste): past or future under EPA?

The cultivation of tomatoes has been very important for farmers in Ghana. In the Upper East, where most of the poor live, 90% of the population used to grow tomatoes.

In the 1980s and 1990s, liberalisation and deregulation hit the tomato production and processing industry: Because of IMF requirements, privatisation was put through and trade restrictions on imports were relaxed. Governmental assistance was eliminated, for example subsidies for fertiliser and assistance in water supply. There was a price rise of 32.2% for fertiliser. The so far successful tomato processing factories were privatised and did not receive any further assistance. Step by step, the important tomato canning factories of Pwalugu and Nsawam broke down. The imports of tomato products from the EU have increased and further threatened the tomato industry since it is highly subsidised.

Ghana is now importing about 10,000 tons of tomato concentrate from Europe each year.[169] Tomato products in the EU receive about 300 Million Euros subsidies per year.[170] At the same time, the Ghanaian tomato producers do not get any subsidies for fertiliser which is highly needed for growing tomatoes. Ghanaian tomato farmers, traders, and industry employees have suffered, and many left the business. Since the collapse of the two main processing factories, 90% of tomato paste has come from the EU. As this concentrate is enriched with specific additives, Ghana's consumers now dislike the more sour taste of domestic tomato paste. This change of cultural habits and in taste supported by expensive advertisements causes additional problems for local producers.

Foresight for tomatoes under EPA

Following the governmental agricultural policy suggestions, horticultural products are one of the future crops.[171] Under EPAs, a further increase of subsidised EU imports of tomato-based products is expected. Three million farmers and traders would be affected. [172]

"Without adequate processing, the livelihoods of these farmers are adversely affected, as there will be a limit to the demand for their fresh tomato crop, since whatever cannot be sold in the immediate season would not be

[169] Christian Aid: A rotten trade. Ghana's tomato farmers face unfair EU competition, 2002. http://www.christian-aid.org.uk/campaign/trade/stories/ghana2.pdf [05/05/2007].

[170] Actionaid, 2005: Trade traps: Why EU-ACP economic partnership agreements pose a threat to Africa's development. p.16.

[171] See President's Special Initiative on Accelerated Export Development (PSI). See also Thierry Apoteker Consultant (TAC): EU market access opportunities for Ghana, 2004.

[172] Khor/Hormeku: The impact of globalisation and liberalisation on agriculture and small farmers, 2006, p.34.

purchased for processing, thus imposing a limit to the amount that can be marketed by the farmers."[173]

To make the tomato industry competitive and more efficient, a high amount of assistance and protection is necessary: Subsidies of fertilisers and affordable credits should be provided. Ghana has to improve the rural infrastructure, storage and refrigeration facilities and the equipment of the processing factories. The production of local fresh tomatoes is substantial and worth to be protected: Between 1996 and 2000, there was a growth of tomato cultivation of about 30%.[174] Without support of local processing industries, the tomatoes will rot quickly in the hot climate.

The Ghanaian Ministry of Food and Agriculture is now willing to build up the capacity for domestic tomato processing and intends to help the infant tomato-processing industry with production support. Ghana is creating a processing promotion centre for technical support and a tomato processing factory in Techiman.

The only problem is: While donors are happy to allow production support, "the government recognises that introducing tariff protection will require great 'diplomacy' on its part." The government knows that the international financial institutions have to agree to such measures.

Conclusion: EPA – Just one more forum for liberalising Africa's poor people

"The US, the European Union, Japan and Canada they pursue the same policies in different arenas. One is the World Bank, two is the WTO, three is the EPA."[175]

Considering the impact of SAPs and the consequences of liberalisation policies under IMF/World Bank and the WTO rules, EPAs would worsen the situation of small farmers in Ghana – especially in the Northern areas which are far away from export infrastructure. Ghana neither has the chance to stabilise the domestic market nor does it have the opportunity to strengthen their small farmers. The coordinator of the Ghana Trade and Livelihoods Coalition (GTLC), Ibrahim Alkabila, regrets that leaders and public officials have become "[…] guardians and defenders of the World Bank and IMF liberalization policies rather than being torch bearers of national development".[176]

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[173] Khor/Hormeku: The impact of globalisation and liberalisation on agriculture and small farmers, 2006, p.38.

[174] Actionaid: Trade traps: Why EU-ACP economic partnership agreements pose a threat to Africa's development., 2005, p.6.

[175] Schultheis, Antje: Interview led by Antje Schultheis with Hormeku, Tetteh, TWN-Africa. Accra. [14/03/2005].

[176] Nnanna: Farmers call for EPA negotiations to be halted, 2007.

As many studies show, EPAs are a continuation and intensification of liberalisation policies in many areas and have vast impacts on small farmers. The EU is promoting its market access and strengthens the IMF policy of further liberalisation. EPAs go even further than WTO restrictions, which allow poor countries special and differential treatment to a certain extent.

