

Trade Policy between European Union and
African, Caribbean, and Pacific (ACP)
Countries:
Agriculture in the Negotiations on Economic
Partnership Agreements in Southern Africa

Dissertation zur Erlangung des
Doktorgrades (Dr. rer. soc.)
des Fachbereichs Gesellschaftswissenschaften
der Justus-Liebig-Universität Gießen

Vorgelegt von

Kerstin Bertow
aus Stuttgart
2009

Table of Contents

List of Tables	III
Abbreviations.....	IV
1 Introduction	1
2 Agriculture at International Level.....	16
2.1 WTO Negotiations on Agriculture.....	16
2.1.1 Agriculture in GATT and WTO Negotiations	17
2.1.2 WTO Negotiations on Agriculture – State of Play	26
2.2 WTO as Framework for (EPA) Trade Negotiations	35
3 Agriculture in the European Union	43
3.1 European Agriculture – Data and Principles	43
3.1.1 Character of European Agriculture.....	43
3.1.2 European Agricultural Policy – Aims, Principles, Instruments.....	46
3.2 Agricultural Reforms and Interplay with WTO Negotiations	49
3.3 Impact of European Agriculture on ACP Countries	64
4 Agriculture in ACP Countries.....	69
4.1 Agriculture from Historical Perspective	69
4.2 Transformation of Economy and Green Revolution	75
4.3 Farming in Southern Africa	83
4.3.1 Agriculture in Economy – Data.....	83
4.3.2 Farming Structure	89
4.4 Trade in Southern Africa	102
5 Agriculture in EPA Negotiations	114
5.1 Negotiating Process in General	114
5.2 Negotiating Process SADC	133
5.3 Direct and Indirect Agricultural Provisions in SADC IEPA.....	143
5.3.1 EU Market Access for ACP Countries.....	143
5.3.2 ACP Market Opening to EU	155
5.3.2.1 Market Opening in General and Liberalisation Commitments	155
5.3.2.2 Standstill Clause.....	163
5.3.2.3 Safeguards	165
5.3.2.4 Export Taxes	170
5.3.2.5 Most Favoured Nation Provision	172
5.3.2.6 Free Movement of Goods and Regional Preference	174
5.3.2.7 Supply-side Constraints and Competitiveness	176
5.3.3 Regional Integration.....	178
5.3.4 Revenue Losses	183
5.3.5 Services and New Generation Issues	186
5.4 EPA Negotiations and Outcome – Conclusions	189
6 Conclusions and Outlook	195
7 Literature.....	200
8 Annex.....	226

List of Tables

Table 1: Gross domestic product (GDP) BLNS+M	84
Table 2: Gross domestic product (GDP) from agriculture BLNS+M	85
Table 3: Gross domestic product (GDP) from agriculture BLNS+M	86
Table 4: Undernourishment in total population BLNS+M.....	86
Table 5: Farming systems in SADC countries	89
Table 6: EPAs in Cotonou Partnership Agreement	116
Table 7: State of play EPA Regions (as of April 2009)	127
Table 8: Timetable Launch of Negotiations and Signing of EPAs (as of April 2009)	132

Abbreviations

ACP	African, Caribbean, Pacific countries
AfT	Aid for Trade
AMS	aggregate measurement of support
AoA	Agreement on Agriculture
ASEAN	Association of Southeast Asian Nations
BLNS	Botswana, Lesotho, Namibia, Swaziland
CAP	Common Agricultural Policy
CARIFORUM	Caribbean Forum
COMESA	Common Market for Eastern and Southern Africa
CPA	Cotonou Partnership Agreement
CU	Customs Union
DDA	Doha Development Agenda
DFQF	duty-free, quota-free
EAC	East African Community
EBA	Everything-but-arms initiative
EC	European Commission
ECOWAS	Economic Community of West African States
EDF	European Development Fund
EEC	European Economic Community
EPA	Economic Partnership Agreement
ESA	Eastern and Southern Africa
EU	European Union
FAO	Food and Agriculture Organisation
FDI	Foreign Direct Investment
FO	Farmers' Organisations
FTA	Free Trade Agreement
GAERC	General Affairs and External Relations Council
GATT	General Agreement on Tariffs and Trade
GATS	General Agreement on Trade in Services
GM	Genetically Modified
GMO	Genetically Modified Organisms
GSP	Generalised System of Preferences
HDI	Human Development Index
IEPA	Interim Economic Partnership Agreement
IMF	International Monetary Fund
IPR	Intellectual Property Rights
LDC	Least Developed Country

MERCOSUR	Mercado Común del Sur
MFN	Most Favoured Nation principle
NAFTA	North American Free Trade Area
NAMA	Non-Agricultural Market Access
NAO	National Authorising Officer
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
RAO	Regional Authorising Officer
RoW	Rest of World
RPTF	Regional Preparatory Task Force
RTA	Regional Trade Agreement
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAP	Structural Adjustment Programme
SDT	Special and Differential Treatment
SPS	Sanitary and Phytosanitary Measures
SSA	Sub-Saharan Africa
SSG	Special Agricultural Safeguard
SSM	Special Safeguard Mechanism
TBT	Technical Barriers to Trade
TDCA	Trade, Development and Cooperation Agreement
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights
VAT	Value-Added Tax
WDR	World Development Report
WTO	World Trade Organisation

1 Introduction

Is Sub-Saharan Africa on the upswing or in the middle of a breakdown and economic crisis? Will free trade agreements support Africa's economic development or destroy the livelihoods of millions of smallholder farmers?

Since the 1990s an increased overall economic growth could have been observed in Sub-Saharan Africa (SSA): 5.2% in 2004, 5.3% in 2005 and 5.7% in 2006¹ while the annual average growth rate between 1990 and 2003 was 2.7%.² Agricultural growth accelerated: from 2.3% in the 1980s to 3.8% between 2001 and 2005.³

The World Bank seemed to be optimistic with regard to African development, but Asche states that the positive development between 1995 and 2004 was achieved of a group of only 15 countries. Moreover, he criticises that this growth is not sustainable in these countries for the following reasons: catch-up effects in post-war countries; commodity booms; their growth is still below the 7% that the World Bank defines as necessary to achieve poverty alleviation; and finally the absence of diversification. Growth is a result of the growing demand for oil.⁴

The optimistic view at the beginning of the millennium is being threatened by the emerging global financial and economic crisis that began in 2008. Furthermore, there is increasing "concern that the recent global financial crisis may erode these gains."⁵ The IMF warns that the global crisis will continue and will have an impact on developing countries' investment, trade, remittances, and tourism revenues. The UNECA recommends taking advantage of the global crisis "as an opportunity to consolidate recent macroeconomic achievements and for putting measures in place to further diversify our economies". Moreover,

"We need to increase agricultural production and diversify into manufacturing and services in order to provide jobs [...]. Diversification will

¹ UNECA: Economic report for Africa 2007. Accelerating Africa's development through diversification, 2007, p.32.

² World Bank: World Development Report 2005. A better investment climate for everyone, 2004, p.261.

³ World Bank: World Development Report 2008. Agriculture for development, 2007, p.19.

⁴ Asche, H.: Der Afrika-Aktionsplan der Weltbank: neue Aktionen?, 2006, p.1.

⁵ Osakwe, P.N.: Sub-Saharan Africa and the global financial crisis, 2008, in: TNI, Vol.7, No.7, September 2008, p.4.

also give our economies the resilience to deal with future economic shocks.”⁶

Osakwe suspects that there might be negative short-term and medium-term effects on SSA countries. The short-term effects would be relatively small except for some countries “where stock markets have some degree of exposure to the international financial system”,⁷ e.g., South Africa and Nigeria. The medium-term effect could emerge if there is a reduction of international trade that could negatively affect SSA exports and reduce their foreign exchange; this could lead to a reduction of capital imports and inputs for domestic markets. Moreover, a reduction in FDI could lead to a reduced investment in infrastructure and production sectors; therefore, this situation might increase unemployment as a result of factory closures. Thirdly, the reduced remittances will affect people in developing countries. A decreased demand for commodities will affect negatively on the SSA exporters of raw materials. And finally, ODA flows might be reduced; thus, deepening the crisis in developing countries.⁸

Will the current economic crisis be an opportunity to further develop SSA economies? Additionally, will currently negotiated free trade agreements contribute to Africa’s development and support the expected consolidation towards diversification away from agriculture? What kind of role will agriculture play in economic growth, poverty alleviation and in the new free trade agreements?

There are very contentious debates regarding economic and trade liberalisation and their effects on developing countries. In theory, trade liberalisation should lead to increased access to a wider market; thereby, increased economies of scale and competition. Moreover, business will be encouraged to produce more efficiently and cheaper. This leads to improved access to cheaper imports and technology; as a result consumer prices might decrease and benefit consumers (while producer’s income might be reduced). However, South Centre states that often trade liberalisation has failed to increase economic growth. Schneider and Kernohan conclude that “No country in recent decades has achieved economic

⁶ TRALAC: UN urges African economies to diversify, 30 January 2009.

⁷ Osakwe: Sub-Saharan Africa and the global financial crisis, 2008, p.4.

⁸ Ibid.

success, in terms of substantial increases in living standards for its people, without being open to the rest of the world.”⁹

Bazaara argues that devaluation of currency could prevent developing countries from benefiting from liberalisation efforts because devaluation can “nullify the gains of price increases by raising costs of agricultural production”.¹⁰ Devaluation leads to increased exports but it also raises import costs; therefore, the nominal prices will not be translated into real incomes. In general, Bazaara concludes that liberalisation benefits countries with good preconditions and harms those without.¹¹

With regard to agriculture, past experience has shown that “opening national agricultural markets to international competition in developing countries can lead to negative effects on poverty alleviation, food security and the environment.”¹² Furthermore, it can result in the “stagnation and decline of local food systems in Africa.”¹³ Therefore, it is suspected that free trade might have a negative impact on agriculture in developing countries’ economies and negatively influence food security.

From a more theoretical point of view, Borrmann et al. analyse theories on trade liberalisation and structural adjustment. They pursue the question, does trade liberalisation benefit developed and developing countries in the same way? According to them traditional trade theory deals with

“free trade under perfect competition and with constant returns to scales leads to optimal allocation of resources globally if countries specialise in production of goods where they have comparative advantages”.¹⁴

The new trade theory acknowledges imperfect competition and increasing returns to scale, but in general it highlights benefits arising from trade liberalisation. Free trade can encourage companies to utilise economies of scale not used in domestic trade. Moreover,

⁹ Schneider, A./Kernohan, D.: The effects of trade liberalisation on agriculture in smaller developing countries. Implications for the Doha Round, 2006, p.10.

¹⁰ Bazaara, N.: Impact of liberalisation on agriculture and food security in Uganda, 2001, p.11.

¹¹ Ibid., p.12.

¹² Lambrechts: Responding to Africa’s agricultural challenges: The need for new paradigms in aid, trade and science, 2008, in: TNI, Vol.7, No.8, October 2008, p.7.

¹³ Ibid.

¹⁴ Borrmann, A. et al.: The WTO compatibility of the Economic Partnership Agreement between the EU and the ACP states, 2005, p.17.

“It also reduces the concentration on domestic markets and the market power of the companies, so that global prices will fall, profit margins shrink and allocation inefficiencies be reduced.”¹⁵

Both developed and developing countries will benefit according to this theory. The danger is that countries tend to increase their welfare by imposing import or export tariffs, which result in “welfare losses for trading partners, so that the global level of welfare declines”.¹⁶ This could be counteracted by multilateral trade negotiations, while bilateral trade negotiations risk trade diversion: the “possible advantages of international division of labour are not fully exploited in the context of regional or bilateral integration”.¹⁷

While acknowledging these considerations, Borrmann et al. criticise that both theories ignore adjustment costs. According to them, benefits from specialisation are “based on the assumption that factors of production displaced from import-competing industries can be readily employed in other domestic industries.”¹⁸ Due to the fact that most production factors have limited mobility, the improvement of imperfections in domestic markets causes adjustment costs.

They summarise further trade theories, including ex ante and ex post studies, but conclude that none of these theories answers the question if and under which circumstances trade liberalisation can benefit developing countries. Moreover, they discuss several studies on the empirical link between economic growth and various economic, political, and institutional factors; finally coming to the conclusion that improved institutions will be necessary to enable developing countries to benefit from free trade. According to them there is

“no reason to assume that countries will necessarily have higher economic growth if they liberalise their trade. As it takes time to develop the necessary institutions, a trade policy is needed which takes into account the institutional quality of the developing countries.”¹⁹

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Borrmann et al.: The WTO compatibility of the Economic Partnership Agreements, 2005, p.17.

¹⁸ Ibid., p.18.

¹⁹ Ibid., p.27.

Despite theoretical considerations on free trade and its effects on developing countries' economies, currently various free trade agreements (FTAs) either in South-South trade or between developed and developing countries are negotiated. Amongst others, ACP (African, Caribbean, and Pacific) countries are negotiating new trade agreements with the European Union.

Stevens and Kennan analyse the role of (agricultural) trade liberalisation and these new trade agreements. They state:

“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.”²⁰

According to them the “impetus for any agricultural liberalisation for African LDCs over the next 10-15 years, therefore, is likely to lie outside the WTO”²¹ and these new trade agreements “are the prime candidates as likely drivers of change”.²²

These new trade agreements, the Economic Partnership Agreements (EPAs) change EU-ACP relations significantly. Trade relations between both trading partners were introduced in colonial times and renewed in the 1970s; they were based on unilaterally granted trade preferences for the ACP countries. After the end of the Cold War the EU pushed for a renewal of these trade relations. The new relations should be negotiated between equal partners and be based on partnership. Trade should rely on reciprocity rather than the granting of unilateral trade preferences that were considered as ineffective. The ACP countries welcomed the new partnership approach but preferred to maintain the preferential trade system rather than the introduction of reciprocity. Unfortunately, ACP countries voices were not heard and their preferences did not succeed. However, the new trade relations introduced reciprocal trade between EU and ACP countries but regarded the asymmetry between the negotiating partners and intended to respect the development needs of the ACP countries. The Cotonou Partnership Agreement (CPA), agreed in 2000, is

²⁰ Stevens, C./Kennan, J.: Agricultural reciprocity under Economic Partnership Agreements, 2006, p.2.

²¹ Ibid.

²² Ibid.

based on five pillars; one of these pillars addresses negotiations of new trade relations.

There is consensus regarding the broad development objectives, which is reflected in the Cotonou Partnership Agreement:

“The partnership shall be centred on the objective of reducing and eventually eradicating poverty consistent with the objectives of sustainable development and the gradual integration of the ACP countries into the world economy.”²³

Moreover, the agreement states that

“Negotiations shall take account of the level of development and the socio-economic impact of trade measures on ACP countries, and their capacity to adapt and adjust their economies to the liberalisation process.”²⁴

While there is consensus about the broad development objectives of the EPAs, EU and ACP countries totally disagree with regard to the concrete negotiating proposals and their inherent development dimension.

For the European Commission “trade is an essential motor of development”²⁵ and according to Development Commissioner Michel there is “no alternative”²⁶ to the EPAs. If EPAs are “correctly controlled, opening up to trade is a good thing for development”.²⁷ From the point of view of the European Commission trade liberalisation, a sufficient policy framework, and increased investment will foster development as long as it is supported by trade facilitation measures and the provision of related services.²⁸ A key aspect in the EC concept is the introduction of reciprocity into the trade relations with the idea that increased competition reduces consumer prices, stimulates investment and technology transfer; thereby, leading to “more efficiency and economic growth.”²⁹

²³ European Community/ACP Group of States: 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, 23 June 2000, Article 1.

²⁴ European Community/ACP Group of States: 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, 23 June 2000, Article 37.

²⁵ Michel, L.: Economic Partnership Agreements: Drivers of development, 2008, p.114 et seq.

²⁶ Ibid., p.13.

²⁷ Ibid., p.18.

²⁸ Bilal, S./Rampa, F.: Alternative (to) EPAs. Possible scenarios for the future ACP trade relations with the EU, 2006.

²⁹ Ibid., p.41.

During the negotiating process, it became clear that from the ACP countries' point of view, trade liberalisation and regional integration were no sufficient conditions to foster development: it would be necessary to have additional elements so that ACP can benefit from trade and regional integration. ACP countries highlighted the risks of liberalisation, the need for additional resources due to high adjustment costs, as well as Special and Differential Treatment (SDT) in order to meet their development needs. Moreover, sequencing became an important issue: "Proper sequencing of liberalisation commitments and implementation"³⁰ would be necessary to address capacity problems and supply-side constraints.

Harsh criticism has been voiced by civil society organisations, for instance, the StopEPA campaign, together with some ACP countries warning that EPAs will increase poverty instead of reducing it: radical trade liberalisation will disrupt local production, reduce government revenues, and increase unemployment. CSOs requested for a radical change towards non-reciprocity. To illustrate, the StopEPA campaign organisations wanted a radical change towards non-reciprocity, the protection of national and regional markets, as well as a request for more policy space and flexibility.³¹

Not only ACP countries and civil society organisations, but also EU member states like the UK and other like-minded states' governments, are concerned about a lack of development dimension and a loss of policy space.³²

FTAs always implicate a loss of policy space, but the use of instruments varies from agreement to agreement. In the case of EPAs, South Centre judges that "the loss of policy space that the implementation of EPAs will entail is unprecedented for the ACP governments that have initialled these agreements."³³ According to their analysis "EPAs place real restrictions to the regulation of trade in goods."³⁴

³⁰ Ibid., 2006, p.47.

³¹ <http://www.stopepa.de> and <http://www.epa2007.org>

³² Bilal, S.: EPAs process: Key issues and development perspective. With specific references to East and Southern Africa, 2006, p.23.

³³ South Centre: Market access for trade in goods in Economic Partnership Agreements (EPAs), 2008, p.17.

³⁴ Ibid., p.18.

As far as the trade in goods is concerned, agriculture is of high importance for African ACP countries because SSA countries mainly export commodities and agricultural goods. Therefore, agriculture in trade is crucial for African ACP countries; this is reflected in agriculture's high share of GDP. Moreover, agriculture is also important for the rural population: smallholder farmers often produce agricultural goods for their own consumption. In the light of this the question arises, is the importance of agriculture for these economies and the livelihoods of small-scale farmers adequately reflected in the EPA negotiations and the outcome thus far?

South Centre goes so far as to assess that agriculture in the EPAs is the "determining factor".³⁵ And farmers' organisations state that EPAs induce "significant changes into the trade environment of agricultural producers and agro-food commodity chains."³⁶

But in the so-called interim EPAs there are only a few specific provisions on agriculture and these are in very general wording: there are "no binding measures and it is therefore not possible to determine the contribution of EPAs to agricultural development."³⁷ Moreover,

"these agreements do not explicitly or concretely promote an improvement in sub-Saharan agricultural production. On the contrary, the instruments for sectoral promotion established by the EPAs are rather limited and merely emphasise greater competition with European imports to stimulate African agricultural production. In that sense, EPAs are a missed opportunity and even risk aggravating some of the problems of African agricultural (such as a deterioration in food security, intensification of the current terms of trade, etc.)."³⁸

Thus, the role of agriculture and the outcome of the EPA negotiations will be examined in this thesis. Therefore, a more detailed description of the analytical framework is necessary.

This paper describes the EU and ACP trade relations that are highly relevant for both trading partners. EU and ACP countries can look back on long-lasting

³⁵ South Centre: A positive agenda for African agriculture in EPAs, 2008, p.1.

³⁶ 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, 10 December 2006, p.9.

³⁷ South Centre: A positive agenda for African agriculture in EPAs, 2008, p.13.

³⁸ Ibid., p.17.

relations resulting from colonial times. After the independence of ACP countries in the 1960s and 1970s, both parties agreed to continue their trade relations with a preferential trading system under the so-called Yaoundé and Lomé agreements. In the 1990s, the trade relations experienced a significant change. Initiated by the European Union, the Cotonou Partnership Agreement was agreed in 2000. One important aim of the new agreement was the negotiation of free trade agreements, Economic Partnership Agreements (EPAs), between EU and ACP countries. The trading partners have negotiated these EPAs since 2002 at all-ACP level. In 2003 and 2004 negotiations began at the regional level with six negotiating regions: four in Africa, one in the Caribbean, and one in the Pacific region. Negotiations should have been finalised at the end of 2007 because the expiring WTO waiver that allowed ACP and EU countries to maintain their preferential trading relations, which were not WTO compatible. Despite the pressure for ACP countries to fall back on a less preferential trading system, they were not able to conclude these EPAs. The EU offered the so-called interim EPAs in November 2007, limited on the trade in goods. Individual countries and sub-regions initialled these interim EPAs; further negotiations on other areas should have been finalised in 2008. Until April 2009 only the Caribbean region has signed a comprehensive EPA, and Cote d'Ivoire and Cameroon signed an interim EPA. The signing of the other interim EPAs and the negotiations towards comprehensive EPAs are still outstanding. Therefore, the focus of this thesis is the negotiating process since 2002 and the outcome of the interim EPAs with regard to agriculture.

Agriculture is regarded as crucial for both trading partners. It is essential for economic development and the livelihoods of millions of family farmers in Southern African agriculture, and therefore plays an important role in multilateral (WTO) and bilateral (EPA) negotiations. But agriculture is also of high importance to Europe. Though the share in the economy and employment is marginal, the EU still spends nearly 40% of its total budget on agriculture; therefore, it is still an important policy in Europe. Agricultural trade is negotiated at WTO level as well as in the EPA negotiations, but agriculture is also an important issue at the regional level in Europe because it is a common policy

(Common Agricultural Policy, CAP). On the contrary, agriculture plays a less important role at the regional level in SSA due to the poor performance of regional integration in Southern Africa. Moreover, national agricultural policies in SSA are relatively weak due to the liberalisation processes in the 1980s and 1990s. Furthermore, government should play a facilitating role in agricultural policy rather than intervene in economic processes. The private sector should fill the gap but in many countries this has not yet occurred.

Because agriculture is negotiated at the multilateral level in the current WTO negotiations, both EU and ACP countries negotiate at these WTO negotiations, this will be the first level of analysis in this thesis (chapter 2). The analysis of the WTO negotiations examines the role of agriculture in multilateral trade negotiations and the interests of EU and ACP countries. Moreover, the WTO rules determine the framework for negotiations on free trade agreements; therefore, they are of vital importance for the current EPA negotiations. Furthermore, the WTO analysis is necessary to examine the European agricultural policy and the interplay between reforms of the CAP and the WTO negotiations on agriculture in the next chapter (chapter 3). It is assumed that agriculture is crucial in WTO negotiations and it is one of the most contentious issues; developing countries are relatively strong in these negotiations despite the disadvantageous structure of the negotiations.

Chapter 3 analyses the European agricultural policy. As already mentioned agriculture is very important for Europe and the CAP plays a central role in European common policies. The European agricultural market is important for developing countries' exports and these European agricultural exports are of vital importance for African ACP countries. Therefore, in a first step, data and principles of European agriculture will be examined; in a second step, the current agricultural policy will be analysed and will then focus on the interplay between CAP reform and WTO negotiations on agriculture. In a last step, the importance of CAP (reform) for ACP countries will be examined. It will be shown that European agricultural policy is crucial to world trade, world food prices, and that its impact on WTO negotiations is central, i.e., WTO negotiations are an incentive for CAP reform and CAP reform is used by the EU to strengthen the

negotiating position in the WTO negotiations. Moreover, it will be shown that the liberalisation efforts in EU agricultural policy are ambivalent. On the one hand, the EU tries to maintain protection for its agricultural products. While on the other hand, there are high costs for this protection. Furthermore, the reliability in international trade negotiations that aim at the liberalisation of trade (in agriculture) make CAP reforms towards greater liberalisation necessary.

The fourth chapter describes SSA agriculture. In a first step, a historical perspective will be introduced to better understand the previous liberalisation processes and the current situation of African agriculture. In a next step, the necessity to transform the economy away from agriculture and the attempt to introduce a green revolution in SSA will be discussed. A closer look at farming data and structure as well as trade in African ACP countries is necessary to measure the importance of agriculture for these countries. This thesis will answer the following questions: if agriculture is still necessary to promote economic development and alleviate poverty; if a green revolution is possible in African economies; and how sustainable agriculture should be constructed.

This analysis will be necessary in order to examine the role of agriculture in EPA negotiations and outcomes, as discussed in chapter 5. If agriculture is of vital importance for African ACP countries, have they been able to enforce the dominant role of agriculture in these free trade negotiations? As already mentioned, South Centre states that the role of agriculture is underrepresented in the interim EPAs. This thesis will observe this more in detail in an analysis of one of these interim EPAs. First of all, it will describe the negotiating process in order to better understand the dynamics of the negotiating process. It will be shown: that the necessity to comply with WTO rules was a major incentive to continue with negotiations until the end of 2007; that the ACP countries, split into six negotiating blocs, were less successful than in WTO negotiations; and that the delay in negotiations was caused by the lack of negotiating capacity of ACP negotiators and also by the inability to agree on the most contentious issues.

In a second step, the direct and indirect agricultural provisions of the Southern African interim EPA will be examined. Because market access to the European market for African ACP countries is essential, these provisions will be analysed first. Secondly, the market opening of African ACP countries for European goods will be examined – always keeping in mind the effects of European agricultural trade on developing countries, in particular, ACP countries. The analysis of several specific provisions is required to assess the potential impact of these provisions on agriculture. In a third step, the potential implications on regional integration – as this is one of the most important objectives of the new trade agreement – will be analysed. Fourth, the danger of revenue losses will be discussed. Finally, in a last step, this thesis will discuss the ongoing negotiations on services and trade-related issues. In a short chapter (5.4) the outcome of the EPA analysis will be concluded. The analysis will determine if the assumption of South Centre, agriculture is underrepresented in the interim EPAs, could be confirmed. The thesis will illustrate: that market access to the European market could have been maintained and that this was the most important motivation for Southern African ACP countries to initial the interim EPA; that the liberalisation offer for the Southern African countries goes far beyond WTO requirements due to several reasons; that other provisions are WTO plus and not necessary to conclude a free trade agreement; that regional integration is negatively affected; and that revenue losses might have a serious impact on African economies.

The analytical framework has three dimensions to its analysis. First, the question will be what kind of role agriculture plays in EU and ACP countries. Moreover, the role of agriculture in their trade relations will be examined at WTO level as well as at the EPA level. The interdependencies between the different levels will be analysed.

The second objective of this analysis will be within the framework of policy studies. The aim is to identify the concrete outcome of the negotiations and explain it as a result of the negotiating process (politics) and the structure of negotiations (polity). Emerging questions will be:

- What are the original objectives of the trading partners? Is the outcome consistent with the original objectives? If not, why?
- How do actors influence the negotiating process?
- How does the negotiating structure influence the outcome of negotiations?³⁹

Answers to these questions should explain the concrete outcome of negotiations at WTO and EPA levels and provide a better understanding of the negotiating results as well as their impact on ACP agriculture.

The third dimension of analysis focuses on the fact that the new trade relations are negotiated between highly unequal partners with regard to economic strength, regional integration, and negotiating capacity. Therefore, some assumptions from negotiation theory will contribute to the analysis of the negotiating process.⁴⁰ First, it will be questioned which actors participate in negotiations and the sort of instruments they use to achieve their interests. How does this influence the outcome of negotiations? Negotiating power depends on the ability to threaten with the break off of negotiations; the threatening partner would be no worse-off than before negotiations. In general, negotiating partners react with concessions until negotiation offers are congruent; thereby, they tend to balance between potential losses and the risk that their partner will break off negotiations.⁴¹

This analysis acts on the assumption of bounded rationality. Actors do not weigh all options in negotiations but are influenced by “pressure groups, impacts on voters and revenue, foreign repercussions, ideological preferences.”⁴² Weller and Ullmer suppose that the EU is influenced by ideological thoughts, e.g., when stating that there were no alternatives to EPAs, and developing countries in trade negotiations often overestimate the role of exporters and ignore interests of other stakeholders.⁴³

³⁹ Blum, S./Schubert, K.: Politikfeldanalyse, 2009.

⁴⁰ Benz, A.: Verhandlungen, in: Handbuch Governance. Theoretische Grundlagen und empirische Anwendungsfelder, hg. v. Benz, A. et al., 2007, p.106-118.

⁴¹ Ibid.

⁴² Weller, C./Ullmer, K.: Trade and Governance. Does governance matter for trade?, 2008, p.13.

⁴³ Ibid.

This paper chooses the empirical-analytical methodology which is based on experience and evidence. Moreover, the approach of this paper is multi-methodical as it applies qualitative analysis as well as quantitative analysis, e.g., the examination of economic data. Furthermore, trade experts have been interviewed.

This thesis has a strong descriptive focus that is necessary when analysing WTO, EU, and EPA level agricultural policy. In the light of the importance of the EPA negotiating process, a careful analysis of the IEPA provisions that affect agriculture is necessary. The debate about the potential impact of (I)EPAs caused quite a stir and needs to be brought down. A careful analysis of these provisions can contribute to this discussion and provide a basis for further debate. This analysis, together with the policies studies framework, will focus on the outcome of the negotiations bearing in mind the interplay with EU agricultural policy and negotiations on agriculture at WTO level.

The paper needs to concentrate its focus to be able to answer the research questions adequately. It focuses on agricultural policy due to its vital importance to: EU policy; ACP economies; ACP economic development; and the future development of ACP states, for instance, the liberalisation of services.

The ACP group consists of 78 countries from Africa, the Pacific region, and the Caribbean; therefore, it is necessary to constrict an analysis for smaller group of countries in order to be able to provide an adequate and significant investigation. Africa is the largest country grouping in the ACP configuration with 48 countries; EPA negotiations take place with four regional configurations. Africa is of importance to the EU with regard to raw materials, security policy, development policy, and potential competition from China and the US. But the African EPA group is still too vast for scientific research; therefore, this paper will constrict the analysis on one of the four negotiating groups – the SADC EPA configuration.

SADC is economically important in SSA, agriculture plays an important role in this configuration and the heterogeneity of agriculture seen even in this small group will become evident. The question of regional integration can be discussed as an example due to the challenge of overlapping memberships.

Moreover, it is a heterogeneous region comprising LDCs, non-LDCs, and has a strong trading partner in South Africa.

2 Agriculture at International Level

This chapter examines agriculture at the international level, in particular the WTO negotiations that have taken place since the launch of the Uruguay Round in the early 1980s. Agriculture has played an important role within the GATT (General Agreement on Tariffs and Trade) history since the 1950s and is still of crucial importance in the current negotiations as will be shown in this section. The regulations on agriculture that will be negotiated at the WTO level will be crucial for ACP and developing countries' agriculture because they determine the international trade framework and influence EU agricultural policy.⁴⁴

The WTO is of vital importance for trade negotiations at bilateral and regional level because it determines the rules for free trade areas between trading partners: the "WTO aims to function as a facilitator to achieve multilateral agreement on international trade rules"⁴⁵. One has to keep in mind that these rules are contested and should be reformed within the current negotiating round. Currently these negotiations are unresolved and bilateral and regional trade negotiations rely on the present rules. Any changes in these WTO rules might have an impact on bilateral and regional trade negotiations but it is impossible to forecast the dimension of potential changes. Nevertheless, it is important to link the WTO regulations to the current negotiations on Economic Partnership Agreements. WTO compatibility and requirements have always and will continue to play an important role during the negotiations; therefore, the second part of this chapter will analyse the WTO framework for free trade areas and the concrete impact on EPA negotiations.

2.1 WTO Negotiations on Agriculture

This chapter examines the previous and ongoing negotiations on agricultural trade liberalisation at WTO level. The focus of the analysis is on the negotiating process and structure and its effects on the outcome of negotiations.

⁴⁴ A more detailed analysis of the European agricultural policy is available in chapter 3.

⁴⁵ Halderman, M./Nelson, M.: EU policy-making: Reform of the CAP and EU trade in beef and dairy with developing countries, 2005, p.39.

2.1.1 Agriculture in GATT and WTO Negotiations

Tariffs have always been an important instrument to regulate international trade. However, after the Second World War the GATT aimed at the reduction of tariffs in order to increase international trade. Beginning in 1948 non-agricultural tariffs have been reduced from 35% at that time to today's level of 5%. As a consequence world trade and the exchange of services and knowledge have increased, especially in developed countries with large service and skill-intensive companies.⁴⁶ This liberalisation process involved non-agricultural products while agricultural goods, clothing, and textiles were exempted from liberalisation.⁴⁷

The most important principle of the GATT is the general most favoured nation (MFN) principle, which is supplemented by the principle of national treatment. The most favoured nation principle states that

“any advantage, favour, privilege or immunity granted by any contracting party to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for the territories of all other contracting parties.”⁴⁸

Therefore, any liberalisation commitment granted to one trading partner has to be granted to all trading partners. The provision on national treatment prohibits the discrimination of foreign products in favour of equal domestic products (GATT 1947, Article 3). In the GATT tariffs are seen as the single instrument of trade policy with bound levels that inhibit increases over a certain level, and any other trade distorting measures should be dismantled. In the case of disputes, the GATT allows to inflict a penalty which is singular in the international system.⁴⁹

GATT was created following WWII in order to provide opportunities for

“extensive liberalization of trade barriers protecting the US market to help to rebuild the war-torn economies of Western Europe and thus provide a

⁴⁶ Frein, M./Reichert, T.: Fortschritt durch Stillstand. Die Dauerkrise der WTO-Verhandlungen aus entwicklungspolitischer Sicht, 2008, p.5.

⁴⁷ Schott, J.J.: The future of the multilateral trading system in a multi-polar world, 2008, p.1.

⁴⁸ General Agreement on Tariffs and Trade (GATT), 1947, Article 1.

⁴⁹ Frein/Reichert: Fortschritt durch Stillstand, 2008, p.8.

stable economic base for democratic governance and a reliable buffer against Soviet expansionism.”⁵⁰

With regard to developing countries the US has been generous by allowing them, “to ‘free ride’ on the trading system without undertaking substantive commitments to reduce barriers to their markets.”⁵¹ Therefore,

“the cost of non-participation in the reciprocal negotiations [...] often left intact major barriers imposed by industrial countries that restricted competitive agricultural and manufactured exports of developing countries.”⁵²

In six rounds, tariffs were liberalised until the end of the 1970s. The inclusion of developing countries after their independence influenced the balance of power and the requirements of the next liberalisation round. The negotiations within the Uruguay Round began in 1982 and ended in 1994 with the creation of the World Trade Organisation (WTO) 1995.

While agriculture has been exempted from the liberalisation rounds under GATT, the Uruguay Round was the first round that included the agricultural sector with the Agreement on Agriculture 1994 (AoA).

In the Uruguay Round negotiations developed countries insisted on the inclusion of services and intellectual property rights (IPR) in the liberalisation process while most developing countries refused to include these issues. In a compromise, the trade in goods has been broadened with separate agreements on agriculture and clothing/textiles in exchange for the inclusion of the single undertaking (“Nothing is agreed until everything is agreed.”), special agreements on services (GATS), and intellectual property rights (TRIPS). The developing countries agreed with GATS and TRIPS in the hope of intensified trade in food and clothing.⁵³

With regard to market agricultural access, the aim of the AoA has been: the conversion of non-tariff barriers, for instance, quota restrictions, into tariffs (tariffication); the definition of bound tariffs; and in a final step the reduction of these bound tariffs on average by 36% for developed and 24% for developing

⁵⁰ Schott: The future of the multilateral trading system, 2008, p.1.

⁵¹ Schott: The future of the multilateral trading system, 2008, p.1.

⁵² Ibid.

⁵³ Frein/Reichert: Fortschritt durch Stillstand, 2008, p.6.

countries.⁵⁴ For particular protected products a minimum market access of 5% for developed countries and 3% for developing countries has to be granted.⁵⁵ The tariff cuts have been essential but the “abnormally high base levels 1986-88” together with “low world market prices at that time [that] were directly reflected in high EU tariff equivalents as variable import levies” which implicated that

“the cuts and the degree of trade liberalisation arising from the round were partly illusory, resulting in higher permitted tariffs than if the base were for a representative period. After the cuts many EU bound tariffs were still relatively high”⁵⁶.

The Special Agricultural Safeguard (SSG) is available for developed and developing countries to stop import surges. It can be applied if prices for shipments fall below a certain level or in case of rapid increases of imports. It can only be applied to goods that are “tariffied”, which causes a problem for developing countries whose products often are not “tariffied”. The developing countries often set ceiling bindings that cannot be cut. Therefore, the SSG is not available for most developing countries (16 developed and 22 developing countries are allowed to use the SSG⁵⁷); the only African ACP countries that can use the SSG are Botswana, Namibia, Swaziland and South Africa in notification of certain specific products.⁵⁸ These products include: meats, live animals, cereals, fruits/vegetables, dairy, sugar, and food items.⁵⁹

As far as export subsidies are concerned, those countries that exerted export subsidies in the past were allowed to continue but had to reduce these subsidies (reduction of expenditure by 36% and reduction of the amount by

⁵⁴ Until a reduction of 15% for developed countries is achieved; Von Urff, W.: Agrarmarkt und Strukturen des ländlichen Raumes in der Europäischen Union, in: Die Europäische Union. Politisches System und Politikbereiche, hg. v. Weidenfeld, W., 2006, p.218.

⁵⁵ Frein/Reichert: Fortschritt durch Stillstand, 2008, p.21.

⁵⁶ Roberts, I./Gunning-Trant, C.: The European Union's Common Agricultural Policy. A stocktake of reforms, 2007, p.23.

⁵⁷ South Centre: South Centre's analysis and news of the WTO's mini-ministerial, No.1, 2008, p.1.

⁵⁸ Alpha, A. et al.: WTO and EPA negotiations. For an enhanced coordination of ACP positions on agriculture, 2005, p.34.

⁵⁹ Roberts/Gunning-Trant: The European Union's Common Agricultural Policy, 2007, p.23.

20% of the base level at the beginning of the 1990s). Those countries that did not apply export subsidies were not allowed to introduce them.⁶⁰

In matters of domestic support⁶¹ the term of different boxes – amber box, blue box, green box – has been arising and is in use in WTO language today. The amber box contains direct payments coupled to the production output. The AoA assented to reduce these payments by 20% for developed and 13.3% for developing countries; if the support comprises less than 5% for developed and 10% for developing countries of the production value (de-minimis) it is not included in the calculation.⁶² Base level (the total aggregate measurement of support/AMS) has been the base years of 1986-88. The amber box support is seen as trade distorting as it leads to over-production and price dumping at the world market; therefore, its reduction is seen as essential. The other boxes seem not to have the same effect on trade distortion, because of their indirect impact on production; therefore, they were not subject to any reductions⁶³. The blue box support involves several direct payments to farmers, for instance, payments that require farmers to limit production, and is seen as transitional.⁶⁴ The green box support contains payments that do not depend on prices or production output. These decoupled payments are seen as minimally trade distorting.⁶⁵

Because the amber box reductions did not have serious implications further negotiations were envisaged. The AoA itself (Article 20) stated that new negotiations should start no later than one year before the end of the transition period.⁶⁶

In the Doha Development Agenda (DDA) the debates about the reduction and/or elimination of export subsidies, further reduction of domestic support in developed countries and improved market access continued.

⁶⁰ Frein/Reichert: Fortschritt durch Stillstand, 2008, p.21.

⁶¹ The question of domestic support will be discussed more detailed in chapter 3.

⁶² Frein/Reichert: Fortschritt durch Stillstand, 2008, p.21.

⁶³ Frein/Reichert: Fortschritt durch Stillstand, 2008, p.21.

⁶⁴ Ibid.

⁶⁵ Ibid., p.22.

⁶⁶ Von Urff: Agrarmarkt und Strukturen des ländlichen Raumes in der Europäischen Union, 2006, p.218 et seq.

The first Ministerial Conference of the WTO was held in Singapore where the EU and US pushed for the so called Singapore issues (government procurement, trade facilitation, investment, and competition) in working groups. Most developing countries refused to negotiate these Singapore issues. At the Doha Ministerial Conference the countries decided to negotiate these issues later.⁶⁷

In 2000 several developing countries proposed a “development box” and called for more “flexibility in agricultural trade policies” and a central role of agriculture due to its importance on economies. Moreover,

“Agriculture in developing countries is therefore not just another sector of the economy, but one that has far-reaching implications on people's livelihoods and employment, food availability as well as a countries' balance of payment situation.”⁶⁸

They requested measures such as increased flexibility in tariffs for developing countries, stronger tariff reduction in developed countries as well as the abolition of export subsidies and of SSG for developed countries.⁶⁹ Presently only some elements of this “development box” have been pushed through, for instance, the sensitive and special products and the SSM included in the July Package.⁷⁰

The Doha Development Round commenced with the 4th Ministerial Conference in Doha/Qatar 2001 after the failure of the Seattle Ministerial Conference 1999. In the Ministerial Declaration it was acknowledged that the “majority of WTO Members are developing countries” whose “needs and interests” shall be placed at the heart of the agenda.⁷¹ Above all, the “marginalization of least-developed countries in international trade and [...] their effective participation in

⁶⁷ Frein/Reichert: Fortschritt durch Stillstand, 2008, p.11.

⁶⁸ Cuba, Dominican Republic, Honduras, Pakistan, Haiti, Nicaragua, Kenya, Uganda, Zimbabwe, Sri Lanka, El Salvador: Agreement on Agriculture: Special and Differential Treatment and a Development Box. Proposal to the June 2000 session of the Committee on Agriculture, 2000.

⁶⁹ Ibid.

⁷⁰ Frein/Reichert: Fortschritt durch Stillstand, 2008, p.16.

⁷¹ WTO: Ministerial Conference. Fourth session, Doha, 9-14 November 2001. Ministerial Declaration, adopted on 14 November 2001, 20 November 2001, p.1.

the multilateral trading system”⁷² should be in focus of further negotiations. One important point has been further negotiations on agriculture that include:

- substantial improvements in market access,
- reductions of all forms of export subsidies,
- substantial reductions in trade-distorting domestic support,
- special and differential treatment for developing countries “to enable developing countries to effectively take account of their development needs, including food security and rural development”⁷³,
- elimination of tariffs (tariff peaks, high tariffs, and tariff escalation, non-tariff barriers in particular on products of export interest to developing countries),
- comprehensive product coverage,
- less than full reciprocity in reduction commitments.⁷⁴

Negotiations on services, IPR and Singapore issues were still on the agenda, as well as the reform of WTO rules, in particular, the WTO provisions applying to regional trade agreements where the “negotiations shall take into account the developmental aspects of regional trade agreements.”⁷⁵

The completion of negotiations has been destined for 2005 but negotiations still continue and have not been finalised in 2009. After the Doha Ministerial Conference several Ministerial Conferences have been taking place between developed and developing countries.

2002 the EU made a proposal to repeat the tariff reductions of the Uruguay Round and to reduce export refunds by 45% and domestic support by 55% (amber box) while maintaining blue and green box support. The Harbinson⁷⁶ proposal 2003 provided a stronger reduction of tariffs (between 40-60%), the abolition of export refunds after nine years and reduction of domestic support by 60% within seven years. The Harbinson proposal even recommended blue box

⁷² Ibid.

⁷³ Ibid., p.3.

⁷⁴ Ibid., p.4.

⁷⁵ Ibid., p.6.

⁷⁶ Head of the agriculture negotiating group.

reductions by 50%. Both concepts intended to grant developing countries more generous conditions.⁷⁷

The countries could not agree on modalities in the run-up to the next Ministerial conference; therefore, EU and US made a proposal regarding agriculture on the verge of the fifth Ministerial Conference in Cancun 2003. This proposal did not offer substantial commitments with regard to reductions in domestic support of EU and US but requested developing countries to liberalise their markets. A safeguard mechanism should allow them to protect a certain number of agricultural products relevant for food security. The emerging group of G-20 – including countries with different agricultural interests like India, Brazil, and Egypt – on their part requested for a stronger reduction commitment from the EU and US concerning domestic support and more generous liberalisation commitments from developing countries.

The Ministerial Conference in Cancun itself has not come to a successful end. The WTO members were unable to agree to a compromise in the field of agriculture or with regard to the Singapore issues.⁷⁸ A Ministerial Statement declares that

“All participants have worked hard and constructively to make progress as required under the Doha mandates. We have, indeed, made considerable progress. However, more work needs to be done in some key areas to enable us to proceed towards the conclusion of the negotiations in fulfilment of the commitments we took at Doha.”⁷⁹

After the failure of this conference the countries agreed to authorise the General Council to prepare further negotiating steps.