EPA negotiations should be stopped if they cannot be improved and slowed down. Negotiations must allow ECOWAS countries to determine which sectors they want to include in their EPA: Countries should be able to select products which can be excluded from reciprocity, especially such sectors that are crucial to development. Only then, Ghana will have a chance to protect and promote specific sectors of (processing) production to become competitive. In order to achieve food security – in particular for vulnerable groups – it must be possible to protect agricultural production. For this purpose, the EU member states should encourage the World Bank and IMF to remove the conditionalities attached to development aid that disallow developing countries' governments to subsidise their producers.[177]

At the same time, it is important to insist on capacity building for the negotiating politicians and improvements of preconditions for regional and international trade: in particular assistance for meeting sanitary and phytosanitary standards and for improving the logistic systems of water-suply and transport – including superior roads. Finally, social and environmental impact assessments must be conducted with the participation of people likely to be affected by EPAs.[178]

To conclude, the statement by a Ghanaian NGO-representative can be shared: "Developing countries do not have much political space under EPAs – even much less space to maneuvre than within the WTO".[179]

[177] FoE-Ghana: ACP-EU Economic Partnership Agreements, 2005.
[178] FoE-Ghana: ACP-EU Economic Partnership Agreements, 2005.
[179] Schultheis, Antje: Interview led by Antje Schultheis with Mohamed Issah, SEND-Foundation/Accra, 2005. [24/03/2005].

4 Conclusions

Thirty years of IMF and World Bank influence has negatively affected the situation of the poorest in African developing countries. During the first liberalisation phase in the 1980s and early 1990s, smallholder farmers were not explicitly targeted by economic and agricultural reforms. Export promotion and non-traditional exports were expected to result in economic growth, and through the famous trickle-down effects the poor were expected to benefit as well. Even the "new" IMF and World Bank policy during the 1990s followed neoliberal principles and carried on with the promotion of macro-economic stability and fiscal strength even in the poverty reduction approaches.

EPAs follow the neoliberal paradigm of promoting free trade between totally unequal partners. While the EU expects benefits in terms of poverty reduction solely through trade and EDF support, the ACP countries request additional support to address their supply-side constraints and adjustment costs during the transformation period, to this day without substantial success.

In the question of market access, the EU made more or less a rhetoric offer by officially lowering already non-existent tariffs and thus keeping the agricultural protection system alive. But if EPAs do not take carefully into account the constraints concerning market access to the European market – rules of origin, SPS measures, technical barriers to trade, etc. – they will not improve the smallholders' integration into the global agricultural trade system.

The market opening of the ACP agricultural markets, following the principle of reciprocity, seems to be obligatory for the EU while causing a lot of difficulties for the African ACP countries. Cheap imports from the EU might drastically affect the market balance. Only consumers might profit in the short run, producers will lose market share and agriculture is barely the expected "engine for growth" anymore.

> "The EU has always sought to highlight how EU export policies provide cheap food to developing countries' consumers. However this ignores the fact that it leaves recipient countries vulnerable to external fluctuations in food prices. Without a sustainable domestic agricultural sector, developing countries may find themselves dependent on imports that contravene their health, nutritional, environmental and cultural norms, including GM crops, but without the option of refusing it."[180]

The provision of such a sustainable agricultural sector to improve food security can only be achieved by a sovereign trade and agricultural policy of the

[180] Hurungo: An outline and analysis of EU export subsidies on production of export interest to ESA countries, 2006, p.21.

government of the specific country.

The preconditions for regional integration and, in the long run, integration into the world economy are currently based on an unequal level. On the one hand, one can find the EU with its low dependence on agriculture and its large budget to subsidise agricultural products. On the other hand, there are the African ACP countries with their mostly high dependence on agriculture and a marginal budget that does not allow large spending. Consequently, the question is: How can a free trade agreement benefit the weak partner in this partnership?

The abolition of European subsidies which lead to dumping would be a necessary element. It would raise world market prices for agricultural products and might increase income of farmers in ACP countries.

> "Whilst subsidies can be justified where payments truly benefit small-scale farmers, protect the environment or promote rural development. However, the vast majority of subsidies are manifestly not intended to achieve these laudable results. Instead, they favour agribusiness and intensive production techniques, which lead to dumping."[181]

Concerning the question of market opening to the European produce, the approach of reciprocity is not adequate. Out of the perspective of the human right to adequate food, African ACP countries should not be obliged to open their market for products which are relevant for food security, independent of whether they are subsidised in the EU or not:

> "opening the borders should be excluded for products which compete with regional agriculture-food chains. Sensitive products should be excluded from liberalization and less sensitive products should not be liberalized without a reform of the EU Common Agricultural Policy."[182]

EPAs further have to provide national freedom of action to address and support farmers in dealing with several supply-side constraints like poor infrastructure, for instance transport and marketing, storage facilities, agricultural inputs, credit systems for smallholder farming, weak tax systems, public procurement, etc.