The next meeting in July 2004 in Geneva was an informal level of talks that ended with the so-called July Package with a commitment to conclude the Doha Round. In matters of Singapore issues the developing countries ensured success in only one of four issues – trade facilitation – to be negotiated further.

⁷⁷ Von Urf: Agrarmarkt und Strukturen des ländlichen Raumes in der Europäischen Union, 2006, p.219.

⁷⁸ Frein/Reichert: Fortschritt durch Stillstand, 2008, p.12 et seq.

⁷⁹ WTO: Ministerial Conference. Fifth session. Cancún, 10-14 September 2003. Ministerial Statement, adopted on 14 September 2003, 23 September 2003, p.1.

With respect to NAMA (non-agricultural market access) the developing countries have been less successful.⁸⁰ The Cancun proposal has been carried over and contained the request for a

“non-linear formula applied on a line-by-line basis which shall take fully into account the special needs and interests of developing and least-developed country participants, including through less than full reciprocity in reduction commitments.”⁸¹

The stronger reduction of higher tariffs is more problematic for developing countries, as well as the request for the incentive for a stronger reduction of tariffs in certain sectors.⁸²

With regard to agriculture

“Members agree to establish detailed modalities ensuring the parallel elimination of all forms of export subsidies and disciplines on all export measures with equivalent effect by a credible end date.”⁸³

While the proposed elimination of export subsidies (even if no concrete date is entitled) is a success for the developing countries they had to accept the tariff reduction formula in the July Package. It is stated that a “single approach for developed and developing country members” is applied and that the tariff reductions should be made from bound level rather than the applied level (“Tariff reductions will be made from bound rates.”)⁸⁴ Moreover, “Progressivity in tariff reductions will be achieved through deeper cuts in higher tariffs with flexibilities for sensitive products.”⁸⁵ For the first time sensitive (Annex A, Paragraph 31-34) and special products (Annex A, Paragraph 41) and the Special Safeguard Mechanism (Annex A, Paragraph 42) are included. These measures are meant to grant more developmental flexibility. But many issues

⁸⁰ Frein/Reichert: Fortschritt durch Stillstand, 2008, p.14.

⁸¹ WTO: Doha Work Programme. Decision adopted by the General Council on 1 August 2004 (“July Package”), 2 August 2004, Annex B, Paragraph 4.

⁸² Frein/Reichert: Fortschritt durch Stillstand, 2008, p.15. WTO: Doha Work Programme. Decision adopted by the General Council on 1 August 2004 (“July Package”), 02 August 2004, Annex B, Paragraph 7.

⁸³ Ibid., Annex A, Paragraph 17.

⁸⁴ Ibid., Annex A, Paragraph 28, 29.

⁸⁵ Ibid., Annex A, Paragraph 29.

still remained unclear and the “question of the special agricultural safeguard (SSG) remains under negotiation.”⁸⁶

The July Package should have been the foundation for further negotiations of modalities until the sixth Ministerial Conference in Hong Kong 2005. But due to further delays the ambitious objective has been reduced to find a way to approximate to these modalities in Hong Kong.⁸⁷

In Hong Kong the negotiations were more successful in moving forward. The EU offered the abolition of export subsidies until 2013 and further concretisation of other issues occurred (e.g. NAMA and services). The matter of reductions of tariffs and subsidies in agriculture were postponed until the summer of 2006.⁸⁸

An informal meeting in 2006 of US, EU, Brazil, India, Japan and Australia ended without any result and negotiations were interrupted. Furthermore, an attempt in 2007 to pursue negotiations was not fruitful.⁸⁹

Negotiations continued with an informal meeting in July 2008 to discuss the modalities which would be a base for broad negotiations. The most contentious issues remained the Special Safeguard Mechanism (SSM) for agricultural products and the non-agricultural market access. The original principle of “less than full reciprocity in reduction commitments”⁹⁰ implies that developed countries would have to undertake larger reduction commitments than developing countries. The current proposal seems to be an “inversion of that hierarchy as it requires developing countries to shoulder the bulk of tariff cuts in NAMA”.⁹¹ South Centre raises the

“difficult question of whether the price developing countries would be asked to pay in NAMA is worth hypothetical benefits resulting from domestic support and market access negotiations in agriculture.”⁹²

Again the principle of single undertaking is crucial in the negotiations. Mandelson, former EU Trade Commissioner, argues that there is an

⁸⁶ Ibid., Annex A, Paragraph 38.

⁸⁷ Frein/Reichert: Fortschritt durch Stillstand, 2008, p.16.

⁸⁸ Ibid.

⁸⁹ Ibid., p.17.

⁹⁰ WTO: Doha Work Programme. Decision adopted by the General Council on 1 August 2004 (“July Package”), 02 August 2004, Annex B, Paragraph 2.

⁹¹ South Centre: South Centre’s analysis and news of the WTO’s mini-ministerial, No.2, 2008, p.1.

⁹² Ibid., p.2.

“impressive list of points for which there was provisional agreement in agriculture and NAMA”⁹³. According to him the total progress represented 90-95% of the overall deal but due to the single undertaking: “nothing is agreed until everything is agreed”.⁹⁴ Therefore, negotiations have not been finalised yet.

2.1.2 WTO Negotiations on Agriculture – State of Play

With regard to market access a tiered formula of cuts in tariffs is foreseen with four bands. There is a more and a less ambitious proposal by the chairman of the Committee of Agriculture. According to this proposal the range of tariff cuts in the highest band (tariffs above 75% in developed, above 130% in developing countries) varies from 66-73% for developed countries and from 44-48% for developing countries. In the lowest band (tariffs below 20% in developed and 30% in developing countries) the reductions vary from 48-52% for developed and 32-34% for developing countries.⁹⁵ While the EU and G-20 position is relatively similar, the US proposal is more radical with the request for 90% reduction in the highest band.⁹⁶ The proposal provided a reduction of 36-40% for agricultural tariffs while the G-20 proposed 36%, again relatively close together.⁹⁷

The exemption of sensitive (all countries) and special products (developing countries) – criteria for special products are food security, livelihood security, and rural development – is also contentious. While developed countries designated 4-6% of products as sensitive many developing countries designated one third more as sensitive.⁹⁸ Again, the US proposal went far beyond these commitments and asked for an exemption of less than 1%.⁹⁹ Until the end of 2008 no clarification occurred.¹⁰⁰

⁹³ Hanson, V.: WTO roundup, 2008, in: TNI, Vol.7, No.7, September 2008, p.11-12.

⁹⁴ Ibid.

⁹⁵ Agritrade: WTO agreement on agriculture: Executive brief, 2008; Frein/Reichert: Fortschritt durch Stillstand, 2008, p.25.

⁹⁶ Frein/Reichert: Fortschritt durch Stillstand, 2008, p.24 et seq.

⁹⁷ Ibid., p.25.

⁹⁸ Agritrade: WTO agreement on agriculture, 2008.

⁹⁹ Frein/Reichert: Fortschritt durch Stillstand, 2008, p.24.

¹⁰⁰ WTO: Revised draft modalities for agriculture, 6 December 2008, p.2.

The question of special products has been problematic as well. While G-33 proposed to define 20% of all products as special, to exempt 50% of these special products from tariff reduction, and to reduce tariffs for the rest by 5-10%; the US proposal wants only 5% of products to be declared as special and likes to see substantial reduction commitments. This issue is contentious even among the developing countries: exporters like Chile, Thailand, and Argentina prefer to keep the number of special products small.¹⁰¹ The December 2008 draft modalities for agriculture propose the following:

“There shall be 12 per cent of tariff lines available for self-designation as Special Products. Up to 5 per cent of lines may have no cut. The overall average cut shall, in any case, be 11 percent.”¹⁰²

But one of the most contentious issues remained the Special Safeguard Mechanism (SSM) for agricultural products which would be available only for developing countries and has been proposed by the G-33, a coalition of 46 developing countries.

The 10 July revised draft modalities call for additional tariffs to be imposed on the applied tariffs rather than the bound tariff levels. The SSG on the contrary is silent on the question of applied or bound tariffs with the consequence that most countries added additional tariffs on Uruguay bound tariff levels.¹⁰³ Small vulnerable economies would be allowed to add a tariff of 20% on the bound rate (or 20 ad valorem percentage points) for up to 10-15% of tariff lines in a certain period. Developing countries would be allowed to add a tariff of 15% on the bound rate (or 15 ad valorem percentage points) for up to 2-6 products of tariff lines in a given period.¹⁰⁴ South Centre criticises that many applied tariffs of developing countries are already low, for instance, the Cote d'Ivoire tariff on poultry with 4% that could be increased with this SSM to only 24%. Another critical issue is the comparison with the SSG which is not limited to a number of products.¹⁰⁵

¹⁰¹ Frein/Reichert: Fortschritt durch Stillstand, 2008, p.25.

¹⁰² WTO: Revised draft modalities for agriculture, 6 December 2008, Paragraph 129.

¹⁰³ South Centre: Analysis and news of the WTO's mini-ministerial, No.1, 2008, p.1.

¹⁰⁴ Ibid.

¹⁰⁵ South Centre: Analysis and news of the WTO's mini-ministerial, No.1, 2008, p.2.

The debate regarding the triggers of the SSM still continues. In July 2008 Lamy proposed that SSM remedies would be allowed to surpass the pre-Doha tariff levels by up to 15% when import volumes rose by 40% over a three year average¹⁰⁶; the number of tariff lines would be limited to 2.5%. Contrariwise, the G33 proposal allows SSM remedies to surpass pre-Doha tariff levels by up to 30% when import volumes rose by 10%; the number of tariff lines would be limited to 7%.¹⁰⁷ The December 2008 draft modalities for agriculture proposed a more differentiated volume trigger: one tier with a volume increase of 110-115% where the maximum applied duty “imposed on applied tariffs shall not exceed 25 per cent of the current bound tariff or 25 percentage points, whichever is higher”; a second tier with a volume increase of 115-135% where the maximum applied duty “Imposed on applied tariffs shall not exceed 40 per cent of the current bound tariff or 40 percentage points, whichever is higher”; and a third tier with a volume increase that exceeds 135% where the maximum applied duty “imposed on applied tariffs shall not exceed 50 per cent of the current bound tariff or 50 percentage points, whichever is higher”.¹⁰⁸ So far, no solution has been agreed.

As far as domestic support is concerned, the July Package proposed that developed countries should reduce their aggregate level of domestic support by 20%¹⁰⁹ following the principle, “Members having higher levels of trade-distorting domestic support will make greater overall reductions in order to achieve a harmonizing result.”¹¹⁰

The discussions in 2007 provided a basis for the revised draft modalities text for 2008. This concept proposes a reduction of overall trade-distorting support (which includes amber and blue box support as well as the de minimis) by 75 or 85% (EU), 66 or 73% (US, Japan) and 50 or 60% of other countries including an immediate cut of 33% for EU, US and Japan and 25% for the other countries. Remaining cuts would take place over five years (developed) and

¹⁰⁶ Hanson, V.: WTO roundup, 2008, in: TNI, Vol.7, No.7, September 2008, p.11.

¹⁰⁷ Ibid.

¹⁰⁸ WTO: Revised draft modalities for agriculture, 6 December 2008, Paragraph 133.

¹⁰⁹ Alpha et al.: WTO and EPA negotiations, 2005, p.37.

¹¹⁰ WTO: Doha Work Programme. Decision adopted by the General Council on 1 August 2004 ("July Package"), 02 August 2004, Annex A, Paragraph 7.

eight years (developing countries). Amber box support should be reduced by 70% (AMS) for EU, US/Japan 60% and the other countries by 40%. With regard to de minimis developed countries should cut to 2.5% or 5% of the value of production and developing countries two thirds of this. Blue box support is going to be limited to 2.5% (developed countries) or 5% (developing countries) of the value of production including caps per product. Green box provisions are going to be revised later.¹¹¹

The debate about the green box support will be reconsidered in chapter 3 on the CAP. The discussions at the WTO level demonstrate a conflict between developed and developing countries. The EU favours to preserve the less trade distorting blue box support and a complete exemption of the green box support from any reductions. However, at the same time there is increasing evidence that the green box support “affects farmers’ production decisions, and therefore potentially affect[s] world trade”.¹¹² Even the OECD states that “all agriculture-specific support measures investigated have some effect on production.”¹¹³ Therefore, some (developing) countries require a cut in green box support while others, in particular the EU, prefer to maintain these payments.¹¹⁴

Export refunds will expire 2013 and complementarily there will be an expiry of “parallel moves on the regulation of the activities of state-trading companies, disciplines on export credits, export-credit guarantees and insurance programmes as well as international food aid.”¹¹⁵ Until 2013 the EU still has the possibility to use export refunds and currently makes use of it e.g., the re-introduction of pig meat export refunds in May 2008¹¹⁶ or for milk products in January 2009.¹¹⁷

Until the end of 2008 no new meeting took place – there still has been no agreement on the modalities on NAMA and agriculture/SSM – and at the end of

¹¹¹ Agritrade: WTO agreement on agriculture, 2008.

¹¹² Ibid.

¹¹³ Ibid.

¹¹⁴ Ibid.

¹¹⁵ Ibid.

¹¹⁶ Ulmer, K.: Making a pig's ear of African agriculture, in: European Voice, 19 May 2008.

¹¹⁷ European Commission: Press release: Dairy market: Commission proposes additional measures to help dairy sector, 15 January 2009.

2008 no new meeting for 2009 has been scheduled.¹¹⁸ The chair of WTO agricultural negotiations, Ambassador Falconer, planned to call “carousel meetings” to discuss the December 2008 draft text. Unfortunately, the new US Trade Representative may not be ready to negotiate until April and Indian elections in May could delay the negotiations further.¹¹⁹

Agriculture has always played an important role in international trade. Since the Second World War the protection of developed countries’ agriculture has been a central issue in international trade. With the emergence of developing countries as independent actors and the liberalisation attempts since the 1980s the liberalisation of the agricultural sector became more and more important. In the mid-1990s the AoA has been the first agreement at international trade level that aimed at the liberalisation of agricultural trade and the restriction of domestic production. Agriculture still plays a central role for the negotiating partners in the Doha Round negotiations since 2001 and is, among other factors, one of the most contentious issues in the negotiations between developed and developing countries.

The offensive interests of the EU in WTO negotiations call for the reduction of tariffs with regard to non-agricultural market access (NAMA), to pursue export interests and enter new markets for export products. Moreover, the EU seeks to liberalise the so-called Singapore issues to increase trade in services and receive a better access to new markets. With regard to agriculture the EU has primarily defensive interests. The position of the EU towards the negotiations on agriculture is determined by the Common Agricultural Policy which is characterised by the shift from amber to blue and green box payments. Therefore, the EU seeks to “get the basics of the European agricultural policy agreed upon in the multilateral trading system”¹²⁰ and first and foremost tries to protect the blue and green box support. As far as agriculture is concerned the EU also has offensive interests and seeks to maintain liberalisation of

¹¹⁸ Lamy, P.: Speaking notes for the WTO Director-General Pascal Lamy. Informal meeting of heads of delegations, 12 December 2008.

¹¹⁹ TNI: WTO roundup, in: TNI, Vol.8, No.2, 2009, p.12.

¹²⁰ Agritrade: WTO agreement on agriculture, 2008.

agricultural markets as far as possible: it concedes agricultural safeguards to developing countries but only limited in scope.

In the Doha Round negotiations developing countries aim at the reduction of developed countries' agricultural support measures. ACP countries in particular try to secure their preferential market access to developed countries' markets. Furthermore, these countries have defensive interests i.e., the maintenance of protection for their own agricultural markets as well as the protection of non-agricultural market access. Moreover, most of those ACP countries oppose the negotiation on Singapore issues.

Both negotiating parties try to improve their access to markets of the other party and to maintain protection of their own domestic markets – in the case of the EU the agricultural support system while developing countries seek to protect agricultural and non-agricultural markets.

In comparison, predictions are mixed regarding the outcome of negotiations that are not yet finalised. With regard to NAMA ongoing negotiations developing countries oppose the EU request for a stronger reduction of higher tariffs arguing that this violates the principle of “less than full reciprocity”. As far as domestic support of agriculture in the EU and the attempt to liberalise agricultural tariffs is concerned, ACP countries agree with the four band approach but differ about concrete volumes of tariff reduction. Green box support is exempted from liberalisation commitments. Negotiations on this issue have been postponed but the EU offered the abolition of export refunds to begin in 2013 – not immediately – thereby, making the offer less valuable. With reference to export refunds ACP countries seek a more rapid phase-out of these subsidies. Agritrade recommends to pay attention to the so-called “‘non-annex I’ products, that is value added food products that use CAP-covered agricultural raw materials on which export refunds are paid on the basis of raw material”,¹²¹ because they observe an increase in EU value-added exports to the ACP countries of 33% since 2000.¹²² While it is important for ACP countries, and developing countries in general, to include the reduction of domestic

¹²¹ Ibid.

¹²² Ibid.

support into the WTO disciplines they have to maintain at least the option to use domestic support tools to ensure food security and poverty reduction.¹²³

Developing countries and particularly ACP countries were able to introduce a more or less flexible handling of special and sensitive products though details are still under negotiation. Developing countries have been successful in introducing a safeguard for agricultural products (SSM) though the scope of this safeguard is still controversial. In general ACP countries welcomed the 2008 revised draft modalities and in particular the special treatment of small and vulnerable countries but call for more support to address supply-side constraints and issues of diversification.¹²⁴

As far as the Singapore issues are concerned developing countries have been successful in refusing most issues though they acknowledged the negotiation of the liberalisation of services; but this issue is, at least for some developing countries, quite interesting.

In the Uruguay Round negotiations the developed countries pursued a “mercantilist approach [...] which protected their interests before anything else”¹²⁵ while the developing countries “did not realise early enough the importance of the negotiations in the Uruguay Round for their development.”¹²⁶ Moreover, not only a lack of awareness but also the fact that developing countries are a heterogeneous group with different interests (e.g., import-sensitive developing countries that seek for protection of their markets and competitive farm exporters) is another reason for their weak position in the trade negotiations.¹²⁷

Therefore, creating coalitions is essential in the WTO negotiations. EU and US “still [have] a tendency to highlight their divergences”¹²⁸ but for the most part they have common positions, especially with regard to the “improved access to expanding markets.”¹²⁹ Developing countries have built several coalitions in the

¹²³ Ibid.

¹²⁴ Ibid.

¹²⁵ Bilal, S.: Implications of the Doha Development Agenda on the EPA negotiations, prepared for the COMESA EPA seminar, 31 October-1 November 2002, p.9.

¹²⁶ Ibid.

¹²⁷ Hanson, V.: WTO roundup, 2008, in: TNI, Vol.7, No.7, September 2008, p.11.

¹²⁸ Alpha et al.: WTO and EPA negotiations, 2005, p.25.

¹²⁹ Ibid.

course of WTO negotiations. One example is the Cairns Group.¹³⁰ Since the Uruguay Round this coalition followed the aim of liberalisation of agriculture while emphasising their lack of capacity to compete with larger countries. However, the Cairns Group has become less important since Cancun because many developing countries are now engaged in G-20 and G-33. The G-20 comprises the most developed developing countries¹³¹ aiming at the abolition of export subsidies; thus, G-20 has become increasingly important. The G-90 is a large group containing all LDCs. In this group the ACP countries and the African Union countries desire to protect their agriculture. As it is a large group with heterogeneous countries it is often hard to find a common position. The G-10,¹³² formed in July 2004, consists of countries that are net importers of agricultural products and are in favour of a strong protection of agriculture. Also in July 2004 the G-30¹³³ was created with the aim to defend the concept of special products necessary for food security and rural development.¹³⁴

During the negotiations of the Doha Development Agenda a change seemed to approach in the negotiating position of the developing countries. Normally, EU and US bring in a proposal and accept smaller modifications from other countries. While this scenario took place at the beginning of the Doha Round the developing countries were able to strengthen their position in the course of negotiations and eventually played a more active role in the emerging coalitions. One example is the proposal of developing countries to introduce a safeguard mechanism to protect domestic agricultural production in the development box in 2000. EU and the US acknowledged this mechanism in the July Package though details of the SSM are still contentious.

Since 1960/70s more and more developing countries joined the WTO but they are more or less underrepresented in the negotiating structure. Technically formal WTO members should have the same rights in formal negotiating

¹³⁰ South Africa, Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Fiji, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, Thailand, and Uruguay.

¹³¹ Argentina, Bolivia, Brazil, Chile, China, Cuba, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Philippines, South Africa, Tanzania, Thailand, Venezuela, and Zimbabwe.

¹³² Switzerland, Bulgaria, Taiwan, Iceland, South Korea, Japan, Israel, Liechtenstein, Mauritius, and Norway.

¹³³ Among others Indonesia, Cuba, Kenya, Nigeria, Turkey, Pakistan, and Philippines.

¹³⁴ Alpha et al.: WTO and EPA negotiations, 2005, p.25.

groups; however, the reality is different in practise. For example, negotiations often take place in so-called green room meetings instead of formal negotiating groups. The quad group – EU, US, Japan, and Canada – invite others to this green room and sets the agenda. It is in these green room meetings that decisions are made. Therefore, developing countries only have limited opportunity to be proactive. Moreover, everyday business is difficult for developing countries due to their limited capacity in human capital, travelling costs and so on. For instance, it is impossible to join parallel meetings with only one representative. Furthermore, the consensus principle is crucial as it means the consensus of the attendees, which is difficult for developing countries. Private companies have better access to meetings and information than civil society organisations and even national parliaments which is a signal of a lack of transparency.¹³⁵

During the Doha conference there have been no green room meetings but ad hoc working groups and a “Committee of the Whole”. However, it has still been difficult for developing countries to participate in all meetings and to deal with translation problems; therefore, in the end of this round WTO members recurred to green room meetings again. While in the Cancun Ministerial NGOs were in attendance they did not have the opportunity to join the negotiations. Further meetings at informal levels exacerbate the participation of NGOs e.g., the July meeting in Geneva 2004.¹³⁶ The informal meeting in Geneva in July 2008 tried to improve the information flow to countries that did not participate in green room meetings. Regional and issue-oriented groups have sent representatives to the meetings. But after three days the new style of meetings was abandoned and negotiations continued in smaller, issue-oriented groups. South Centre refers to the fact that the most important group – EU, US, Japan, Brazil, India, Australia, and China – has not been issue-oriented but included the most powerful negotiators.¹³⁷

Even though developing countries have become more successful in these negotiations by creating coalitions, there has not been any reform of the

¹³⁵ Frein/Reichert: Fortschritt durch Stillstand, 2008, p.45 et seq.

¹³⁶ Ibid.

¹³⁷ South Centre: Analysis and news of the WTO’s mini-ministerial, No.1, 2008, p.2.

negotiating structures in the WTO regardless of the attempts to change these structures. The Doha Declaration aims at the improved inclusion of developing countries and promised to focus on their development needs; the introduction of the ad hoc meetings have been a positive signal in that direction as well as the new structure at the Geneva meeting in 2008. However, efforts have been rather tentative and neither a formal reform of the WTO negotiating structure has been envisaged nor informal changes have improved the negotiating position of developing countries. Moreover, the inclusion of civil society is still insufficient. Therefore, the structure of WTO negotiations made it difficult for developing countries to improve their position.

2.2 WTO as Framework for (EPA) Trade Negotiations

In general an increasing importance of Regional Trade Agreements (RTAs) can be observed. Multilateral and regional trade incentives have coexisted since the 1950s; however, since the 1980s there has been a sharp increase in the numbers of RTAs.¹³⁸ At present, the increasing importance for developing countries in particular might be related to the lack of progress in the Doha negotiations and might be used to “complement and often propel domestic economic reforms.”¹³⁹

Schott shows that RTAs can both undercut and complement the multilateral system. They can complement multilateralism because they advance trade liberalisation, establish useful precedents for WTO talks, lock in domestic reforms, and bolster alliances between trading partners. On the other hand, they can undercut the multilateral trading system because they might lead to trade and investment diversion, they create overlapping and conflicting trade rules, they cause attention and resource diversion from WTO talks, and are bad precedents for other trade accords.¹⁴⁰ While RTAs “achieve deeper cuts in trade

¹³⁸ About 300 RTAs are notified under the GATT, but in October 2007 only 194 have been enforced (the others are inactive or redundant and there is a “substantial double-counting of RTAs because separate notifications are required under the GATS for pacts that cover both goods and services.”); the scope of these RTAs varies; Schott: The future of the multilateral trading system, 2008, p.6 et seq.

¹³⁹ Schott: The future of the multilateral trading system, 2008, p.6.

¹⁴⁰ Ibid., p.8 et seqq.

protection than WTO reforms” they do this “on a discriminatory basis.” so that preferences for some countries result in discrimination against others.¹⁴¹ But Schott argues that the risk of trade diversion is less evident in practise and often the growth impetus results in “net trade creation over time.”¹⁴²

Although the most important principle in the WTO is the MFN treatment there are a few exceptions. These include import remedies (e.g., antidumping duties, import and balance of payment safeguards), regulatory exceptions (general in Article XX, national security controls Article XXI), RTAs and plurilateral exceptions as well as developing countries preferences (part IV/GATT, S&DT).¹⁴³ The most important one is defined in Article XXIV/GATT (and Article V/GATS). The article allows the creation of a free trade area between trading partners with the elimination of trade barriers, defined as “substantially all the trade” (Paragraph 8) within a “reasonable length of time“ (Paragraph 5).¹⁴⁴ No special conditions for developing countries are foreseen.

The so-called Enabling Clause, officially “Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries”, allows developed countries to provide differential and more favourable treatment to developing countries and is a basis for regional agreements between developing countries. One precondition is that tariff preferences granted to a group of developing countries must not discriminate among developing countries (except LDCs).

The discussion about the role of developing countries in trade agreements began in the 1960s.¹⁴⁵ EU ACP relations were the first example of an outstanding role of developing countries in regional trade relations. The association agreement between the European Commission and former colonies (Overseas Countries and Territories, OCT, 1958) allowed the imposition of customs duties (if they encourage development, industrialisation, and creation of revenue), which has been seen as violation of GATT Article XXIV. The

¹⁴¹ Ibid., p.8.

¹⁴² Ibid., p.9.

¹⁴³ Ibid., p.13.

¹⁴⁴ General Agreement on Tariffs and Trade (GATT), 1947, Article 24.

¹⁴⁵ Borrmann et al.: The WTO compatibility of the Economic Partnership Agreements, 2005, p.30.

Yaoundé and Lomé Conventions induced similar discussions about the inclusion of North-South agreements in Article XXIV. Some countries argued that GATT Article XXIV does not apply in such cases but GATT part IV (1966) “in which developing countries are generally exempted from the reciprocity obligation (GATT Article XXXVI:8¹⁴⁶).”¹⁴⁷ The European Community answered that reciprocity is addressed under GATT Article XXIV “so that Article XXIV in combination with Article XXXVI:8 accordingly permits nonreciprocal North-South arrangements.”¹⁴⁸

The compatibility between regional and multilateral trade rules is still characterised by an uncertainty of rules. Borrmann et al. argue that one reason might be a lack of political interest because many countries are not interested in a critical review of their trade agreements.¹⁴⁹ This difficulty is also an issue in the current Doha Development Round. The problem is that WTO rules must take “into account the particular adjustment problems of developing countries facing forced market opening in this framework.”¹⁵⁰

The July package offering longer implementation periods for developing countries and exempting LDCs from reciprocity could have made a contribution to the negotiations on WTO rules. One solution could be that the “coverage of GATT Article XXIV and GATS Article V could be extended to trade arrangements between developing countries, freeing South-South agreements from the Enabling Clause.”¹⁵¹

The ACP countries made a proposal to include in the compatibility criteria of GATT Article XXIV “a ‘formal and explicit’ claim for developing countries to Special and Differential Treatment in North-South arrangements.”¹⁵² With regard to breadth and depth developing countries should be allowed to have lower limits and use protective measures and a more expanded transition

¹⁴⁶ “The developed contracting parties do not expect reciprocity for commitments made by them in trade negotiations to reduce or remove tariffs and other barriers to the trade of less-developed contracting parties.”, General Agreement on Tariffs and Trade (GATT), 1947, Article 31:8.

¹⁴⁷ Borrmann et al.: The WTO compatibility of the Economic Partnership Agreements, 2005, p.30.

¹⁴⁸ Ibid.

¹⁴⁹ Ibid., p.31.

¹⁵⁰ Ibid., p.33.

¹⁵¹ Ibid., p.34.

¹⁵² Ibid.

period – longer than the ten years the EU normally specifies. Moreover, “substantially all the trade” is not qualified in the GATT but the EU interpretation is that 90% of trade has to be liberalised.

The EU recognises that adjustment problems of developing countries should be taken into account, in particular, the duration of the transition period, the level of final trade coverage, and the principle of asymmetry in the removal of tariffs.¹⁵³

The flexibility of the GATS provision that, in contrast to the GATT provisions, is required with regard to breadth, depth and speed of liberalisation could be transferred to GATT but there is “little likelihood that any substantial reform of the regional exception will emerge from the Doha Round.”¹⁵⁴ Moreover, there is no characterisation of flexibility entailed; therefore, Borrmann et al. judge that “its practical scope is less than obvious.”¹⁵⁵

With regard to trade relations one of the most important motives to alter these relations between EU and ACP countries has been the lack of WTO compatibility of the Lomé Agreement. First of all, granting preferences to a certain group of developing countries – the historically grown ACP group – and not granting these preferences to other developing countries with similar development level is not compatible with WTO rules under the Enabling Clause. Moreover, the trade relations of the Lomé agreement provide unilateral preferences for the ACP countries and are not compatible with the rules on RTAs in GATT Article XXIV. Therefore, the EU pushed for the introduction of reciprocal rather than unilateral trade relations with the ACP countries. But reciprocal trade between a strong trading partner like the EU and some of the poorest developing countries in the world endangers the economic development of these countries and the livelihoods of millions of people. Therefore, the new trade relations should “structure a liberalisation process in the ACP states which is in line with the capability and development policy priorities of the countries and at the same time meets WTO requirements.”¹⁵⁶

¹⁵³ Ibid., p.35.

¹⁵⁴ Ibid.

¹⁵⁵ Bilal: Implications of the Doha Development Agenda on the EPA negotiations, 2002, p.6.

¹⁵⁶ Borrmann et al.: The WTO compatibility of the Economic Partnership Agreements, 2005, p.12.

The EU introduced reciprocity – which seems to be a “new paradigm” in its “new regionalism”¹⁵⁷ – in its trade relations with developing countries since the 1990s. Several elements of asymmetry are established in these trade agreements to accommodate the smaller adjustment capacity of the developing countries. The principle of Special and Differential Treatment (SDT) allows the unilateral preferential treatment (e.g., in the Generalised System of Preferences, GSP) and privileges South-South agreements under the Enabling Clause. Part IV/GATT entails general exceptions for developing countries but is not available for North-South agreements.¹⁵⁸ Another element of asymmetry, the definition of “substantially all the trade” under a “reasonable length of time”, remains ambiguous and became a contentious issue in EPA negotiations.

The institutional framework for the new trade relations, the Cotonou Partnership Agreement, must be seen in the WTO context as it is “conditioned by WTO rules and determine[s] the trade policy strategies of ACP countries”¹⁵⁹.

Article 34:1 of the CPA defines the objective of the renewed trade relations:

“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.”¹⁶⁰

Article 34:2 aims at “their transition to the liberalised global economy” while Article 34:4 recognises that

“Economic and trade cooperation shall be implemented in full conformity with the provisions of the WTO, including special and differential treatment, taking account of the Parties’ mutual interests and their respective levels of development.”¹⁶¹

The need for SDT is acknowledged in Article 35:3 where the “different needs and levels of development of the ACP countries and regions” should be taken

¹⁵⁷ Ibid.

¹⁵⁸ Ibid.

¹⁵⁹ Bilal: Implications of the Doha Development Agenda on the EPA negotiations, 2002, p.3.

¹⁶⁰ European Community/ACP Group of States: 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, 23 June 2000, Article 34:1. The relevant articles can be found in the Annex (Chapter 8).

¹⁶¹ Ibid., Article 34:4.

into account and where “special and differential treatment for all ACP countries and [...] special treatment for ACP LDCs and [...] of small, landlocked and island countries” is central.¹⁶²

The EPAs should aim at “establishing the timetable for the progressive removal of barriers to trade between the Parties, in accordance with the relevant WTO rules.”¹⁶³ Moreover, the level of development of the ACP countries should play an essential role and be reflected in appropriate flexibility:

“Negotiations shall take account of the level of development and the socio-economic impact of trade measures on ACP countries, and their capacity to adapt and adjust their economies to the liberalisation process. Negotiations will therefore be as flexible as possible in establishing the duration of a sufficient transitional period, the final product coverage, taking into account sensitive sectors, and the degree of asymmetry in terms of timetable for tariff dismantlement, while remaining in conformity with WTO rules then prevailing.”¹⁶⁴

Since the outcome of the current WTO negotiations round is unclear WTO-compatibility is “an objective which is ill-defined at the moment.”¹⁶⁵ Moreover, ACP and EU positions differ on how to bring the EPAs in line with WTO rules.¹⁶⁶ The ACP countries complain about a “deficiency in the legal structure of WTO rules applying to RTAs” and call for “S&D treatment for developing countries be formally and explicitly made available to developing countries.”¹⁶⁷ Unfortunately,

“This could, however, mean that the compatibility of the EPAs with the WTO rules called for in the Cotonou Agreement would ultimately become impossible to achieve, as it could probably not be unambiguously established on the basis of the existing rules.”¹⁶⁸

Borrmann et al. remark that even if no reform of WTO rules has occurred there is still the necessity to defend EPAs to the WTO¹⁶⁹ (CPA, Article 37:8):

¹⁶² Ibid., Article 35:3.

¹⁶³ Ibid., Article 37:7.

¹⁶⁴ Ibid., Article 37:7.

¹⁶⁵ Bilal: Implications of the Doha Development Agenda on the EPA negotiations, 2002, p.4.

¹⁶⁶ Borrmann et al.: The WTO compatibility of the Economic Partnership Agreements, 2005, p.43.

¹⁶⁷ ACP Group of States: Submission on regional trade agreements, 2004, Paragraph 10.

¹⁶⁸ Borrmann et al.: The WTO compatibility of the Economic Partnership Agreements, 2005, p.45.

¹⁶⁹ Ibid.

“The Parties shall closely cooperate and collaborate in the WTO with a view to defending the arrangements reached, in particular with regard to the degree of flexibility available.”¹⁷⁰

Bilal refers to the parallel negotiating schedules and their meaning for the developing strategy of ACP countries: “it is likely that the ACP countries will have to take decisions within the framework of EPA negotiations before the WTO negotiations are concluded.”¹⁷¹ Therefore, it will be necessary to develop “a coherent strategy and positions which encompass negotiations both within the framework of WTO and of EPAs.”¹⁷² Moreover, WTO and EPA negotiations have the same negotiating areas: agriculture, services, NAMA, Singapore issues, SDT and others.¹⁷³ Interplay between both trade negotiations can proceed at different levels. With regard to the market opening it has to be considered that the more the EU opens its market to developing countries within the DDA the smaller the preferences for ACP countries will be. On the contrary, the more the ACP open their markets during the DDA “the less the reciprocal opening of their markets to EU products [...] will entail adjustment costs for their economies.”¹⁷⁴

As far as the definition of sensitive products is concerned

“The WTO negotiations on domestic supports and exports supports can nevertheless affect indirectly the EPA negotiations on the identification by the ACP countries of the products that they want to be excluded from the EPAs; the strongly subsidised character of certain products can be used as a criterion for selecting such products.”¹⁷⁵

The expiry of export refunds guaranteed at WTO level could influence the negotiating position of the EU in EPA negotiations. With regard to the debate about market opening of the ACP countries and their fear of import surges of EU agricultural products that are more competitive, the expiry of export refunds might be an argument of the EU to prove that EU agricultural exports are less

¹⁷⁰ European Community/ACP Group of States: 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, 23 June 2000, Article 37:8.

¹⁷¹ Bilal: Implications of the Doha Development Agenda on the EPA negotiations, 2002, p.15.

¹⁷² Ibid.

¹⁷³ Ibid., p.10.

¹⁷⁴ Ibid.

¹⁷⁵ Alpha et al.: WTO and EPA negotiations, 2005, p.37.

threatening. This could lead to the request of a more extensive definition of the scope of trade liberalisation and more rapid schedules.

The attempt to negotiate the Singapore issues at WTO level and the fact that developing countries acknowledged negotiations on the liberalisation of services can have twofold implications for EPA negotiations. First, the fact that developing countries agreed to negotiate the liberalisation of trade in services could increase the pressure to include services in EPA negotiations as well. Moreover, the EU could try to introduce the other Singapore issues into the EPA negotiations in order to negotiate them at bilateral level where ACP countries might have a weaker negotiating position.

Interdependencies between WTO level and EPA negotiations are related to the fact that both trade negotiations deal with the same negotiating areas and overlapping is in all probability. Moreover, the trend of international trade liberalisation that is expressed by WTO negotiations on the liberalisation of agricultural and non-agricultural goods and services has been the incentive for the European Union to push for a change of ACP-EU trade relations. The result has been the introduction of reciprocity in a free trade area with the ACP countries to comply with WTO obligations. As already shown the Cotonou Partnership Agreement refers to the WTO framework emphatically.

The uncertainty of rules and outstanding reforms of WTO provisions with regard to the treatment of developing countries in North-South trade might have implications for EPA negotiations as well. EPAs might create realities at bilateral level and thereby influence negotiations at WTO level.

3 Agriculture in the European Union

The Common Agricultural Policy (CAP) has been an important common policy since the 1960s. Over time there have been three phases of CAP reforms. First, the shift from price support to direct aid paid for farmers. Then came the partial shift from direct production-related aid to farmers to area payments and subsequently to historical payment obligations, progressively 'decoupled' from production. And most recently there has been envisaged the complete shift to non-production-related farm assistance, the so-called full decoupling. A consequence of this shift towards decoupled payments as a compensation for reduced intervention prices is a boost of consumption, a reduction of the gap between world market and European prices, and a reduction of surpluses.¹⁷⁶

This chapter will focus first on the importance of agriculture for European countries and the Community (3.1). Second, this chapter deals with the interplay between CAP reform since the 1980s and the WTO negotiations on agriculture (3.2). The CAP impact on ACP countries will be analysed in the last part of this chapter (3.3).

3.1 European Agriculture – Data and Principles

This chapter entails a data analysis of European agriculture as well as the principles and instruments of the CAP.

3.1.1 Character of European Agriculture

In contrast to the ACP countries agriculture plays a less important role for the European economy with regard to the share in GDP and employment. In the late 1950s (EU-6) agriculture accounted for 20% and in 2000 only for 2% of GDP (EU-15). Similarly, in the 1950s agriculture was one third of overall employment while in 2000 it is only 5% (EU-15).¹⁷⁷ Compared to the mid-1980s the production still rises gradually but growth today is much slower than those of

¹⁷⁶ Agritrade: CAP reform: Executive brief, 2008.

¹⁷⁷ Bureau, J.-C./Matthews, A.: EU agricultural policy: What developing countries need to know, 2005, p.3.

other sectors.¹⁷⁸ In the eastern countries that entered the EU 23% of total employees work in agriculture and the share of GDP is 7%.¹⁷⁹

Another shift in agriculture becomes apparent with regard to farm size and the number of farms. From 1985-1995 the number of farms fell over 2 Million (23%) in EU-12. 1995-2005 the number of farms declined an additional 1.5 million (20%) in EU-15. Between 1980 and 2005 the averaged size of the farms changed significantly – from 1980 15.7 hectares to 21.4 hectares in 2005 (increase of 35%).¹⁸⁰

The structure of farming is still different in the EU member states, in particular, after the enlargement process of the EU. In the UK large farms dominate and only 1% of the population is employed in the farm sector, while Greece and Portugal have 10% and 16% respectively of the population employed in agriculture. Yields are higher in UK, France, and Italy but rather low in countries with smaller farms e.g., Poland, Hungary, and Slovenia.¹⁸¹ But there is also differentiation within the countries with regard to the farm size. Most farm land is concentrated in the most productive regions; in Southern Europe part-time farming is common.¹⁸²

With regard to the farm income the net value added per farm in the EU increased in nominal terms; whereas, those farms specialising in horticulture and the production of pigs and poultry realised the highest incomes. While the change in farm incomes over time is difficult to compare due to the enlargement of the EU, with the continuous addition of member countries, the “increasing farm size has been a major determinant of the average increase in farm incomes.”¹⁸³ According to a projection EU farm income between 2005 and 2013 will increase by 23% (for the EU-15 by 9% and the new members by 37%).¹⁸⁴

¹⁷⁸ Roberts/Gunning-Trant: The European Union’s Common Agricultural Policy, 2007, p.28.

¹⁷⁹ Von Urff: Agrarmarkt und Strukturen des ländlichen Raumes in der Europäischen Union, 2006, p.217.

¹⁸⁰ Roberts/Gunning-Trant: The European Union’s Common Agricultural Policy, 2007, p.32.

¹⁸¹ Bureau/Matthews: EU agricultural policy, 2005, p.4.

¹⁸² Ibid., p.5.

¹⁸³ Roberts/Gunning-Trant: The European Union’s Common Agricultural Policy, 2007, p.33.

Average net value added per farm for EU as a whole has been increasingly greater than for any individual farm size group: “this could only occur if the farms in the higher income brackets become a much larger proportion of the total”. Roberts/Gunning-Trant: The European Union’s Common Agricultural Policy, 2007, p.34.

¹⁸⁴ Ibid., p.35.

Another factor that contributes to the changes in the European agricultural sector is the fact that the population growth is slowing; therefore, the tax income is decreasing and less agricultural support is available. Moreover, a change in demand and the production of agricultural products, for instance, dietary needs and smaller meals due to an aging population, together with a decline in total population “might reduce urban encroachment onto agricultural land.”¹⁸⁵ The change in demand is not only observable in changes due to an aging population but food consumption patterns also change for other reasons. As a result of increased incomes and reduced support prices food consumption is rising. This causes a higher consumption of fruits and vegetables as well as meat (luxury purchases) while there is a lower consumption of cereals and potatoes, which applies for the new EU member states as well.¹⁸⁶

Worldwide the EU is the largest importer and the major net exporter of agricultural products. This stems from the European advances in technology, high production efficiency, EU prices being above the world market level as well as restrained domestic consumption.¹⁸⁷

With regard to cereals and beef the EU has been a net exporter since the 1960s. Since the peak in the early 1990s exports are declining. In the case of cereals, there is an increasing consumption due to decline in price support. Similarly, beef exports are declining due to diseases, the reduction of milk quotas resulting in a reduction of dairy cow numbers as well as declining consumption and production. As a consequence the EU imports specific quality wheat and beef.¹⁸⁸

As far as dairy products are concerned, the EU has been a net exporter since the 1970s. While exports of cheese rose gradually due to an increase in demand for butter and skim milk powder overall dairy exports have been in decline since the early 1990s. This is due to a declining demand – a consequence of a reduced intervention price and health considerations.¹⁸⁹

¹⁸⁵ Ibid., p.38.

¹⁸⁶ Ibid., p.40.

¹⁸⁷ Ibid., 2007, p.41.

¹⁸⁸ Ibid., p.43.

¹⁸⁹ Ibid., p.50. “Because of the large size of the EU market and production relative to world trade, even moderate increases in quotas could markedly increase EU exports and depress

Since the 1970s sugar production is above the consumption level. Therefore, the EU uses a combination of domestic grown and imported raw cane sugar from ACP and other countries which is refined for use within the EU. Thus, the EU has substantial availabilities for export as a result of technological advances and imports from ACP and other countries.¹⁹⁰

The effect of EU agricultural policies on world trade and prices is enormous:

“Where EU trade is small relative to the size of the domestic market but large in world trade, relatively small changes in the balance between EU production and consumption can have major consequences for EU exportable supplies and for world market supplies and prices.”¹⁹¹

Roberts and Gunning-Trant set the following example to illustrate this point. The EU market for cheese is 9 million tonnes per year and the world trade accounts for 1.3 million tonnes per year. An increase of EU production by 0.3 tonnes/year (that equates to 3.4%) without an increase in EU demand would cause an increase in world market supplies by 23%, which would have a major price depressing effect.¹⁹²

3.1.2 European Agricultural Policy – Aims, Principles, Instruments

The European agricultural policy must be seen against the background of the Second World War and the beginning of the Cold War where food imports were necessary. High internal prices should stimulate domestic food consumption. Another argument is that not only the shortages of the Second World War but also the EEC needed a common agricultural policy, only “with regard to agriculture did the scale of political governance reach proportions resembling those of a federal government.”¹⁹³ Moreover, for “a long time, the CAP has been

world market prices markedly if support is sufficient to ensure that the additional production quotas are filled.”; Roberts/Gunning-Trant: The European Union’s Common Agricultural Policy, 2007, p.50.

¹⁹⁰ Ibid., p.50.

¹⁹¹ Ibid., p.49.

¹⁹² Ibid., p.49.

¹⁹³ Rieger, E.: The Common Agricultural Policy, 2000, cited by Halderman/Nelson: EU policy-making: Reform of the CAP, 2005, p.17.

the only genuinely common policy in the European Union.”¹⁹⁴ Additionally, the so-called Common Agricultural Policy (CAP) has been an instrument to integrate the rural population into the transnational and national policy.¹⁹⁵

Bureau and Matthews state that the introduction of the CAP in the 1960s has been a result of post war reconstruction, concomitant balance of payment difficulties, the memories of wartime, and immediate post-war food shortages. They show that there have been two previous waves of protection in agriculture. The first was in the last quarter of the 19th century to deal with the competition in grains, dairy products, and meat from North America and Oceania and with it the revolution in transport and refrigeration. The second one refers to the depressed interwar period with agricultural intervention and self-sufficiency policies.¹⁹⁶

The objectives of the CAP are:

- to increase agricultural productivity through technical progress and the efficient use of production factors (labour),
- to ensure a fair standard of living for the agricultural population through increasing the earnings,
- to stabilise markets,
- to make supplies available,
- to ensure adequate prices for consumers.¹⁹⁷

The common organisation thereby follows:

- common rules on competition,
- the coordination of national market organisations, and
- a European market regime.¹⁹⁸

The measures of the CAP include the

“regulation of prices, aids for the production and marketing of the various products, storage and carryover arrangements and common machinery for stabilising imports or exports.”¹⁹⁹

¹⁹⁴ Bureau/Matthews: EU agricultural policy, 2005, p.7.

¹⁹⁵ Rieger, E.: The Common Agricultural Policy, 2000, cited by Halderman/Nelson: EU policy-making: Reform of the CAP, 2005, p.17.

¹⁹⁶ Bureau/Matthews: EU agricultural policy, 2005, p.3.

¹⁹⁷ Treaty establishing the European Community, 2006, Article 33:1.

¹⁹⁸ Treaty establishing the European Community, 2006, Article 34:1.

These measures include price-support systems; for instance, intervention prices and minimum grower prices to stimulate production and to guarantee high prices for producers.²⁰⁰ Some market regimes consist of quotas which is a price support only for a determined production volume e.g., milk.²⁰¹ Another measure is the use of tariff protection and quantitative import restrictions to protect the domestic markets and maintain internal prices. Moreover, the CAP uses market-support mechanisms like storage and withdrawals to deal with surpluses as well as export refunds to clear markets in case of surplus production.²⁰² Furthermore, preferential arrangements allowed for the management of the quantity of imports and the sources of imports e.g., ACP countries and their preferential trade agreements.²⁰³

The Common Organisation of the Market (CMO) under the CAP available for many agricultural products follows the principles of free movement of goods within the Community, trade preferences for member states and within bilateral/multilateral agreements and unilateral concessions as well as a common financial accountability.²⁰⁴ Previous to the reforms of 1992 and 1997 most CMOs were those with guaranteed prices and automatic intervention.

The consequences of the CAP have both positive and negative dimensions. The positive outcome of the CAP is the success in productivity increases, the stabilisation of markets and the increase of self-supply as envisaged in the objectives.²⁰⁵

The negative consequences include four main aspects. The first aspect concerns the environment because through the intensification and concentration of agriculture a number of unintended consequences emerged including the suspension of agricultural production that led to the pollution of groundwater, a loss of biodiversity, as well as the degradation and erosion of

¹⁹⁹ Treaty establishing the European Community, 2006, Article 34:2.

²⁰⁰ Agritrade: CAP reform, 2008.

²⁰¹ Von Urff: Agrarmarkt und Strukturen des ländlichen Raumes in der Europäischen Union, 2006, p.207.

²⁰² Agritrade: CAP reform, 2008.

²⁰³ Roberts/Gunning-Trant: The European Union's Common Agricultural Policy, 2007, p.66.

²⁰⁴ Ibid.

²⁰⁵ Reichert, T.: EU-Agrarsubventionen auf dem Prüfstand. Entwicklung von Kriterien für ihren Umbau, 2006, p.7.

land.²⁰⁶ The second negative implication is the surplus production; to guarantee high prices and keep down costs for storage surpluses were exported. Together with the US-American competition in agriculture this led to a decrease of world market prices. These low world market prices are hurtful to countries without subsidised production (e.g. Australia) and smallholder farmers from importing countries (e.g. Burkina Faso).²⁰⁷ The third aspect is the discouragement of internal consumption due to high agricultural prices.²⁰⁸ As a fourth consequence the EU has had to struggle with budgetary pressures.²⁰⁹ In the first half of the 1980s the Community began to struggle with high budgetary cost pressures due to large surpluses, high support prices, large export subsidies, and large storage costs. 70% of the total Community budget accounted for agricultural costs; today agriculture still accounts for 40% of the total budget.²¹⁰

3.2 Agricultural Reforms and Interplay with WTO Negotiations

1980s and 1992

The Community had to response to these increasing costs in the mid-1980s.

The measures taken were:

- the increase of member states contributions: from 1 percentage point of value added tax (VAT) to 1.2% of Community GDP 1992 to 1.24% of GNI today,
- new guidelines for agricultural expenditure: the growth in expenditure on agriculture must not exceed 74% of the annual growth in the Community GNI.²¹¹

Other steps taken were the introduction of guaranteed quantities arrangement for milk, only marginal or no increases of the market regulation prices for other

²⁰⁶ Ibid., p.8.

²⁰⁷ Ibid.

²⁰⁸ Roberts/Gunning-Trant: The European Union's Common Agricultural Policy, 2007, p.12.

²⁰⁹ Ibid., p.13.

²¹⁰ Ibid., p.14.

²¹¹ In 2002 the Community changed that principle due to the forthcoming enlargement; since 2007 growth in the budget expenditure on the first pillar is limited to 1%/year. If inflation exceeds 1% then there will be a reduction in real support. Roberts/Gunning-Trant: The European Union's Common Agricultural Policy, 2007, p.14.

products, and the easing of the intervention system. The Community introduced voluntary set-aside and extensification programmes as well as early retirement programmes. But all these measures did not reduce the budgetary costs in a satisfactory way.²¹²

Halderman and Nelson argue that the CAP has been a “victim of its own success”²¹³ because the successful production led to huge surpluses, which in turn led to extensive export and expensive storage.²¹⁴

At the end of the 1980s not only the increasing costs but also other reasons contributed to a change in the agricultural system of the EU. The end of the Cold War “removed imperative for food self sufficiency”²¹⁵; therefore, multilateral trade negotiations took place, and environmental problems became more and more important. Moreover, the EU had to deal with several food scandals.²¹⁶

Another reason for reforms in the agricultural policy was conflicts with external trading partners. For example the US, whose agricultural export volume declined, insisted on making agriculture central to the GATT.²¹⁷

From the CAP reforms in 1992 under Commissioner MacSharry EU policy makers expected a greater control over agricultural budgets, a better position in the Uruguay Round negotiations (reduced export refunds and no reductions in domestic support), the reduction of direct government involvement in market management, and a reduced burden for the European consumers.²¹⁸

Among the measures taken has been the lowering of intervention prices for cereals, oil seeds, and beef to lower the incentive for surplus production.²¹⁹ With regard to arable crops the intervention prices were reduced by 33% and the farmers received assistance if they set-aside land. The intervention prices for beef were reduced by 15%.²²⁰

²¹² Von Urff: Agrarmarkt und Strukturen des ländlichen Raumes in der Europäischen Union, 2006, p.209.

²¹³ Halderman/Nelson: EU policy-making: Reform of the CAP, 2005, p.17.

²¹⁴ Ibid.

²¹⁵ Agritrade: CAP reform, 2008.

²¹⁶ Reichert: EU-Agrarsubventionen auf dem Prüfstand, 2006, p.8.

²¹⁷ Halderman/Nelson: EU policy-making: Reform of the CAP, 2005, p.17.

²¹⁸ Roberts/Gunning-Trant: The European Union’s Common Agricultural Policy, 2007, p.15.

²¹⁹ Reichert: EU-Agrarsubventionen auf dem Prüfstand, 2006, p.8.

²²⁰ Von Urff: Agrarmarkt und Strukturen des ländlichen Raumes in der Europäischen Union, 2006, p.209.

The farmers received compensation for their income losses. These payments were not directly related to their current production but to areas and yields (“area payments”) or cattle numbers (“animal premiums”).²²¹ Furthermore, the reforms introduced the concept of setting-aside cultivable land to curtail the area devoted to arable crops.²²²

A positive outcome of these reforms has been the reduction of consumer transfers to farmers, which has been largely the case for grains but low for beef.²²³ The surplus production has been reduced only marginally; however, there has been a cutback in export refunds and a decline between internal and world market prices. Reichert argues that the reduction of exports of cereals has been a result of the fact that cereals were increasingly used for forage. The reforms avoided the inclusion of sugar and milk.²²⁴

1999/2000

The incentive for further reforms had its seeds in expiring financial arrangements in 1999, the beginning WTO negotiations, and the forthcoming eastern enlargement of the EU.²²⁵ They followed the strategy to bring the internal prices closer to the world market prices (successful in cereals and skim milk powder; whereas, beef, butter, and sugar continued to be above world market prices), to move away from commodity specific support payments, and to reduce the scale of intervention operations.²²⁶

Furthermore, the EU adopted measures with regard to production support – in relatively small steps. These have been the further reduction of intervention prices and a corresponding increase of compensation. The intervention prices for cereals were reduced by 15% and for beef by 20%. Other products have also been affected by this reduction; namely, dairy products, rice, cotton, olive

²²¹ The direct payments were based on historical yields in the case of cereals and in premium payments in the case of beef cows/cattle; Reichert: EU-Agrarsubventionen auf dem Prüfstand, 2006, p.8.

²²² Ibid.

²²³ Roberts/Gunning-Trant: The European Union’s Common Agricultural Policy, 2007, p.17.

²²⁴ Reichert: EU-Agrarsubventionen auf dem Prüfstand, 2006, p.9.

²²⁵ Von Urff: Agrarmarkt und Strukturen des ländlichen Raumes in der Europäischen Union, 2006, p.210.

²²⁶ Roberts/Gunning-Trant: The European Union’s Common Agricultural Policy, 2007, p.17.

oil, tobacco, hops as well as a proposal on the reform of the fruit and vegetables sector.²²⁷ For oil seeds the “compensation was only partial”.²²⁸

The common organisation of agricultural markets (CMO) – responsible for governing the domestic market, trade with third countries, and competition rules – was reformed 1992/1999. 21 separate CMO regimes for certain products offered external protection and, in case of imports, levies in the amount of the difference between the lower world market price and the higher internal price. In the case of exports, export refunds were paid (again the difference between the lower world market price and the higher internal price). Moreover, these CMOs offered guaranteed prices and interventions for most of the agricultural products.²²⁹ The 1992 and 1999 reforms changed the design of the CMOs. This can be classified into five categories:

- CMOs without direct production support: these products only receive customs protection (one quarter of agricultural products e.g., poultry, eggs);
- CMOs with guaranteed prices and automatic intervention: in case of low market prices minimum/guaranteed prices are paid to farmers by public intervention agencies which affects one fifth of the agricultural production (e.g. sugar, dairy products);
- CMOs with guaranteed prices and conditional intervention: the guaranteed price scheme is only applicable in case of crisis (decided by the EC), one fifth of European production can be classified in this category (e.g., wine, pig meat);
- CMOs with guaranteed prices and direct aids to complement production (one third of Community production and increasing since reforms 1992 and 1999 (e.g. cereals, rice);
- CMOs with direct production aids only: flat rate/proportional to quantities produced or yields (e.g., oil seeds, protein crops).²³⁰

²²⁷ Ibid., p.18 et seq.

²²⁸ Bureau/Matthews: EU agricultural policy, 2005, p.10.

²²⁹ Von Urff: Agrarmarkt und Strukturen des ländlichen Raumes in der Europäischen Union, 2006, p.207.

²³⁰ European Parliament Fact Sheets: 4.1.3. Agricultural markets policy – common organisations of the market (COMs) – general concept, 2000.

A further measure has been the direct support for rural development and environmental objectives.²³¹ This included encouraging environmental production processes, rededicating areas for environmental protection, increasing the share available for the early retirement of farmers above five years, and increasing contributions to afforestation.²³² The creation of the second pillar “rural development” has been “limited in terms of budgetary outlays” but represents a “major change in the overall orientation of the CAP.”²³³ At the very least a “dedicated financial allocation was included in the budget.”²³⁴ This pillar aims at increasing the competitiveness of the food industries and the agricultural sector as well as the development of non-agricultural activities in rural areas. Furthermore, “various environmental and rural development measures were brought together into a single Rural Development Regulation.”²³⁵

The principle of modulation has been introduced: member states were allowed to modulate up to 20% of the total amount of farmers’ direct payments. France, Germany, and Spain have chosen these voluntary measures.²³⁶ Under the principle of modulation member states are allowed to reduce direct payments if the number of employees is below a certain level, if the total earnings are above a certain level or if the total payments are above a certain level (maximum of 20% of total payments to the farm).²³⁷

The 2000 reform introduced the principle of cross compliance: the compliance with environmental guidelines became necessary to receive compensation payments. In the case of noncompliance direct payments could be cancelled.²³⁸

The structural funds created 1968, which aimed at concentrating support to promising farms and the reduction of the number of employees in agriculture, were reformed in the late 1980s and again in 2000. Furthermore, the funds

²³¹ Halderman/Nelson: policy-making: Reform of the CAP, 2005, p.19.

²³² Von Urf: Agrarmarkt und Strukturen des ländlichen Raumes in der Europäischen Union, 2006, p.209.

²³³ Bureau/Matthews: EU agricultural policy, 2005, p.10.

²³⁴ Agritrade: CAP reform, 2008.

²³⁵ Ibid.

²³⁶ Bureau/Matthews: EU agricultural policy, 2005, p.10.

²³⁷ Von Urf: Agrarmarkt und Strukturen des ländlichen Raumes in der Europäischen Union, 2006, p.211.

²³⁸ Ibid.

aimed its support toward less developed regions, supporting regions with restructuring requirements, and developing human resources.²³⁹

The spending of EU member states has still been important in the case of structural policy and general services to farmers (e.g., research). However, there were no subsidies allowed that could result in distortion of competition because “the CAP is highly centralised at the EU level.”²⁴⁰

2003

Reichert argues that the hitherto CAP reform and the new tasks as a result of the European enlargement have broadened the objectives of the European agricultural policy. He refers to the introduction of sustainability at the Gothenburg European Council 2001 and the consequences for the CAP reform: a trend towards sustainable development, environmental protection, promotion of regional development, and food safety.²⁴¹ Moreover, Reichert points to the objectives of the European Community for the EC policy. Examples of this include: Article 2 of the EC Treaty establishes the “sustainable development of economic activities” and Article 6 postulates the “Environmental protection requirements [...] of Community policies” while Article 153 maintains “consumer protection”. Similarly, Article 174 appoints the objectives of “preserving, protecting and improving the quality of the environment” and Article 178 specifies that “the Community shall take account of the objectives referred to in Article 177 in the policies that it implements which are likely to affect developing countries.”²⁴²

The most important innovation has been the introduction of the Single Payment Scheme. These decoupled payments are granted independent from production – instead of the area payments and animal premiums introduced 1992 – and stand for a shift from price support to direct aid. The aim of decoupling has been

²³⁹ Ibid., p.214 et seq.

²⁴⁰ Bureau/Matthews: EU agricultural policy, 2005, p.8.

²⁴¹ European Commission: Communication from the Commission: A sustainable Europe for a better world: A European Union strategy for sustainable development, 2001. (Commission's proposal to the Gothenburg European Council)

²⁴² Treaty establishing the European Community, 2006, Article 178.

“to make EU farmers more competitive and market-oriented, while providing income stability.”²⁴³

The payment is made once a year²⁴⁴ and entered into force in 2005.²⁴⁵ Under the Single Payment Scheme farmers are allowed to produce all crops except permanent crops, fruits and vegetables as well as potatoes (these products have no direct production support/price guarantee and fall under tariff protection²⁴⁶). The payment can be made within two models. The Single Payment Scheme can be calculated on the basis of direct payments granted to individual farmers during a past reference period (historic model) or can be paid uniformly over a region or state (regional model).

In the historic model payment entitlements are based on an individual historic reference amounts per farmer. The payment of premiums corresponds with the average individual farm payments for area payments and animal premiums during the reference period 2000-02 plus compensation payments for milk during 2004-06.²⁴⁷ Reichert argues that due to the orientation towards payments in the past the extent of decoupled payments complies with the amount of payments paid before.²⁴⁸ The regional model entails flat rate payment entitlements based on the amounts received by farmers in a region within the reference period.²⁴⁹

There is also the opportunity to apply a mixed system – either a mixture between model 1 and 2 or in a temporal manner the historic payments in a first step and then payments within the regional model.²⁵⁰

Bureau and Matthews indicate that decoupling has only been partially implemented and a part of these payments has still been coupled. Moreover, a “degree of decoupling varies across countries” so this is “a certain degree of re-

²⁴³ Halderman/Nelson: EU policy-making: Reform of the CAP, 2005, p.19.

²⁴⁴ Agritrade: CAP reform, 2008.

²⁴⁵ Bureau/Matthews: EU agricultural policy, 2005, p.10.

²⁴⁶ Von Urrf: Agrarmarkt und Strukturen des ländlichen Raumes in der Europäischen Union, 2006, p.207.

²⁴⁷ Reichert: EU-Agrarsubventionen auf dem Prüfstand, 2006, p.12.

²⁴⁸ Ibid.

²⁴⁹ Ibid.

²⁵⁰ Static hybrid: Denmark, Luxemburg, Sweden, UK-Northern Ireland; dynamic hybrid: Germany, UK-England, Finland; European Commission: Health Check of the CAP (guide), 2007, p.5.

nationalization.”²⁵¹ With regards to the crop sector arable crops payments were still coupled up to 25%, durum wheat quality supplement up to 40%, and hops up to 25%. The olive oil sector was still coupled up to 40% and in the animal sector suckler cow premium (up to 100%), special beef premium (up to 75%), slaughter premium (up to 40% for adults, 100% for calves), and sheep/goats (up to 50%) were still coupled.²⁵² Reichert criticises that decoupled payments fix disadvantages for small and peasant farms and that the regional payments benefit the extensive cultivating farms. Moreover, the payments do not provide an incentive to create employment.²⁵³

While the CMO was still in force the intervention prices were reduced significantly beginning in 2004. One element of the 2003 reform was to create one single CMO instead of 21 separate regimes. The aim has been the slim down of regulation efforts, increase transparency, and better accessibility.²⁵⁴ In 2007 the EU introduced the single CMO, which would replace the previous system and go into effect during the year 2008.²⁵⁵

With regard to modulation there has been a transfer from the first to the second pillar. Direct payments that excess per farm payments should be gradually curtailed (2005 by 3%, 2006 by 4%, 2007 by 5%). 80% of this savings for member states were available for measures within the second pillar while the remaining 20% are be redistributed within the EU depending on area, employment, and per capita GDP.²⁵⁶

The second pillar was strengthened in the 2003 reforms through the improved modulation and the consolidation of funding under a single instrument the European Agricultural Fund for Rural Development (EAFRD), which replaced all previous regulations. Agritrade points to the fact that for the period 2007-2013 37% of total rural development funding has been targeted to improve the competitiveness rather than the other areas of the second pillar.²⁵⁷ Other aims

²⁵¹ Bureau/Matthews: EU agricultural policy, 2005, p.12.

²⁵² European Commission: Health Check of the CAP (guide), 2007, p.9.

²⁵³ Reichert: EU-Agrarsubventionen auf dem Prüfstand, 2006, p.25, 37.

²⁵⁴ Agritrade: CAP reform, 2008.

²⁵⁵ European Commission: Simplifying the CAP. A single Common Market Organisation, 2009.

²⁵⁶ Von Urff: Agrarmarkt und Strukturen des ländlichen Raumes in der Europäischen Union, 2006, p.212.

²⁵⁷ Agritrade: CAP reform, 2008.

of the second pillar are the sustainable cultivation of natural resources and economic and social coherence in the rural area.²⁵⁸

Thereby, the second pillar has been categorised by three axes; the fourth axis is the LEADER concept.²⁵⁹ The first axis deals with the competitiveness of agriculture and forestry with aims at the strengthening human resources (e.g., occupational training, modernisation of farms). The second axis aims at improving the countryside and environment, includes payments for disadvantaged areas (e.g., mountain areas), and measures to protect the environment and animals. The third axis pertains to rural development. It includes the diversification of employment towards non-agricultural activities, enhanced services of basic provisions for the rural population, vocational training and support for local development strategies. The fourth axis aims at establishing local capacity for employment and diversity within the LEADER concept. It integrates the three previous axes and supports local activists and groups to create a development strategy.²⁶⁰

Agritrade points to the fact that the second pillar on rural development reacts to a change of patterns regarding food consumption. Instead of an increase in the overall demand in agricultural products there is a shift to luxury purchase products in the EU: one could say a shift from quantity to quality. The instruments of the second pillar should support this shift and enhance competitiveness.²⁶¹ Former Trade Commissioner Mandelson said in a speech to UK farmers that it is necessary to “shift production away from bulk commodities where Europe simply cannot compete in the long run with third country producers like Brazil, Argentina or elsewhere.”²⁶² Reichert’s criticism is that enhanced competitiveness and investment promotion could imply modernisation; however, it does not aim at social objectives and that the second pillar does not dispose of a large budget.²⁶³

²⁵⁸ Reichert: EU-Agrarsubventionen auf dem Prüfstand, 2006, p.19.

²⁵⁹ At least 25% of EAFRD funds have to be paid for axis 2, at least 10% for axis 1 and 3, and at least 5% for LEADER measures.

²⁶⁰ Reichert: EU-Agrarsubventionen auf dem Prüfstand, 2006, p.19 et seqq.

²⁶¹ Agritrade: CAP reform, 2008.

²⁶² Mandelson, P.: EU agriculture and the world trade talks. Speech by Peter Mandelson at the NFU annual conference, 27 February 2005.

²⁶³ Reichert: EU-Agrarsubventionen auf dem Prüfstand, 2006, p.37 et seqq.

The new distribution of financial resources after the eastern enlargement of the EU determines that the new members obtain 25% of the EU-15 payment and will be allowed to make national top-up payments equivalent to 30% of the complete EU rate.²⁶⁴

2008 and future development

In the debate about the financial strength of the agricultural budget 2006-13 the EC made a proposal: the first pillar should have been reduced to 201 billion Euro (2006-2013) and the second pillar rise to 87 billion Euro (through modulation additional 9 billion Euro). EU member states (the net contributors²⁶⁵) refused this proposal and requested lower expenditures: 293 billion Euro for the first and 69 (with modulation 77) billion Euro for the second pillar. Both proposals still provide nearly three quarters of the agricultural budget to protect established protection of acquired possession. The European Parliament refused both proposals.²⁶⁶

A further reform has been envisaged and initiated by the European Commission in September 2007 with the communication "Preparing for the 'Health Check' of the CAP reform"²⁶⁷. While the reform of 2000 introduced the second pillar and the 2003 reform introduced the decoupling principle motivated by the need to enhance WTO compatibility and to anticipate further reforms at multilateral level, now the health check completes these reforms rather than changes the agricultural system.²⁶⁸ The health check in general aims at the continuation and consolidation of decoupling towards full decoupling,²⁶⁹ the increase of budget for the second pillar²⁷⁰ and the move towards the regional model.²⁷¹

²⁶⁴ Roberts/Gunning-Trant: The European Union's Common Agricultural Policy, 2007, p.14.

²⁶⁵ Net contributors: Germany, United Kingdom, Netherlands, Sweden, France. Net beneficiaries: Spain, Greece, Portugal, Ireland, Denmark. Halderman/Nelson: EU policy-making: Reform of the CAP, 2005, p.21.

²⁶⁶ Reichert: EU-Agrarsubventionen auf dem Prüfstand, 2006, p.22 et seq.

²⁶⁷ European Commission: Communication from the Commission to the European Parliament and the Council. Preparing for the "Health Check" of the CAP reform, 2007.

²⁶⁸ Rudloff, B.: Parallele europäische Agrarreform und WTO-Agrarverhandlungen – behindern oder stärken sich beide Prozesse wechselseitig?, 2008, p.3.

²⁶⁹ European Commission: Communication from the Commission to the European Parliament and the Council. Preparing for the "Health Check" of the CAP reform, 2007, p.4 et seq.

²⁷⁰ Ibid., p.10.

²⁷¹ Ibid., p.4.

The compromise of November 2008 entails the abolition of the set-aside obligation to leave 10% of land fallow to increase the production potential of farmers. Remaining coupled payments will be integrated in the Single Payment Scheme while few exceptions are allowed for member states (i.e., suckler cow, goat, and sheep premia). Furthermore, a series of small support schemes will be decoupled and shifted to the Single Payment Scheme from 2012. Another point is the simplification of cross compliance: the simplification will be done “by withdrawing standards that are not relevant or linked to farmer responsibility.”²⁷² Moreover, it introduces new requirements concerning environmental benefits to retain set-aside measures and improved water management. Due to the fact that “Market supply measures should not slow farmers' ability to respond to market signals”²⁷³ intervention buying is abolished for pig meat, set at zero for barley and sorghum, and limits were set for wheat, butter, and skimmed milk powder (intervention is done by tender).²⁷⁴

With regard to modulation the current arrangement where farmers are receiving more than 5000 Euro in direct aid have had their payments reduced by 5% which is transferred into the rural development budget now will have their payments reduced by 10% by 2012. For payments above 300 000 Euro there will be a cut of 4%. The EU will co-finance the transferred money by 75% (90% in convergence regions with lower GDP).²⁷⁵

Agritrade argues that the European Commission pursues a progressive expansion of modulation because the second pillar is important to promote “competitiveness in the agricultural and food-processing sectors.”²⁷⁶ The food-processing industry is very important for the EU as the EU food and agricultural sector accounts for 19 million jobs in the EU-27 (9% of total employment).²⁷⁷

Finally, the question arises why agriculture is supported in this way though the meaning for the European economies in terms of GDP and employment in general is relatively low. A first answer is the heterogeneity of the EU; in

²⁷² European Commission: Agriculture: CAP Health Check will help farmers meet new challenges, 2008, p.2.

²⁷³ Ibid.

²⁷⁴ Ibid.

²⁷⁵ Ibid.

²⁷⁶ Agritrade: CAP reform, 2008.

²⁷⁷ Ibid.

particular with regard to the eastern enlargement: in eastern European countries agriculture is important to employment. Secondly, the EU is a major exporter of agricultural goods; in particular, the interests of the food and beverages industry are of importance with regard to trade. Moreover, some EU member states pushed for the maintenance of agricultural support. A good example is France with a strong agriculture (e.g., many regional politicians are farmers) and strong agricultural groupings that defended the CAP for many years due to inter-state bargaining and the EU institutions.²⁷⁸

One reason for the high agricultural budget despite the relative low share of agriculture in the economy depends on policy-making in the EU at different levels and how actors can push for their interests. Moreover, the timing of policy-making between the different levels does not follow a logical movement as there is not only a two-stage sequence of national preference formation but also EU-level interstate negotiations where the “broad-level policy change is a much more complicated, back-and-forth affair”.²⁷⁹ EU institutions mediate bargaining of EU member states, interest groups, and the international environment, but also promote their own interests. With regard to (agricultural) trade negotiations the European Commission is of importance, in particular DG Agriculture plays the most important role. Member states exert influence in the European Council: member states’ ministers make decisions at EU level but are primarily accountable to their own member state.²⁸⁰ Most important as far as CAP is concerned is the Council of Agricultural Ministers (Agricultural Council) responsible for decision-making with regard to common agricultural policy.

Halderman and Nelson show that since the establishment of the CAP this policy “has greatly improved conditions for Europe’s farmers”²⁸¹ who received effective support. This is the reason why agriculture has played such an important role during the past 40 years. But with the declining share of agriculture in workforce and overall economy, the interest groups (farmers, farmers' organisations) had a weakened position in the EU policy formulation. Another reason for the

²⁷⁸ Halderman/Nelson: EU policy-making: Reform of the CAP, 2005, p.9, 21, 22.

²⁷⁹ Ibid., p.15.

²⁸⁰ Ibid., p.20.

²⁸¹ Ibid., p.51.

weakening influence of farmers is the increased heterogeneity: farmers do not equally benefit from the CAP. To illustrate, only 20% of farms receive 80% of the CAP support while the smallest 40% of farms receive only 8% of the subsidies.²⁸² Therefore, small farmers formed a coalition with environmental groups and are more interested in an increase of protection.²⁸³

Contradictory interests and attempts towards maintaining the support system as well as a further liberalisation of this system have characterised the CAP reform. But a strong incentive that contributed to the reform processes of the CAP has been the budgetary pressure since the 1980s. Even though the share of agriculture in the overall budget declined from 70% to today's level of 40% the high costs still are a motivation for further reforms including the Health Check in 2008. The enlargement of the EU contributed to the need for budgetary reforms of the CAP because at the end of the 1990s the new member's economies began requesting agricultural support.

Also the food and beverage industry pushes for the CAP reform. The artificially high prices under the old CAP increased input prices for this industry. Therefore, the food and beverage industry is interested in low internal prices and cheap imports.²⁸⁴

Moreover, the reform of the European CAP coincided with the liberalisation processes in world economy. While the EU as a powerful actor pushed for liberalisation at the international level and reformed the CAP internally it similarly tried to maintain at least a certain level of protection for the European agricultural market. The CAP reform occurred only gradually and has not been aimed at the total elimination of agricultural support while the EU pushed for the liberalisation of other countries' markets within multilateral and bilateral trade relations. For a better understanding, the attempts of the CAP reform should be pulled together with the WTO negotiations since the Uruguay Round and the establishment of the WTO in the mid-1990s. It will be illustrated that steps of the CAP reform occurred in the run-up to WTO negotiating stages and are closely connected with the WTO reform process; however, the WTO negotiations are

²⁸² Ibid., p.32.

²⁸³ Ibid.

²⁸⁴ Ibid., p.53.

not the only motivation for CAP reform as already shown. The gradual reform steps of the agricultural protection system have improved the EU's negotiating position at multilateral level and have also improved the reliability of the EU requesting for increased liberalisation of the agricultural markets of emerging and developing countries.

While under GATT agricultural products have been exempted from liberalisation they were targeted within the Uruguay Round and the establishment of the WTO in the mid-1990s. First changes in the CAP took place in the 1980s – due to surplus production, discouraged internal consumption, and the increasing agricultural budget – but these changes have not been successful. The failure of CAP reform as well as the forthcoming Uruguay negotiating round entailed an incentive for further reforms to improve the EU negotiating position in the multilateral negotiations on liberalisation. The Uruguay Round with the AoA led to reductions of export refunds and of amber box payments. As already shown these reductions did not have serious implications so that further reforms have been envisaged. The beginning WTO Ministerials since 1999 and the failure of the first negotiating rounds increased the pressure on the EU to reform the CAP towards more liberalisation of agricultural policies. In a further restructuring of the CAP in 2000 – in the run-up to the Doha Development Round – the EU again reduced intervention prices, reformed the CMO, and introduced the second pillar “rural development” (including the aim of increased competitiveness), as well as the principles of modulation and cross compliance. In the course of Doha negotiations in 2002 the EU has made the proposal to repeat reductions of the Uruguay Round: the EU offered reductions in amber box support as well as decreasing export refunds while maintaining blue and green box payments. In 2003 EU and US made a further proposal without substantial reduction commitments but requested developing countries to open their markets; negotiations did not make significant progress.

In 2003 – whilst stagnancy of Doha negotiations – the EU undertook a further step in internal agricultural reforms with the introduction of the Single Payment Scheme and the principle of (partial) decoupling of payments.

To advance WTO negotiations and to maintain other sources of support in 2004 the EU offered the phase-out of export refunds and substantiated this offer in 2005 by designating the date of expiry (2013). Moreover, EU and US were willing to include (rather weak) safeguards for developing countries and the inclusion of (rather narrow) sensitive and special products. Meanwhile, reductions of amber and blue box support were discussed while green box payments were not included in the reduction schedule.

The Health Check in 2008 took place while Doha Round negotiations still stagnated; the Health Check completed previous reforms rather than changing the agricultural system by further broadening of the Single Payment Scheme, cross compliance, and modulation.

It can be concluded that liberalisation efforts in European agricultural policy have been ambivalent; diverging interests within the EU as well as in EU member states contributed to this effect. Moreover, the attempt to maintain agricultural protection of European agriculture is restricted in two ways. First, the high costs of protection put pressure on EU member states to reform this system. Moreover, the attempt to achieve market access to agricultural and non-agricultural markets within multilateral and bilateral trade negotiations with developing countries requires increased reliability of the EU, which has to show its commitment to free trade principles. As a consequence, domestic support has been reduced but it has not been eliminated – due to the shift from the amber box to the less trade distorting green box support as well as the shift to the second pillar and the objective of increased competitiveness. The WTO negotiations clearly influenced the European agricultural reform process by determining the liberalisation framework and providing an incentive for internal reforms at least to improve reliability. Inversely, the EU anticipated WTO negotiations in the CAP reform and provided an improved negotiating position for the EU; thereby, maintaining the opportunity to support agriculture and improve competitiveness of European farmers. The EU is a strong negotiator in WTO negotiations and plays an active role in the Doha negotiating process as already shown in chapter 2.

3.3 Impact of European Agriculture on ACP Countries

In general developing countries did not profit by the European agricultural policy. Halderman and Nelson argue that the support in the OECD countries in 2001 accounted for 311 million US-\$ which is equivalent to “twice the value of developing country agricultural exports, and it is six times the value of official development assistance.”²⁸⁵ Moreover, they calculate that the “Net agricultural trade of developing countries would triple if the industrialized world eliminated its agricultural protectionism and subsidies.”²⁸⁶

The border protection within the EU market protected agricultural products and kept imports away from flooding the market; in particular high tariffs for processed food products have been imposed. Developing countries therefore exported raw materials to the EU market rather than value-added products. Only products that were exclusively of interest for developing countries and did not compete with European produce entered the European market duty free e.g., coffee, cocoa, and tropical fruits.

While the high-price agricultural policy required a highly regulated trade regime to protect agricultural production that threatened developing countries’ export of agricultural products the ACP countries benefited from this high-price policy due to their preferential access to the European market.²⁸⁷ The ACP countries had a better access to the European market than other developing countries but also for them the export of raw materials has been remunerative.²⁸⁸

Roberts and Gunning-Trant criticise the preferential system in general and argue that “aid through trade preferences is inherently inefficient and inequitable”²⁸⁹ and particular industries receive these preferences that do not necessarily benefit ACP economies most. Moreover, there is the danger that preferences replace other developing countries’ more efficient exports as such, “preferences promote inefficient patterns of resource use and production

²⁸⁵ Ibid., p.2.

²⁸⁶ Ibid.

²⁸⁷ Agritrade: CAP reform, 2008.

²⁸⁸ Bureau/Matthews: EU agricultural policy, 2005, p.15.

²⁸⁹ Roberts/Gunning-Trant: The European Union’s Common Agricultural Policy, 2007, p.71.

internationally and reduce global welfare.”²⁹⁰ Along the lines of this rationale the ACP preferential access has been considered as unsuccessful in the 1980s and strengthened the attempt to shift to reciprocity in ACP-EU trade relations. However, in retrospect it is difficult to judge how ACP economies would have developed without the preferential access to the European market.

Due to preference erosion since the 1990s the ACP countries benefit less and less from the preferential access to the European market. This commenced with the CAP reform 1992 and has been tightened with the multilateral trade negotiations and the EU free trade policy in bilateral trade negotiations since the mid-1990s.²⁹¹ The emergence of other lesser preferential systems for developing countries like the Generalised System of Preferences (GSP) or the Everything-but-arms initiative (EBA) also contribute to the preference erosion.

The declining internal prices at the EU market resulting from CAP reform affected ACP producers. For instance, in the case of rice where the prices declined by 16-37% (depending on the rice variety), “by 2007 prices were still around 17.5% below the average price per tonne obtained in 2001”²⁹² and significantly below the prices received in 1990s.²⁹³

With regard to market access to developing countries’ and in particular ACP countries’ markets there is a debate about the impact of European subsidies and particularly subsidised agricultural exports. The question is do NGOs overestimate or is there a real danger caused by import surges?

Halderman and Nelson show that several simulation studies tried to assess developing countries’ losses as result of the CAP and that most of the studies agreed in their results: there is a loss of income due to the CAP and without CAP export subsidies exports of developing countries would increase. Several studies focus on certain products like dairy products in India or beef in South Africa but according to them one has to keep in mind that in these studies “the issues involved are very contextual, and that careful field research is required to fully understand the interrelated factors.”²⁹⁴ These studies have found evidence

²⁹⁰ Ibid.

²⁹¹ Agritrade: CAP reform, 2008.

²⁹² Ibid.

²⁹³ Ibid.

²⁹⁴ Halderman/Nelson: EU policy-making: Reform of the CAP, 2005, p.11.

that in the case of dairy products the EU has dumped subsidised exports and reduced world market prices that affected developing countries.²⁹⁵ They highlight the effect that even “small [EU] quantities on a global scale might well be important to a small developing country’s market with a fledging dairy industry.”²⁹⁶ On the contrary, Bureau and Matthews argue that there is little evidence for import surges “except for some anecdotal cases highlighted by non governmental organisations”²⁹⁷ and that critical NGOs overestimate these effects.²⁹⁸ One of these NGOs, South Centre, enumerates up to 170 import surges between 1982 and 2003 for ACP countries like Botswana, Ghana, and others.²⁹⁹ But also the Food and Agriculture Organisation of the United Nations (FAO) identifies import surges: depending on the methodology between 7000 and 12000 during the period of 1980-2003. They point to the fact that the number alone allows no conclusion on the impact these import surges had or on the – external or internal – reasons for these surges.³⁰⁰ In the case of export subsidies the FAO states that

“Export subsidies appear to be of limited relevance for global markets of most commodities, accounting for less than 3 percent of the value of trade in those products.”³⁰¹

However, with regard to dairy products “where subsidies support approximately one-third of global shipments”³⁰² and the EU is the largest provider of export subsidies in dairies there is the danger of import surges. The FAO concludes:

“Among policy measures, export subsidies are not very likely to contribute to import surges at the global level, except in the case of dairy products. However, at a specific point in time, and for a specific destination, the effects may be much stronger.”³⁰³

²⁹⁵ Ibid.

²⁹⁶ Ibid., p.12.

²⁹⁷ Bureau/Matthews: EU agricultural policy, 2005, p.27.

²⁹⁸ Ibid., p.26.

²⁹⁹ South Centre: Market access for trade in goods in Economic Partnership Agreements, 2008, p.20 et seq.

³⁰⁰ FAO: Import surges: What is their frequency and which are the countries and commodities most affected?, 2006, p.4.

³⁰¹ FAO: Import surges: What are their external causes?, 2006, p.1.

³⁰² Ibid.

³⁰³ Ibid., p.4.

Agritrade argues that not only export refunds but the CAP aim of increased competitiveness affects ACP competitors because price competitiveness will be derived from

“supply-side effects of the system of direct aid payments which allows prices to be reduced without necessarily affecting the overall levels of production, but which also allows markets to be cleared at world market price levels.”³⁰⁴

The effects of the CAP reform on ACP countries are not only enhancing price competitiveness of EU exports, in particular of simple value-added food products, but also lower prices that result in a lower value of preferences for ACP exporters to the EU market. Moreover, a more differentiated internal market with a change in demand towards luxury purchases implies for the ACP countries that they need to serve this market. There will be increasing costs of placing agricultural goods due to increasing requirements with regard to food safety and control procedures.³⁰⁵ Only a few exporters in developing countries would be able to meet the enormous costs for certification, inspection, analytical bodies and personnel.³⁰⁶

The shift to the decoupled Single Payment Scheme is a step in the right direction since decoupled payments are less trade distorting. But decoupling still is only partial.³⁰⁷ And even if payments are fully decoupled one has to keep in mind that

“Economic theory suggests that to give a sum of money, even unconditionally, to a farmer necessarily influences the amount produced. In reducing the risk of insolvency, even decoupled payments encourage higher production or riskier cultivation. There is often an implicit anticipation that cultivated areas will be used as a reference in the next reform which keeps land in cultivation.”³⁰⁸

Moreover, the effect on developing countries after the removal of indirect payments is still unclear; a study suggests that the impact will be rather small and uncertain.³⁰⁹

³⁰⁴ Agritrade: CAP reform, 2008.

³⁰⁵ Ibid.

³⁰⁶ Bureau/Matthews: EU agricultural policy, 2005, p.18.

³⁰⁷ Ibid., p.26.

³⁰⁸ Ibid., 2005, p.27.

³⁰⁹ Ibid., p.27.

While it is “undeniable that the subsidies are unfair competition for other potential suppliers”³¹⁰ the consequences for developing countries are not uniform: developing countries “which are net importers of food benefit from more favourable terms of trade when the EU taxpayer subsidised their imports.”³¹¹ Therefore, a reduction and abolition of export subsidies does not benefit all ACP countries.

An example is the cereals sector where the shift to direct aid led to a decrease of prices (up to 50% since 1992) which boosted domestic consumption and export. The increase in exports since 2005/2006 is concentrated on ACP countries

“Indeed, in 2006 the ACP was taking 20% of EU cereal exports, the highest level since 1998. In a context of increasing competition on traditional EU markets, to a certain extent the ACP has emerged as a ‘market of last resort’ for EU cereals traders.”³¹²

The impact of CAP and CAP reforms will also depend on the scope and speed of the liberalisation commitments that the ACP countries negotiate in the Economic Partnership Agreements. In general the impact could be larger if deeper and faster liberalisation of ACP agricultural markets takes place. The impact will also depend on the ability of EPAs to support ACP countries with regard to competitiveness and the improvement of supply-side constraints. These issues will be discussed in chapter 5.

³¹⁰ Ibid., p.17.

³¹¹ Ibid.

³¹² Agritrade: CAP reform, 2008.

4 Agriculture in ACP Countries

Chapter 4 analyses the importance of agriculture in ACP and in particular in SADC IEPA countries. Ultimately the question will be if this importance will be reflected in the outcome of EPA negotiations – that will be analysed in chapter 5.

A short look at the historical perspective including trade liberalisation processes in the 1980s and 1990s will be followed by an analysis of the transformation processes in agriculture and the attempt to maintain the green revolution in Southern Africa. The following step will be to examine the farming structure and trade of SSA and particularly SADC IEPA agriculture.

4.1 Agriculture from Historical Perspective

Stein states that “The ‘holy’ trinity of adjustment, stabilization, liberalization and privatization has been the core strategy of last two decades”³¹³ but for Sub-Saharan-Africa the “impact of these policies has been at best disappointing. Virtually every economic and social indicator since 1980 has declined.”³¹⁴

The GDP per capita fell dramatically since the 1980s, the share in the global merchandise exports declined from 4.5% in 1980 to 1.4% in 2001 and the merchandise trade is 13% below the level of 1980s in nominal terms. Only 8.3% of exports are manufactured goods in 2000, which is at the same level as 1983. Also in 2000 the share of FDI declined to 2.7% from 7.6% in 1982-87 and the available FDI goes into the oil industry in Angola and Nigeria.³¹⁵

During the 1950s/60s SSA countries had a “highly government controlled agriculture with roots back in the later part of the colonial period.”³¹⁶ The governments controlled export, food crops and livestock³¹⁷ by parastatal marketing boards that aimed at the support of small-scale farming and the

³¹³ Stein, H.: The World Bank and the IMF in Africa: Strategy and routine in the generation of a failed agenda, 2004, p.22.