The heterogeneity of small-scale farmers, not only between the different ACP countries but also the different farming type systems within the ACP countries, deserves consideration. Especially the role of women in agriculture must not be underestimated. Women produce 60-80% of food staples but suffer above average from hunger. Women are the "supply line"[183] and are responsible for

[181] Hurungo: An outline and analysis of EU export subsidies on production of export interest to ESA countries, 2006, p.11.
[182] EAFF, PROPAC, ROPPA, SACAU, WINF: Midterm review of the Economic Partnership Agreements (EPAs), 2006, p.14.
[183] Paasch: Der Handel mit dem Hunger, 2006, p.28.

food staples but are endangered by cheap EU imports, while men concentrate themselves primarily on cash crops.

The liberalisation efforts have had a strong impact on women in rural households:

> "With the collapse of the distinction between cash and food crops, the men actively participating in growing the same crops as women, the only difference being the expectation that women will have to ensure food for domestic consumption is kept aside from their own acreage."[184]

As long as the findings concerning the situation of women in rural households vary across the different countries and regions, further research is necessary.

Additional investigation is also required with regard to the comparative advantages in agricultural production for smallholders. Many studies focus on agriculture in general or the large-scale farmers in particular, e.g. producing flowers or other horticulture produce. It is important to pay attention to products of different categories, which export products can benefit smallholders, which ones are (or will become) essential for own consumption, which ones suit regional markets. This study found out that the previous shift to non-traditional exports has not benefited smallholders, and currently the high number of restrictions prevent them reaping any advantages. Given that the traditional exports also face difficulties, e.g. declining world market prices, one has to call the whole strategy into question – export of agriculture as an engine of growth does not work in all circumstances.

As far as regional integration is concerned, the farmer organisations who are affected by the impact of EPAs criticise the negotiations for not following established regional integration structures. From their point of view, regional integration should be done first: "The trade centred on regional markets offers more promising prospectives than that based on international markets"[185], and regional integration can serve as an "indispensable precondition in order to build EPAs oriented towards development objectives".[186]

They further request an asymmetric trade system with solidarity within and between the regions first, as only harmful effects are anticipated with regard to reciprocity:

> "Putting into competition two agricultures with such enormous differences of productivity and which benefit from equally divergent policies and public support represents a major threat for the ACP agricultural economies and, in the first instance, for the economies of

[184] Bazaara: Impact of liberalisation on agriculture and food security in Uganda, 2001, p.29.
[185] EAFF, PROPAC, ROPPA, SACAU, WINF: Midterm review of the Economic Partnership Agreements (EPAs), 2006, p.12.
[186] EAFF, PROPAC, ROPPA, SACAU, WINF: Midterm review of the Economic Partnership Agreements (EPAs), 2006, p.12.

family farms."[187]

They demand opening the borders only for those products that do not harm domestic (food) production and claim to strengthen the participation of civil society and smallholder farmers, in particular: "The farmers organisations are not in the picture due to lack of information and transparency in the entire process" and "most family farmers do not understand what EPA is all about. Besides, there is no effort at present to inform them on how EPAs are being negotiated."[188]

Their demand for expansion of the timeframe, not only for the negotiations, but also for the preparatory phase, is focused on the question "Which trade agreement can best contribute to the development of the agricultures of the ACP countries?"[189]

The responsibility of the international community and, in particular, the European Union to respect the right to food for the developing countries' population, is a crucial basis to work from. One can be doubtful if this aspect obtains priority, especially noting that the responsible commissioner for development is not involved in the EPA negotiations, but responsibility is given to DG Trade officials to negotiate with the regional EPA groups.

Moses Shaha, chairman of the East and Southern African Farmers Forum (ASAFF), criticises that the only reason for EPAs is the enforcement of market access for the sake of European corporations' interests: "When you look at EPAs from the periphery, it seems godsend, but when you read between the lines, you find the trickery of the EU."[190]

[187] EAFF, PROPAC, ROPPA, SACAU, WINF: Midterm review of the Economic Partnership Agreements (EPAs), 2006, p.13.
[188] EAFF: Involvement of family farmers in the mid term review of the economic partnership agreements (EPAS), 2007. http://www.ifad.org/events/epa/7.pdf [10/05/2007], p.33.
[189] EAFF, PROPAC, ROPPA, SACAU, WINF: Midterm review of the Economic Partnership Agreements (EPAs), 2006, p.15.
[190] Ngunjiri, Philip: EU concessions to farmers suspect, in: The East African, 30/04/2007.

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