³¹⁴ Ibid.

³¹⁵ Ibid., p.22 et seq.

³¹⁶ Pedersen, P.O.: The development of the informal small-enterprise sector in Eastern and Southern Africa: From import substitution to structural adjustment, 2005, p.7.

³¹⁷ They did not control vegetables, fruits, and small livestock, cp. Pedersen: The development of the informal small-enterprise sector, 2005, p.7.

expansion of the production of export and food crops mainly to secure government revenue. The control included the process (post-harvest trade and the collection and processing of crops), the definition of low fixed prices, and the mono-cropping of major export and staple food crops. The marketing boards had a monopoly over trade and transport of controlled crops while private trade has been restricted or even interdicted. The boards even controlled farm credit schemes.³¹⁸ The parastatals conducted a “narrow sector planning”³¹⁹ and concentrated the processing industries in large towns to provide food to urban areas. Due to this concentration and the provision of subsidies the small mills and oil presses in rural areas became unprofitable.³²⁰ Many countries exported mineral resources and due to high prices they profited from high foreign exchange earnings. Zambia, for instance, profited from high copper prices (90% of foreign exchange earnings, 70% of government budget, 40% of GDP) and used the revenues for the provision of free social services and the provision of subsidies in agriculture. Following an import substitution strategy – many firms were high dependent on import inputs – combined with food imports in times of shortfall allowed a positive external balance as long as raw material prices were stable.³²¹

The oil shock 1973 led to a price decline of mineral resources and caused declining export revenues, fiscal deficits, and a negative balance of payments in SSA countries. The dependence on the import of raw materials reduced capacity utilisation, eroded GDPs, and caused arrears on loan repayments. The countries did not adjust domestic consumption but increased borrowing from domestic and international markets. Moreover, they introduced stricter trade barriers and other controls to protect their economies.³²²

The increasing indebtedness resulted in the turn to international financial institutions that imposed structural adjustment on the import substitution economies to create open market economies. The structural adjustment

³¹⁸ Ibid., p.7 et seqq.

³¹⁹ Ibid., p.9.

³²⁰ Ibid.

³²¹ Simatele, M.C.H.: Food production in Zambia. The impact of selected structural adjustment policies, 2006, p.2.

³²² Ibid.

programmes (SAPs) followed the principle to reduce the role of the state in economy, to open markets for foreign competition (liberalisation), and the establishment of macro-economic stability.³²³

The SAPs included the devaluation of foreign currency, the liberalisation of external trade and prices, the reduction of government spending, the privatisation of public enterprises including parastatals, and the development of the private sector. Through trickle-down effects social development was expected to benefit the SSA populations.

With regard to agriculture the main objective has been to increase incentives for agricultural exportation. The measures included the devaluation of currency, the reduction of the excessive taxation on export crops, the increase of rural incomes and the reduction of the urban bias.³²⁴ The measures aimed at the elimination of government support including the elimination of fertilizer and input subsidies, disbandment of crop parastatals, abolition of fixed prices, reduction of export crop taxes and non-tariff import barriers, and the devaluation of currency.

The results for the SSA agriculture have been mixed. The introduction of fiscal and monetary discipline to prevent inflation did not work due to that fact that

“Inflation by itself almost immediately cancelled out the beneficial effects of devaluation on real farm prices, while monetary tightening caused several-fold increases in interest rates, severely curtailing farmers’ ability to take on loans.”³²⁵

Doubling or tripling of fertiliser prices and other inputs over night in many countries prevented farmers from using this input adequately or at all. Moreover, Ellis shows that liberalisation happened at a time of declining commodity prices in the world market. This caused “underlying price pressures rather than the buoyant real trends predicted by the soothsayers of

³²³ Setton, D.: Vom “Washingtoner Konsens“ zum “Genfer Konsens“. Strukturanpassung in neuem Gewand, in: VENRO (Hg.): Welche Konditionalitäten braucht die Entwicklungszusammenarbeit?, 2006, p.7.

³²⁴ Pedersen: The development of the informal small-enterprise sector, 2005, p.16.

³²⁵ Ellis, F.: Small farms, livelihood diversification, and rural-urban transitions: Strategic issues in Sub-Saharan Africa, paper presented at the research workshop "The future of small farms", Wye, 26-29 June 2005, p.138.

liberalization”³²⁶ and private traders were not able to fill the gap. While the deregulation of parastatals led to new markets and enterprises, the trade has been constricted through a lack of capital. Instead of the anticipated domestic traders international companies filled the gap in the area of export crops. With these international companies a change of input supply occurred (e.g., a narrow time window) and domestic farmers were not able to satisfy export market demands.³²⁷ Furthermore, the improvement of rural farming failed. Under the parastatal system smallholder farmers often were not paid or only paid late; therefore, they aimed at maintaining their own food security: the “outcome is little exchange in the rural economy, little cash in circulation, and unpropitious circumstances for economic dynamism of any kind.”³²⁸

The main international actors within these structural adjustment processes have been International Monetary Fund (IMF) and World Bank together with governments of SSA countries.

While the World Bank focused on infrastructure support in the beginning of its engagement in the 1950s the focus shifted to agriculture and social issues in the 1960s.³²⁹ After the IMF’s turn to developing countries after 1973 when fixed exchange rates were abandoned the “Fund gradually evolved to a lending institution”.³³⁰ Since the 1970s SSA countries used the IMF facilities and the overall credit allocation rose ten times from 1960s to 11.3% end of the 1970s.³³¹ At the beginning of the 1980s IMF and World Bank introduced the structural adjustment programmes for the indebted SSA economies: “After 1980, the IMF jumped into Africa with enormous enthusiasm while the Bank moved more cautiously in its new direction”³³² and “Through much of the 1980s the Bank all but forgot the problems of poverty.”³³³ Stein argues that overvalued currencies, export taxes, and protectionism benefited the urban population. Similarly, for the

³²⁶ Ibid.

³²⁷ Pedersen: The development of the informal small-enterprise sector, 2005, p.19.

³²⁸ Ellis: Small farms, livelihood diversification, and rural-urban transitions, 2005, p.138.

³²⁹ At least 40% of total spending to low/middle income countries between 1974 and 1982 has been dedicated to agriculture but the main focus still has been on traditional issues; Stein: The World Bank and the IMF in Africa, 2004, p.11.

³³⁰ Ibid., p.13.

³³¹ Ibid., p.14.

³³² Ibid., p.16.

³³³ Ibid., p.17.

majority of poor people living in rural areas, the liberalisation would raise the income of the rural poor and eliminate poverty.³³⁴

“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.”³³⁵

Besides new loans and structural adjustment the failure of SAPs during the 1980s led to an endorsement of further measures. The broadening of the agenda towards governance, decentralisation, ownership, social capital, legal reform, participation, and poverty reduction find bases in the “core set of adjustment policies”³³⁶ and additional policies are foreseen only to “complement to adjustment”.³³⁷ In 2008 the World Bank again focused on agriculture with its annual World Development Report (WDR) entitled, “Agriculture for Development”.³³⁸

Staatz and Dembélé refer to the fact that changes in Southern Africa that influence agriculture did not occur only due to economic reforms but several other factors. First, they point to the political, in this case democratic, reforms since the 1960s and the increased participation of the private sector and civil society including farmers and traders organisations. The second point is the increased regional integration within SSA but also with other regions and countries that affects agricultural trade. Thirdly, the reduced number of conflicts “opens scope for faster domestic agricultural growth and increased regional trade.”³³⁹ Additionally, they mention the negative consequences of HIV/AIDS for SSA. An increased morbidity, extensive time demands for caregivers, the diversion of funds for treatment, and the reduced remittances have a negative impact for urban but also rural families. With regard to agriculture there is the danger of a loss of family farming knowledge and also agricultural institutions are affected by the mortality though the impact depends on who in the

³³⁴ Ibid., p.17.

³³⁵ Bertow, K./Schultheis, A.: Impact of EU's agricultural trade policy on smallholders in Africa, 2007, p.7.

³³⁶ Stein: The World Bank and the IMF in Africa, 2004, p.18.

³³⁷ Ibid., p.18.

³³⁸ World Bank: World Development Report 2008, 2007.

³³⁹ Staatz, J.M./Dembélé, N.N.: Agriculture for development in Sub-Saharan Africa, 2008, p.13.

household is affected. Moreover, an increased population pressure, which often leads to a reduction of arable land per capita affects agriculture: cultivation may be extended to lower-rainfall areas with more fragile soils which causes resource degradation and soil erosion. In contrast, in areas with relatively good market access an intensification of agriculture is conceivable. As a last factor they list the rapid urbanisation that has taken place since the 1980s. The effects for agriculture are twofold: a shift in consumer demand towards processed products and a shift to imported goods due to the poor domestic market. Therefore, they argue that urbanisation may involve a shift away from agriculture.³⁴⁰

In a second step Staatz and Dembélé analyse changes in the global rather than the SSA context that may influence agriculture. The reduction in ocean freight rates by 30% between 1985 and 2004 reduced the costs for international trade and caused more competition for African exporters as well as domestic markets. The second international factor is the change in the international trade system that caused preference erosion for African countries due to the granting of preferences for other developing countries. Moreover, the opening of African markets increases the competition from trading partners. The third argument they make is the shift in supply chains, particularly the emergence of supermarkets that impede smallholder farmers from participating in local trade. Additionally, the danger of the biotechnological revolution is that GM crops could cause a lack of social consensus, biosafety standards and ownership. Fifthly, the information revolution may isolate African agricultural scientists as they often are excluded from information exchange via internet. The growing demand of Latin American and Asian producers, their informational edge and economic power could increase the pressure on African producers. As a last factor they mention the global climate change that causes higher instability for agricultural producers.³⁴¹

³⁴⁰ Ibid., p.17.

³⁴¹ Ibid., p.18 et seqq.

4.2 Transformation of Economy and Green Revolution

It is common knowledge that the development of industrialised countries originated in an agriculture-based society that transformed to an industry-based economy to transform in a last step to a society whose economy is based on services. Development approaches since the 1970s followed this principle and tried to apply this development path to countries of the so-called third world to support the catch-up development of these countries. There is a debate about the role of agriculture for economic transformation of African countries in the light of the failure of the current development strategies in SSA.

The optimistic view on agriculture emphasises the role of agricultural growth that contributes to economic growth and poverty alleviation. Hazell states that agriculture played a “key role in kick-starting economic growth and reducing poverty and hunger in many developing countries.”³⁴² The potential of the agricultural sector’s growth includes a direct effect of this growth for people involved in farming,³⁴³ a “free up foreign exchange for importation of strategic industrial and capital goods”³⁴⁴ and an “Increased upstream demand for inputs and downstream demand for marketing and processing that accompany expanded agricultural production”.³⁴⁵ Moreover, an agriculture-led strategy is able to generate staple food and raw materials at lower prices and grow domestic markets due to rising incomes.³⁴⁶ The effects on other sectors can be “growing amounts of capital and labor for industrial development”,³⁴⁷ flows of labour and capital to other sectors, and increased incomes and employment in these sectors. A result of increased farm and non-farm employment and increased labour productivity can be the reduction of poverty.³⁴⁸

There are several preconditions that agricultural development depends on. Hazell and Diao define five preconditions that include the important role of

³⁴² Hazell: Transformations in agriculture and their implications for rural development, in: eJADE (electronic Journal of Agricultural and Development Economics), Vol.4., No.1, 2007, p.48.

³⁴³ Staatz/Dembélé: Agriculture for development in Sub-Saharan Africa, 2008, p.3.

³⁴⁴ Hazell, P./Diao, X.: The role of agriculture and small farms in economic development. Paper presented at the research workshop "The future of small farms", Wye, 26-29 June 2005, p.23.

³⁴⁵ Staatz/Dembélé: Agriculture for development in Sub-Saharan Africa, 2008, p.3.

³⁴⁶ Hazell/Diao: The role of agriculture and small farms in economic development, 2005, p.23.

³⁴⁷ Ibid.

³⁴⁸ Ibid.

technology, which is necessary “so that output prices can fall while farm incomes increase.”³⁴⁹ Moreover, another important condition is the incentive for farmers “to invest and produce effectively”.³⁵⁰ Thirdly, agricultural growth needs to be broadly based in order to put “purchase power into the hands of the rural masses”.³⁵¹ A fourth precondition is a high level of public investment in rural infrastructure. The fifth requirement is a gradual liberalisation of the markets, which is “necessary to create new market opportunities for agriculture and industry”.³⁵² Hazell and Diao conclude that “agricultural growth has powerful leverage effects on the rest of the economy, especially in the early stages of the economic transformation.”³⁵³ Staatz and Dembélé make a critical argument in that in particular for SSA the

“large absolute numbers of the poor in rural areas, the strong dependence of non-farm activities in most SSA on demand emanating from the agricultural sector, and consequently the evidence that the income and poverty multipliers are greater for the agricultural sector than the non-agricultural sector.”³⁵⁴

According to them there is a strong interdependence between agricultural and broader economic growth. Furthermore, the meaning of agriculture for other sectors is higher than the reverse: agriculture is vital for the generation of “demand that stimulates the growth of non-farm activities”.³⁵⁵ They conclude:

“The evidence shows that growth in agriculture in SSA, particularly in the lowest-income countries that are most agrarian, leads to both stronger overall growth and more poverty alleviation than growth in other sectors.”³⁵⁶

A more negative consideration of the role of agriculture can be found in the current debate as well. Hazell and Diao have collected several arguments that disagree with the assumption of a crucial role of agriculture for the economic development in SSA. The first argument claims that cheap and plentiful food

³⁴⁹ Ibid.

³⁵⁰ Ibid.

³⁵¹ Ibid., p.24.

³⁵² Ibid.

³⁵³ Ibid., p.23.

³⁵⁴ Staatz/Dembélé: Agriculture for development in Sub-Saharan Africa, 2008, p.4.

³⁵⁵ Ibid., p.6.

³⁵⁶ Ibid., p.5.

imports will allow African economies to leapfrog agricultural development and, “proceed directly to industrialization.”³⁵⁷ Moreover, agriculture seems to be irrelevant for rural poor due to rural-urban integration, migration, and rural income diversification. The reasons are that the long-term decline on agricultural commodity prices “has undermined the profitability of agriculture as a business”³⁵⁸ and crucial policy instruments are not available anymore. Moreover, the pressure on the natural resource base leads to degradation and lower productivity, which is the reason why agriculture is irrelevant for rural poor. The third argument they detected in the current debate is the fact that many small farms are not included in relevant markets; therefore, they should not have relevance in investment strategies. Fourth, due to low cereal prices the focus should shift to high-value agricultural goods rather than food staples production. Their last argument asserts that there should be a consideration to strengthen the private sector rather than public sector engagement.³⁵⁹

Hazell and Diao try to disprove these arguments and prove the importance of agriculture for economic development and the alleviation of poverty in SSA. Their first refutation states that the shift to industry encouragement is problematic due to the inefficiency of these industries and that they are not competitive within an open economy. According to them the Asian economies “first nurtured their industries through growth in protected domestic markets and subsidized exports before exposing them to the full force of international competition.”³⁶⁰ And although the liberalised world trade may offer new opportunities the SSA countries still struggle with the problem of high food costs, low employment inelasticity of its industries, and too little basis of labour force.³⁶¹

In their eyes agriculture is still of relevance for the rural poor. Income diversification has already occurred “and has long been observed as a strategy

³⁵⁷ Hazell/Diao: The role of agriculture and small farms in economic development, 2005, p.26.

³⁵⁸ Ibid., p.27.

³⁵⁹ Hazell: Transformations in agriculture and their implications for rural development, 2007.

³⁶⁰ Hazell/Diao: The role of agriculture and small farms in economic development, 2005, p.26.

³⁶¹ Ibid., p.26 et seq.

by which rural households cope with risk and enhance their incomes”³⁶² but this did not lead them out of poverty. Moreover, they argue:

“If most African farmers have not been able to find pathways out of poverty despite income diversification strategies over many decades, then it is not clear why that strategy should suddenly work much better today, particularly in countries where the nonagricultural sectors are not actually thriving either!”³⁶³

Rural-urban migration and diversification can be a sign for economic growth and structural transformation. For instance, agricultural tradables sold on local markets create income and demand for local non-tradables “with important spillover opportunities for rural income diversification”.³⁶⁴ However,

“when the major engines of growth are stalled, as in much of Africa, migration and income diversification are more typically distress phenomena, with workers seeking to augment already low and declining per capita incomes by increasing production of low-productivity nontradables for sale into saturated local markets.”³⁶⁵

Moreover, according to Hazell and Diao there is no sector ready to replace agriculture: other sectors will become important but “are not yet ready to play that role”.³⁶⁶

The third argument addresses the problem that most small farmers are not able to meet the more demanding markets (quality, food safety and so on) and have no access to key inputs like credit. Furthermore, an agriculture-led strategy that focuses on commercial farms loses sight of the economic and social advantages of small farms. There is evidence that small farms are more efficient producers and “help contain poverty by providing an affordable platform from which poor households can experiment with ways to improve their livelihoods”.³⁶⁷ Moreover, strengthening small farms prevents urban migration and the growth of large cities as well as maintains food security in rural areas.

³⁶² Ibid., p.27.

³⁶³ Ibid.

³⁶⁴ Ibid., p.28.

³⁶⁵ Ibid.

³⁶⁶ Ibid., p.29.

³⁶⁷ Ibid., p.30.

A more differentiated view would be necessary to answer the question of the turn towards high-value export products. Although SSA countries do have the opportunity to enlarge their non-traditional high-value exports

“the greatest market potential for most African farmers still lies in domestic and regional markets for food staples (cereals, roots and tubers, and traditional livestock products). For Africa as a whole, the consumption of these foods accounts for about 70 percent of agricultural output [...] and is projected to double by 2020.”³⁶⁸

Lastly, the role of public support versus private sector engagement is of increasing importance in the international debate. The government should enable an environment for economic development and the private sector should “be in the driving seat.”³⁶⁹ The green revolution, for instance, in Asia has been based on public sector support and so far there is no evidence that the private sector can take the lead.

The debate concerning the green revolution in SSA centres on the roles of the public and private sectors as well. In the 1970s during the green revolution in Asia the public sector played an important role in providing key services and supporting small farmers to participate in agricultural trade. This model was successful in the early years where

“most of these policies and interventions had favourable benefit-cost ratios in early years, but the ratios worsened over time once the interventions had served their primary purposes.”³⁷⁰

Ever since these liberalising activities during the 1990s there has been rapidly decreasing public support and governments only have the role to create and enable a trade-friendly environment “leaving a vacuum that the private sector has yet to fill in many countries.”³⁷¹ A weak private sector and a non-existent public sector will make another green revolution for SSA difficult. Regardless,

³⁶⁸ Ibid.

³⁶⁹ Ibid., p.32.

³⁷⁰ Hazell: Transformations in agriculture and their implications for rural development, 2007, p.55.

³⁷¹ Ibid., p.50.

“The international community is now so obsessed with post-Green Revolution problems that it is asking Africa to launch its own agricultural revolution without these kinds of public interventions.”³⁷²

And Hazell concludes: “The international development community may well be asking for the impossible.”³⁷³ He emphasises that this is no pleading for a “return to costly and inefficient parastatals or to hefty and poorly targeted subsidies” but “what is really needed is a better understanding of those aspects of public intervention that really worked in Asia and why.”³⁷⁴

In the light of the relatively successful green revolution in Asia³⁷⁵ there was a call for a green revolution in Africa in the 1970s and, due to the failure of agricultural development up to now, there is a call for a green revolution today. EU Commissioners Fischer Boel (Agriculture) and Michel (Development) state:

“Africa needs a revolution. But his time not in the streets – rather in the fields. A ‘Green Revolution’ for Africa can be a key part of the solution to the current food price crisis.”³⁷⁶

Moreover, this call is (financially) accompanied by international actors like the Bill and Melinda Gates Foundation and the Rockefeller Foundation that cooperate with large agro-businesses like Monsanto and follow a trickle-down approach to provide farmers with fertiliser and seeds.³⁷⁷ Fischer Boel and Michel also propose “more and better seeds and fertilizers”³⁷⁸ while Hazell and Diao give priority to an “effort to accelerate smallholder-led agricultural development”³⁷⁹ including

³⁷² Hazell/Diao: The role of agriculture and small farms in economic development, 2005, p.33.

³⁷³ Hazell: Transformations in agriculture and their implications for rural development, 2007, p.55.

³⁷⁴ Ibid.

³⁷⁵ The results of the green revolution in Asia are mixed: the intensification of agriculture and the opportunity for self-sufficient farming are positive effects of the agricultural reforms; there were negative consequences for the environment (soil degradation as result of the intensified use of fertiliser, sinking groundwater table, etc.), the unequal distribution of support increased inequality between the different regions and increased the gap between the rich and poor rural population, and globalisation complicated the impact of the green revolution (by reducing public support, opening up economies, etc.).

³⁷⁶ Fischer Boel, M./Michel, L.: A ‘Green Revolution’ for Africa, 2008, in: TNI, Vol.7, No.8, October 2008, p.5.

³⁷⁷ For instance, there is an initiative for a new green revolution within “The Alliance for a Green Revolution in Africa (AGRA)” together with the Rockefeller Foundation; cp. Hoering: Agrar-Kolonialismus in Afrika. Eine andere Landwirtschaft ist möglich, 2007, p.29 and <http://www.agra-alliance.org>

³⁷⁸ Fischer Boel/Michel: A ‘Green Revolution’ for Africa, 2008, p.5.

³⁷⁹ Hazell/Diao: The role of agriculture and small farms in economic development, 2005, p.25.

investment in research, development of human and institutional capital, support to rural infrastructure, and service provision for farmers.

In 2006 also the FAO Director-General Diouf called for a green revolution:

“In the next few decades, a major international effort is needed to feed the world when the population soars from six to nine billion. We might call it a second Green Revolution.”³⁸⁰

But he also recognises that the previous green revolution “relied on the lavish use of inputs such as water, fertilizer and pesticides” and that a future green revolution has to deal with “a diminishing resource base of land and water in many of the world’s regions, and [...] an environment increasingly threatened by global warming and climate change.”³⁸¹

Not only the conditions regarding climate but other factors also distinguish the Asian green revolution from the African green revolution. While Asia has been confronted with rising real food prices “beginning to undergo rapid urbanization and industrialization”³⁸² SSA today has to deal with declining food prices though occasional peaks are possible.

In SSA the availability of arable farm land with good soil and irrigation conditions is lower than in Asia. Similarly, climatic conditions are more difficult and unpredictable in SSA. Staatz and Dembélé state that there is more agroecological diversity³⁸³ in SSA with a broad number of staples rather than the few (three) crops that played an important role in the Asian green revolution.³⁸⁴ Intergenerational land transfers resulted in continuous farm subdivision³⁸⁵ and there is a wide range of farming systems – according to FAO there are 14 different farming systems in SSA.³⁸⁶

Moreover, the unequal distribution of water resources (many lakes are inappropriate for irrigation),³⁸⁷ the dependence on rain-fed agriculture and the low degree of irrigation (3.5% of arable land is irrigated) leads to a high

³⁸⁰ FAO: FAO Director-General appeals for second Green Revolution. Vast effort needed to feed billions and safeguard environment, 2006.

³⁸¹ Ibid.

³⁸² Ellis: Small farms, livelihood diversification, and rural-urban transitions, 2005, p.137.

³⁸³ Some regions depend on rice and wheat, only Southern Africa depends on maize.

³⁸⁴ Staatz/Dembélé: Agriculture for development in Sub-Saharan Africa, 2008, p.30.

³⁸⁵ Ellis: Small farms, livelihood diversification, and rural-urban transitions, 2005, p.137.

³⁸⁶ 15 farming systems according to FAO, Staatz/Dembélé: Agriculture for development in Sub-Saharan Africa, 2008, p.30.

³⁸⁷ Hoering: Agrar-Kolonialismus in Afrika, 2007, p.33.

vulnerability to weather shocks.³⁸⁸ And, unlike SSA, India undertook massive irrigation investments during the 1970s.³⁸⁹ Today's SSA irrigation degree is

“less than a fourth that of India in 1961, at the dawn of its green revolution. Increasing the percentage irrigated land up to that which India had in 1960 would cost approximately US\$114 billion, more than 55 times the annual ODA allocated to African agricultural development.”³⁹⁰

The older, weathered soils in SSA increase the necessity for soil amendments. Additionally, high transport costs due to the weak infrastructure reduce the profitability of fertiliser.³⁹¹ SSA today has lower densities of rural infrastructure than India had even in the 1950s: “SSA's road density, at 201 km/1000 km², is less than a third of that of India in 1950 (703 km/1000 km²).”³⁹²

Unlike India SSA has weak institutions for rural development and the low average population density increases the costs of providing basic infrastructure.³⁹³

In SSA there are nearly 40% landlocked countries compared to “other parts of the developing world, where over 88% of the population lives in coastal countries.”³⁹⁴ Moreover, SSA countries deal with small country problems e.g., the difficulty to achieve economies of scale due to high costs for agricultural research and marketing.³⁹⁵

The already mentioned discrepancy with regard to the engagement of the public sector is evident. Hoering numbers the expenditure for agriculture as share of total public spending in Africa and Asia: while in Africa public spending decreased from 6% in 1980 to 5%, in Asia it decreased from 15% in 1980 to 1998 10%.³⁹⁶

During the green revolution in Asia agriculture was seen as a sector that could generate food and raw materials at lower prices, “free up foreign exchange for importation of strategic industrial and capital goods”, and “provid[e] growing

³⁸⁸ Staatz/Dembélé: Agriculture for development in Sub-Saharan Africa, 2008, p.30.

³⁸⁹ Ellis: Small farms, livelihood diversification, and rural-urban transitions, 2005, p.137.

³⁹⁰ Staatz/Dembélé: Agriculture for development in Sub-Saharan Africa, 2008, p.31.

³⁹¹ Ibid., p.30.

³⁹² Ibid., p.32.

³⁹³ Ibid., p.30.

³⁹⁴ Ibid., p.32.

³⁹⁵ Ibid.

³⁹⁶ Hoering: Agrar-Kolonialismus in Afrika, 2007, p.33.

amounts of capital and labor for industrial development” that would result in a “growing domestic market due to rising incomes”.³⁹⁷ However, SSA still has to contend with small domestic markets.

In the light of these challenges for SSA agriculture Staatz and Dembélé plead for “rainbow revolutions”³⁹⁸ instead of a green revolution “suggesting that a single path to a green revolution is unlikely.”³⁹⁹ According to them it is necessary to build on already existing successes e.g., the promotion of cassava in Nigeria and cotton in francophone Africa. These “geographically differentiated successes”⁴⁰⁰ recognise the need for different commodities and production systems and follow decentralised regional research.⁴⁰¹

4.3 Farming in Southern Africa

It is necessary to take a more detailed look at ACP countries’ and in particular Southern African agriculture in order to assess the role of agriculture for economic transformation and to identify factors that create a green revolution. Furthermore, it is also necessary to identify the role of agriculture in international trade negotiations, in particular, in negotiations on Economic Partnership Agreements as is done in chapter 5.

4.3.1 Agriculture in Economy – Data

Agriculture plays an important role for African ACP countries but of course the meaning varies from country to country. A more detailed look is necessary to analyse the importance of agriculture in ACP, in particular, SADC EPA countries.

There are 48 ACP countries in Africa and 41 of ACP countries are LDCs. SADC is comprised of 14 countries: Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar (pending membership), Malawi, Mauritius, Mozambique, Namibia, Seychelles, Swaziland, Tanzania, Zambia and

³⁹⁷ Hazell/Diao: The role of agriculture and small farms in economic development, 2005, p.23.

³⁹⁸ Staatz/Dembélé: Agriculture for development in Sub-Saharan Africa, 2008, p.41.

³⁹⁹ Ibid., p.30.

⁴⁰⁰ Ibid., p.41.

⁴⁰¹ Ibid.

Zimbabwe. Seven of these are LDCs: Angola, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mozambique, and Zambia. The focus of this paper is the BLNS countries: Botswana, Lesotho, Namibia, Swaziland and Mozambique since these countries formed a negotiating group in the EPA negotiations.

The following data show how asymmetric the trade partners in EPA negotiations are in terms of total GDP. To illustrate, in 2005 the total GDP of the EU is 13,300 billion US-\$ compared to 425 billion US-\$ ACP countries, which means that ACP's GDP is 3.2% of EU's GDP. The SADC GDP is 0.5% of EU's GDP.⁴⁰² The economic power in the SADC region is largely different: for SADC countries the average GDP per capita is 4,428 US-\$ ranging from Botswana with 10,700 US-\$ to Tanzania with 700 US-\$.⁴⁰³ South Africa generates 74% of the regional GDP, Angola 13%, Tanzania 4%, Botswana 3%, Mozambique 2%, Namibia 2%, Swaziland 1%, and Lesotho 0%.⁴⁰⁴ The constant GDP ranges from 8,200 million US-\$ for Botswana to about 1,000 million US-\$ for Lesotho.⁴⁰⁵ In 2006 growth rates for SSA accounted for 4.2%, in ACP countries for 4.8%, and in BLNS for 3.5%.⁴⁰⁶

Table 1: Gross domestic product (GDP) BLNS+M⁴⁰⁷

Gross domestic product (GDP), constant US dollars (Units: Million constant 2000 US\$)				
Country	2000	2002	2004	2006
BLNS+M	16082	18113	20252	22224
Botswana	6177	6866	7740	8219
Lesotho	853	893	954	1053
Namibia	3414	3729	4114	4433
Swaziland	1389	1452	1526	1594
Mozambique	4249	5173	5918	6925

⁴⁰² Chiwandamira, D.P.: A review of the negotiation of Economic Partnership Agreements (EPAs) between the European Union and SADC and the implication for small scale farmers, 2006, p.17.

⁴⁰³ South Centre: EPA negotiations in Southern Africa: Some issues of concern, 2007, p.10 et seq.

⁴⁰⁴ Ibid.

⁴⁰⁵ World Bank: Development Data Group. World development indicators online, 2008.

⁴⁰⁶ Ibid.

⁴⁰⁷ Ibid.

Agriculture as share of GDP varies within the ACP group from 1.2% in Trinidad and Tobago to 60.7% in Congo-Kinshasa.⁴⁰⁸ In the BLNS group and Mozambique the share varies from 2% (Botswana), about 11% for Namibia and Swaziland, to 16% in Lesotho, and 28% in Mozambique in 2006. The highest share in the SADC group has Tanzania with 45%.⁴⁰⁹ With regard to services in the BLNS group the share of total GDP ranges from about 41% in Swaziland to 58% in Namibia (2005).⁴¹⁰ The share of manufacturing varies from 3.9% in Botswana to 37% in Swaziland (concentrated on clothing and sugar) in 2005. For Lesotho the share of sectors remains relatively constant; manufacturing is mainly concentrated on the clothing and textiles industry.⁴¹¹ The Namibian manufacturing sector consists mainly of food processing (fish and meat) which accounts for more than 60% of manufactured outputs.⁴¹² In Botswana mining and services are most important for GDP – mining and agriculture together account for 37% of GDP (with the small share of 2% of agriculture); while agriculture was important after independence (40% of GDP in 1966) its meaning declined.⁴¹³ Similarly, in Lesotho the importance of agriculture also declined – in the 1990s the share of agriculture in the GDP declined from 23-25% to 16.3% today.⁴¹⁴

Agriculture and manufacturing are of different importance for BLNS countries and Mozambique while the services sector is relatively similar.

Table 2: Gross domestic product (GDP) from agriculture BLNS+M⁴¹⁵

Gross domestic product (GDP) from agriculture (%)							
Country groups	2000	2001	2002	2003	2004	2005	2006
BLNS+M (average)	13,94	13,04	14,28	14,24	13,74	13,84	13,68
Botswana	2,4	2,3	2,4	2,4	2,2	2	2
Lesotho	17,9	17	16,5	17,1	17,1	17	16,3
Namibia	11	10,4	11,1	11,5	10,4	12,1	10,9

⁴⁰⁸ Kasteng, J.: Agriculture and development in EPA negotiations, 2006, p.12.

⁴⁰⁹ World Bank: Development Data Group, World development indicators online, 2008.

⁴¹⁰ South Centre: EPA negotiations in Southern Africa, 2007, p.11.

⁴¹¹ WTO: Trade policy review: SACU. Report by the secretariat. Annex two: Kingdom of Lesotho, 2003, p.117.

⁴¹² WTO: Trade policy review: SACU. Report by the secretariat. Annex three: Namibia, 2003, p.186.

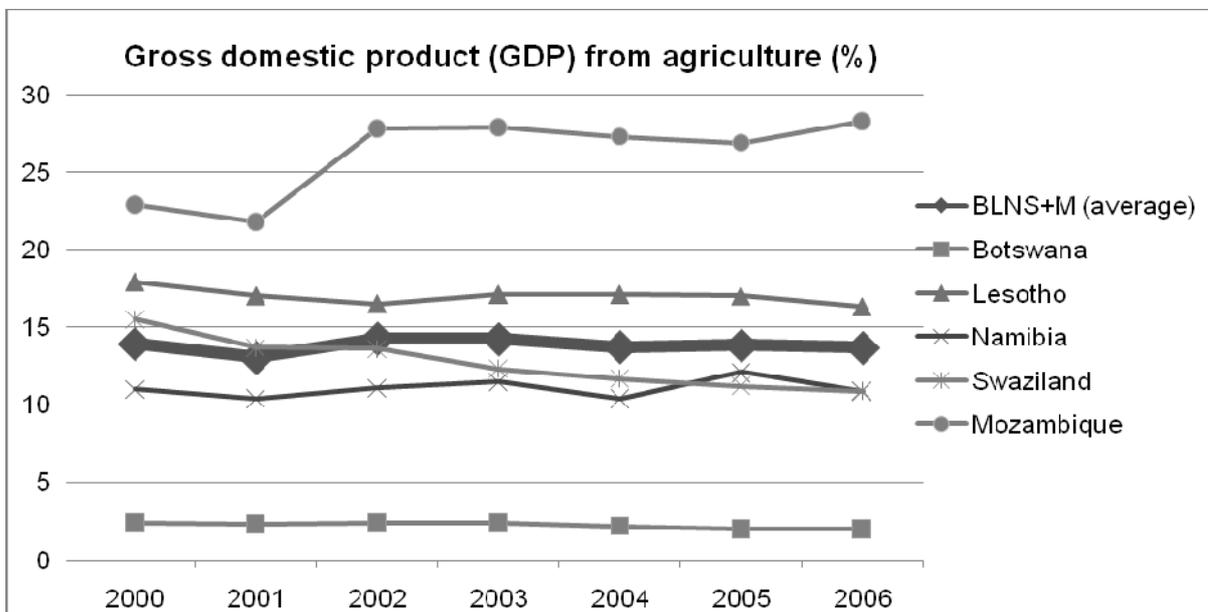
⁴¹³ WTO: Trade policy review: SACU. Report by the secretariat. Annex one: Botswana, 2003, p.85.

⁴¹⁴ WTO: Trade policy review: SACU: Lesotho, 2003, p.136.

⁴¹⁵ World Bank: Development Data Group. World development indicators online, 2008.

Swaziland	15,5	13,7	13,6	12,3	11,7	11,2	10,9
Mozambique	22,9	21,8	27,8	27,9	27,3	26,9	28,3

Table 3: Gross domestic product (GDP) from agriculture BLNS+M⁴¹⁶



In 2008 the total population in SSA accounts for 830 million people and the whole ACP group is 873 million; SADC countries account for 245 million people and BLNS countries for 7 million. In 2000 the population growth in SSA was 2.5% and in BLNS 1.2%; the ACP group has a 1.8% population growth.⁴¹⁷ Koroma and Deep Ford refer to the fact that “food production [...] has not kept up with population growth”.⁴¹⁸ The share of undernourished people in the ACP group accounts for 28% of total population, in SSA for 30%, and in BLNS for about 20% of total population.

Table 4: Undernourishment in total population BLNS+M⁴¹⁹

Undernourishment in total population (%)			
Country groups	1990-92	1995-97	2003-05
BNLS+M (average)	27	28	23
Botswana	20	24	26
Lesotho	15	13	15

⁴¹⁶ Ibid.

⁴¹⁷ Ibid.

⁴¹⁸ Koroma, S./Deep Ford, J.R.: The agricultural dimension of the ACP-EU Economic Partnership Agreements, 2006, p.2.

⁴¹⁹ World Bank: Development Data Group. World development indicators online, 2008.

Namibia	29	29	19
Swaziland	12	20	18
Mozambique	59	52	38

In 2000 the population living in rural areas accounted for 54% of total population in SSA, 61% for BLNS (48% in Botswana, 67% in Namibia) and 53% for ACP countries.⁴²⁰ Despite the different percentages of agriculture in GDP the share of rural population is relatively similar in the BLNS countries. Lesotho is highly dependent on subsistence agriculture: 80% of total population live in rural areas and more than 50% derive their livelihood from crops and livestock. In Namibia still 3/4 of the population depend on farming for their livelihood, while in Swaziland 70% of the total population live in rural areas (with 60% below the poverty line). Though Botswana is relatively highly developed compared to the other Southern African countries still 50% of the total population live in rural areas and 50% of them depend on agriculture for income; moreover, agriculture accounts for a large share of informal employment.⁴²¹

In 2004 in SSA about 60% of the total labour force worked in agriculture, in BLNS 37% (2004) – ranging from 31% in Swaziland and 43% in Botswana to 80% in Mozambique and 48% in the ACP group.⁴²² Botswana is a good example that the “relative small importance of agriculture [...] contrasts with the importance of agriculture for employment”.⁴²³ Moreover, statistical data on employment disregard the importance of informal employment in agriculture which is important for SSA economies but does not emerge in agricultural data.

In SSA 8% of total land is arable land; irrigated land as a percentage of total land is 0.7% in SSA in 2003, 3.1% in ACP, and 0.9% in BLNS countries. SSA withdraws only 1.6% of available water, while in Asia this accounts for 14%. The low degree of irrigation is a major constraint in Southern African agriculture.

The most important sectors for BLNS countries are diamonds and mining for Botswana, clothing and textiles for Lesotho, sugar production and processing for Swaziland, while Namibia is dominated by mining, fishing, and ranching.

⁴²⁰ Chiwandamira: A review of the negotiation of Economic Partnership Agreements, 2006, p.23.

⁴²¹ World Bank: Development Data Group. World development indicators online, 2008.

⁴²² Ibid.

⁴²³ South Centre: EPA negotiations in Southern Africa, 2007, p.10 et seq.

The most important agricultural products for Lesotho are in livestock (milk, beef, and mutton) with a declining trend in milk production but increases in the output of mutton and beef. Also important are animal-based textile products (wool and mohair) and five principal crops which are maize, wheat, sorghum, peas, and beans). These crops observe a declining output due to a “decline in available arable land though housing expansion and a shift of the labour force from agriculture to manufacturing.”⁴²⁴ This causes an increasing dependence on imports of food and agriculture.

Namibia is characterised by a dualistic agriculture: commercial farming is concentrated on the production of maize, wheat, cotton, and beef⁴²⁵ as well as irrigated grapes that become more and more important. Subsistence farming mainly produces rain-fed crops like millet, sorghum, and maize as well as livestock and some horticultural crops (beans, pumpkins, melons, groundnuts, spinach).⁴²⁶

A dualistic agriculture is also characteristic of Swaziland. Subsistence farming produces maize, sugar, and livestock on a commercial basis while the industrial agricultural sector produces processed sugar products, maize meal, animal feeds, and processed dairy products. The main agricultural products are sugar, maize, meat, dairy, pineapples, citrus and other fruits. The cash economy is characterised by a large-scale, commercial, irrigated, and export-oriented agriculture. Moreover, sugar accounts for more than 50% of the farm output and more than 92% is exported; the growing food industry is based on sugar.⁴²⁷

This dualistic agriculture is representative for Botswana as well. The commercial farming sector disposes of 30% of total arable land and produces mainly cattle while subsistence farmers produce mainly sorghum, maize, millet, pulses as well as cabbages, tomatoes, and potatoes. Both parts are engaged in crop and livestock activities.⁴²⁸

⁴²⁴ WTO: Trade policy review: SACU: Lesotho, 2003, p.138.

⁴²⁵ Beef accounts for 80% of meat production and 40% of agricultural output; WTO: Trade policy review: SACU: Namibia, 2003, p.192.

⁴²⁶ Ibid.

⁴²⁷ WTO: Trade policy review: SACU. Report by the secretariat. Annex five: Kingdom of Swaziland, 2003, p.336.

⁴²⁸ WTO: Trade policy review: SACU: Botswana, 2003, p.85.

Similarly, this dualism can also be found in Mozambique's agriculture that mainly produces export crops like sugar cane, cotton, cashew nuts, copra, and tea as well as food crops like maize, cassava, vegetables, beans, and rice.⁴²⁹

4.3.2 Farming Structure

In SSA, in particular, in the SADC region there are several landlocked countries (Botswana, Malawi, Swaziland, Zambia, and Zimbabwe) and several countries that have access to the sea coast (Angola, Namibia, Madagascar, Mauritius, Mozambique, and Tanzania). Due to the different geographical preconditions the FAO counts 72 different farming systems worldwide⁴³⁰ and 15 in SSA. These systems include criteria like, "land area and agricultural population as a proportion of regional totals, principal livelihoods and the prevalence of poverty".⁴³¹ The farming systems relevant for the Southern African region are listed in table 5.

Table 5: Farming systems in SADC countries⁴³²

Farming System	Countries	Characteristics
Tree Crop Farming System	Part of Angola, Congo	Industrial tree crops (cocoa, coffee, oil palm and rubber); food crops inter-planted between tree crops/grown mainly for subsistence; few cattle; commercial tree crop estates (oil palm and rubber)/outgrower schemes for smallholders
Forest Based Farming System	(Among others) Congo Democratic Republic, the Congo Republic, Southern Tanzania, Northern Zambia, Mozambique, Angola	Shifting cultivation (clearing new field from forest every year/cropping it for 2 to 5 years - first cereals/groundnuts, then cassava - then abandoning it to bush fallow for 7 to 20 years, but tendency to reduce fallow periods; main staple Cassava, complemented by maize, sorghum, beans and cocoyams. Cattle and small ruminant populations low
Rice-Tree Crop Farming System	Madagascar	Small farm size; banana/coffee cultivation is complemented by rice, maize, cassava and legumes; cattle numbers relatively low
Highland Temperate Mixed Farming System	(Among others) Part of Angola, Lesotho	Small average farm size; numerous cattle (ploughing, milk, manure, bridewealth, savings and emergency sale); main staples

⁴²⁹ WTO: Trade policy review: Mozambique. Report by the secretariat, 2003, p.40 et seqq.

⁴³⁰ Dixon, J. et al.: Farming systems and poverty. Improving farmers' livelihoods in a changing world, 2001, p.12.

⁴³¹ Ibid., Chapter 2.

⁴³² Dixon et al.: Farming systems and poverty, 2001, Chapter 2.

		small grains (wheat and barley), complemented by peas, lentils, broad beans, rape, Irish potatoes; main sources of cash: sale of sheep and goats, wool, local barley beer, Irish potatoes, pulses and oilseeds; mountain areas offer few local opportunities for off-farm employment
Cereal-Root Crop Mixed Farming System	Southern Africa	Numerous cattle; cereals (maize, sorghum and millet) are widespread; absence of animal traction: root crops (yams and cassava) more important than cereals
Maize Mixed Farming System	Tanzania, Zambia, Malawi, Zimbabwe, South Africa, Swaziland, Lesotho	Rather low farm sizes; small-scale irrigation schemes; main staple: maize; main cash sources: migrant remittances, cattle, small ruminants, tobacco, coffee and cotton, plus the sale of food crops such as maize and pulses; cattle (ploughing, breeding, milk, farm manure, bridewealth, savings and emergency sale)
Large Commercial and Smallholder Farming System	South Africa, Southern Namibia	Two types of farms: scattered smallholder farming (homelands) and large-scale commercialised farming; both largely mixed cereal-livestock systems (maize dominating in north/east, sorghum/millet in the west); modest level of cattle and small ruminants
Agro-Pastoral Millet/Sorghum Farming System	(Among others) Substantial areas of East and Southern Africa from Somalia and Ethiopia to South Africa	Crops and livestock of similar importance; rainfed sorghum and pearl millet: main sources of food/rarely marketed; sesame and pulses sometimes sold; land preparation by oxen or camel, hoe cultivation common along riverbanks; livestock for subsistence (milk and milk products), offspring, transportation (camels, donkeys), land preparation (oxen, camels), sale or exchange, savings, bridewealth and insurance against crop failure
Pastoral Farming System	(Among others) Botswana, Southern Angola	Cattle, sheep, goats and camels
Sparse (Arid) Farming System	Botswana, Namibia	Limited relevance for agriculture; cattle; some scattered irrigation settlements often used by pastoralists to supplement livelihoods
Coastal Artisanal Fishing Farming System	(Among others) Madagascar	Artisanal fishing (sea fishing from boats, seine net fishing from beaches, setting of nets/traps along estuaries/in shallow lagoons, catching of crustaceans in mangrove swamps); supplemented by crop production (root crops under coconuts, fruit trees and cashews, some animal production)
Urban Based Farming System	All countries	Estimated total urban population of over 200 million in the region: significant number of farmers in cities/large towns (up to 10%/11 million agricultural producers);

The most relevant systems for the BLNS countries are the Cereal-Root Crop Mixed Farming System (for Southern Africa), the Maize Mixed Farming System (for Swaziland and Lesotho), the Large Commercial and Smallholder Farming System (for South Africa and Southern Namibia), the Pastoral Farming System (important in Botswana), the Sparse (Arid) Farming System (for Botswana and Namibia), and the Urban Based Farming System in all Southern African countries. These agricultural systems show that there is a large variety of agricultural systems in the Southern African countries with cattle production, root crops, cereals, and maize being relevant for agricultural production.

Important for SSA, in particular the Southern African countries, is the dualism between smallholder agriculture and large commercial farming. It is important to notice that agricultural statistics are based on established farms but do not take into account small family farming – since these farmers mainly produce for their own consumption they are not registered in national statistics although they are very important for SSA agriculture i.e., food security.⁴³³

The large commercial farming is producing commercial cash or industrial crops for export (e.g., cotton, tea, coffee, sugar cane, pyrethrum, vegetables, and tobacco)⁴³⁴ and is the leading export earner for SSA countries. Large-scale commercial farms dispose of modern inputs with access to global input and output marketing chains and some are vertically integrated with agro-processing business.⁴³⁵ But Chiwandamira states that the contribution to employment and poverty alleviation is low or even not existent.⁴³⁶ According to a World Bank study commercial farming is less capital efficient but more land and labour efficient due to modern capital intensive technologies.⁴³⁷ In general, commercial farmers have titles to lease state lands and possess farms with large sizes.⁴³⁸

⁴³³ Chiwandamira: A review of the negotiation of Economic Partnership Agreements, 2006, p.30.

⁴³⁴ Ibid.

⁴³⁵ Siegel, P./Alwang, J.: Poverty reducing potential of smallholder agriculture in Zambia: Opportunities and constraints, 2005, p.1.

⁴³⁶ Chiwandamira: A review of the negotiation of Economic Partnership Agreements, 2006, p.30.

⁴³⁷ Ibid.

⁴³⁸ Siegel/Alwang: Poverty Reducing Potential of Smallholder Agriculture in Zambia, 2005, p.1.

Smallholder farmers mostly produce for own consumption with periodic surpluses for the local markets.⁴³⁹ Smallholders often use simple technologies like hand hoes or oxen and cultivation practises (e.g. a minimum input of fertiliser); cultivation methods vary largely. Often they do not have access to functioning input and output markets or support services.⁴⁴⁰

Moreover, smallholders can be divided in two groups: the first group producing “low-value-to-weight”⁴⁴¹ food staples and a second group producing higher-value crops like cotton, tobacco, paprika as well as small livestock e.g., poultry and pigs for home consumption.⁴⁴² Normally, smallholders do not have access to larger markets and are not connected with agro-business; in the few cases smallholder produce for export may depend on middlemen to sell their products.⁴⁴³ The majority of farmers have average land holdings near 2-5 hectares per household and only a small area of land is irrigated in comparison with commercial agriculture.⁴⁴⁴

The economic and social advantages of small farms include the fact that they are more efficient producers by growing more food staples with less capital, have a higher work force, and their low prices benefit local markets.⁴⁴⁵

Moreover, small farmers prevent urban migration, which results in the explosive growth of large cities, and provide food security in rural areas. Small farms “help contain poverty by providing an affordable platform from which poor households can experiment with ways to improve their livelihoods”.⁴⁴⁶

Smallholder farming is constrained by poor infrastructure, the lack of effective farmers’ organisations, the missing input and output supply, their limited access to technology, the poor prices for their products, competition from developed countries, demanding market chains, and the broadening of HIV/AIDS.⁴⁴⁷ The danger is that “Left to themselves, these forces will curtail opportunities for

⁴³⁹ Chiwandamira: A review of the negotiation of Economic Partnership Agreements, 2006, p.30.

⁴⁴⁰ Siegel/Alwang: Poverty Reducing Potential of Smallholder Agriculture in Zambia, 2005, p.1.

⁴⁴¹ Ibid., p.2.

⁴⁴² Ibid.

⁴⁴³ Hoering: Agrar-Kolonialismus in Afrika, 2007, p.137.

⁴⁴⁴ Del Ninno, C. et al.: Food aid and food security in the short- and long run: Country experience from Asia and Sub-Saharan Africa, 2005, p.72.

⁴⁴⁵ Hazell/Diao: The role of agriculture and small farms in economic development, 2005, p.30.

⁴⁴⁶ Ibid.

⁴⁴⁷ Chiwandamira: A review of the negotiation of Economic Partnership Agreements, 2006, p.30.

small farms, overly favour large farms, and lead to a premature and rapid exit of many small farms.”⁴⁴⁸

The diversification into non-farm income is an important factor for smallholder farmers and an opportunity to increase stability and the security of incomes. Furthermore,

“The extent of such diversification away from agriculture may be an indicator of the degree to which farming operations, on their own, can provide a secure and improving livelihood.”⁴⁴⁹

Ellis states that, “on average, roughly 50 percent of rural household incomes in Sub-Saharan Africa are generated from engagement in nonfarm activities and transfers from urban areas or abroad”⁴⁵⁰ and explains that there is a difference between poor and better-off households. While poor households often diversify in casual wage work and remain reliant on subsistence crop production, better-off households are able to diversify into non-farm business activities like trade, transport, and shop keeping.⁴⁵¹ The vulnerability of poor households is increased when workers cultivate farms they do not own in lieu of their own farms. Likewise adverse natural events affect all farms in the region.⁴⁵² The better-off farmers do not neglect their own farm activities, on the contrary their agricultural productivity increases. According to Ellis this

“also points in a broader direction that is compatible with the agriculture skeptic position. It is possible that farm productivity in Sub-Saharan Africa rises as a function of household members taking up nonfarm opportunities, rather than being the driver of such opportunities, as is proposed in much of the agriculture-led growth literature.”⁴⁵³

Ellis concludes that

“The agricultural optimist is essentially arguing that these impoverished populations should be kept in agriculture because yield growth on their farms is an essential precursor to their ability to move out”⁴⁵⁴.

⁴⁴⁸ Hazell: Transformations in agriculture and their implications for rural development, 2007, p.63.

⁴⁴⁹ Ellis: Small farms, livelihood diversification, and rural-urban transitions, 2005, p.141.

⁴⁵⁰ Ibid.

⁴⁵¹ Ibid.

⁴⁵² Ibid., p.143.

⁴⁵³ Ibid., p.142.

⁴⁵⁴ Ibid., p.144.

He continues by saying, “Towns and cities become teeming hives of small-scale activity in which people begin to specialize in providing services to others and to purchase services in return.”⁴⁵⁵

The shift to non-farm activities of smallholder farmers depends on the “human, financial and physical assets and the economic context of the region and country in which they live.”⁴⁵⁶ The challenge for policy is to move jobs in low-growth market segments to more profitable ones by

“a variety of private assets such as education and start-up funds, and public assets such as roads and electricity and information about how to access dynamic market segments.”⁴⁵⁷

If preconditions do not guarantee local agricultural growth or access to new markets a “rapid expansion of non-farm activity can quickly depress local prices and wages, making them more a refuge occupation than a productive alternative to agriculture.”⁴⁵⁸

The functioning of the so-called engines of growth – tradables like agriculture, tradable services like tourism, manufacturing – and the resulting increase of income leads to growing demand for non-tradables “with important spillover opportunities for rural income diversification.”⁴⁵⁹ Furthermore,

“In this context, rural-urban migration and rural income diversification are indicators of economic growth and structural transformation and a sign that workers are typically being “pulled” out of agriculture into higher-paying occupations. But when the major engines of growth are stalled, as in much of Africa, migration and income diversification are more typically distress phenomena, with workers seeking to augment already low and declining per capita incomes by increasing production of low-productivity nontradables for sale into saturated local markets.”⁴⁶⁰

Moreover, declining farm sizes influences smallholder farming: since the 1960s farm sizes decreased to an SSA average of 1.5 hectare.⁴⁶¹ Staatz and Dembélé state that the land availability per person in agriculture has fallen by around the

⁴⁵⁵ Ibid.

⁴⁵⁶ Hazell: Transformations in agriculture and their implications for rural development, 2007, p.59.

⁴⁵⁷ Ibid.

⁴⁵⁸ Ibid., p.60.

⁴⁵⁹ Ibid.

⁴⁶⁰ Ibid., p.60 et seq.

⁴⁶¹ According to a study in Southern Africa; Ellis: Small farms, livelihood diversification, and rural-urban transitions, 2005, p.140.

half over the last 40 years in many SSA countries.⁴⁶² This decrease is result of the fact that “the agricultural labor force is increasing faster than the area under crops cultivation”,⁴⁶³ which is “difficult for farming alone to sustain the livelihoods of land-constrained households without substantial shifts in labor from agriculture to non-farm sectors.”⁴⁶⁴ Ellis states that the small farm size reflects norms under customary and state land tenure but also the “failure of rising populations to urbanize fast enough to stabilize available farm land per rural household”⁴⁶⁵ and the “unwillingness of SSA citizens to cede their access rights to land altogether”.⁴⁶⁶

Furthermore, there are large differences not only between smallholders and commercial farms with regard to land access but also between smallholders. The distribution of land is highly unequal to the extent that

“Gini coefficients of rural household land per capita among smallholders for Ethiopia, Kenya, Mozambique, Rwanda, Zambia and Zimbabwe range from 0.50 to 0.56. [...] Frequently, the bottom half of the size distribution of smallholders has less than one-fifth of a hectare per person available, making these households close to landless.”⁴⁶⁷

In most SSA there is a coexistence of land that is owned by the rural community: this land is usually not set out in writing or land that is considered private property. This coexistence of modern and traditional land rights together with the scarcity of cultivable land is under pressure due to increasing population growth, the expansion of export-oriented agriculture, increasing demand for land for building in the periphery of cities, and increasing demand of the tourism sector.⁴⁶⁸ Attempts to clarify land use rights did not succeed and often accelerated conflicts rather than avoiding them.⁴⁶⁹ Hoering states that in SADC countries (Botswana, Namibia, and Swaziland) the reform attempt

⁴⁶² Staatz/Dembélé: Agriculture for development in Sub-Saharan Africa, 2008, p.35.

⁴⁶³ Jayne, T.S. et al.: Smallholder income and land distribution in Africa: Implications for poverty reduction strategies, 2002, p.2.

⁴⁶⁴ Ibid.

⁴⁶⁵ Ellis: Small farms, livelihood diversification, and rural-urban transitions, 2005, p.140.

⁴⁶⁶ Ibid.

⁴⁶⁷ Staatz/Dembélé: Agriculture for development in Sub-Saharan Africa, 2008, p.35.

⁴⁶⁸ Hoering: Agrar-Kolonialismus in Afrika, 2007, p.84.

⁴⁶⁹ Ibid., p.90.

benefited a small elite of land owners and a private agro-business while smallholders were missed out.⁴⁷⁰

The insecurity regarding land rights together with the low asset levels (no risk management support) can prevent smallholders from bearing risks and transaction costs involved in production. Therefore, they hesitate to invest in pesticides, seeds, and fertiliser due to the threat of losing their land.⁴⁷¹

Jayne et al. conclude that “greater equity in land holding is key to rural poverty reduction in the short run”⁴⁷² and in the long run will “facilitate the movement of the rural poor into skilled off-farm and non-farm jobs”.⁴⁷³ They state that second round effects of liberalisation arise dependent from the “initial distribution of land and other productive assets”.⁴⁷⁴

The question is how to achieve food security and if a more sustainable agriculture can contribute to this aim: “it is unclear whether progress towards more sustainable agricultural systems will result in enough food to meet the current food needs in developing countries.”⁴⁷⁵

The rising agricultural production since the 1960s – the aggregate world food production grew by 145% – has to be seen in conjunction with the population growth from three to six billion people in the same period. Worldwide the per capita food production rose by 25% while in Africa it declined by 10% since the 1960s.⁴⁷⁶ In general agriculture has contributed to environmental harm since the 1960s, i.e., agricultural area expansion (in developing countries by 23%), increasing area under irrigation (twofold), and growing consumption of fertiliser (fourfold).⁴⁷⁷ The environmental consequences are the losses of habitats and biodiversity, the contamination of water systems and atmosphere as well as water-logging and salinisation.⁴⁷⁸ The growing population and food crises require a “greater use of these inputs” but “it would be both simplistic and

⁴⁷⁰ Ibid., p.92.

⁴⁷¹ Staatz/Dembélé: Agriculture for development in Sub-Saharan Africa, 2008, p.35; Hoering: Agrar-Kolonialismus in Afrika, 2007, p.89.

⁴⁷² Jayne et al.: Smallholder income and land distribution in Africa, 2002, p.5.

⁴⁷³ Ibid.

⁴⁷⁴ Ibid.

⁴⁷⁵ Pretty, J.N.: Agricultural sustainability: concepts, principles and evidence, in: Philosophical Transactions of the Royal Society of London, Series B, Vol.363, No.1491, 2008, p.460.

⁴⁷⁶ Ibid., p.447 et seq.

⁴⁷⁷ Ibid., p.448.

⁴⁷⁸ Ibid., p.448 et seq.

optimistic to assume that all these relationships will remain linear in the future and that gains will continue at the previous rates”, therefore, it is clear that “this approach has reached critical environmental limits”.⁴⁷⁹

A sustainable agriculture tries “to make the best use of environmental goods and services while not damaging these assets.”⁴⁸⁰ It includes the integration of ecological processes into food production, minimising the use of non-renewable assets, productively using farmers’ knowledge and skills as well as collective capacities to jointly solve problems, and the fact that no technology/practise should be ruled out on ideological grounds.⁴⁸¹

Lambrechts emphasises that local and traditional knowledge should be supported; African farmers have already shown that farmers “can double their yields using technology that is known and available.”⁴⁸² Similarly, Pretty states that agricultural technologies and practises “must be locally adapted and fitted to place.”⁴⁸³ Agricultural technologies and practises are sustainable if they do not have adverse effects on environment, if they are accessible to farmers and are effective, and if they lead to improvements in food security.⁴⁸⁴ According to him there are “many pathways to agricultural sustainability” and there is a “need to fit these factors to the specific circumstances of different agricultural systems.”⁴⁸⁵

Public support is necessary to bear transition costs but only a few countries provide national or regional support; whereas,

“Most agricultural sustainability improvements occurring in the 1990s and early 2000s appear to have risen despite existing national and institutional policies, rather than owing to them.”⁴⁸⁶

A multi-track approach is necessary and must include: the linkage of smallholder development to local markets, the support of agro-business (small businesses as well as export-led farms), agro-processing and value-added

⁴⁷⁹ Ibid., p.449.

⁴⁸⁰ Ibid., p.451.

⁴⁸¹ Ibid.

⁴⁸² Lambrechts: Responding to Africa's agricultural challenges, 2008, p.6.

⁴⁸³ Pretty: Agricultural sustainability, 2007, p.451.

⁴⁸⁴ Ibid., p.447.

⁴⁸⁵ Ibid., p.451.

⁴⁸⁶ Ibid., p.459.

activities, the improvement of urban agriculture, and livestock development to meet local increases of demand.⁴⁸⁷

Hoering gives an example for the more differentiated approach with regard to sustainable agriculture. The use of fertiliser is profitable for export-oriented agriculture while fertiliser does not increase the productivity of the products cultivated by smallholders (e.g., sorghum, legumes) and is too expensive for them. An example of an organic fertiliser that is applied in Tanzania is Mapambano. Mapambano is low priced, locally available and free from corruption.⁴⁸⁸

Hoering states that the World Bank recommends the increased use of fertiliser in SSA and prioritises economic growth rather than food security and poverty:

“promoting fertilizer and improved land husbandry among poor farmers in difficult agroclimates may have positive environmental consequences (reduced soil mining) and poverty alleviation implications (better food security), but it may not contribute as much to growth in GDP or to the development of viable fertilizer supply networks as would a program to expand irrigated agriculture or encourage farmers to increase the intensity of fertilizer use on irrigated crops.”⁴⁸⁹

A similar example is the use of seeds. In SSA smallholders mostly sell seeds at the informal market, use their own seeds, and/or exchange seeds with other smallholders. Up to 80-90% of the demand covered and the local seeds fit into the local environment. Attempts to distribute more expensive commercial seeds in the formal market have taken place within the regional SADC market since end of the 1990s. These regional markets characterised by free trade and strict intellectual property rights regulate the use of seeds. Hoering concludes that there is a separation into two independent sectors: a privatised controlled formal sector and an informal multifaceted smallholder sector.⁴⁹⁰ A more differentiated approach would be necessary to bring both sectors together and to develop more sustainable practises for smallholder farmers that enable them to maintain food security.

⁴⁸⁷ Ibid., p.460.

⁴⁸⁸ Hoering: Agrar-Kolonialismus in Afrika, 2007, p.28.

⁴⁸⁹ Kelly, V.A.: Factors affecting demand for fertilizer in Sub-Saharan Africa, 2006, p.47.

⁴⁹⁰ Hoering: Agrar-Kolonialismus in Afrika, 2007, p.61.

The influence of international institutions has already been shown in chapter 4.1 (IMF, World Bank) and chapter 2 (WTO). The impact of IMF and World Bank policies in the promotion of liberalisation has been serious and initiated a change in agricultural policies in the (African) developing countries. The WTO aims at further liberalisation but does not impose structural adjustment programmes; it negotiates liberalisation in trade agreements and multilateral trade negotiations.

The World Development Report 2008 describes the role of the public sector in agriculture and states that the “state is especially important for addressing market failures”⁴⁹¹ and that

“The nation state remains responsible for creating an enabling environment for the agriculture- for-development agenda, because only the state can establish the fundamental conditions for the private sector and civil society to thrive: macroeconomic stability, political stability, security, and the rule of law.”⁴⁹²

It recognises the (partial) success of the green revolution but accentuates that “public sector interventions are often ill informed, poorly implemented, and subject to rent-seeking and corruption, leading to government failures.”⁴⁹³

The fact that “state agencies have been removed from providing many direct marketing and service functions to farmers, leaving a vacuum that the private sector has yet to fill in many countries.”⁴⁹⁴ is approved by the World Bank. In the 2008 World Development Report the World Bank states that this liberalisation “left many market failures unresolved, creating second-generation problems [...], especially where a weak private sector could not fill the gap”⁴⁹⁵.

Therefore, the challenge of government goes beyond creating an enabling environment for economic actors. Moreover, the WDR postulates the enhanced coordination of ministries due to the broad agenda which is

“embracing not only issues of agricultural production, but also food safety, biosafety, animal health, human health and nutrition, physical

⁴⁹¹ World Bank: World Development Report 2008, 2007, p.245.

⁴⁹² Ibid., p.246.

⁴⁹³ Ibid., p.247.

⁴⁹⁴ Hazell: Transformations in agriculture and their implications for rural development, 2007, p.50.

⁴⁹⁵ World Bank: World Development Report 2008, 2007, p.247.

infrastructure, environmental services, trade and commerce, natural disaster management, gender equity, and safety nets.”⁴⁹⁶

Furthermore, the agricultural ministries require “new skills and management structures”.⁴⁹⁷ The WDR also calls for an increased role of the national parliaments because

“in emerging democracies, especially in Africa, parliamentarians often lack the resources, information, and support staff to engage in the formulation of agricultural strategies, policies, and budgets.”⁴⁹⁸

The integration of civil society organisations (NGOs, producer’s organisations,...) is important as well.⁴⁹⁹

Another important task for the government, in particular, the agricultural ministries is the regulation of

“biosafety, food safety, grades and standards, intellectual property protection, agricultural input quality, groundwater extraction, and environmental protection. The privatization of agricultural markets requires appropriate regulatory frameworks to maintain competitiveness”.⁵⁰⁰

Further tasks are to align policy with agricultural budgets, decentralisation in order to bring government closer to rural areas, and enhance coordination challenges.

Farmers – smallholders and commercial farmers – often are organised in farmers' organisations that are characterised by different configurations and functions. There are farmers groups, agricultural cooperatives, chambers of agriculture and NGOs at local/regional and national levels. They have advocacy, economic, technical and local development functions.⁵⁰¹ Successful farmers' organisations are characterised by a

“match between the existing skills/experience of members and what is required to undertake joint activities; internal cohesion and a membership

⁴⁹⁶ Ibid.

⁴⁹⁷ Ibid., p.252.

⁴⁹⁸ Ibid., p.251.

⁴⁹⁹ Ibid., p.248.

⁵⁰⁰ Ibid.

⁵⁰¹ Stockbridge, M. et al.: Farmer organisations for market access: Learning from success, 2003, p.6.

driven agenda; and successful, commercially oriented, integration of the organisation into the wider economy.”⁵⁰²

Stockbridge et al. judge that “FOs focused on the production and marketing of cash crops have clearly met with greater success than the less focused, multi-purpose FOs”⁵⁰³ and that farmers' organisations with a commercial focus are more successful than those with a wider policy focus. If farmers' organisations should replace public engagement in the provision of agricultural services there is the risk that the organisational viability is undermined:

“FOs appear to be most effective when they act and are treated as an alternative form of business organisation rather than as an extension of the public sector or as a channel for donor aid to the rural sector.”⁵⁰⁴

Chirwa et al. also see the role of farmers' organisations after trade liberalisation as critical. They state:

“FOs are undermined by attempts to encourage them to scale up too rapidly or to take too many or over-ambitious activities. They can also be undermined by subsidies, by a failure to focus on core commercial activities offering clear benefits to members, and by donor and government support and interference that interacts with them more as development agents than as private businesses.”⁵⁰⁵

Preville emphasises the domestic character of farmers' organisations as well.⁵⁰⁶

In an interview with a Namibian trade expert he also stated that farmers' organisations should have a commercial focus as they are “more concerned with a conducive political environment to ensure their own survival and to make profits from products produced, than in politics *per se*.”⁵⁰⁷

With regard to smallholder farmers there is the danger that the poor can be excluded from membership, or the benefits of membership, due to an unequal distribution of power and wealth in rural societies.⁵⁰⁸

⁵⁰² Ibid., p.23.

⁵⁰³ Ibid., p.28.

⁵⁰⁴ Ibid., p.35.

⁵⁰⁵ Chirwa, E. et al.: Walking tightropes: Supporting farmer organisations for market access, 2005, p.1.

⁵⁰⁶ Preville, C.: The challenges facing farmers' organizations in the liberalized trading environment. Feature address delivered at the WINFA-OXFAM Farmers Forum Catholic Pastoral Centre in Edinboro, Kingstown, St. Vincent and the Grenadines, 20-23 September 2004, p.13.

⁵⁰⁷ Bertow, K.: Interview led with a Namibian EPA expert, December 2008.

⁵⁰⁸ Stockbridge et al.: Farmer organisations for market access, 2003, p.34.

Large agro-businesses play an increasingly important role in international trade. In many sectors only a few companies control the market. Four companies own 30% of the total commercial seeds and ten leading companies control 80% of the agrochemical market. Moreover, five companies share 90% of the worldwide cereals trade. These companies are gaining control over the value chain and this is of growing importance to international agriculture.⁵⁰⁹

The (European) supermarkets play an increasing role in agriculture, in particular, in Latin America and Asia. In Southern Africa, European supermarkets are nearly non-existent instead South African supermarkets are dominant. The impact on local agriculture is serious: street hawkers tend to be displaced, the workers often suffer from pricing pressure, and smallholders – those that are excluded from restructured markets – are also affected.⁵¹⁰ Smallholder farmers tend to lose recipients because they normally sell to intermediaries or smaller shops. There is only a small number of farmers that are able to deliver products with supermarket standard and they might get crowded out of the market.⁵¹¹

4.4 Trade in Southern Africa

South-South trade is growing, especially with regard to agricultural products and processed products, but regional trade is still only a small share of total ACP trade. Moreover, trade does not take place between the entities Africa, Caribbean, and Pacific but only within these entities. Therefore, any trade agreement between EU and ACP countries should strengthen trade between these ACP countries and regions.⁵¹² Southern African intra-regional trade increased by 12% in 2001, 24% in 2003, and then declined by 14% in 2004; main products were cereals, sugar, and confectionaries.⁵¹³

⁵⁰⁹ Hoering: Agrar-Kolonialismus in Afrika, 2007, p.48 et seqq.

⁵¹⁰ Wiggerthale, M.: Supermärkte auf dem Vormarsch im Süden – Bedrohung für Kleinbauern?, 2007, p.19 et seqq.

⁵¹¹ Hoering: Agrar-Kolonialismus in Afrika, 2007, p.112 et seqq.

⁵¹² Kasteng: Agriculture and development in EPA negotiations, 2006, p.30 et seq.

⁵¹³ Chiwandamira: A review of the negotiation of Economic Partnership Agreements, 2006, p.26.

Between 1995 and 2002 exports from ACP countries to the EU increased by 67% and imports increased by 52%;⁵¹⁴ the EU receives 42% of total exports from ACP countries.⁵¹⁵ The exports of ACP countries as share of total EU exports accounted for 3.21% in 2007.⁵¹⁶ In 2002 agriculture accounted for one quarter of ACP exports to the EU and Chiwandamira states that “the contribution of agriculture to total EU imports is much greater and has performed better relative to non-agriculture sectors.”⁵¹⁷ But ACP countries account for one eighth of EU agricultural imports and trade has been further marginalised: the share of EU imports from ACP as share of total imports fell from 3.4% 1995 to 3% 2002⁵¹⁸ and 2.82% in 2007⁵¹⁹. “The main reason that the ACP’s share of total EU imports has slumped is that the non-agriculture share is tiny and has fallen badly.”⁵²⁰ But, above all “this shows that ACP trade is of insignificant economic importance to the EU, and that access to the EU market is essential to the ACP countries.”⁵²¹

In 2007 the share of EU agricultural exports to ACP countries as percent of total exports accounted for 11.6% (manufacturing goods 62.4%).⁵²² The largest destination for EU agro-food exports is West Africa (47.5%) followed by Southern Africa (including South Africa) with 18.8% and Eastern Africa (10-13%). EU exports to EPA regions increased and during 2000-2004 there also was an increase in total agro-food exports of the EU (166.5%).⁵²³

The total value of exports from the SADC region accounted for 32.277 billion US-\$ (imports: 13.780 billion US-\$) comprised of mining industry exports, exports of metals and precious stones, as well as petroleum, diamonds, and aluminium. The destination for natural fuel exports (Angola accounts for 95% of these exports) is USA, China, and France, while non-oil exports go to the UK,

⁵¹⁴ Koroma/Deep Ford: The agricultural dimension of the ACP-EU Economic Partnership Agreements, 2006, p.43.

⁵¹⁵ Kasteng: Agriculture and development in EPA negotiations, 2006, p.38.

⁵¹⁶ DG Trade: Trade statistics ACP (excluding South Africa), 2008.

⁵¹⁷ Chiwandamira: A review of the negotiation of Economic Partnership Agreements, 2006, p.25.

⁵¹⁸ Ibid.

⁵¹⁹ DG Trade: Trade statistics ACP (excluding South Africa), 2008.

⁵²⁰ Koroma/Deep Ford: The agricultural dimension of the ACP-EU Economic Partnership Agreements, 2006, p.43.

⁵²¹ Kasteng: Agriculture and development in EPA negotiations, 2006, p.38.

⁵²² DG Trade: Trade statistics ACP (excluding South Africa), 2008.

⁵²³ Kasteng: Agriculture and development in EPA negotiations, 2006, p.37.

USA, and Norway. The EU receives more than 40% of SADC exports: mainly diamonds, gold, aluminium, and fish.⁵²⁴ SADC countries import mainly higher value added manufactured products: boilers, machinery, propellers account for about 15%; while ships/vessels, vehicles, and general consumer goods other than agricultural products follow. The EU is the main exporter to SADC countries and SADC imports from the EU grew 18.7% 2004-2005.⁵²⁵

In general SADC countries import more agricultural products than they export; 21% of total exports are agricultural goods (Botswana 3.2%, Namibia 17.2%).⁵²⁶ Imports from SADC into EU accounted for 5,205.4 million US-\$ and exports from EU to SADC 3,283.9 million US-\$. The EU is the main exporter, with 32% of imports in 2002 followed by the US with 9%.⁵²⁷ Five products accounted for 86% of exports to EU: diamonds and gold (47.3%), oil (19.1%), aluminium (10.4%) and fisheries products (10%). These primary goods entered without tariff preferences due to zero-rated tariffs except fisheries products and certain aluminium products. The main exports of the EU in 2003 have been transport materials (24.3%), food industry products and drinks (8%), non-precious metals (7.7%), and chemical products (6.8%). Thereby, Angola dominates (41% of total trade); followed by Botswana (22.5%); and Tanzania (13.7%).⁵²⁸

SADC imports of agricultural products grew by 6% 2002, by 27% in 2003, and by 5% in 2004. These products were edible preparations, dairy products, eggs, honey, and edible animal products. In 2002 and 2003 the SADC region received significant trade in cereals from the EU (in response to food shortages caused by droughts). SADC agricultural exports to the EU (mainly vegetables, fruits, and nuts) are steadily increasing and account now for 6% of the value of exports to the EU. The quantity of beef exported to the EU declined since 2001 despite the duty-free quotas (declining prices in EU due to the issue of subsidies).⁵²⁹

⁵²⁴ South Centre: EPA negotiations in Southern Africa, 2007, p.11 et seq.

⁵²⁵ Ibid., p.12.

⁵²⁶ Chiwandamira: A review of the negotiation of Economic Partnership Agreements, 2006, p.24.

⁵²⁷ Ibid., p.25.

⁵²⁸ Ibid.

⁵²⁹ Ibid., p.26 et seq.

A closer look at Botswana, Lesotho, Namibia, Swaziland, and Mozambique allows a more detailed trade analysis.

Most exports from Botswana go to the EU (76.8% in 2005), mainly to the UK (in particular beef and diamonds). Other exports go to SADC countries (13.8% in 2005), mostly to South Africa and Namibia. Botswana's imports are mainly from SADC countries (87.6%), in particular, South Africa and the EU with 6.6% (mostly from UK, France, and Sweden).⁵³⁰ Most imports are mineral products, machinery, and vehicles; while most exports consist of precious stones and metal products.⁵³¹ Agricultural imports include prepared foods and beverages mainly from SADC countries (7% from South Africa, 20% from the rest of SADC, and 6.5% from the rest of the world, as share of total imports).⁵³² Agricultural imports are still of importance because "Botswana's semi-arid climate is not conducive to commercial agriculture";⁵³³ therefore, "Botswana continues to rely on agricultural imports from SA, SADC and the RoW."⁵³⁴

Agricultural exports to South Africa only account for a small share of exports and include prepared foods and beverages (in 2005 6.1% as share of total exports) and live animals and animal products (in 2005 7.2% as share of total exports), while for the rest of SADC and the rest of the world the share has been relatively small.⁵³⁵ Hides and skins, leather products, and beef (under the beef trade protocol) benefit from preferential access to the European market.⁵³⁶

73% of Botswana's imports from SADC and 65% of Botswana's total imports fall under a 0% tariff line because of the trade liberalisation processes. There are some higher tariffs (up to 30%) on 22.6% of total imports for Botswana for following goods: motor vehicles, tobacco, and prepared cereals.⁵³⁷ There are some import restrictions for agricultural products (e.g., maize, wheat, sorghum,

⁵³⁰ Mogapi, S.: Intra-SADC trade performance review 2006: Chapter 1: Botswana, 2006, p.5.

⁵³¹ Ibid., p.9 et seq.

⁵³² Ibid., p.9.

⁵³³ Mogapi, S.: Trade performance review 2005: Botswana, 2005, p.13.

⁵³⁴ Ibid.

⁵³⁵ Mogapi: Intra-SADC trade performance review: Botswana, 2006, p.10.

⁵³⁶ WTO: Trade policy review: SACU: Botswana, 2003, p.65.

⁵³⁷ Mogapi: trade performance review: Botswana, 2005, p.19 et seq.

vegetables) to protect the infant horticultural industry and export restrictions (e.g., on beans, groundnuts, maize, millet) for food security reasons.⁵³⁸

The analysis of Lesotho's trade is somewhat restricted by a lack of data and a poor quality of existing trade data. The main imports come from SADC (82% of total imports in 2003), mostly South Africa; most exports go to NAFTA (79.1% of total exports in 2003); while SADC countries received 19.4% in 2003 and the EU 1.2%.⁵³⁹

Lesotho imports mainly food items (from South Africa and the rest of the world), while the imports from SADC are relatively small and include mainly textiles and vegetables.⁵⁴⁰ The most important export product is clothing and textiles with 82.2% of total exports in 2003 to the rest of the world (and 14.4% to South Africa).⁵⁴¹

With regard to agriculture, Lesotho exports prepared foodstuffs and beverages to South Africa (30.4% of total exports in 2003) and the rest of the world (5.9%) as well as vegetables (6.4% to South Africa, 1.2% to the rest of the world). Agricultural imports include vegetables from the rest of SADC (without South Africa) with 53.8% of total imports in 2003 and from the rest of the world (7.1%). Lesotho also imports prepared foods from South Africa (8.6% as share of total imports in 2003) and the rest of the world (7.1%).⁵⁴²

The economic activities of Namibia are restricted to the extraction and processing of minerals, large-scale commercial livestock, and fishing; therefore, the economy is not largely diversified. For that reason, the government aims at export promotion and regional integration as well as diversification towards manufacturing and trade destinations.⁵⁴³

For Namibia the SADC region is the most important source of imports and exports with South Africa being most important. 38.2% of exports (as share of total exports) go to the EU, 37.6% to SADC, and 10.3% to NAFTA. In 2004

⁵³⁸ WTO: Trade policy review: SACU: Botswana, 2003, p.88.

⁵³⁹ Maleleka, D./Matlanyane, R.: Trade performance review 2005: Lesotho, 2005, p.31.

⁵⁴⁰ Ibid., p.33.

⁵⁴¹ Ibid.

⁵⁴² Ibid.

⁵⁴³ Matomola, M./Dlamin, S.: Trade performance review 2005: Namibia, 2005, p.112.

imports come from the EU (7.1%), SADC (86.9%), and NAFTA (0.8%).⁵⁴⁴ The preferential access for beef and grapes is reflected in the trade destinations.⁵⁴⁵ Fishing also depends on preferential access to the European market: 95% of fish is exported to EU and SAU markets.⁵⁴⁶ Main imports include machinery, vehicles, and chemical goods, while primary goods are exported. The most important agricultural imports are prepared foodstuff and beverages (11.2% from South Africa, 39.9% from the rest of SADC, and 10.8% from the rest of the world, as share of total imports in 2004). The most important agricultural exports are vegetables (34.6% to South Africa, 9.8% to the rest of SADC, and 20.7% to the rest of the world, as share of total exports in 2004).⁵⁴⁷ Moreover, processed fish and meat account for 60% of manufactured exports.⁵⁴⁸

The most important trading partner for Swaziland is SADC, in particular, South Africa; most of the commodity imports come from SADC.⁵⁴⁹ 91.46% of total imports come from SADC, about 7% from Asia, and 1.35% from the EU. SADC receives 75.4% of Swaziland's exports, NAFTA 10.18%, and 1.75 the EU (as share of total exports in 2004).⁵⁵⁰ For Swaziland the most important import products are machinery, chemical products, mineral products, and vehicles.⁵⁵¹ While the most important export products are chemical products, textiles, paper products, and food and beverages.⁵⁵² In their trade with the EU the most important products are beef and sugar under the trade protocols.⁵⁵³ More than 92% of the sugar is exported: 50% to SACU, 30% to the EU, and 3% to the US.⁵⁵⁴ Moreover, the manufacturing sector is concentrated on sugar processing.⁵⁵⁵ Agricultural imports include vegetables and live animals from

⁵⁴⁴ Kalaba, M.: Intra-SADC trade performance review 2006: Chapter 5: Namibia, 2006, p.108.

⁵⁴⁵ Matomola/Dlamin: trade performance review: Namibia, 2005, p.113.

⁵⁴⁶ WTO: Trade policy review: SACU: Namibia, 2003, p.188.

⁵⁴⁷ Kalaba: Intra-SADC trade performance review: Namibia, 2006, p.111 et seq.

⁵⁴⁸ WTO: Trade policy review: SACU: Namibia, 2003, p.186.

⁵⁴⁹ Khumalo, V.: Intra-SADC trade performance review 2006: Chapter 7: Swaziland, 2007, p.164.

⁵⁵⁰ Ibid., p.165.

⁵⁵¹ Ibid., p.169.

⁵⁵² Ibid., p.171.

⁵⁵³ WTO: Trade policy review: SACU: Swaziland, 2003, p.318.

⁵⁵⁴ Ibid., p.336.

⁵⁵⁵ Ibid., p.340.

South Africa and the rest of SADC. Agricultural exports include mainly prepared foodstuff and beverages.⁵⁵⁶

For Mozambique the most important trading partner is the SADC region, in particular, South Africa (electricity, gas), and the EU (aluminium, marine products). Most imports come from South Africa (43.3% of total imports in 2005), while Mozambique receives foodstuff from Portugal and India. Mozambique exports aluminium to the Netherlands (59.7% of total exports in 2005), and electricity and gas to South Africa (16.22%).⁵⁵⁷ Agricultural imports include prepared foodstuff and beverages from SADC (without South Africa 18.7% of total imports in 2005) as well as live animals and animal products (23.7%). Agricultural exports include foodstuff and beverages exported to SADC (without South Africa 24.4% as share of total exports in 2005) and vegetables (20.3%).⁵⁵⁸

In EU-ACP trade the most sensitive products have been regulated in special protocols since the 1970s. These protocols offer tariff-free market access, or other preferences, for certain quantities of sugar, bananas, beef and veal for ACP producers. 28 ACP countries have access to these protocols (Swaziland: sugar, Botswana/Namibia/Swaziland: beef), but due to the CAP reform prices decreased and competition increased. With regard to beef, health standards have reduced the volume of trade and increased costs:

“The main point of concern here is that such standards will limit participation in the beef/veal industry of small scale farmers who will unlikely be able to effort the tagging costs.”⁵⁵⁹

The EU tariff quota absorbs the entire supply capacity and often SADC countries fail to meet the quotas at all. Moreover, “protocols have rather caused increased dependence on a few export products to a few markets, and stimulated neither diversification nor supply to any significant extent.”⁵⁶⁰

Small developing countries' economies are often concentrated on export:

⁵⁵⁶ Khumalo: Intra-SADC trade performance review: Swaziland, 2006, p.169, 171.

⁵⁵⁷ Ubisse, A.: Intra-SADC trade performance review 2006: Chapter 4: Mozambique, 2006, p.91.

⁵⁵⁸ Ibid., p.91 et seq.

⁵⁵⁹ Chiwandamira: A review of the negotiation of Economic Partnership Agreements, 2006, p.26.

⁵⁶⁰ Kasteng: Agriculture and development in EPA negotiations, 2006, p.30.

“This often forces them to open up their economies and participate in international trade in order to achieve economies of scale, but exports concentrated in one or two commodities make small countries vulnerable to price shocks.”⁵⁶¹

The ACP countries are also dependent on a few export products: in 21 of 51 ACP countries four largest export products make more than 90% of total agricultural exports, but of course this differs between the ACP countries.⁵⁶²

Farmers have the opportunity to improve traditional exports (to a better quality and niche markets) and to increase non-traditional exports. But, Hazell and Diao state that the “greatest potential for most African farmers still lies in domestic and regional markets for food staples”.⁵⁶³ “For Africa as a whole, the consumption of these foods accounts for about 70 percent of agricultural output [...] and is projected to double 2020.”⁵⁶⁴

The diversification into high-value products is a opportunity but

“A challenge for this ‘new’ high value agriculture is to make it pro-poor. Left to market forces alone, the major beneficiaries of the new high value agriculture will mostly be the larger and commercially oriented farms, and farms that are well connected to roads and markets.”⁵⁶⁵

Smallholders are prevented from participating in higher-value markets because of: limited access to key resources, which inhibit investment and increased farm productivity; high transaction costs, which inhibit participation in alternative marketing channels; strict requirements that place smallholders at a competitive disadvantage relative to larger farmers; and complex transactions (within global value chains as well as agri-food standards).⁵⁶⁶

Both at the supply side and at the demand side, family farming is confronted with constraints. At the supply side the weakness of support services, the weak farming infrastructure, and weak producer knowledge constrain smallholder

⁵⁶¹ Schneider/Kernohan: The effects of trade liberalisation on agriculture in smaller developing countries, 2006, p.4.

⁵⁶² In four of these countries four largest products represent 100% of their agricultural exports, cp. Kasteng: Agriculture and development in EPA negotiations, 2006, p.22.

⁵⁶³ Hazell/Diao: The role of agriculture and small farms in economic development, 2005, p.30.

⁵⁶⁴ Ibid.

⁵⁶⁵ Hazell: Transformations in agriculture and their implications for rural development, 2007, p.56.

⁵⁶⁶ Henson, S. et al.: Linking African smallholders to high-value markets: Practitioner perspectives on benefits, constraints, and interventions, 2008, p.5.

farmers. At the demand side there are constraints related to logistics and supply chain management (e.g., weak transport infrastructure, high transport costs for raw materials, etc.).⁵⁶⁷ Henson et al. state that it would be necessary to create “farmer knowledge about market opportunities and requirements and about effective and market acceptable production techniques” and the “division of public and private sector responsibilities consistent with the current ‘linking farmers to markets’ paradigm.”⁵⁶⁸

More systematic constraints for family farming include insufficient assets, absent or incomplete markets, low productivity, a restricted access to land, and an insufficient infrastructure.⁵⁶⁹ Often, the farm sizes for family farming are too small to increase production, the degree of irrigation is too low, farmers depend on rain-fed agriculture, and many farmers are restricted to a single harvest per year. In many cases, arable land is unexplored. Moreover, low education levels and health dangers like Malaria and HIV/AIDS reduce the available work force and, together with low management skills, prevent smallholders from using more efficient production techniques. The fact that poor farmers often tend to use traditional techniques is caused by the high risks these farmers face. Environmental catastrophes, institutional threats (e.g., random acts of authority), weak relationships to other market participants, and the risk of fluctuating prices prevent farmers from increasing their productivity. The lack of a sufficient insurance market as well as incomplete markets with little (marketing) information contribute to the weak situation family farmers find themselves in. Moreover, small farmers often struggle with low productivity (e.g., due to the poor use of fertiliser) and the restricted access to land.

The weak infrastructure increases the challenges for family farming due to a lack of road infrastructure; a weak marketing system; a lack of post-harvest storage systems and processing technologies; insecurity as a result of civil war; and finally insufficient government support.⁵⁷⁰

⁵⁶⁷ Ibid.

⁵⁶⁸ Ibid., p.22.

⁵⁶⁹ South Centre: A positive agenda for African agriculture in EPAs, 2008, p.11.

⁵⁷⁰ South Centre: A positive agenda for African agriculture in EPAs, 2008, p.11;

Schneider/Kernohan: The effects of trade liberalisation on agriculture in smaller developing countries, 2006, p.5.

To adequately support agricultural production the following would be necessary: modernisation (of agricultural processing); agricultural-related development institutions to maintain research, risk management, and diversification; technical and financial assistance to meet adjustment costs; provision of credit for smallholders and processors; as well as an investment in infrastructure and education.⁵⁷¹

But Chiwandamira warns that “trade is not a goal in its own right; its objective to allow countries to enjoy a higher level of welfare than would be possible without it.”⁵⁷²

Agriculture is restricted in BLNS countries and Mozambique in multiple ways as the following examples illustrate. For instance, Swaziland and Lesotho are constrained due to their geographical location as both countries are small, landlocked countries and Lesotho is characterised by a mountainous terrain.⁵⁷³

Mozambique has to contend with climate conditions causing devastating flooding.⁵⁷⁴ The road system in Mozambique was destroyed after the civil war; and the transport infrastructure is weak in many other Southern African countries as well (e.g., Swaziland). Moreover, these countries struggle with poor physical infrastructure as far as electrical supply, telecommunications, water supply, and railways are concerned (as is in the case of Lesotho).⁵⁷⁵ Even more developed countries like Botswana struggle with limited irrigation though the potential for it is high.⁵⁷⁶

This chapter showed that adjustment and liberalisation policies in Sub-Saharan Africa have not been successful and the economic outcome is weak. Although the international financial institutions improved their programmes, they only complemented adjustment policies rather than changing their approach. However, agriculture has changed in SSA since the 1980s as a result of internal factors (democratisation, end of wars, increased regional trade, HIV/AIDS, increased population pressure, and rapid urbanisation) and external factors like

⁵⁷¹ Schneider/Kernohan: The effects of trade liberalisation on agriculture in smaller developing countries, 2006, p.5.

⁵⁷² Chiwandamira: A review of the negotiation of Economic Partnership Agreements, 2006, p.34.

⁵⁷³ WTO: Trade policy review: SACU: Lesotho, 2003, p.136.

⁵⁷⁴ WTO: Trade policy review: Mozambique, 2003, p.40.

⁵⁷⁵ WTO: Trade policy review: SACU: Lesotho, 2003, p.124.

⁵⁷⁶ WTO: Trade policy review: SACU: Botswana, 2003, p.86.

preference erosion in trade with developed countries, a shift in supply chains with the emergence of supermarkets, the information revolution, and climate change.

The debate about the role of agriculture in kick-starting economic growth and poverty reduction has shown that agriculture still plays an important role in SSA economies: the industrial sector is not ready to replace the importance of agriculture for economic development; small farms are crucial for efficient agricultural production and necessary to guarantee and improve the livelihoods of millions of family farmers in Southern Africa; the role of the public sector must not be underestimated in promoting agriculture as a driver of economic development.

A simple transfer of the principles of the green revolution in Asia to the Southern African agriculture would not be recipe to promote agricultural production and economic development in SSA. Not only is there a the lack of adequate public support as well as weak institutions, but also restrictions due to environmental consequences of increasing agricultural production; decreasing world food prices; the higher agroecological diversity; the unequal distribution of water resources; old soils; and different geographical preconditions prevent SSA from a green revolution in the Asian style. The challenge to develop a more sustainable agriculture requires a more differentiated approach that focuses stronger on local knowledge and potential. This seems to be the most important task for the future.

Regardless, agriculture plays an important role in the SADC countries although the share of agriculture in GDP varies between these countries. But agriculture is crucial to the high share of rural population in all SADC countries and the importance of agriculture for (informal) employment and food production. The SADC countries dispose of various farming systems and different geographical preconditions, but all are characterised by the dualism between large-scale commercial and small-scale agriculture that are both important, either for trade or for own food consumption. Agriculture in Southern Africa struggles with various constraints restricting the trade potential and the maintenance of livelihoods for family farmers.

Despite growing South-South trade the EU is still one of the most important trading partners for SSA and SADC countries in particular. Market access to the EU is crucial for SADC countries, in particular, the preferential access for agricultural goods though food industry and other agricultural imports from the EU are important as well. Trade between SADC countries and EU is still characterised by SADC countries exporting unprocessed goods and receiving manufactured products from the EU.

5 Agriculture in EPA Negotiations

In general, the interim EPAs (IEPAs) were agreed upon at the end of 2007. However, in African ACP countries the negotiations towards comprehensive EPAs continued into 2008 and 2009.

There still are many contentious issues and it is unclear if a renegotiation of IEPAs, which are yet to be signed, will take place or if these contentious issues will be renegotiated towards comprehensive EPAs. Therefore, some details that will be analysed in the following section may change during further negotiations and their implications on agriculture may change accordingly. Due to a low degree of transparency in the EPA negotiations the state of play regarding specific provisions is not publicly known.

But the outcome of the IEPAs at the end of 2007, including a few direct and many rather indirect provisions, will determine the potential impact on agriculture and show the degree of importance agriculture has played in the negotiations.

First of all the negotiating process of ACP countries and the SADC IEPA group in particular will be illustrated (chapter 5.1 and 5.2). In a next step the market access of the ACP countries to the European market will be analysed (5.3.1.). Then, the provisions that affect the market opening of SADC IEPA countries (5.3.2) followed by consequences for regional integration (5.3.3), government revenue (5.3.4), and services (5.3.5) are ascertained. In a last step the analysis of the outcome of EPA negotiations will be provided (5.4).

5.1 Negotiating Process in General

During the 1990s the Lomé incompatibility with the WTO regulations became more and more an important issue. Furthermore, the developmental effectiveness of the Lomé framework has been questioned: the ACP countries were still dependent on the export of a few raw materials and the share of imports from ACP countries in total European imports declined constantly.⁵⁷⁷ In

⁵⁷⁷ Kappel, R.: Europäische Entwicklungspolitik im Wandel. Perspektiven der Kooperation zwischen der Europäischen Union und den AKP-Ländern, 1996, p.19.

1994 the European Commission initialled the debate about the ACP-EU (trade) relations when discussing the funding for Lomé IV and introduced political and economic conditionalisation.⁵⁷⁸ Kappel states that Europe has signalled the intention to change the relationship while the ACP countries did not envisage substantial changes in the relations with Europe. In 1996 the European Commission published the “Green Paper on relations between the EU and the ACP countries on the eve of the 21st century”⁵⁷⁹ and proceeded with the debate about a reform of the EU-ACP partnership. The EU considered four options: the status quo with some changes, the integration into GSP, a uniform reciprocity (e.g., ACP EU FTA), or differentiated reciprocity (various FTAs with ACP regions).⁵⁸⁰ The European Commission preferred the introduction of reciprocity, preferably within the fourth option to accommodate the different development needs of the ACP group. Reciprocity became the most important principle within the EPA negotiations though the European Commission introduced the principle of asymmetry to meet the development needs of the ACP countries. The ACP countries opposed the introduction of reciprocity and, for instance, in the Libreville Declaration, called for the maintenance of non-reciprocal trade preferences and market access as well as the maintenance of the preferential commodity protocols.

The European side prevailed. Faber and Orbie list several reasons for the outcome: the “asymmetric power relationship”⁵⁸¹ between Europe and the ACP countries, the hope of ACP countries to weaken the principle of reciprocity through the introduction of a strong asymmetry, to receive development aid, and a desire for deeper regional integration.⁵⁸² In 2000 the Cotonou Partnership Agreement came to a compromise with regard to the introduction of reciprocity. During the negotiations towards reciprocal trade agreements a waiver – a

⁵⁷⁸ Ibid., p.63.

⁵⁷⁹ European Commission: Green Paper on relations between the European Union and the ACP countries on the eve of the 21st century. Challenges and options for a new partnership, 1996.

⁵⁸⁰ Faber, G./Orbie, J.: The EU's insistence on reciprocal trade with the ACP group. Economic interests in the driving seat? First draft. Paper prepared for the EU-SA 10th biennial international conference Montreal, Canada, 17-19 May 2007, p.2; European Commission: Green Paper on relations between the European Union and the ACP countries on the eve of the 21st century. Challenges and options for a new partnership, 1996, p.44 et seq.

⁵⁸¹ Faber/Orbie: The EU's insistence on reciprocal trade with the ACP group, 2007, p.4.

⁵⁸² Ibid.

permission to diverge from WTO rules for a certain period of time – allowed the continuation of preferential trade relations until the end of 2007.

The Cotonou Partnership Agreement is based on five pillars: the introduction of the political dimension, the involvement of civil society and private sector, poverty reduction, the rationalisation of financial instruments, and a new economic and trade agreement. Since the beginning of the negotiations on these new economic and trade agreements, that is the Economic Partnership Agreements (EPAs), the focus of EU-ACP cooperation focused almost solely on the trade pillar.

Table 6: EPAs in Cotonou Partnership Agreement⁵⁸³

Cotonou Partnership Agreement Articles	Cotonou Partnership Agreement – Provisions on EPAs
1	Objectives: eradication of poverty, sustainable development, integration into world economy
2	Fundamental principles: equality/ownership, participation, dialogue, differentiation/regionalisation
28	General approach: regional integration
34:1	Objectives of trade cooperation: integration into world economy, regional integration, diversification
36:1	Agreement of parties to arrange FTA
36:2	Gradually introduction with a preparatory period
36:3	Non-reciprocal trade preferences persist during preparatory period
36:4	Review in context of WTO compatibility, benefits, sugar protocol
37:1	Non-reciprocal trade preferences persist no longer than December 2007
37:3	Capacity-building during preparatory period
37:5	ACP position as time base for negotiations
37:6	Alternatives to EPAs
37:7	Asymmetric trade liberalisation with regard to development needs
37:8	Cooperation with WTO

In 2002 the phasing of negotiations proposed a first negotiating phase until September 2003, which would have been conducted at all-ACP levels and subsequent negotiations at regional levels. In the first EU-ACP meeting in October 2002 various contentious issues emerged. From the outset the ACP

⁵⁸³ These articles of the Cotonou Partnership Agreement can be found in the Annex (Chapter 8).

countries criticised the lack of additional funding⁵⁸⁴ and there has been a debate about the development dimension of the trade agreements: according to the European Commission the Cotonou Partnership Agreement deals with development issues while EPAs are limited to the trade pillar of the EU-ACP relations.⁵⁸⁵ According to the ACP countries trade liberalisation and regional integration are necessary; however EPAs lack sufficient conditions to achieve regional integration, the integration into the world market, and the eradication of poverty. According to them EPAs would have to address supply-side constraints and provide additional financial support to deal with adjustment challenges and revenue losses.⁵⁸⁶

Another contentious issue has been the meaning and breadth of the first phase of negotiations. There were several definitions given: the first phase as time to prepare for substantial negotiations or as a period of time to await the WTO negotiations outcome. In the eyes of the European Commission the first phase should be short in order to have a quick start into regional negotiations. According to the ACP countries the first phase was meant to define principles and objectives as well as issues of common interest. ACP countries preferred a legally binding agreement at the end of phase 1 to dispose of guidelines for the second negotiating phase while for the European Commission the Cotonou Partnership Agreement has been a sufficient legal basis for the regional negotiations. A compromise between ACP and EU has been found in a joint declaration in October 2003 that stated that the joint report would “serve as a point of reference, and provide guidance for the negotiations to be conducted at regional level.”⁵⁸⁷ The report listed in detail the convergences and divergences of the previous negotiations and defined the modalities for further discussions on contentious issues.

Regarding agriculture it stated:

“crucial importance of agriculture in pursuing the objectives laid down in the Cotonou Agreement, of contributing to foster the smooth and gradual

⁵⁸⁴ Bilal/Julian: EPA negotiations update, in: TNI, Vol.2, No.1, 2003, p.3.

⁵⁸⁵ Van Hove/Julian: EPA negotiations update, in: TNI, Vol.2, No.2, 2003, p.6.

⁵⁸⁶ Bilal: EPAs process: Key issues and development perspective, 2006, p.22.

⁵⁸⁷ ACP Council of Ministers/European Commission: Joint declaration of the second ACP-EC meeting at ministerial level, 2003.

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.“, and address diversification, rural development, environment, SPS, commodity protocols, divergence concerning sequencing of liberalisation.”⁵⁸⁸

In general, the negotiations began slowly at the end of 2002 and in April 2003 a lack of progress could be stated. Bilal and Julian claim that

“Of the progress made during the first phase of negotiations, and its outcomes, will depend not only the nature of the second phase of the negotiations and ultimately the format of EPAs, but also the ability the ACP group to address issues of common interests and to preserve the ACP cohesion.”⁵⁸⁹

Besides the already mentioned contentious issues the lack of the negotiating capacity of the ACP countries has been a serious problem and van Hove and Julian reiterates the fact that often trade policy has not been a priority in some ACP countries.⁵⁹⁰

Despite the continuation of negotiations at different levels until mid-2003 ACP Ministers raised concern over the slow progress of the negotiations. With regard to the debate about additional funding the ACP National and Regional Authorising Officers called in the so-called Brussels Declaration for improvements in the disbursement of EDF resources and an improved participation in EDF funds discussions.⁵⁹¹ A further controversial issue has been the debate about WTO regulations. ACP countries requested for a revision of Article XXIV stating that it should take into account SDT, the different development levels of the ACP countries in the definition of “substantially all the trade” , the time frame as well as the concept of reciprocity in general.⁵⁹²

Also under debate is whether agriculture should be negotiated under the market access offer – the EC position – or if discussions on agriculture should go

⁵⁸⁸ ACP Council of Ministers/European Commission: ACP-EC EPA negotiations. Joint report on the all-ACP – EC phase of EPA negotiations, 2 October 2003, p.4.

⁵⁸⁹ Bilal/Julian: EPA negotiations update, in: TNI, Vol.2, No.1, 2003, p.4.

⁵⁹⁰ Van Hove/Julian: EPA negotiations update, in: TNI, Vol.2, No.2, 2003, p.6.

⁵⁹¹ ACP National and Regional Authorizing Officers (NAO/RAO): Brussels Declaration on the timely and effective implementation of the European Development Fund (EDF)/European Programme for Reconstruction Development (EPRD), May 2003.

⁵⁹² Julian/Van Hove: EPA negotiations update, in: TNI, Vol.2, No.4, 2003, p.6.

beyond market access and deal with issues like production, supply capacity, and diversification.⁵⁹³

Despite the slow progress at all-ACP level, the Central African and the West African regions launched negotiations in October 2003 which created tensions among ACP countries because other states feared negative consequences for the all-ACP level. West and Central African representatives contrariwise feared that all-ACP conditions might negatively influence the regional negotiations.⁵⁹⁴

The European Commission proposed that contentious issues – addressing ACP supply-side constraints, measures necessary to support regional integration, and the question of additional resources to allow ACP countries to benefit from market access – should be discussed in the regional EPA negotiations.⁵⁹⁵

At the beginning of the EPA negotiating process in 2002/2003 many contentious issues became evident though it has not been clear if these controversial debates were rhetoric or serious. With regard to Bilals and Julians statement one could say that the ACP countries have not been successful in making their point. Not only their weak negotiating capacity but also the heterogeneity among the large group of ACP countries contributed to their relatively weak performance in this first phase of negotiations. Moreover, it is remarkable that many of the contentious issues of this early stage remained contentious up to now, for instance, the question of additional support.

A significant delay in negotiations emerged at this early stage and the first phase could not have been concluded as foreseen in September 2003. A new timetable extended the first phase until August 2004 and from September 2004 until December 2005 substantial negotiations should have taken place with 2007 as the year to finalise the negotiations.

In 2004 the negotiating process continued at all-ACP level (with meetings of the so-called ACP Technical Follow-up Group) and at regional levels. In the Central and West African region since October 2003 and in the remaining ACP regions the launch of regional negotiations occurred in the course of 2004. Technical negotiations started in the first half of 2005 and this phase of negotiations has

⁵⁹³ Julian: EPA negotiations update, in: TNI, Vol.2, No.3, 2003, p.7.

⁵⁹⁴ Julian: EPA negotiations update, in: TNI, Vol.3, No.2, 2004, p.6.

⁵⁹⁵ Julian: EPA negotiations update, in: TNI, Vol.3, No.1, 2004, p.7.

been seen as critical with regard to the question of how the European Commission will deal with the ACP proposals.⁵⁹⁶

In January 2004 the Joint Parliamentary Assembly (JPA) of European and ACP Parliamentarians discussed the inclusion of the so-called Singapore issues but did not come to an agreement.⁵⁹⁷ Discussions about the support for regional integration, the question of additional funding and simplified implementation procedures continued. While the ACP countries requested again for additional financial support the European Commission answered that ACP countries overestimate the question of additional funding and that EPAs will improve the economic environment and create private investment; thus, providing increased funding.⁵⁹⁸ Among EU member states the UK pushed for a more development-friendly approach in March 2005 but observers argued that “the paper was intended more for domestic use to appease NGOs during the recent UK elections.”⁵⁹⁹

The new trade Commissioner Mandelson tried to convince EU member states to at least maintain the level of funding in the next envelope (2007-13). But due to disagreement on the overall EU budget the EU has not been able to offer the next EDF for ACP countries.⁶⁰⁰ The possible gap in financial support at a critical moment of the negotiations and against the background of the ACP's insistence on additional financial resources did not move the negotiations forward.

The ACP countries' declaration of the Council of Ministers meeting in Brussels in June 2005 expressed

“grave concern that the negotiations have not proceeded in a satisfactory manner having failed to start addressing most issues of interest and concern to the ACP regions, in particular the development dimension and regional integration priorities”.⁶⁰¹

⁵⁹⁶ Julian: EPA negotiations update, in: TNI, Vol.4, No.2, 2005, p.6.

⁵⁹⁷ Ibid.

⁵⁹⁸ Julian: EPA negotiations update, in: TNI, Vol.3, No.6, 2004, p.6.

⁵⁹⁹ Julian: EPA negotiations update, in: TNI, Vol.4, No.3, 2005, p.7.

⁶⁰⁰ The 10th EDF entered into force with six months delay in July 2008; 60% of funds were provided for EPAs and regional integration, 40% is general budget support; Julian et al.: EPA negotiations update, in: TNI, Vol.7, No.6, 2008, p.13.

⁶⁰¹ ACP Council of Ministers: Declaration of the 81st session of the ACP Council of Ministers held in Brussels, 21-22 June 2005 on the Economic Partnership Agreements (EPAs), 2005, p.2.

Other critical points were: the necessary modification of WTO rules, the definition of the development dimension and additional resources “to address supply side constraints and consider how anticipated revenue losses incurred as a result of liberalization.”⁶⁰² The ACP countries observed a “disconnect between the public statements of the Commissioners of Trade and Development on the development aspect of EPAs and the actual position adopted during EPA negotiating sessions”⁶⁰³ and requested for increased coherence of trade and development policies.

Within the EU there has been an increased awareness of the ACP concerns: EU member states – UK and other like-minded states – discussed GATT Article XXIV, regional integration, rules of origin, and asymmetric reciprocity. It was concluded to provide a bimonthly update to the Article 133 Committee and member states’ officials when meetings will take place.⁶⁰⁴

In December 2005 ACP countries became “increasingly vocal about their dissatisfaction with the EC’s capacity to respond to their concerns on EPA development issues.”⁶⁰⁵ Moreover, a Commonwealth study put the adjustment costs at 9.1 billion Euro over ten years.⁶⁰⁶

In the first half of 2006 the debate about the contentious issues continued; the timing and pace of the liberalisation process has been controversial, the approach for tariff liberalisation and market access, an effective funding mechanism, and the already mentioned development dimension. In a speech to the ACP-EU Joint Ministerial Trade Committee Mandelson highlighted that the European Commission aims at “carefully programming the liberalisation”,⁶⁰⁷ to address non-tariff barriers, deliver better services, introduce competition policy and deeper regional integration. With regard to imminent fiscal losses he stated that “most studies are highly theoretical. They assume immediate and complete liberalisation, and ignore the economic benefits of reform.” Moreover, we “can

⁶⁰² Ibid., p.3.

⁶⁰³ Ibid.

⁶⁰⁴ Julian: EPA negotiations update, in: TNI, Vol.4, No.4, 2005, p.7.

⁶⁰⁵ Julian: EPA negotiations update, in: TNI, Vol.4, No.6, 2005, p.6.

⁶⁰⁶ Milner: An assessment of the overall implementation and adjustment costs for the ACP countries of Economic Partnership Agreements with the EU. Summary. Report to the Commonwealth Secretariat, 2005, p.4.

⁶⁰⁷ Mandelson, P.: EPAs: Remarks to ACP Ministers. Speech by Peter Mandelson at the ACP-EU Joint Ministerial Trade Committee, 28 June 2006, p.1.

ensure there is no sharp drop in Government income by timing and phasing tariff reductions.”⁶⁰⁸ As far as the financial support is concerned Mandelson explained that

“It is not possible to contractualise finance into an EPA with no end date. [...] The way forward is to identify the commitments you will make in the EPAs, and the financial needs. I believe the money is there.”⁶⁰⁹

In October 2006 the EU Trade and Development Ministers concluded to link EPAs with the Aid for Trade (AfT) strategy; additional resources could be provided for trade development but not to address the development dimension.⁶¹⁰ The AfT funding includes the commitment to increase collective EU trade related assistance to 2 billion Euro annually by 2010 with 1 billion Euro from the Community and 1 billion Euro from the member states; 50% of these resources will be available for ACP countries.

Throughout 2005/2006 there has been a discussion about the review of the EPA negotiations. In January Mandelson proposed a review mechanism and the Cotonou Partnership Agreement states in Article 37.4 that a comprehensive review of the EPAs is necessary in 2006.⁶¹¹ This review could have been an opportunity to provide alternatives to EPAs to the ACP states as Article 37.6 of the Cotonou Partnership Agreement foresees. These alternatives must be WTO compatible and must not leave the countries no worse off than the current situation under the Cotonou Partnership Agreement. In the light of the previous negotiations the review should not have only focused on trade issues but also on the development dimension.⁶¹² The review process was launched in July 2006 in each EPA region and included “structure, process and substance of the negotiations”; it was foreseen to be concluded at the end of 2006 and should have been considered in mid-2007.⁶¹³ The European Commission did not offer any alternatives. Mandelson stated repeatedly that

⁶⁰⁸ Ibid., p.2.

⁶⁰⁹ Ibid., p.3.

⁶¹⁰ Julian: EPA negotiations update, in: TNI, Vol.5, No.6, 2006, p.6.

⁶¹¹ ICTSD/APRODEV: Benchmarks for a pro-development monitoring of EPA negotiations, in: TNI, Vol.4, No.4, 2005, p.3.

⁶¹² Bilal, S./Rampa, F.: Reviewing EPAs negotiations and alternative scenarios, in: TNI, Vol.5, No.1, 2006, p.1.

⁶¹³ Julian/Makhan: EPA negotiations update, in: TNI, Vol.5, No.5, 2006, p.6.

“If we have no new trade regime in place by the end of this year in each of the regions – and that means effectively initialling an agreement by around the end of October – the Commission has no legal option but to offer the region concerned GSP preferences.”⁶¹⁴

This option would not leave ACP countries no worse off than under the Cotonou Partnership agreement.

Moreover, Mandelson stated that

“There is certainly no Plan B that offers either the same development benefits or can improve on ACP market access to Europe. The WTO waiver covering the Cotonou preferences expires at the end of the year and the EU can no longer continue these trade arrangements. In theory we could fall back on the GSP system, but this would be a big step backwards in terms of preferential access and lost opportunities for regional integration for almost all ACP countries. That’s why there is such a clear commitment to get an EPA system in place by the start of 2008.”⁶¹⁵

Admittedly, ACP countries did not request for the provision of alternatives officially until the end of 2007.

2005 and 2006 were affected by the divergence on substantial issues between the negotiating partners and at the end of 2006 many issues had not been resolved. But the deadline – the expiry of the waiver at the end of 2007 – was looming and pressure on EU and ACP countries was increasing. In 2007 it became necessary to achieve significant progress in the trade negotiations and to clarify the controversial issues.

In the beginning of 2007 at an ACP-EU Joint Ministerial Trade Committee (JMTC) meeting ACP Ministers again requested for the inclusion of measures to support capacity building and competitiveness as well as binding financial commitments of the EU and a rapid disbursement mechanism. Development Commissioner Michel and former Trade Commissioner Mandelson indicated that additional funds could be discussed in conjunction with the commitments of ACP countries with regard to trade liberalisation and trade-related issues. ACP Ministers also called for a notification of the delay of the negotiations at the WTO so that the disruption of trade with the expiring of the waiver could be

⁶¹⁴ Mandelson, P.: Mandelson urges final push in EPA talks. Remarks to the INTA Committee, 11 September 2007, p.2.

⁶¹⁵ Mandelson, P.: EPAs: There is no plan B. Interview, in: TNI, Vol. 6, No.5, 2007, p.3.

prevented.⁶¹⁶ But ACP Ministers emphasised that they remained committed to the EPA negotiations.⁶¹⁷

In April 2007 the European Commission offered a duty-free, quota-free market access for all goods (including agricultural goods except of rice and sugar for which it offered transition periods) from the ACP countries. The DFQF access was foreseen to be applied as soon as the EPAs were signed.⁶¹⁸ In May the GAERC (General Affairs and External Relations Council, Council of the EU) meeting endorsed the DFQF offer of the European Commission.⁶¹⁹

The ACP countries considered the EC market access offer and in general welcomed this offer. But many countries were concerned with regard to certain products (sugar, banana, and rice); they raised questions on the length of transition periods, the product coverage, exclusions for sensitive products, and rules of origin. The Commission answered that these concerns would only be discussed if ACP countries have made a liberalisation offer.⁶²⁰

In the autumn of 2007 the situation became more and more critical. The deadline approached and negotiations were still far from finalised. In a speech Mandelson warned that negotiations were at a turning point: “We stand in these negotiations on the edge – and whether this is the edge of a cliff or of success the next few weeks will tell.”⁶²¹ If ACP countries would not agree on an EPA they would fall back on GSP which is less favourable with regard to the market access to the EU than the Cotonou Partnership Agreement (LDCs would be able to join the EBA initiative with much better conditions).

Mandelson highlighted that

“This deadline is not a bluff or some negotiating tactic invented in Brussels. It is an external reality created in the WTO in Geneva. We have given a binding multilateral commitment that was set and agreed seven years ago.”⁶²²

⁶¹⁶ Julian: EPA negotiations update, in: TNI, Vol.6, No.2, 2007, p.10.

⁶¹⁷ Julian: EPA negotiations update, in: TNI, Vol.6, No.4, 2007, p.14.

⁶¹⁸ European Commission: EU offers full market access to Africa, Caribbean and Pacific regions in EPAs negotiations, 2007.

⁶¹⁹ Julian: EPA negotiations update, in: TNI, Vol.6, No.4, 2007, p.14.

⁶²⁰ Julian: EPA negotiations update, in: TNI, Vol.6, No.3, 2007, p.10.

⁶²¹ Mandelson: Mandelson urges final push in EPA talks, 2007, p.1.

⁶²² Ibid.

In September ACP countries requested for transitional measures to avoid trade disruption.⁶²³

While EU and Caribbean had agreed on two thirds of the text the situation in the Pacific region was different (but less urgent due to the limited trade between EU and the Pacific region). The African regions had not made marked progress and at the end of September it still was not clear if they were going to conclude an EPA on time.

In November 2007 the European Commission offered a two-step approach to the ACP countries. Still aiming at comprehensive EPAs the European Commission accepted that not all of the EPA regions were able to conclude full EPAs until the end of 2007. Therefore, the Commission offered these regions WTO-compatible market access arrangements to avoid trade disruptions as a result of the expiring of the waiver from the first January 2008. Though regional integration was still a central goal in the EPA negotiations the European Commission further adumbrated that arrangements with sub-regions or even single countries could have been concluded. These arrangements were seen as “stepping stone to a full EPA”.⁶²⁴ The DFQF offer made by the Commission in April would be in force for those countries that concluded an Interim EPA (IEPA).⁶²⁵ Countries that were not able or willing to initial comprehensive or Interim EPAs would fall back on GSP or, in case of the 42 LDCs, the EBA initiative that allows a preferential market access to the EU (but in case of the GSP on less favourable conditions).⁶²⁶

Until the end of 2007 only the Caribbean region initialled a comprehensive EPA including services and trade-related issues. In the Pacific region, only Papua New Guinea and Fiji initialled a goods-only agreement.

In SSA the regions were relatively fragmented at the end of 2007. In the West African region only Cote d'Ivoire and Ghana initialled agreements in December

⁶²³ Julian: EPA negotiations update, in: TNI, Vol.6, No.6, 2007, p.18.

⁶²⁴ European Commission: Communication from the Commission to the Council and the European Parliament. Economic Partnership Agreements, 2007, p.2.

⁶²⁵ Determined in: European Commission: Council Regulation of applying the arrangements for products originating in certain states which are part of the African, Caribbean and Pacific (ACP) Group of States provided for in agreements establishing, or leading to the establishment of, Economic Partnership Agreements, 2007.

⁶²⁶ European Commission: Communication from the Commission to the Council and the European Parliament. Economic Partnership Agreements, 2007.

2007. The only other non-LDC, Nigeria, did not initial an IEPA and has asked to be included in the GSP plus scheme but the Commission refused to do so. The LDCs in the region opted to join the EBA initiative.

In Central Africa only Cameroon (as non-LDC) initialled an IEPA in December 2007, Gabon and Congo-Brazzaville (the other non-LDCs) were expected to follow.

In Eastern Africa a sub-region, the East African Community (EAC), comprising of Burundi, Kenya, Rwanda, Tanzania, and Uganda, concluded a goods-only agreement, among them are LDCs like Burundi, Rwanda, Tanzania, and Uganda. Other East African countries initialled an IEPA individually: Seychelles and Zimbabwe in November 2007, Mauritius, Comoros and Madagascar in December 2007 and Zambia followed in October 2008.

The Southern African region has IEPAs with different market access schedules: Mozambique has a separate market access schedule while Botswana, Lesotho, and Swaziland offered a common one (in November 2007); and Namibia initialled the IEPA (in December 2007) but has not offered a market access schedule yet. Once again, some LDCs opted to join the IEPA agreement (Lesotho and Mozambique). South Africa opposed the IEPA but has a secured market access to the European market within its own trade agreement with the EU, the TDCA (Trade, Development and Cooperation Agreement).

Table 7: State of play EPA Regions (as of April 2009)

Central Africa	Eastern African Community (EAC)	Eastern and Southern Africa	Southern Africa	West Africa	Caribbean°	Pacific
<u>Cameroon</u>	Burundi*	Comoros*	Angola*	Benin*	<u>Antigua & Barbuda</u>	Cook Islands
Central African Republic*	Kenya	Djibouti*	Botswana	Burkina Faso*	<u>The Bahamas</u>	Fiji Islands
Chad*	Rwanda*	Eritrea*	Lesotho*	Cape Verde (x)	<u>Barbados</u>	Kiribati*
Congo Brazzaville	Uganda*	Ethiopia*	Mozambique*	<u>Cote d'Ivoire</u>	<u>Belize</u>	Marshall Islands
Equatorial Guinea*	Tanzania*	Malawi*	Namibia	Gambia*	<u>Dominica</u>	Federated States of Micronesia
Gabon		Mauritius	South Africa	Ghana	<u>Dominican Republic</u>	Nauru
Sao Tomé & Príncipe*		Madagascar*	Swaziland	Guinea*	<u>Grenada</u>	Niue
DR Congo*		Seychelles		Guinea Bissau*	<u>Guyana</u>	Palau
		Sudan*		Liberia*	Haiti*	Papua New Guinea
		Zambia*		Mali*	<u>Jamaica</u>	Samoa*
		Zimbabwe		Mauritania*	<u>Montserrat</u>	Solomon Islands*
				Niger*	<u>Saint Lucia</u>	Timor Leste*
				Nigeria	<u>St. Christopher & Nevis</u>	Tonga
				Senegal*	<u>St. Vincent & Grenadines</u>	Tuvalu*
				Sierra Leone*	<u>Suriname</u>	Vanuatu*
				Togo*	<u>Trinidad & Tobago</u>	

bold = IEPA/EPA initialled

bold/underlined = IEPA/EPA signed

* LDC

(x) Cap Verde is no LDC anymore but is allowed to export under EBA for a transition period of 3 years

° only region with comprehensive EPA, all other agreements interim EPAs

The question why some LDC countries in Eastern and Southern Africa joined the IEPAs though they have the option to choose the EBA initiative for their market access into the EU might have different answers. One reason might be the attempt to maintain already existing regional integration efforts like within EAC. Another factor might be the hope to receive funds from the EDF and additional resources – for a long time it had been unclear if the EDF and additional funding is only granted to countries with IEPAs/EPAs. Moreover, the

stricter rules of origin in the EBA initiative could have motivated some LDCs to join the IEPA. At last, the preferences in the EBA initiative are unilaterally granted and not negotiated; therefore, they could be withdrawn anytime.

Internationally and Europe-wide NGOs criticised that EPAs were no instrument to foster development and regional integration but rather FTAs pushing for European interests. Many NGOs blamed the European Commission for applying inappropriate pressure on ACP countries to sign the agreements. Contrariwise, Mandelson blamed the NGOs for an aggressive campaign.⁶²⁷ But aside from the quality of NGO campaigning Stevens et al. list plenty of ACP representatives' statements that complain of the harsh European Commission approach and how it was contrary to the spirit of partnership. For instance, Sir John Kaputin, Secretary General of the ACP Group, stated:

“The decisions of ACP States were driven by sovereign national trade interests. Unfortunately, in some cases, their position was at variance with the regional approach and compromised the solidarity of the region. Therefore, I can describe the process towards the initialling as one fraught with panic, confusion and disagreements at the national and regional level.”⁶²⁸

Several examples from the Pacific region, the West African negotiations, and the Caribbean negotiating process show that the European Commission exerted pressure to conclude the EPAs: it is stated that in Western African negotiations in October 2007 the Commission threatened to suspend or delay EDF programming and increase tariffs to GSP level.⁶²⁹ Kenyan civil society organisations blame the Commission for excluding NGOs from the negotiations and providing information on meetings at the last minute; thereby, making participation difficult.⁶³⁰

Moreover, the pressure of the European Commission has not only been enormous but the agreement on the IEPAs took place in haste. It is reported that end of 2007 Ghana, Cameroon, and Cote d'Ivoire have agreed on the basis

⁶²⁷ Stevens, C. et al.: The new EPAs: Comparative analysis of their content and the challenges for 2008, 2008, p.79.

⁶²⁸ TNI: An interview with Sir John Kaputin: Secretary General of the ACP group, in: TNI, Vol.7, No.1, 2008, p.12.

⁶²⁹ Stevens et al.: The new EPAs, 2008, p.79.

⁶³⁰ Kenya Civil Society Alliance: Dossier on EU's EPA bullying tactics, 2007, p.1.

of draft texts that the Commission proposed at the last minute. Stevens et al. state that

“Some interim agreements reportedly have never been checked by ACP technical experts and were agreed on only at political level. This saved time and in some countries it may have been the only way to conclude an agreement in time. Yet in some cases this has led to a severe lack of ownership of both the negotiation process and its outcome.”⁶³¹

In January 2008 the IEPAs and the Caribbean comprehensive EPA were applied provisionally, their signing was scheduled for 2008 as well as the notification at the WTO. Moreover, the ACP countries committed themselves within the IEPAs to conclude comprehensive EPAs in 2008 (the so-called rendezvous clause with a concrete date for the finalisation of negotiations can be found in all IEPAs except of the EAC and ESA IEPA). Barroso, President of the European Commission, promised the ACP countries at the EU-Africa summit in December 2007 to initial a high-level meeting to discuss EPA implications and the option of renegotiation of contentious issues.⁶³² But this meeting has not been scheduled at all. The debate about the opportunity to renegotiate the IEPAs continued. The European Commission’s view was that there would not be any renegotiation of the IEPAs: “any suggestion of renegotiation of these agreements will bring a renewed threat of legal uncertainty and risk unravelling everything we have achieved.”⁶³³

On the contrary, the European Parliament stated that

“nothing in those agreements prohibits the parties from renegotiating certain elements already agreed to in the interim agreement during the on-going negotiations for a final EPA”⁶³⁴.

The ACP Ministers from Africa have called for a renegotiation of contentious issues like the definition of “substantially all the trade”, transition periods, export taxes and other issues within the negotiation towards a comprehensive EPA.⁶³⁵

⁶³¹ Stevens et al.: The new EPAs, 2008, p.83.

⁶³² Hanson/Julian: EPA negotiations update, in: TNI, Vol.7, No.1, 2008, p.18.

⁶³³ Mandelson, P.: Commission seminar on economic partnership agreements. Remarks by Peter Mandelson. European Parliament, 17 April 2008, p.1.

⁶³⁴ Brundsen, J.: Economic development deals ‘may be revised’, European Voice, 3 April 2008.

⁶³⁵ African Union Trade and Finance Ministers: Addis Ababa Declaration on EPA negotiations, adopted at the African Union conference of ministers of trade and finance, 1-3 April 2008, Addis-Ababa, Ethiopia, 2008, p.3.

The GAERC meeting in May 2008 stated that the key objectives still were “EPAs with comprehensive regional coverage and wide scope” but that there is a “need for a flexible approach” and “that ACP countries and regions that so wish could draw, if appropriate, on provisions agreed by others in their EPA negotiation.”⁶³⁶ The GAERC statement added that not only AfT funding will be available but also regionally-owned funds should be explored if ACP countries were interested.⁶³⁷ The ACP-EU Council of Ministers meeting in June repeated this call; the Commission answered that it will make the effort to change issues of concern in the comprehensive EPAs but could not guarantee all ACP demands.⁶³⁸

Furthermore, a rapid signing of the agreements has still not been possible due to delays in the European Union to translate the agreements in all 23 EU languages. Signing has been postponed and scheduled for the end of 2008 or the beginning of 2009.⁶³⁹

In September 2008 the global circumstances changed and caused a change in the mood of ACP countries. In the face of the emerging financial and economic crisis countries tend to avoid economic and political instability. Julian et al. analyse that rising prices have made it difficult for governments to provide social provisions. Moreover, the ACP countries “also fear it will be difficult to increase competitiveness in order to benefit from greater trade liberalisation.”⁶⁴⁰ The lack of signing can be accredited to the translation problems in the EU⁶⁴¹ but also the reluctance of ACP governments that fear to lose policy space with the hastily concluded IEPAs. However, the EU still is able to apply pressure due to the opportunity to withdraw provisions of the IEPAs unilaterally so it would be likely that ACP countries will further negotiate towards a full EPA.⁶⁴²

⁶³⁶ Council of the European Union: Council conclusions on Economic Partnership Agreements (EPAs). 2870th External Relations Council meeting Brussels, 26-27 May 2008, p.2.

⁶³⁷ Ibid., p.4.

⁶³⁸ Julian et al.: EPA negotiations update, in: TNI, Vol.7, No.6, 2008, p.13.

⁶³⁹ Ibid.

⁶⁴⁰ Julian et al.: EPA negotiations update, in: TNI, Vol.7, No.7, 2008, p.13.

⁶⁴¹ In mid-2008 the European Commission proposed that due to the translation delays the EU member states should authorise the signature immediately and agree to adopt the legal texts later but it seems as if some member states are opposed; Julian et al.: EPA negotiations update, in: TNI, Vol.7, No.7, 2008, p.13.

⁶⁴² Ibid.

In October 2008 the ACP countries listed the controversial issues in view of the upcoming ACP summit which still included definitions of “substantially all the trade”, financial integration, and some more specific provisions like safeguard clauses and rules of origin.⁶⁴³ It is rumoured that significant changes have been made with regard to key provisions but up to now nothing is notified publicly.⁶⁴⁴ In October 2008 Mandelson was replaced by Catherine Ashton (Mandelson joined the UK government); Julian analyses that

“Though EU trade policy remains unchanged, the new Commissioner raises hope in the ACP and the European Parliament that she will be more transparent, inclusive and receptive to their views than her predecessor.”⁶⁴⁵

The first meeting between Ashton and ACP Ambassadors produced a positive response but concrete effects remain to be seen:⁶⁴⁶ Moreover,

“ACP Ministers stressed that the Commissioner’s political will must to be translated into action in EPA technical level negotiations. All participants agreed on the need to monitor EPA implementation.”⁶⁴⁷

At the ACP Heads of State and Government summit in Accra in October a high-level meeting with EU member states was envisaged, the date remained to be scheduled.⁶⁴⁸

While EU member states called again for more flexibility of the European Commission the ACP countries repeated their commitment to conclude comprehensive EPAs provided that controversial issues will be addressed.⁶⁴⁹

As before, the year 2008 ended with huge delays in the EPA negotiating process. Only the Caribbean agreement and the agreement of Cote d’Ivoire were signed in October and November 2008 respectively. The other IEPAs were still waiting for their translation. Many contentious issues remained unsolved though now controversial issues were more concrete and related to

⁶⁴³ Julian: EPA negotiations update, in: TNI, Vol.7, No.8, 2008, p.14.

⁶⁴⁴ Ibid.

⁶⁴⁵ Julian: EPA negotiations update, in: TNI, Vol.7, No.9, 2008, p.14.

⁶⁴⁶ Julian: EPA negotiations update, in: TNI, Vol.7, No.10, 2008, p.17.

⁶⁴⁷ Julian: EPA update, in: TNI, Vol.8, No.2, 2009, p.13.

⁶⁴⁸ Julian: EPA negotiations update, in: TNI, Vol.7, No.9, 2008, p.14. The meeting foreseen for December 2008 was cancelled due to the unavailability of Barroso; Julian: EPA negotiations update, in: TNI, Vol.7, No.10, 2008, p.17.

⁶⁴⁹ Julian: EPA negotiations update, in: TNI, Vol.7, No.10, 2008, p.17; Julian: EPA negotiations update, in: TNI, Vol.8, No.1, 2009, p.13.

concrete provisions in the IEPAs. But many controversial issues remained constant – the amount of liberalisation commitments and financial assistance as well as services and trade-related issues. In 2009 the signing of the IEPAs is expected and, after signing, the ratification process in ACP countries as well as in Europe. In March the European Parliament discussed the ratification of Caribbean EPA; the parliamentarians gave the green light to the new trade deal but insisted on the granting of aid for trade (AfT) and the inclusion of a review clause.⁶⁵⁰ In 2009 the negotiations towards comprehensive EPAs should be concluded according to the trading partners. Meanwhile, the IEPAs are applied provisionally.

In January 2009 Cameroon signed its IEPA while negotiations in the Western African region continued. While the list of sensitive products exempted from liberalisation is progressing and the provisions on trade in goods are near completion there are still negotiations on rules of origin, trade in services, and trade-related issues.⁶⁵¹ In the Eastern African region the signing of the ESA countries is expected for April 2009; open issues are questions concerning trade in goods, services, trade related issues and the development matrix. EAC is still negotiating outstanding issues, among others: trade related issues, development cooperation, and services. The Caribbean is dealing with the ratification process and is preparing an implementation road map.⁶⁵²

Table 8: Timetable Launch of Negotiations and Signing of EPAs (as of April 2009)

Regions	Negotiations launched	Agreements initialled	Agreements signed
<i>All-ACP level</i>	27 Sept. 2002	-	-
<i>West African region</i> - Cote d'Ivoire - Ghana	6 Oct. 2003	7 Dec. 2007 13 Dec. 2007	26 Nov. 2008

⁶⁵⁰ European Parliament resolution the Economic Partnership Agreement between the Cariforum States, of the one part, and the European Community and its Member States, of the other part. 2009.

⁶⁵¹ ECDPM: State of EPA negotiations in January 2009. Briefing note, 2009, p.4.

⁶⁵² Ibid., p.6.

<i>East African region</i> - EAC ⁶⁵³ - ESA: · Seychelles, Zimbabwe · Mauritius · Comoros, Madagascar · Zambia ⁶⁵⁴	7 Feb. 2004	27 Nov. 2007 28 Nov. 2007 4 Dec. 2007 11 Dec. 2007 30 Oct. 2008	
<i>Southern African region</i> - Botswana, Lesotho, Swaziland, Mozambique - Namibia	8 July 2004	23 Nov. 2007 11 Dec. 2007	
<i>Central African region</i> - Cameroon	4 Oct. 2003	17 Dec. 2007	15 Jan. 2009
<i>Pacific region</i> - Papua New Guinea, Fiji	10 Sept. 2004	29 Nov. 2007	
<i>Caribbean region</i>	16 April 2004	16 Dec. 2007	15 Jan. 2008

5.2 Negotiating Process SADC

Within the SADC EPA configuration Angola, Botswana, Lesotho, Namibia, Mozambique, Swaziland, and Tanzania negotiated at the beginning while South Africa had an observer status.⁶⁵⁵ Five countries are SACU members: Botswana, Lesotho, Namibia, Swaziland, and South Africa. It is important to note that Angola, Mozambique, and Tanzania are not SACU members. Other SADC countries negotiated in the ESA (Eastern and Southern Africa) configuration, namely, Madagascar, Malawi, Mauritius, Zambia, and Zimbabwe. The Democratic Republic of Congo negotiated with the Central African group. Tanzania negotiated both under the Southern African and the Eastern African negotiating configuration and decided at the end of 2007 to conclude an IEPA with the EAC (East African Community: Burundi, Kenya, Uganda, Rwanda, and Tanzania).⁶⁵⁶

The regional preparations already began in the all-ACP phase for SADC, COMESA, and ECOWAS. In August 2003 before SADC countries agreed on a

⁶⁵³ Burundi, Kenya, Rwanda, Tanzania, and Uganda.

⁶⁵⁴ European Commission: EPA Flash News: Zambia joins Economic Partnership Agreement with EU, 1 October 2008.

⁶⁵⁵ Julian: EPA negotiations update, in: TNI, Vol.3, No.2, 2004, p.4.

⁶⁵⁶ Seychelles quit the SADC configuration in 2003 but re-joined in 2007; independent from that Seychelles negotiated under the ESA configuration.

negotiating approach they ordered studies on services, Sanitary and Phytosanitary Measures (SPS), and standards. In November the SADC Trade Ministers agreed to develop a roadmap for negotiations and guidelines for negotiations; they intended to launch SADC regional negotiations in March 2004. The guidelines stated EPAs should support rather than replace the existing regional integration efforts.⁶⁵⁷

Due to the lack of experience in trade negotiations – for most countries trade has not been a political priority – and the weak resource base of the responsible ministries, the SADC Secretariat in March 2004 requested for additional staff to coordinate the negotiations. But low capacity in the SADC member states and high costs, for instance, travelling, remained a serious problem.⁶⁵⁸

During the summer 2004 the negotiations on the roadmap continued, in July 2004 the roadmap was agreed upon and the negotiations were launched. The roadmap defines the objectives of the trade cooperation by stating:

“sustainable development of SADC countries, their smooth and gradual integration into the global economy, and to contribute to the eradication of poverty. More specifically, the SADC – EC EPA will promote sustained growth, contribute to enhancing the production and supply capacity of the SADC countries, foster the structural transformation of the SADC economies and their diversification and support regional integration initiatives in the SADC region.”⁶⁵⁹

Several principles have been defined: the development orientation, the effort to strengthen regional integration, the compliance with WTO rules, SDT, sustainability, legitimacy and transparency, and adjustment. Furthermore, these negotiations will “preserve and improve the current ACP and EBA preferences into the EU market for SADC exports, and all SADC EPA Member States should be better off following EPA negotiations.”⁶⁶⁰

The institutional setting with a three-layer structure was agreed upon. The first is the Ministerial level, the second level consists of Senior Officials and Brussels-based Ambassadors, and the third level is the SADC Trade

⁶⁵⁷ Julian: EPA negotiations update, in: TNI, Vol.3, No.2, 2004, p.4.

⁶⁵⁸ Ibid., p.4 et seq.

⁶⁵⁹ SADC – EC joint road map for the Economic Partnership Agreement negotiations, 2004, p.1 et seq.

⁶⁶⁰ Ibid., p.2 et seq.

Negotiation Forum (TNF) whose members are member states' officials from trade/industry departments, representatives of the private sector and other civil society actors. Chief negotiators (at the Ministerial level, Botswana's Minister of Trade and Industry) will lead negotiations.⁶⁶¹

In October 2004 SADC countries discussed priority areas of the negotiations that should be clarified at a meeting in December. The December meeting between SADC Ambassadors and EU Senior Officials agreed on a framework document, a work plan, and negotiating groups along certain lines.⁶⁶²

A second meeting in April 2005 discussed overlapping memberships, the question of reciprocity, and SDT. Moreover, the inclusion of rules of origin, trade facilitation, and customs cooperation was up for debate with the result that negotiations should be open for the inclusion of these issues.⁶⁶³

In July the trading partners agreed on the inclusion of the following issues: development dimension, regional integration, SPS and TBT, market access (agriculture, fisheries, non-agricultural goods), rules of origin, trade facilitation and customs cooperation, trade remedies (safeguards, anti-dumping, countervailing measures), IPR, services, institutional arrangements, and implementation modalities. The focus has been on SPS and TBT, regional integration efforts and the question of longer implementation timeframes for capacity development regarding SPS and TBT in order to meet European regulations.⁶⁶⁴

Among SADC countries the discussion emerged about the inclusion of issues that had not yet been negotiated at the WTO, for instance, investment and government procurement. Meanwhile, the European Commission discussed that the role of South Africa should be strengthened in the EPA negotiations as well as the SADC CET should be reached in 2008. The internal timeframe of SADC envisaged the CET for 1010. An early CET would ease the trade

⁶⁶¹ Julian: EPA negotiations update, in: TNI, Vol.3, No.2, 2004, p.4; SADC – EC Joint Road Map for the Economic Partnership Agreement Negotiations, 2004, p.3.

⁶⁶² Julian: EPA negotiations update, in: TNI, Vol.4, No.3, 2005, p.6.

⁶⁶³ Julian: EPA negotiations update, in: TNI, Vol.4, No.1, 2005, p.7.

⁶⁶⁴ Julian: EPA negotiations update, in: TNI, Vol.4, No.5, 2005, p.7.

relations with the EU but this is doubtful in the view of the relatively hesitant integration process within SADC.⁶⁶⁵

The negotiations in 2004 and 2005 were characterised by delays in the negotiating process (for instance, the delay with regard to the launch of negotiations) and the difficulty within the SADC region to define issues of common interest. 2006 should have been a crucial year with substantial negotiations while in 2007 the negotiations should have been finalised.

2006 began with a SADC proposal of a framework document (“A framework for the EPA negotiations between SADC and the EU”). It called for the involvement of the SACU countries in the TDCA review as these countries were involved in the South Africa – EU trade indirectly due to their close trade relations with South Africa in the SACU. Moreover, the EPA market access provisions should be based on TDCA provisions and take into account BLNS sensitive products. In addition, the framework called for market access equivalent to EBA access for all SADC members beginning in 2008 (though they are not LDCs) and the exemption of LDCs (Angola, Mozambique, and Tanzania) from reciprocity in the trade with the EU. Furthermore, the framework calls for better rules of origin (full cumulation in SADC and ACP countries) to enhance the access to the European market. The framework contains a call for more financial support for BLNS to meet supply-side constraints and revenue losses as well as requirements with regard to SPS and TBT. At last, the framework called for the exclusion of all new generation trade issues.⁶⁶⁶ In contrast, the European Commission requested for a greater involvement of South Africa in the SADC EPA negotiations and the achievement of the SADC Customs Union (CU) at 2008 rather than 2010. The debate about the timeframe for the achievement of a CU and the involvement of trade-related issues in the EPA – which the EU recommended but the SADC countries opposed – were the most contentious issues at that point.⁶⁶⁷

⁶⁶⁵ Julian: EPA negotiations update, in: TNI, Vol.4, No.6, 2005, p.7.

⁶⁶⁶ Julian: EPA negotiations update, in: TNI, Vol.5, No.2, 2006, p.6; McCarthy, C. et al.: Benchmarking EPA negotiations between EU and SADC, 2007, p.6.

⁶⁶⁷ Julian: EPA negotiations update, in: TNI, Vol.5, No.2, 2006, p.6.

In February 2006 the SADC Trade Ministers adopted the framework and in March SADC presented it to the European Commission. The first reaction of the European Commission indicated that though the proposal has been WTO compatible it raised difficulties with regard to the necessary reforms of the TDCA (lowering tariffs to accommodate BLNS) and LDC treatment. Moreover, the refusal to negotiate trade-related issues would fall short of the development dimension according to the European Commission.⁶⁶⁸ Since March 2006 technical negotiations were on hold since the European Commission considered the SADC proposal and the SADC refused to continue negotiations at the technical level while waiting for an EU response. SADC continued internal discussions on tariff liberalisation transition periods, agriculture, fisheries, WTO requirements, trade-related issues, and the development dimension. SADC Heads of State and Government concluded at a meeting in August 2006 that they aim at a FTA in 2008 and a CU in 2010.⁶⁶⁹

The delay in the answer of the European Commission might have been related to the fact that the Commission had been cautious about agreeing to the framework proposal since this would be a precedent for the other EPA regions. Another point might have been the necessity to change the negotiating mandate in the case of the inclusion of South Africa. In an unofficial response from the European Commission in December 2006 configuration issues and the inclusion of South Africa were seen as responsible for the delay. The answer of the Commission narrowed the SADC framework proposal: South Africa would be included but presented a different market access offer. Moreover, the proposal to provide EBA equivalent access to SADC non-LDCs was not WTO compatible; therefore, it was rejected. The LDCs (Angola, Mozambique, and Tanzania) would be able to join the EBA initiative and would be associated only on the basis of non-tariff provisions with the option to join later. The European Commission requested for a control system with regard to rules of origin and a safeguard mechanism to allow the protection of the European market in case of import surges. Moreover, the European Commission insisted on the inclusion of

⁶⁶⁸ Julian: EPA negotiations update, in: TNI, Vol.5, No.3, 2006, p.6 et seq.

⁶⁶⁹ Julian/Makhan: EPA negotiations update, in: TNI, Vol.5, No.5, 2006, p.6.

trade-related issues since they were necessary to achieve a development-friendly outcome.⁶⁷⁰

After EU member states agreed the European Commission presented its response in March 2007. The official response stated that a non-reciprocal approach was not in line with WTO compatibility requirements and that a separate agreement with the LDCs would split the region.⁶⁷¹

In 2006 no substantial negotiations had taken place and the SADC EPA region was confronted with a serious delay in negotiations at the beginning of 2007. South Africa was not satisfied with the EC response with regard to different market access offers and most SADC countries still did not want an inclusion of trade-related issues due to their lack of negotiating capacity and the priority to harmonise regional trade.⁶⁷² Therefore, the official EC response was opposed by the SADC countries while the deadline approached faster.

In March 2007 both parties concluded that a re-launch of the roadmap was necessary with regard to trade in goods, services, and new generation issues. The SADC EPA group called for the inclusion of a development chapter in the agreement and additional funding; the European Commission repeated that the amount of support depends on the commitments taken in the EPA.⁶⁷³

In April the negotiations continued with meetings at senior and ministerial level and discussed the market access offer as well as the new generation issues. As far as the market access offer is concerned SADC IEPA countries proposed that BLNS could liberalise their tariffs on the basis of the TDCA because the TDCA is de facto already applied due to their SACU membership; however, the status of Lesotho as LDC must be considered. Angola, Mozambique, and Tanzania should make individual market access offers that take into account their individual needs.⁶⁷⁴ With regard to new generation issues SADC countries (with the exception of South Africa) were open to discuss the matter of services.

⁶⁷⁰ Julian: EPA negotiations update, in: TNI, Vol.6, No.1, 2007, p.7.

⁶⁷¹ McCarthy et al.: Benchmarking EPA negotiations between EU and SADC, 2007, p.8.

⁶⁷² Ibid., p.10.

⁶⁷³ Julian: EPA negotiations update, in: TNI, Vol.6, No.2, 2007, p.10 et seq.

⁶⁷⁴ Julian: EPA negotiations update, in: TNI, Vol.6, No.3, 2007, p.10 et seq.

As far as additional funding is concerned the SADC group proposed the creation of a regional fund.⁶⁷⁵

In July 2007 the debates intensified. It was still unclear how to go about

“accommodating the sensitivities of Botswana, Lesotho, Namibia and Swaziland (BLNS) in an offer which is influenced by South Africa’s existing free-trade agreement (TDCA) with the EU.”⁶⁷⁶

With regard to trade-related issues the SADC proposal to exclude legally binding commitments became unhinged – some SADC IEPA countries seemed to be willing to conclude binding commitments in the face of the approaching deadline.⁶⁷⁷

By virtue of four different market access offers – BLNS, Angola, Mozambique and Tanzania – and the approaching deadline discussions emerged only to conclude a framework agreement with a liberalisation commitment. LDCs would be allowed to come to a decision without pressure; up until then they tended to the EPA rather than the EBA against the background of regional integration and development funding issues.⁶⁷⁸ Regional integration is challenged by the four different market access offers that precluded the introduction of a CU 2010 “given that members of the same customs union cannot offer different sets of market access arrangements to different trade partners.”⁶⁷⁹

Bertelsmann-Scott refers to the fact that after ten years of discussion between EU and SADC IEPA countries there did not emerge a better understanding of the development dimension issue. The EU emphasised that funding aspects fall under the Cotonou Partnership Agreement and EPAs deal with other developmental issues. SADC wanted a specific chapter in their agreement with binding commitments of the EU. Moreover, for the EU the development dimension is represented by the asymmetry (EU assumes larger liberalisation commitment) and the new generation issues. For the SADC EPA group the

⁶⁷⁵ Ibid., p.11.

⁶⁷⁶ Julian: EPA negotiations update, in: TNI, Vol.6, No.4, 2007, p.14.

⁶⁷⁷ Ibid.

⁶⁷⁸ Bertelsmann-Scott, T.: Difficult deadline: challenges of the SADC EPA negotiations, in: TNI, Vol.6, No.4, 2007, p.9.

⁶⁷⁹ Ibid.

development dimension should be characterised by a clear link to AfT and a proper sequencing of liberalisation at national and regional level.⁶⁸⁰

With regard to services BLNS and South Africa had different opinions: South Africa refused to include services while BLNS in general were willing to negotiate this issue although the request for services goes beyond any WTO commitment and is not necessary to meet WTO compatibility requirements. Moreover, Bertelsmann-Scott states that there will be no automatic gains from services liberalisation if the pre-requisites are not given. For instance, up to now there is nearly no services liberalisation at the regional level.⁶⁸¹

In July 2007 the SADC EPA configuration attempted to include civil society actors better but “the move comes at a late stage.”⁶⁸²

In September the situation became more and more demanding due to the fact that SADC EPA countries did not agree about the services treatment: should there be a cooperative approach without binding commitments or legal provisions to negotiate trade in services at a later time? Moreover, there was rumour that Tanzania might leave the negotiating configuration to initial an agreement with the ESA group.⁶⁸³ Also in September EC and SADC exchanged market access offers and schedules for tariff liberalisation; SADC seemed to push for an increased market access for agricultural goods and processed products in return for better market access for the EU fish and other products.⁶⁸⁴

In October, after the two-step offer of the European Commission, the SADC negotiating group aimed at a goods-only agreement to be concluded in November 2007. It became obvious that BLNS would make a common market access offer and Mozambique a separate one while Tanzania joined the ESA group and Angola would not make an offer until the end of the year. “Agricultural products remain the most difficult tariff area in negotiations and sources indicate unexpected divergences have now surfaced on fisheries.” Similarly, services have been another sticking point as well.⁶⁸⁵ Regarding

⁶⁸⁰ Ibid.

⁶⁸¹ Ibid., p.10.

⁶⁸² Ibid.

⁶⁸³ Julian: EPA negotiations update, in: TNI, Vol.6, No.5, 2007, p.14.

⁶⁸⁴ Julian: EPA negotiations update, in: TNI, Vol.6, No.6, 2007, p.18.

⁶⁸⁵ Julian/Makhan: EPA negotiations update, in: TNI, Vol.6, No.7, 2007, p.14.

services, BLNS had little offensive interests but in case of no agreement would have lost their preferential access to the European market while South Africa – that opposed the inclusion of services – has its own access under the TDCA.⁶⁸⁶ In November Botswana, Lesotho and Swaziland initialled a goods-only agreement with the EU, Mozambique initialled an individual agreement, and Angola did not conclude an agreement. At first Namibia did not initial an agreement “to the great dismay of its agricultural sector.” However, in the face of losses of 45 million Euro in beef, grapes, and fish exports it negotiated an eleventh hour agreement⁶⁸⁷ and concluded the goods-only agreement in December 2007.

In January 2008 the EPA negotiations continued for SADC IEPA countries with the problem that SACU countries have initialled interim agreements but South Africa had not.⁶⁸⁸ Botswana, Lesotho and Swaziland repeated their attempt to conclude comprehensive EPAs while Namibia and South Africa were more critical with regard to the development dimension, regional integration, and policy space. Mandelson warned:

"South Africa has said it would not stand in the way of other SADC members, which had initialled an interim economic partnership agreement at the end of last year. [...] I assume the comment was sincerely made and that the other countries will not be obstructed."⁶⁸⁹

Mandelson indicates that there “is no way of re-opening the process that has already been negotiated. There is earnest desire and commitment to eradicate poverty in this continent”.⁶⁹⁰ Concerns of South Africa and Namibia will be dealt within the negotiations towards a comprehensive EPA.⁶⁹¹

In May 2008 at a meeting between EC and SADC officials the representatives highlighted the option of signing a regional SADC EPA in 2008. Angola and South Africa should have the opportunity to join the EPA later this year. The launch of negotiations towards services and investment as well as the timeline

⁶⁸⁶ Kruger, P.: SADC EPA negotiations. The circle of trust, in: TNI, Vol.6, No.8, 2007, p.8.

⁶⁸⁷ Ibid.

⁶⁸⁸ Hanson/Julian: EPA negotiations update, in: TNI, Vol.7, No.1, 2008, p.18.

⁶⁸⁹ Hazelhurst, E.: Mandelson in eggdance to placate SA, in: Business Report, Namibia, 5 March 2008.

⁶⁹⁰ Sunday Standard: Mandelson urges SADC to conclude EPA, 10 March 2008.

⁶⁹¹ European Commission: Fact sheet on the Interim Economic Partnership Agreements. SADC group, 2009, p.2.

for signature, ratification, and WTO notification of the IEPA were discussed. Moreover, contentious issues that should be dealt with in the negotiations towards the comprehensive EPA were determined. SACU seems to be split in Botswana, Lesotho, and Swaziland on the one side and South Africa and Namibia on the other.⁶⁹²

At a meeting in July the EC has presented a draft on the liberalisation of services and investment. SADC EPA countries would offer one services sector liberalisation commitment and a standstill clause to negotiate the other sectors within three years.⁶⁹³ Officials agreed to include a review clause and safeguard provisions; while the MFN clause, standstill clauses and an emergency safeguard mechanism still were contentious.⁶⁹⁴ Talks on the market access offer continued but sources indicated that agriculture was still contentious due to the EU offering less than SADC expected.

In August 2008, 12 of the 15 SADC countries launched a FTA with 85% of trade moving free; Angola, Democratic Republic of Congo, and Malawi would join later.⁶⁹⁵

Angola, Namibia, and South Africa listed their concerns with the IEPA: they were aware of the potential threat to regional integration and the free circulation of goods with non-SADC countries. Moreover, they feared that their policy space could be restricted (for instance, the protection of infant industry) and they were concerned about restrictive rules of origin and the inclusion of the MFN clause. The European Commission continued to discuss with Angola, Namibia, and South Africa about these concerns.⁶⁹⁶

In November Botswana, Lesotho, and Swaziland pushed for the signing of the IEPA in fear of losing preferential access to the EU market while Namibia still had its concerns. South Africa and Angola are concerned that the signing of the other SADC EPA group members could have a negative effect on their own positions and the concerns they have raised.⁶⁹⁷

⁶⁹² Julian: EPA negotiations update, in: TNI, Vol.7, No.5, 2008, p.15.

⁶⁹³ Julian: EPA negotiations update, in: TNI, Vol.7, No.6, 2008, p.14.

⁶⁹⁴ Julian et al.: EPA negotiations update, in: TNI, Vol.7, No.7, 2008, p.14.

⁶⁹⁵ Ibid.

⁶⁹⁶ Ibid.

⁶⁹⁷ Julian: EPA negotiations update, in: TNI, Vol.7, No.9, 2008, p.15.

In December 2008 the IEPA had not been signed and the comprehensive EPA not finalised. The market access offer was still contentious as were the rules of origin and sustainable development topics; South Africa, Angola, and Namibia were still concerned that their policy space might be restricted.⁶⁹⁸

In January 2009 the European Commission presented a non-paper to preserve the tariff coherence of SACU. In it South Africa should align its tariffs to the commitments of BLNS under the IEPA in return for improved market access to the European market and other market access concessions. Angola, Namibia, and South Africa welcomed the non-paper as a move towards a comprehensive approach. The new Trade Commissioner Ashton visited Southern Africa in February 2009.⁶⁹⁹

Ashton agreed to put the signing of the SADC IEPA on hold after a meeting with SADC officials but emphasised that there is the need to conclude as soon as possible since the current status could be challenged at the WTO – Botswana, Lesotho, and Swaziland were eager to sign.⁷⁰⁰

5.3 Direct and Indirect Agricultural Provisions in SADC IEPA

This chapter lists the direct and indirect provisions of the IEPA that might influence the agricultural sector in SADC IEPA countries. Due to the fact that negotiations still continue, provisions might change in the course of the negotiating process.

5.3.1 EU Market Access for ACP Countries

In general, ACP countries benefit from the general reductions in customs duties within the WTO reduction processes (for instance, the AoA). Moreover, many developed countries offer Generalised System of Preferences (GSP) to developing countries, for instance, US, Canada, and Japan. Despite these GSP and reduced tariffs, many ACP countries still face relatively high tariffs for

⁶⁹⁸ Julian: EPA negotiations update, in: TNI, Vol.7, No.10, 2008, p.18.

⁶⁹⁹ Julian: EPA negotiations update, in: TNI, Vol.8, No.1, 2009, p.14.

⁷⁰⁰ Julian: EPA update, in: TNI, Vol.8, No.2, 2009, p.14.

products that are very important for their export economies due to the fact that many GSP exclude sensitive products from market opening. According to Alpha et al. Canada, for example, excludes important agricultural products from liberalisation, e.g., poultry, fish, and vegetables or imposes tariff quotas on dairy products and cereals.

The ACP access to the European market is different because ACP countries not only benefit from a GSP but from the Cotonou preferences. In general, almost 97% of ACP exports to the EU enter the market duty-free.⁷⁰¹ Between the countries there is a large variation between the share of the export covered under Cotonou: only 8% of Fiji's exports benefited from preferences but in the case of Botswana and Namibia no exports were excluded.⁷⁰²

Alpha et al. state that nearly 7% of agricultural products were still taxed under the Cotonou regime. These residual tariff barriers can either be ad valorem⁷⁰³ or specific⁷⁰⁴ duties and though some products benefit from a total reduction of ad valorem duties they can be imposed specific duties. These tariffs were imposed on products that competed with European products, for instance, cereals, milk, beef, bananas, rum, and sugar. For some of these products (beef and veal, sugar, bananas) several commodity protocols were applied. These protocols guaranteed specific quantities (quotas) and prices that were higher than the world market prices and have been successful e.g., in the case of beef exports in Southern Africa.⁷⁰⁵ The Cotonou Partnership Agreement contains a clause on a review of these protocols:

“the Parties reaffirm the importance of the commodity protocols[...]. They agree on the need to review them in the context of the new trading arrangements, in particular as regards their compatibility with WTO rules, with a view to safeguarding the benefits derived therefrom”.⁷⁰⁶

⁷⁰¹ South Centre: The value of EU preferences for the ACP and EPA contribution to market access, 2007, p.3. 919 tariff lines were excluded from liberalisation; South Centre: The value of preferences for the ACP and EPA contribution to market access, 2007, p.8.

⁷⁰² Manchin, M.: Preference utilization and tariff reduction in European Union imports from Africa, Caribbean, and Pacific countries, 2005, p.11.

⁷⁰³ A percentage of the product's price; Alpha et al.: WTO and EPA negotiations, 2005, p.8.

⁷⁰⁴ In Euros per unit of measure (e.g. per 100 kg, tonne, per number of parts, etc.); Alpha et al.: WTO and EPA negotiations, 2005, p.8.

⁷⁰⁵ South Centre: A positive agenda for African agriculture in EPAs, 2008, p.13.

⁷⁰⁶ European Community/ACP Group of States: Partnership agreement between the members of the African, Caribbean and Pacific group of states, of the one part, and the European

South Centre states that not only the EPA negotiations contribute to the erosion of preferences but preference erosion had already begun, for instance, with the reform of the sugar protocol and the cut of prices.⁷⁰⁷

Furthermore, the Cotonou regime offered a compensatory finance scheme to stabilise export earnings for products that did not compete with European agricultural goods, for instance, cocoa, peanuts, and tea.⁷⁰⁸

Customs duties were imposed on dairy products, eggs, fresh and frozen vegetables, oleaginous fruit, bananas, other fresh and dried fruits, cereals, starches, animal fats, sugar, chocolate, fruit juices, and animal food. Alpha et al. state that the average level of residual tariff barriers for exports from ACP to European market has been 5.3% on 98.1% of imports receiving a preferential treatment. They compare these figures with the GSP data – 17.9% of protection on average on 19.8% of imports covered by preferences system – and come to the conclusion that

“Although the residual tariff barriers for non-LDC ACP countries are therefore far lower than for other countries, the issue is still important for certain ACP products for which access to the European market could be improved considerably.”⁷⁰⁹

Other trade barriers have been tax-free quotas, import ceilings, seasonal duties for agricultural exports, and the already mentioned commodity protocols.⁷¹⁰

Moreover, Alpha et al. describe the problem of customs duties escalation: while raw materials or semi-processed agricultural products enter the European market duty-free, on processed products with high added value, high tariffs have been applied. This tariff policy thwarted the aim of supporting African ACP countries to diversify their production into higher value products.⁷¹¹

LDCs had the opportunity to export into the EU either under the Cotonou regime or under the EBA initiative. LDCs often chose the Cotonou regime due to several facts. The first point is the loss of the commodity regimes under the

Community and its member states, of the other part, signed in Cotonou, 23 June 2000, Article 36:4.

⁷⁰⁷ South Centre: The value of preferences for the ACP and EPA contribution to market access, 2007, p.5.

⁷⁰⁸ South Centre: A positive agenda for African agriculture in EPAs, 2008, p.12.

⁷⁰⁹ Alpha et al.: WTO and EPA negotiations, 2005, p.10.

⁷¹⁰ Ibid., p.9.

⁷¹¹ Ibid., p.11.

EBA initiative and the second point is the more restrictive rules of origin. While Cotonou allows full cumulation (the ACP export qualifies for any processing that has been carried out in any country that is party to the agreement), the EBA initiative only allows bilateral cumulation (for instance, between EU and recipient country).⁷¹² The minimum processing rules are much stricter in EBA than in the Cotonou Partnership agreement. To illustrate, “Cotonou allows non-originating inputs to be used so long as their value does not exceed 15% of the ex-works price of the product”⁷¹³ while EBA only allows 10%. At last, LDCs might fear the adjustment costs of switching between both regimes that require large administrative procedures.⁷¹⁴

Preferences can be seen as an “incentive to engage in international trade”⁷¹⁵ for developing countries that struggle with supply-side constraints and domestic competitiveness problems. On the contrary, preferences can increase the developing countries’ dependence on a limited number of markets and the misallocation of resources towards activities that receive preferences. For the ACP countries in general the share of non-oil exports in EU imports declined from 1975’s rate of 6.1% to 1992’s rate of 2.9%. But ACP countries account for one eighth of all EU imports of agricultural products.⁷¹⁶ Alpha et al. state:

“Although ACP agricultural exports (excluding Protocols) grew by 43% during the period from 1988 to 2000, the sectors benefiting from a preferential margin of more than 3% increased their exports by 60%. Growth rates are particularly strong for the following non-traditional products: flowers (+230%), vegetables (+132%), prepared fish (+110%), tobacco (+83%) and prepared vegetables and fruits (+70%).”⁷¹⁷

For ACP countries the CAP provided benefits under the preferential system:

“paradoxically, Cotonou agricultural preferences are most commercially valuable on the products that seem most restricted [...] because they allow

⁷¹² South Centre: The value of preferences for the ACP and EPA contribution to market access, 2007, p.10.

⁷¹³ Ibid.

⁷¹⁴ Ibid.

⁷¹⁵ Ibid., p.4.

⁷¹⁶ Ibid., p.4 et seq.

⁷¹⁷ Alpha et al.: WTO and EPA negotiations, 2005, p.11.

the favoured ACP countries to benefit from the artificially high prices created on the European market by CAP barriers.”⁷¹⁸

The WTO negotiations take into account the outstanding role of preferences for developing countries with regard to agriculture: “The importance of long-standing preferences is fully recognised. The issue of preference erosion will be addressed.”⁷¹⁹ Regarding non-agricultural goods

“We recognize the challenges that may be faced by non-reciprocal preference beneficiary Members and those Members that are at present highly dependent on tariff revenue as a result of these negotiations on non-agricultural products.”⁷²⁰

In the EPA negotiations the ACP countries tried to maintain their trade preferences (favourable access to the European market through provision of lower tariffs and lower quantity restrictions on ACP goods) while the consequences would have been different for LDCs and non-LDCs. Alpha et al. show that in the case of LDCs joining the EBA initiative and non-LDCs signing an EPA, primarily the LDCs would lose preferences in relation to non-LDCs in case of a total liberalisation of the European market. In the case of both LDCs and non-LDCs signing an EPA, both would lose preferences compared to non-ACP countries. Alpha et al. state that an aggressive position in the WTO with regard to the reduction of customs duties might undermine the ACP position in the EPA negotiations that is aimed at the maintenance of preferences.⁷²¹

There are several reasons for the erosion of preferences that is currently taking place. First of all the expiry of the waiver marks the end of the preferential Lomé and Cotonou systems that the ACP countries benefited from. But secondly, ACP countries lose trade preferences compared to other developing countries as a result of multilateral trade liberalisation. Moreover, changes occur to the European market, which influence ACP access to Europe: the enlargement of the EU as well as the CAP reform that systematically reduces EU internal prices. Fourthly, the EBA initiative and the new GSP as well as bilateral

⁷¹⁸ Koroma/Deep Ford: The agricultural dimension of the ACP-EU Economic Partnership Agreements, 2006, p.51.

⁷¹⁹ WTO: Doha Work Programme. Decision adopted by the General Council on 1 August 2004 ("July Package"), 02 August 2004, Annex A, Paragraph 44.

⁷²⁰ Ibid., Annex B, Paragraph 16.

⁷²¹ Alpha et al.: WTO and EPA negotiations, 2005, p.29.

agreements between the EU and other developing countries and their inherent tariff reductions reduce the preferences of the ACP countries compared to these countries. Another reason for preference erosion is the increasing demand of trade rules with regard to SPS regulations, for example, in the case of regulations for beef.⁷²²

In April 2007 the European Union offered a duty-free, quota-free market access to the ACP countries that should enter into force as soon as the EPAs were signed. The offer promised to “Eliminate all tariffs and import quotas for all ACP countries” but the offer will “not be tied to the requirement of equivalent openness from the ACP countries.”⁷²³ The reasoning is that the “EPAs are not free trade agreements in the classic sense”.⁷²⁴ ACP countries will be granted liberalisation obligations over many years and will be able to protect sensitive products. The only exception is a transition period for sugar and rice.⁷²⁵

In the IEPA of EU and SADC Annex 2 “Customs duties on products originating in SADC EPA states” the market access and, in particular, the exceptions are defined more precisely.⁷²⁶ Similar to the EBA initiative the IEPA eliminates all customs duties except for arms and ammunition. Rice and sugar are exempted from liberalisation until the end of 2009 and September 2015 respectively. The sugar protocol will be applied until September 2009; for Mozambique and Swaziland additional quotas are allowed for 2008 and 2009 (30 000 and 20 000 tonnes). Between 2009 and 2015 a safeguard is applied: ACP sugar exports of 3.5 million tonnes and 1.38 million tonnes from non-ACP countries increasing to 1.6 million tonnes are allowed to enter. From October 2015 there will be a DFQF access of sugar but the European Union applies safeguards. In the case of disturbances in the sugar market a safeguard will be applied

“in situations where the European Community market price of white sugar falls during two consecutive months below 80 percent of the European

⁷²² Alpha et al.: WTO and EPA negotiations, 2005, p.11 et seq.; Koroma/Deep Ford: The agricultural dimension of the ACP-EU Economic Partnership Agreements, 2006, p.51 et seq.

⁷²³ European Commission: EU offers full market access to Africa, Caribbean and Pacific regions in EPAs negotiations, 2007.

⁷²⁴ Ibid.

⁷²⁵ Ibid.

⁷²⁶ Council of the European Union: Interim Economic Partnership Agreement between the SADC EPA States, on the one part, and the European Community and its Member States, on the other part, 2008, Annex 2.

Community market price for white sugar prevailing during the previous marketing year.”⁷²⁷

A “special surveillance mechanism” is applicable for certain products from SADC countries (sugar syrup, sugar confectionary, sweetened cocoa powder, and certain food preparations with sugar) if “more than 20 percent in volume during a period of 12 consecutive months compared to the average of the yearly imports over the three previous 12 month periods”⁷²⁸ enter the European market. In that event

“the EC Party shall analyse the pattern of trade, the economic justification and the sugar content of such imports and, if it considers that such imports are used to circumvent the arrangements provided for in paragraphs 4 and 5, it may suspend the preferential treatment and introduce the specific MFN duty applied to imports pursuant to the European Community Common Customs Tariff”⁷²⁹.

The provisions on rules of origin will be crucial for the SADC countries: improved rules of origin would allow a “greater use of South African inputs in BLNS goods destined for export to the EU market”⁷³⁰ but “improvements have not been secured”.⁷³¹ Agritrade states that there is a request for more flexibility “on the use of non-originating content in those countries which face serious constraints on agricultural production” but there seems to be “little movement on this issue on the European Commission side”.⁷³²

Rules of origin and other non-tariff barriers like SPS and TBT are one reason for the poor performance of the ACP economies since they hinder ACP countries to increase their export growth. Under the Cotonou Partnership Agreement the rules of origin have been less strict than under GSP and EBA – a reason why many ACP countries decided to export under Cotonou rather than under the other regimes. Rules of origin guarantee that a traded product is “wholly obtained” or “sufficiently processed” within the FTA. “These rules ensure that the preferences granted to a certain market can only be used by countries that

⁷²⁷ Ibid., Annex 2, Paragraph 6.

⁷²⁸ Ibid., Annex 2, Paragraph 7.

⁷²⁹ Ibid.

⁷³⁰ Agritrade: EPA negotiations, SADC configuration: Executive brief, 2008.

⁷³¹ Ibid.

⁷³² Ibid.

are entitled to these preferences.”⁷³³ Due to the cumulation rules originating materials that are base for manufacturing do not need to be processed – the rules of cumulation define to what extent raw materials from various countries can be manufactured and keep their originating status. Kasteng states that though production structures have significantly changed since the 1970s the regulations on rules of origin have not.⁷³⁴

The IEPA contains an article on rules of origin and protocol 1 that sets out the provisions on rules of origin in detail. Article 21 of the IEPA only states that within the first three years of application of the agreement a review should take place aimed at further simplification of the rules of origin. Protocol 1 defines the general requirements, the cumulation rules, territorial requirements, administrative cooperation and in annex 2 a list of working/processing that is required for a product to obtain origin status.

Alpha et al. state that

“Notifications of technical measure (different types of standards, technical obstacles to trade) as conditions of access to markets increased from 300 in 1980 to 3000 twenty years later, while at the same time customs duties were reduced regularly.”⁷³⁵

Moreover, according to them EU standards are much stricter than international ones and new regulations require the creation of adequate institutions in developing countries – a challenge when facing of a lack of public institutions with adequate resources.⁷³⁶

Hope has been raised that the EPA provisions might improve the capacity of ACP countries to meet the European requirements through the provisions on Technical Barriers to Trade and Sanitary and Phytosanitary Measures.

The IEPA deals with Technical Barriers to Trade (TBT) in chapter 8. The agreement aims at the facilitation and increase of trade by identifying and eliminating unnecessary barriers to trade (technical regulations, standards, and conformity assessment procedures) (Article 49, 50). Therefore, the regional

⁷³³ Kasteng: Agriculture and development in EPA negotiations, 2006, p.21.

⁷³⁴ Ibid.

⁷³⁵ Alpha et al.: WTO and EPA negotiations, 2005, p.13.

⁷³⁶ Ibid.

SADC cooperation should be strengthened and their technical capacity increased (Article 49). Measures to achieve the elimination of TBT include:

- intensification of collaboration to facilitate the “access to their respective markets, by increasing the mutual knowledge and understanding of their respective systems in the field of technical regulations, standards, metrology, accreditation and conformity assessment”;
- exchange of information and implementation of appropriate mechanisms;
- “interventions on technical regulations and conformity assessment”;
- development of common views on technical regulatory practises;
- harmonisation towards international standards;
- negotiation of mutual recognition agreements;
- participation of SADC countries in international standard setting bodies (Article 53).⁷³⁷

Chapter 9 in the IEPA deals with Sanitary and Phytosanitary Measures (SPS). It aims at the facilitation of trade; measures should “apply only to the extent necessary to protect human, animal or plant health or life in accordance with the provisions of the [WTO, K.B.] SPS Agreement” (Article 57). The IEPA should strengthen the regional integration attempts including effective consultation mechanisms and enhanced cooperation between SADC countries as well as between SADC and Europe (Article 57, 60, 64). The technical capacity of SADC states should be improved and competent authorities developed (Article 57, 59). Furthermore, consultations and information should be exchanged between SADC and Europe on “any changes in its sanitary and phytosanitary import requirements that may affect trade” (Article 60). An early warning system should be installed as well as an “epidemiological surveillance network on animal disease” and plant health (Article 61). If a measure affects the market access of SADC countries consultations will be held to find a solution (Article 63).⁷³⁸

Agritrade criticises that the IEPA provisions on SPS and TBT are more general and do not contain any provisions on how to operationalise these requirements.

⁷³⁷ Council of the European Union: Interim Economic Partnership Agreement between the SADC EPA States, on the one part, and the European Community and its Member States, on the other part, 2008, Chapter 8.

⁷³⁸ Ibid., Chapter 9.

Moreover, no clear procedures were defined in the case of disputes. Capacity building is mentioned but there is no commitment on concrete financial support.⁷³⁹

In general, ACP countries already had nearly free market access to the EU so that any improvement is relatively marginal. The improvements will be important with regard to the liberalisation of tariff lines that have been excluded under the Cotonou Partnership Agreement, in a substantial liberalisation of the rules of origin, and a more predictable and secured market access.⁷⁴⁰

Although the improvement of the DFQF offer is rather marginal compared to the Cotonou preferences the maintenance of the market access to the European market for ACP states, in particular, SADC IEPA countries, has been one of the most important points in the EPA negotiations. The risk of fall back to GSP access has been the most important incentive for non-LDC ACP countries to initiate the IEPAs.

Braude and Sekolokwane demonstrate that fall back to GSP would entail many relatively small tariff increases but also larger ones:

“267 of the goods they export will experience a tariff jump of at least ten per cent ad valorem and/or the imposition of new or increased specific or compound duties, some of which are very high. Nearly two-thirds of non-LDC ACP states would see tariffs increase over 25 per cent by value of their current exports to the EU; for just one quarter the proportion affected will be over 50 per cent.”⁷⁴¹

They state that among other countries Namibia and Swaziland would suffer most.

The insistence of the European Commission that there were no alternatives to the EPAs except of GSP (for non-LDCs) and EBA (for LDCs) along with the expiring waiver at the end of 2007 has been the most effective instrument to apply pressure on ACP countries. While the EC argues that this stance has not been a threat to ACP countries but the WTO requirements have left no room for any alternatives; NGOs and scientists oppose this point of view and discuss

⁷³⁹ Agritrade: EPA negotiations, SADC configuration, 2008.

⁷⁴⁰ South Centre: The value of preferences for the ACP and EPA contribution to market access, 2007, p.22.

⁷⁴¹ Braude, W./Sekolokwane, K.: Sustainable development. The missing piece in the Southern African Customs Union's regional trading arrangements?, 2008, p.64.

other legal options.⁷⁴² Either way, none of the ACP countries demanded the provision of alternatives from the EU; the late request of Nigeria and Gabon to join the GSP plus – which is a more generous preferential system for few countries achieving certain requirements⁷⁴³ – has been rejected by the European Commission.⁷⁴⁴

The impact of the improved DFQF for SADC IEPA countries varies according to products and countries. In principle, SADC countries will benefit from an improved access in the meat as well as the fruits and vegetables sector. Botswana and Namibia will benefit from the new market access provisions regarding beef and Namibia will benefit from the improved access for grapes.⁷⁴⁵ The export of fruits and vegetables might profit from the enhanced access but Agritrade indicates that the SPS and food safety provisions might limit the positive impact due to supply-side constraints in meeting the increasing demands of the European market.⁷⁴⁶ Agritrade also raises concern that the safeguard provisions in the TDCA could be too weak and, due to the SACU membership, affect the Swaziland sugar sector negatively.⁷⁴⁷

Braun-Munzinger et al. state that

“It is also broadly accepted that many ACP countries and especially least developed countries among them have not been able to fully benefit from enhanced market access opportunities because of noncompetitive production capacities, a lack of infrastructure, inability to meet prevailing standards in high value export markets and being crowded-out of some

⁷⁴² Bilal/Rampa: Alternative (to) EPAs, 2006; Oxfam International/TWN Africa: A matter of political will. How the European Union can maintain market access for African, Caribbean and Pacific countries in the absence of Economic Partnership Agreements, 2007.

⁷⁴³ To achieve GSP plus access countries need to be vulnerable according to certain economic criteria and must have ratified 27 international conventions.

⁷⁴⁴ European Commission: The EC special incentive arrangement for sustainable development and good governance (GSP+) 2009-2011, 2009. The Commission refused the participation with the argument that Nigeria and Gabon have not ratified all necessary conventions, cp.

Leadership: Nigeria: EU denies accusation of forcing EPA, 25 December 2008; NGOs argue that El Salvador, which is a beneficiary country under GSP plus, has not ratified all conventions and that in the first GSP countries were given some time to ratify the necessary conventions. In general, Bartels analyses the opportunity of ACP countries to join GSP plus: Bartels, L.: The EU's GSP+ arrangement as an alternative to the EPA process, 2007.

⁷⁴⁵ Agritrade refers to the fact that the beef exports already enjoyed a 90% rebate on the special duty; Agritrade: EPA negotiations, SADC configuration, 2008.

⁷⁴⁶ Ibid.

⁷⁴⁷ Ibid.

markets by the domestic support and export subsidies of the developed countries.”⁷⁴⁸

Therefore, it would be necessary to increase the competitiveness of SADC countries to allow them to target luxury-purchase markets in Europe but the provision in the SADC IEPA remains vague. Article 11 on “Cooperation in supply-side competitiveness” states that it is necessary “to increase the competitiveness of the SADC EPA States and remove supply side constraints at national, institutional and, in particular, at company level.”⁷⁴⁹ In the fields of

“production, technology development and innovation, marketing, financing, distribution, transport, diversification of economic base, as well as development of the private sector, improvement of the trade and business environment and support to small and medium enterprises in the field of agriculture, fisheries, industry and services.”⁷⁵⁰

In the IEPA there are no provisions on financial and technical assistance to support SADC countries to improve their competitiveness.

SADC IEPA countries maintained and slightly improved their market access to the European Union. They have few offensive interests, e.g., meat, fruits and vegetables; therefore, addressing supply-side constraints and issues like more comfortable rules of origin, increased capability to meet SPS requirements, and the abolition of unnecessary barriers to trade (TBT) were more important for BLNS agricultural exports. Meanwhile, market access was one of the most important issues in late 2007 with the impending expiry of the WTO waiver causing increased tariffs under GSP for non-LDCs or worse rules of origin under EBA (LDCs), as well as a threat to regional integration efforts by splitting the region in the case of no EPA. The threat to fall back to GSP can not be underestimated with regard to the negotiations between EU and ACP countries.

⁷⁴⁸ Braun-Munzinger, C. et al.: Dialogue meeting on challenges of changing agricultural markets in the context of ACP-EU trade: Identifying an Aid for Trade agenda, organised by CTA and ECDPM, Brussels, 14-15 April 2008, p.5.

⁷⁴⁹ Council of the European Union: Interim Economic Partnership Agreement between the SADC EPA States, on the one part, and the European Community and its Member States, on the other part, 2008, Article 11.

⁷⁵⁰ Ibid.

5.3.2 ACP Market Opening to EU

The trade liberalisation commitments of SADC IEPA countries and more specific provisions on trade in goods will be analysed in this section.

5.3.2.1 Market Opening in General and Liberalisation Commitments

For the EU the introduction of reciprocity, albeit asymmetry in the market opening commitments of the trading partners, has been central. The ACP countries tried to avoid the introduction of reciprocity or, at a later stage of negotiations, to attenuate the scope and pacing of their commitments. This issue has been one of the most contentious issues during the negotiations. It is closely connected to the problem of WTO compliance and the definition of “substantially all the trade” in a “reasonable length of time” in the FTA provisions of the WTO. Because these issues are not fully defined in the WTO rules they are open to interpretation – stricter by the EU (averaged 90% of trade value/tariff lines; 80% for ACP states in 15 years) and more flexible by the ACP countries (the ACP countries proposed that no more than 60-70% should be liberalised with an implementation period of more than 20 years⁷⁵¹).

Stevens and Kennan declare that reciprocity “is the critical element in the EU Commission’s mandate”⁷⁵² in three senses: firstly, “it underpins WTO justification for EPAs”;⁷⁵³ secondly it induces large implications for the production structure and the government revenue of the ACP countries; and lastly the impact can be quantified and scenarios can be developed.⁷⁵⁴

Stevens et al. state that only in mid-2007 was the market access issue addressed when the EC presented a liberalisation schedule. The ACP countries had difficulties identifying their exclusion baskets at national and regional level and did not meet the EC demand for WTO compatibility.⁷⁵⁵

⁷⁵¹ South Centre: Market access for trade in goods in Economic Partnership Agreements, 2008, p.11.

⁷⁵² Stevens/Kennan: Agricultural reciprocity under Economic Partnership Agreements, 2006, p.2.

⁷⁵³ Ibid.

⁷⁵⁴ Ibid., p.2 et seq.

⁷⁵⁵ Stevens et al.: The new EPAs, 2008, p.74.

It is criticised by NGOs and ACP countries that many provisions in the goods-only agreement (and beyond it in the comprehensive EPA with the inclusion of services, investment and government procurement) are not necessary to fulfil WTO compatibility.⁷⁵⁶ Aside from the need to eliminate customs duties and other forms of taxes and surcharges on products, there is no need to include standstill clauses, restrictions on export taxes, regulations on SPS and TBT, and MFN clauses.⁷⁵⁷

It is difficult to assess the impact of changing trade relations immediately after they entered into force. But it is even more difficult to evaluate the impact of a new trade agreement even before it goes into effect. Nevertheless, it is necessary to evaluate these impacts so that the negotiating parties can come to a reasonable decision.

In the run-up to the finalisation of agreements several studies on the potential impact of EPAs have been conducted. Babula and Baltzer summarise the different studies. They discuss the challenge to compare studies

“Because of the difference in ACP coverage by EPAs, the difference in quantitative approaches, the difference in the degree that studies are partial and general equilibrium in nature, ‘EPA-induced effects’ are difficult to characterize and often incomparable across studies, even at the nation-specific level.”⁷⁵⁸

Moreover, the different studies have “chosen different subsets of economic variables”⁷⁵⁹ which makes it more difficult to compare these studies.

For SSA a study ascertains negative effects if all EPAs are implemented while another, but rather incomplete, study detects rather positive implications.⁷⁶⁰ But most studies agree

⁷⁵⁶ The European Commission is convinced that EPAs will only be pro-development if they are comprehensive; the German government’s focus is on regional integration – benefits will be achieved if comprehensive regional agreements are concluded; Bertow, K.: Interview led with the German Federal Ministry for Economic Cooperation and Development, March 2009.

⁷⁵⁷ South Centre: Market access for trade in goods in Economic Partnership Agreements, 2008, p.3.

⁷⁵⁸ Babula, R./Baltzer, K.: Overview of quantitative analyses of Economic Partnership Agreements: Market and revenue effects of liberalization of ACP barriers and enhanced EU market access, 2007, p.30.

⁷⁵⁹ Ibid.

⁷⁶⁰ Ibid., p.37.

“on how the African trade patterns mix will be altered through EPA implementation. EPA agreements will likely lead to increases in African imports of EU and ROW manufactured goods (light and heavy), while African exports of processed food and some farm and natural resource products would modestly increase.”⁷⁶¹

According to Perez the level of reciprocity is crucial for determining the impact on SSA countries – 50% reciprocity has less negative effects than 80% reciprocity.⁷⁶²

Several studies have a closer look at Southern Africa; a study on SACU and the effects on South Africa concludes that

“EPAs would likely have noticeably adverse consequences on SACU revenue collections: the EPA could elicit a 30 percent decline in the SACU revenue pool from pre-EPA levels, and in turn, imply severe budget revenue declines for such nations as Lesotho and Swaziland that heavily rely on the pool.”⁷⁶³

Keck and Piermartini detect positive welfare effects for the SADC economies but decry losses in the case of preference erosion due to other trade agreements between EU and developing countries (e.g. MERCOSUR).⁷⁶⁴

According to Babula and Baltzer they conclude

“that the African countries will export more agricultural, textile, processed food, and natural resource products at the expense of manufactured goods. African imports will surge for Malawi and Zimbabwe. Over-all, EPA-elicited welfare changes were generally positive.”⁷⁶⁵

A study of the European Commission detects rather positive implications of EPAs and expects for instance increasing exports to the EU, in particular of vegetable products and textiles (about 40%). In the case of ACP imports from the EU there will be a “concentration in industrial goods (particularly textiles) and primary products. The increase is negligible in agriculture.”⁷⁶⁶

⁷⁶¹ Ibid.

⁷⁶² Perez, R.: Are the Economic Partnership Agreements a first-best optimum for the African Caribbean Pacific Countries?, in: *Journal of World Trade*, Volume 40, Issue 6, 2006, p.999-1019.

⁷⁶³ Babula/Baltzer: Overview of quantitative analyses of Economic Partnership Agreements, 2007, p.40.

⁷⁶⁴ Keck, A./Piermartini, R.: *The economic impact of EPAs in SADC countries*, 2005.

⁷⁶⁵ Babula/Baltzer: Overview of quantitative analyses of Economic Partnership Agreements, 2007, p.40.

⁷⁶⁶ Fontagne, L. et al.: *An impact study of the EU-ECP Economic Partnership Agreements (EPAs) in the six ACP regions*, 2008, p.55.

Despite the necessity to assess the outcome of the EPAs Babula and Baltzer have shown that the different studies with their different approaches are difficult to compare. All these studies had to assume certain scenarios since the outcome of the EPAs has been unclear until the end of 2007 and beyond. Moreover, their significance is rather low since they have to deal with numerous heterogeneous countries, a variety of economic sectors and variables, and a potential future development that does not only depend on EU-ACP trade relations but is affected by other economic implications, too.

NGOs and other opponents on one side, the European Commission on the other side, both made use of the different studies and exploited the outcomes to fortify their position, i.e., the NGOs to show that these agreements will have devastating effects on ACP countries and the Commission to prove that ACP states will benefit from the agreements.

The debate about reciprocity as well as scope and pacing of the liberalisation process again shows the fundamental differences between European Commission and NGOs as well as many ACP countries. While the European Commission highlights the benefits from liberalisation, NGOs and other critics emphasise the risks and challenges for the ACP countries. They fear the competition from European imports into the ACP domestic markets.

Alpha et al. refer to unfair competition from European and US imports that have more comparative advantages; moreover, imports could have a trade-distorting impact if they are subsidised and sold under their production price. Furthermore, many ACP countries have reduced their tariffs in the structural adjustment processes during the 1980s and 1990s; a further reduction of tariffs might increase negative effects of imported products, e.g., for domestic food processing industries.⁷⁶⁷ In theory domestic producers might benefit from further trade liberalisation: if firms are able to increase their quality “and adapt rapidly to increased competition and to out-compete EU producers”. In this way they could expand their markets and sectors that depend on imports of capital goods will benefit from lowered prices. But liberalisation might have negative effects: if ACP enterprises are unable to access inputs at cheaper costs than EU firms, if

⁷⁶⁷ Alpha et al.: WTO and EPA negotiations, 2005, p.15 et seq.

the EU producers are subsidised, and if ACP enterprises are less able to upgrade their production facilities and technology to compete with European products. South Centre judges that in the case of a combination of direct competition and supply-side constraints ACP producers will be unable to compete.⁷⁶⁸

The outcome of the liberalisation commitments in the IEPAs varies between the EPA regions and countries and Stevens et al. state that

“No clear pattern can be identified that the poorer countries have longer to adjust than the richer ones or of the EPAs being tailored to development needs (however defined). Some of the richer countries among the list have to adjust quickly – but so do some of the poorest. The picture that emerges is entirely consistent with the hypothesis that countries have a deal that reflects their negotiating skills: that countries able to negotiate hard, knowing their interests, have obtained a better deal than those lacking these characteristics.”⁷⁶⁹

A look at the SADC IEPA supports this analysis as will be shown in the comparison between the BLNS and the Mozambique offer in this chapter.

The IEPA itself defines one area of cooperation, the “Cooperation in trade in goods” (Article 10). In it the article lists the measures taken: the elimination of customs duties⁷⁷⁰ and tariffs, the implementation of rules of origin, trade defence instruments, non-tariff measures, customs cooperation, and trade facilitation.⁷⁷¹ Article 19 of the SADC IEPA declares the establishment of a FTA in accordance with the WTO requirements and highlights the principle of asymmetry in the trade negotiations when it states, “commensurate to the specific needs and capacity constraints of the SADC EPA States, in terms of levels and timing for commitments under this Agreement.”⁷⁷² Article 35 prohibits the use of quantitative restrictions like quotas, import and export licenses, and

⁷⁶⁸ South Centre: Trade liberalisation and the difficult shift towards reciprocity in the EPAs, 2007, p.12.

⁷⁶⁹ Stevens et al.: The new EPAs, 2008, p.xii.

⁷⁷⁰ Article 22 defines exemptions, for instance, safeguard measures; Council of the European Union: Interim Economic Partnership Agreement between the SADC EPA States, on the one part, and the European Community and its Member States, on the other part, 2008, Article 22.

⁷⁷¹ Ibid., Article 10.

⁷⁷² Council of the European Union: Interim Economic Partnership Agreement between the SADC EPA States, on the one part, and the European Community and its Member States, on the other part, 2008, Article 19.

does not allow the introduction of such measures.⁷⁷³ The liberalisation of market access towards products originating in Europe is defined in annex 3 (BLNS) and annex 4 (Mozambique).⁷⁷⁴

The liberalisation commitments of BLNS and Mozambique are slightly different, Mozambique offered a more rapid and broad liberalisation than BLNS.

First of all the BLNS schedule has a positive list where every item that is going to be liberalised is listed; if an item is not listed no agreement has been made.⁷⁷⁵ The liberalisation will occur in three tranches that end before or in 2012 and four tranches that begin before 2012 and will end later. In 2008 the liberalisation includes about 4200 items which account for 55% of imports and 2008-2012 about 1300 items that account for circa 12% of imports. In 2006 some of these items faced tariffs of up to 33.75% or specific duties; all items in the tranche between 2008 and 2010 faced positive tariffs in 2006. By 2012 the liberalisation process will be completed for 84% of the countries' imports. Only 2.8% of products are excluded from liberalisation altogether (2.8% of the value of BLNS imports from the EU).⁷⁷⁶ In 2012 the liberalisation of imports will be similar to the TDCA apart from the fact that the underlying Harmonised System (HS) versions differ and therefore it is difficult to compare the products concerned.

Before the EPA, goods from Europe entered the SACU differently: goods that entered SACU via Botswana, Lesotho, South Africa or Swaziland entered under the TDCA tariff; goods that entered via Namibia entered under the MFN tariff of the SACU CET. Therefore, the tariff reductions for BLS will not be exceptionally large except for products exempted from TDCA; Namibia will face higher tariff cuts on goods from Europe.⁷⁷⁷

The exclusion basket includes products that face tariffs of over 10% but also some products that enter duty-free. Goods to be excluded are: clothing and textiles, motor vehicles, agricultural and manufactured products, meat and preparations of meat, mineral fuels and oils, dairy products, products of the

⁷⁷³ Ibid., Article 35.

⁷⁷⁴ Ibid., Article 26.

⁷⁷⁵ Stevens et al.: The new EPAs, 2008, p.43.

⁷⁷⁶ Ibid., p.44.

⁷⁷⁷ Ibid.

milling industry, sugar and sugar confectionary, cereals and preparations of cereals, and miscellaneous edible preparations.⁷⁷⁸ South Centre criticises that only actual sensitive products were protected but future sensitivities have not been anticipated.⁷⁷⁹

Products that have been liberalised in 2008 by all BLNS countries above 20% ad valorem duties or specific duties are fish products. The additional products Namibia liberalises in the first tranche include, amongst others, beverages and (prepared) fruits and vegetables.⁷⁸⁰

The liberalisation commitments of Mozambique contain no positive list of exclusions; it lists about 2100 tariff lines of which 85% (accounting for nearly 9% of imports) are already duty free, nearly 2000 tariff lines that should be liberalised in 2008 (accounting for 50.8% of imports) and further 65 (what equals 2.8% of imports) to be liberalised in 2018. Over 3000 items are not listed and therefore they seem to be no subject to liberalisation. Mozambique should liberalise the bulk of imports in 2008 (about 51% facing positive tariffs) and has only a liberalisation period of 11 years, which is the shortest of all liberalisation commitments. The ODI analysis is based on incomplete data material; therefore, it seems that 37.7% of Mozambique's imports from the EU are exempted from liberalisation. Products that seem to be excluded are industrial inputs, clothing, fish, vegetables, and processed agriculture (for instance, preparations of vegetables and fruits as well as preparations of meat).⁷⁸¹ Stevens et al. show that 21% of excluded products in BLNS and Mozambique are identical but 79% are not.⁷⁸²

Most of the liberalisation is not back-loaded but rather front-loaded. Moreover, South Centre analyses that gradual liberalisation is "not always based on dynamic policy objectives"⁷⁸³ (e.g., economic diversification) but static considerations, for instance, "the need to protect fiscal revenues or specific

⁷⁷⁸ Stevens et al.: The new EPAs, 2008, p.46 et seq.

⁷⁷⁹ South Centre: Trade liberalisation and the difficult shift towards reciprocity in the EPAs, 2007, p.22.

⁷⁸⁰ Stevens et al.: The new EPAs, 2008, p.124.

⁷⁸¹ Ibid., p.48 et seq.

⁷⁸² Ibid., p.54.

⁷⁸³ South Centre: Market access for trade in goods in Economic Partnership Agreements, 2008, p.8.

commercial sensitivities, particularly in the agricultural sector.”⁷⁸⁴ The products excluded by SADC IEPA countries protect agriculture and infant industry; furthermore, the “exclusion lists were not as large as they could have been under WTO rules”⁷⁸⁵ and the countries agreed to a higher liberalisation level than necessary.

The non-LDC SADC countries were under pressure to secure their market access to the European market because they would have faced severe increases of tariffs under the GSP after the expiry of the waiver at the end of 2007. Roux refers to the fact that

“A specific complication for Namibia (and Botswana) is that beef is not included in the list of beneficiary products under the EU’s GSP. This means that beef exports to the EU under the GSP would receive no preference, hence the WTO’s Most Favoured Nation (MFN) duties would apply. In this case beef exports would attract EU import duties of between 40% and 140%, depending on the type of product exported.”⁷⁸⁶

But Braude and Sekolokwane were surprised at the rapid liberalisation schedule “in spite of the presumed negotiating capacity of SACU”⁷⁸⁷ and the fact that “they were still unable to secure slower liberalization than other EPA groups”.⁷⁸⁸ They assume that a reason for the “very busy liberalization agenda of SACU”⁷⁸⁹ could have been “a lack of negotiating capacity or a belief that the de facto impact of the TDCA negated the need for slower liberalization.”⁷⁹⁰ South Centre states that most of the sensitive products – dairy, beef and veal as well as sugar – are already liberalised under the TDCA: for instance, in Mozambique about 95% and in Angola about 91.6% of the more sensitive tariff lines.⁷⁹¹

As previously mentioned, not only was there a lack of negotiating capacity and the resignation because of the de facto liberalisation under the TDCA that could explain why the BLNS commitment outruns the WTO requirements. But Weller

⁷⁸⁴ South Centre: Market access for trade in goods in Economic Partnership Agreements, 2008, p.8.

⁷⁸⁵ South Centre: Market access for trade in goods in Economic Partnership Agreements, 2008, p.10.

⁷⁸⁶ Roux, W.: Economic Partnership Agreements: The new game of divide and rule. A reader, 2008, p.18.

⁷⁸⁷ Braude/Sekolokwane: Sustainable development, 2008, p.62.

⁷⁸⁸ Ibid.

⁷⁸⁹ Ibid.

⁷⁹⁰ Ibid., p.63.

⁷⁹¹ South Centre: EPA negotiations in Southern Africa, 2007, p.19.

and Ullmer also state that in trade negotiations developing countries often tend to overestimate the interests of exporters and ignore other interests (e.g., of smallholders struggling with unfair competition at the domestic market).⁷⁹² The attempt to maintain market access for exporters – along with the enormous pressure of the EC with regard to the deadline in late 2007 and the lack of time SADC negotiators had to explore the EC draft – could be another explanation for the rapid liberalisation and the small number of excluded products.

The benefits of liberalisation might be neglected due to the inability of SADC IEPA countries to adapt to increasing competition because of serious supply-side constraints and a lack of competitiveness. Unfair competition and import surges of European agricultural products could affect SADC IEPA countries' local markets negatively and threaten the livelihoods of smallholder farmers and rural population.

5.3.2.2 Standstill Clause

The African IEPAs and the Pacific agreement contain standstill clauses on customs duties that require ACP countries to freeze their customs duties at the current applied level. While the Pacific and the SADC IEPA standstill clauses are limited to products that are subject to liberalisation, the East African standstill clauses include the freezing of tariffs on sensitive products that are excluded from liberalisation.⁷⁹³

The SADC IEPA states the following:

“No new customs duties shall be introduced, nor shall those already applied be increased in trade between the Parties as from the entry into force of this Agreement for all products subject to liberalisation.”⁷⁹⁴

The idea behind the introduction of a standstill clause might have been the insistence on liberalisation commitments that should not have been undermined

⁷⁹² Weller/Ullmer: Trade and Governance, 2008, p.13.

⁷⁹³ Lui, D./Bilal, S.: Contentious issues in the interim EPAs. Potential flexibility in the negotiations, 2009, p.15.

⁷⁹⁴ Council of the European Union: Interim Economic Partnership Agreement between the SADC EPA States, on the one part, and the European Community and its Member States, on the other part, 2008, Article 23.

by the opportunity to raise tariffs again. Moreover, it provides more security for European exporters that tariffs would not rise.⁷⁹⁵

In their listing of counter-arguments Lui and Bilal suggest establishing start rates to create a baseline for tariff liberalisation, these are not necessarily those tariffs applied when the agreement enters into force. They also discuss the opportunity to allow liberalisation from WTO bound rates rather than applied tariffs since these bound rates are higher than the latter. Moreover, they propose a review of the standstill clause particularly regarding regional integration efforts that necessitate modifications, for instance, “in order to avoid conflict or incoherence between the EPA and the customs union programme.”⁷⁹⁶

The request for more flexibility with regard to liberalisation commitments and in particular the standstill commitments are matter of ongoing negotiation. It has been announced that the ESA region is negotiating the modification of the standstill clause and Angola has asked to be exempt from this clause with the argument that for LDCs the SDT should be reflected. Lui and Bilal state that no objective criteria suggest the imposition of a standstill clause: “The flexibility permitted in some regions indicates that the EU has room to manoeuvre on this issue and the same flexibility could be extended to other regions.”⁷⁹⁷

The introduction of the standstill clause is criticised by many NGOs to have negative effects on agriculture in ACP countries because it limits their options to be flexible with more competitive imports.

South Centre argues that this clause is not necessary to achieve WTO compatibility:

“While WTO norms require tariff liberalisation over a reasonable length of time, it contains no obligation to maintain duties at a predetermined rate before their reduction or elimination.”⁷⁹⁸

Agritrade warns that together with high food prices this standstill clause might damage food security in the ACP countries. Many developing countries have

⁷⁹⁵ Lui/Bilal: Contentious issues in the interim EPAs, 2009, p.15.

⁷⁹⁶ Ibid., p.16.

⁷⁹⁷ Lui/Bilal: Contentious issues in the interim EPAs, 2009, p.16.

⁷⁹⁸ South Centre: Market access for trade in goods in Economic Partnership Agreements, 2008, p.3.

reduced their import duties in response to the high food prices or in some cases even set them at zero. The IEPAs could “result in freezing in place exceptionally low import duties on basic food products.”⁷⁹⁹

Though the EU might seek for a rapid liberalisation of trade relations with ACP countries it acknowledges asymmetry in the EPAs with regard to transition periods and the exclusion of sensitive products. Thus, the standstill clause could be subject to more flexibility.

5.3.2.3 Safeguards

The SADC IEPA recourse to the multilateral safeguard provisions of the WTO. In Article 33 it is stated that nothing in the IEPA should prevent European or SADC countries from applying the multilateral safeguards of the GATT (Article XIX), the Agreement on Safeguards, the AoA, and other relevant WTO provisions. Moreover, for a period of five years SADC EPA imports into the EU will be exempted from the imposition of safeguards (except South Africa). A review will decide on the continuation of this exemption.⁸⁰⁰

As already shown in the WTO chapter, the existing safeguards are “more or less reserved for developed countries”⁸⁰¹ due to complex procedural and administrative requirements, a lengthy investigation process, delays due to consultative processes, and the gradual dismantling of the measure. In order to benefit ACP countries it would be necessary to introduce automatic (price and volume) triggers, the application only to ACP countries, and transparency

⁷⁹⁹ Agritrade: Special report: Contentious issues in IEPA negotiations. Implications and questions in the agricultural sector, 2008. Only 12 of the 47 SSA countries are net food exporters although “The continent is a significant agricultural exporter that tends to export other agricultural products and import primarily grains.” Ng/Aksoy conclude, “Thus for most SSA countries, small changes in their agricultural production mix will generate enough food for their citizens and can turn most of them into net raw food exporters.”; Ng, F./Aksoy, M.A.: Who are the net food importing countries?, 2008, p.12 et seq.

⁸⁰⁰ Council of the European Union: Interim Economic Partnership Agreement between the SADC EPA States, on the one part, and the European Community and its Member States, on the other part, 2008, Article 33.

⁸⁰¹ Alpha et al.: WTO and EPA negotiations, 2005, p.34. Only three members of SADC (Botswana, Namibia, and Swaziland) have the right to apply a special safeguard measure in notification of certain specific products.

provisions. The SSM under negotiation at the WTO Doha Round – if designed adequately – might be useful in the EPAs, as well.⁸⁰²

But Kwa refers to the fact that

“It should be noted that in the WTO’s Agricultural Chairman’s draft of 10 July 2008, before the WTO mini-Ministerial, the text of the SSM did not allow countries to use the SSM for preferential trade, only for import surges caused by most favoured nation (MFN) trade. If this clause remains, the SSM will not be of any use to African countries to counter import surges from the EU as a result of liberalization through the EPAs.”⁸⁰³

The EPA-specific safeguard mechanism is defined in Article 34; safeguard measures of limited duration are allowed under specific circumstances. They can be applied “in such increased quantities and under such conditions as to cause or threaten to cause: (a) serious injury to the domestic industry producing like or directly competitive products in the territory of the importing Party”, in the case of disturbances in a sector that produces competitive products in the importing country or if disturbances as a result of competitive agricultural products impend.⁸⁰⁴

The measures that can be applied are the “suspension of the further reduction of the rate of import duty for the product concerned”, the increase of the customs duty up to the WTO bound rate, or the introduction of tariff quotas.⁸⁰⁵

The safeguards are not allowed to exceed two years; if the threat still exists an extension of two more years will be allowed. Moreover, safeguards that exceed one year should contain “clear elements progressively leading to their elimination at the end of the set period”. Another restriction states that a safeguard “shall be applied to the import of a product that has previously been subject to such a measure, within a period of at least one year from the expiry of the measure.”⁸⁰⁶ If a country intends to apply a safeguard it has to consult the Trade and Development committee; if no recommendation is reached within 30

⁸⁰² South Centre: EPA negotiations in Southern Africa, 2007, p.20.

⁸⁰³ Kwa, A.: African countries and the EPAs: Do agriculture safeguards afford adequate protection?, 2008, p.2.

⁸⁰⁴ Council of the European Union: Interim Economic Partnership Agreement between the SADC EPA States, on the one part, and the European Community and its Member States, on the other part, 2008, Article 34, Paragraph 2.

⁸⁰⁵ Ibid., Article 34, Paragraph 4.

⁸⁰⁶ Ibid., Article 34, Paragraph 7.

days the country is allowed to apply the safeguard measures. Moreover, the safeguard should be subject to consultations aiming at a timetable for the abolition.⁸⁰⁷ A safeguard may be provisionally applied if there are “critical circumstances where delay would cause damage which it would be difficult to repair” by maximum 200 days for SADC countries; the other party must be informed and the matter explained to the Trade and Development committee.⁸⁰⁸ One critical point of the bilateral safeguard in the IEPA is that it does not contain a price trigger, for instance, in comparison to the EU IEPA safeguard for sugar that allows an automatic trigger if the price falls for a period over two months.⁸⁰⁹ An additional problem is the fact that many ACP countries have difficulties collecting reliable data on import volumes while they normally dispose of data on import values and prices.⁸¹⁰ Another point of critique is the limitation of raising the customs duty to the WTO bound rate, which would not be sufficient.⁸¹¹ Moreover, the wording of “serious injury” and “disturbance” is not defined; therefore, a factor of insecurity. Furthermore, the EC secured antidumping and countervailing measures against goods from ACP states as well as bilateral safeguards in particular for agricultural products.⁸¹² In the light of the asymmetry between the trading partners these measures are considered as unfair.

There is a criticism that the provision on infant industry is treated in the same chapter like the multilateral and bilateral safeguards because there are differences between classical safeguards dealing with import surges and infant industry protection, “which relates more to a policy choice by a government to protect a certain industry for a limited period of time to enable it to achieve a degree of competitiveness.”⁸¹³ Article 34 contains the protection of infant industries; it is applicable

⁸⁰⁷ Ibid., Article 34, Paragraph 8.

⁸⁰⁸ Ibid., Article 34, Paragraph 9.

⁸⁰⁹ South Centre: Market access for trade in goods in Economic Partnership Agreements, 2008, p.13.

⁸¹⁰ Lui/Bilal: Contentious issues in the interim EPAs, 2009, p.30.

⁸¹¹ Kwa: African Countries and the EPAs, 2008, p.2.

⁸¹² Lui/Bilal: Contentious issues in the interim EPAs, 2009, p.30.

⁸¹³ Ibid., p.27.

“as a result of the reduction of duties is being imported into its territory in such increased quantities and under such conditions as to cause or threaten to cause disturbances to an infant industry producing like or directly competitive products.”⁸¹⁴

The infant industry protection is available for 12 years for Botswana, Namibia, and Swaziland and 15 years for LDCs; the period is subject to a review by the Joint Council.

As EPAs do not allow the use of tariff policy to support domestic production and emerging industries there is only a limited set of instruments available; therefore, infant industry provisions are highly important. Critics list that the timeframe might be too short for the development of industrial sectors and that the measures are limited to those of the bilateral safeguard.⁸¹⁵ Moreover, tariffs can only be increased in the case of import surges that have to cause a serious injury to the sector. Lui and Bilal state that

“the clauses have been designed to act as limited safeguards to defend against import surges during liberalisation, rather than as a more flexible instrument of trade policy that might more readily be associated with textbook discussions of infant industry protection.”⁸¹⁶

An important point of critique is the fact that new industries can hardly be protected:

“the clause may not allow for new industries to be established using protective tariffs, since an industry which did not yet exist could not be threatened with serious injury by an import surge.”⁸¹⁷

The threat to regional integration is considered by Lui and Bilal. Since many small ACP countries will not be able to develop efficient industries themselves it might be important for them to create regionally-competitive industries. They state:

“Being able to shield such industries from competition outside the region for a while at this particular point in time may be an important part of the regional integration process itself”.⁸¹⁸

⁸¹⁴ Ibid., Article 34, Paragraph 6.

⁸¹⁵ Agritrade: Special report: Contentious issues in IEPA negotiations, 2008.

⁸¹⁶ Lui/Bilal: Contentious issues in the interim EPAs, 2009, p.28 et seq.

⁸¹⁷ Ibid., p.30.

⁸¹⁸ Ibid., p.31.

At last, the ACP countries are deprived of their ability to make political choices:

“Tariffs may be increased only in response to an increase in the volume of imports, not because of any policy choice by an ACP government to pursue a comparative advantage in a particular new industry.”⁸¹⁹

The assertions of the European Commission and proponents might deal with the argument of WTO compatibility: safeguards are seen as a “package” together with provisions on tariff liberalisation, the definition of “substantially all the trade” and the opportunity to exempt sensible products from liberalisation commitments. From this point of view stronger safeguards may be regarded as a threat to the promise of continued liberalisation. Moreover, infant industry policies in SSA have not been successful in the past when pursuing import-substituting industrialisation strategies.⁸²⁰

As already stated, multilateral safeguards are only available for a few developing countries; therefore, the reference to the WTO safeguards in the IEPA is relatively meaningless. The limitations of the bilateral safeguard – no trigger, raise of customs duty only to bound rate, and the non-defined wordings – could prevent SADC IEPA countries from benefiting from an effective protection against agricultural import surges from Europe. Moreover, the bilateral safeguard does not provide a “flexible instrument of trade policy”.⁸²¹ Agritrade criticises that agricultural safeguards in IEPAs are only “of temporary duration and aimed at dealing with temporary import surges”.⁸²² But “distortions to trade in food and agricultural products are structural in nature (arising from the deployment of EU public aid to farmers, which encourages higher levels of production and trade than would be the case in the absence of such extensive levels of public support).”⁸²³

⁸¹⁹ Ibid., p.31.

⁸²⁰ Ibid., p.29.

⁸²¹ Ibid., p.28 et seq.

⁸²² Agritrade: Special report: Contentious issues in IEPA negotiations, 2008.

⁸²³ Ibid.

5.3.2.4 Export Taxes

In Article 24 of the IEPA on “Duties, taxes or other fees and charges on exports” it is defined that no “new customs duties on exports or charges having equivalent effect shall be introduced, nor shall those already applied be increased”. Only in “exceptional circumstances” which are “specific revenue needs, protection of infant industries, or protection of the environment” SADC IEPA countries can introduce temporary export charges or charges having an equivalent effect after consultation with the European side. A review is foreseen after three years.⁸²⁴

In ACP countries export taxes are sometimes used to encourage domestic value added production and in SACU countries they act as protection against South African companies.⁸²⁵ The use of export duties must be seen in the context of “the more limited range of policy tools open to developing countries in stimulating value-added processing.”⁸²⁶

Although the restriction of export taxes is limited to the trade between Europe and the SADC IEPA countries “in the agriculture and food-and-drink sector there are concerns that such provisions could also limit the application of such duties on internal SACU trade.”⁸²⁷

With regard to agriculture in ACP countries, export taxes are a “policy tool to promote value-added processing and the structural transformation of ACP economies, particular in the agricultural value chain”.⁸²⁸ Agritrade uses the example of Namibia where

“government policies [...] has encouraged the development of a slaughtering and meat-processing industry, as well as tanning and leather-working industry. This has extended the beef-sector value chain in Namibia and created thousands of new jobs.”⁸²⁹

⁸²⁴ Council of the European Union: Interim Economic Partnership Agreement between the SADC EPA States, on the one part, and the European Community and its Member States, on the other part, 2008, Article 24.

⁸²⁵ Agritrade: Special report: Contentious issues in IEPA negotiations, 2008.

⁸²⁶ Ibid.

⁸²⁷ Agritrade: EPA negotiations, SADC configuration, 2008.

⁸²⁸ Agritrade: Special report: Contentious issues in IEPA negotiations, 2008.

⁸²⁹ Ibid.

Moreover, the Namibian government also tries to apply this measure for the small-stock sector. Similarly, export taxes can be used as instrument to support the diversification of production by taxing exports of unprocessed goods and the rising local supply of inputs for processing prices are lowered on domestic markets. Export taxes can also contribute to export diversification if traditional exports are discriminated against. In this situation governments can encourage producers to switch to other products. Lui and Bilal argue that export duties can help to stabilise the macro-economy by influencing currency appreciation and contributing to food security objectives with the outcome of lowered prices.⁸³⁰ Moreover, for ACP countries export duties can be an important source of government revenues and easier to administer than other forms of taxation.⁸³¹ Lui and Bilal list arguments that support the restriction of export taxes and analyse the interests of the European Union: export taxes restrict the supply of raw materials for European industries. Therefore, the EU makes the effort to reduce the practise of export duties in FTAs, at WTO level, and at other institutions at multilateral level.⁸³² Therefore, the EPAs could serve as an example for multilateral and other FTA negotiations.⁸³³ Moreover, according to the EC the use of export taxes violates the WTO provisions on “substantially all the trade” with regard to import as well as export regulations.⁸³⁴ While at WTO level there is no consensus on the inclusion of export duties in the scope of “substantially all the trade”, economic theory suggests that export taxes are trade distorting and might limit the increase of exports. However,

“In general, export taxes are rarely the ‘first-best’ policy option, but have been used as a policy instrument where alternatives are expensive, unavailable or difficult to implement.”⁸³⁵

⁸³⁰ Lui/Bilal: Contentious issues in the interim EPAs, 2009, p.20.

⁸³¹ Ibid., p.19.

⁸³² Ibid., p.18.

⁸³³ Ibid., p.21.

⁸³⁴ Ibid., p.18.

⁸³⁵ Ibid., p.20.

The IEPA contains some flexibility with regard to export duties as they allow the protection of infant industries and the environment. However, Lui and Bilal guess that it could be difficult to apply these provisions in practice.⁸³⁶

Export taxes are not only contested at WTO level but even in developing countries. As a result of the increase in food prices in the first half 2008, some governments applied export restrictions to lower domestic prices and avoid food shortages. This introduction has not been welcomed in all developing countries, e.g., in Argentina people opposed the government's decision. But export taxes could, in theory, provide the opportunity to react on food crises as FAO predicts that in medium-term and long-term food prices will remain high.⁸³⁷ In general, export taxes can contribute to diversification and agricultural development though they are not the "first-best" policy option⁸³⁸.

5.3.2.5 Most Favoured Nation Provision

In the MFN provisions of the SADC IEPA it is defined for the SADC countries, in case of a new FTA with developed or developing countries, that any favourable treatment provided to this new trading partner(s) must be provided to the EU as well; "the Parties will consult and jointly decide how best to implement the provisions".⁸³⁹ This applies to the scope of liberalisation as well as the liberalisation of different tariff lines than in the IEPA. The clause is restricted on major trading partners that are defined as a country whose share of world merchandise exports is above 1% in the year before the agreement entered into force or regions whose share exceeds 1.5% of world merchandise exports in the same period.⁸⁴⁰ Lui and Bilal refer to the fact that this definition includes strong trading partners like India and Brazil and powerful regions like ASEAN and MERCOSUR.

⁸³⁶ Ibid., p.19.

⁸³⁷ Ibid., p.20.

⁸³⁸ Ibid.

⁸³⁹ Council of the European Union: Interim Economic Partnership Agreement between the SADC EPA States, on the one part, and the European Community and its Member States, on the other part, 2008, Article 28.

⁸⁴⁰ Ibid.

The EC argument for the inclusion of the MFN clause into the IEPAs is the fair treatment of ACP countries: they should not be treated worse than their competitors with regard to trade in goods. Lui and Bilal show that Development Commissioner Michel links the MFN clause to development assistance:

“The European Commission and our member states provide 56 percent of all development assistance in the world. It is difficult to say that Europe should let our partner countries treat our economic adversaries better than us. We are generous but not naive.”⁸⁴¹

Moreover, the Commission argues that the clause may restrict demands of future negotiating partners in FTA negotiations since any provisions will also have to be granted to the EU.⁸⁴²

The concerns of NGOs and some ACP countries are related to the restrictions of relations between ACP countries and more developed developing countries. Favourable provisions granted to Brazil would to be granted to the EU as well and could restrict trade relations between EPA regions and these developing countries.

South Centre states that provisions exchanged between developing countries would have to be provided to the EU, and therefore would be incompatible with the Enabling Clause and South-South trade integration.⁸⁴³

Oxfam International analyses:

“Just at the point when historical dependence on Europe is waning, this provision limits the leverage of ACP countries to negotiate favourable deals with the very countries where their exports are growing most rapidly. Brazil, supported by China and India, has raised concerns about this provision at the WTO.”⁸⁴⁴

Another point of critique is that the MFN clause may constrain the sovereignty of the EPA/IEPA countries in pursuing trade relations with non-EU countries. ACP countries signing the EPA will be

⁸⁴¹ IPS: Q&A: "We Are Generous but Not Naïve". Interview with Louis Michel, EU Development Commissioner, 2008.

⁸⁴² Lui/Bilal: Contentious issues in the interim EPAs, 2009, p.34.

⁸⁴³ South Centre: Market access for trade in goods in Economic Partnership Agreements, 2008, p.4.

⁸⁴⁴ Oxfam International: Partnership or power play? How Europe should bring development into its trade deals with African, Caribbean, and Pacific countries, 2008, p.9.

“unable to offer them anything that could confer any trade advantage over the EU. The effect may be to discourage ACP States from taking steps to become more integrated into the global economy.”⁸⁴⁵

Lastly, one aspect in the CARIFORUM EPA raises mistrust with regard to the European motivation and the threat to the development dimension. The CARIFORUM EPA MFN clause covers the treatment of goods, services, and investment but excludes an important services aspect: the temporary movement of natural persons (GATS mode 4).⁸⁴⁶ This is regarded as an example for the flexibility of the European side, which is available in certain circumstances and seems to be a political decision.

Lui and Bilal propose increased flexibility with regard to the wording of the MFN clause that should clearly define that the Enabling Clause not will be affected and define more criteria to assess more favourable treatment. Moreover, they recommend to refrain from the automatic granting of MFN treatment and the introduction of conclusions between the trading partners.⁸⁴⁷

As scope of liberalisation and tariff lines are affected the MFN clause could affect agricultural trade e.g., in the trade with Brazil and India.

5.3.2.6 Free Movement of Goods and Regional Preference

In Article 27 the free circulation of goods is defined and it is stated that “Customs duties shall be levied only once for goods originating in the EC Party or in the SADC EPA States in the territory of the other Party.”⁸⁴⁸ Moreover,

“Any duty paid upon importation into a SADC EPA State shall be refunded fully when the goods are re-exported from the customs territory of the SADC EPA State of first importation. Such products shall then be subject to the duty in the country of consumption.”⁸⁴⁹

Its aim is to further the facilitation of the movement of goods and the simplification of customs procedures.

⁸⁴⁵ Lui/Bilal: Contentious issues in the interim EPAs, 2009, p.34.

⁸⁴⁶ Ibid., p.32, 34.

⁸⁴⁷ Ibid., p.36.

⁸⁴⁸ Council of the European Union: Interim Economic Partnership Agreement between the SADC EPA States, on the one part, and the European Community and its Member States, on the other part, 2008, Article 27.

⁸⁴⁹ Ibid.

While the provision itself is reasonable in trade between the EU and other common markets or customs unions it might be problematic in the trade between the EU and regions that have not yet integrated their internal markets: the “risk is that EU products circulate freely in EPA regions whereas local products still do not.”⁸⁵⁰

Lui and Bilal define more precisely the cases where the free movement of goods can be problematic: if countries do not have a common external tariff or a common schedule for EPA tariff liberalisation, if they did not liberalise trade within themselves, and if there is no compensatory mechanism to redistribute duty revenues. These provisions can prevent countries from earning duty revenues because “duties were paid in one country but the goods were consumed in another.”⁸⁵¹

The clause on free circulation on goods might

“undermine choices in individual countries’ liberalisation schedule, in terms of transitional periods and excluded goods – although the exceptions may make such objections redundant.”⁸⁵²

As far as Southern Africa is concerned the provision is difficult with regard to regional integration: SACU countries receive the majority of imports via South Africa which is no SADC member.⁸⁵³

Moreover, the reciprocity introduced “is rather ‘unequal’ since the challenges of implementation and compliance fall entirely on the ACP, with the clause merely reflecting what already happens in the EU.”⁸⁵⁴

Lui and Bilal show that in the CARIFORUM EPA a “‘best endeavour’ commitment” is included while the ESA IEPA does not seem to include a provision on the free movement of goods at all; this indicates that more flexibility with regard to this issue is possible.⁸⁵⁵

Article 101 on “Regional preferences” states that

⁸⁵⁰ South Centre: Market access for trade in goods in Economic Partnership Agreements, 2008, p.4.

⁸⁵¹ Lui/Bilal: Contentious issues in the interim EPAs, 2009, p.25.

⁸⁵² Ibid., p.26.

⁸⁵³ Ibid.

⁸⁵⁴ Ibid., p.25.

⁸⁵⁵ Ibid., p.26.

“Any more favourable treatment and advantage that may be granted under this Agreement by any SADC EPA State to the EC Party shall be enjoyed by the other SADC EPA States.”⁸⁵⁶

Some observers are concerned that through this the EU has “direct control over regional integration” which is a threat to sovereignty and legitimacy. The breadth of a comprehensive EPA might restrict EPA regions from establishing their own regional integration process in cases of a lack of a binding agreement between members of a region (SPS, trade facilitation, services, and other issues).⁸⁵⁷ On the contrary, the EC argues that the clause supports regional integration by “ensuring that commitments which are not currently being honoured within respective regional integration agendas will now be taken more seriously”.⁸⁵⁸

Lui and Bilal propose that it should be clarified if this clause applies to all provisions of the EPAs or only to scheduled commitments; moreover, “a simple reaffirmation of existing regional agreements in the EPA, might help to solve the problem.”⁸⁵⁹

5.3.2.7 Supply-side Constraints and Competitiveness

In the SADC IEPA an article on “Cooperation in supply-side competitiveness” is included. Article 11 states that it is necessary to increase competitiveness of SADC IEPA countries and remove supply-side constraints. It lists fields of cooperation including:

“production, technology development and innovation, marketing, financing, distribution, transport, diversification of economic base, as well as development of the private sector, improvement of the trade and business environment and support to small and medium enterprises in the field of agriculture, fisheries, industry and services.”⁸⁶⁰

⁸⁵⁶ Council of the European Union: Interim Economic Partnership Agreement between the SADC EPA States, on the one part, and the European Community and its Member States, on the other part, 2008, Article 101.

⁸⁵⁷ Lui/Bilal: Contentious issues in the interim EPAs, 2009, p.26 et seq.

⁸⁵⁸ Ibid., p.27.

⁸⁵⁹ Ibid.

⁸⁶⁰ Council of the European Union: Interim Economic Partnership Agreement between the SADC EPA States, on the one part, and the European Community and its Member States, on the other part, 2008, Article 11.

Agritrade criticises that no specific provisions on how to deal with commodity issues is entailed in the SADC IEPA and states that

“A clearer policy is required on how to deploy public aid in support of private-sector-led processes of trade and production adjustment in pursuit of clearly articulated public-policy objectives in ACP countries.”⁸⁶¹

Supply-side constraints with regard to agriculture like a lack of capital, transport, communications, and energy infrastructure, the poor management of public resources, low levels of technological know-how, a lack of fertiliser and irrigation, and limited agricultural production systems have severe consequences for the ACP economies. The stagnation of agricultural production, weak links between agriculture and other sectors, the degradation of natural resources and unfavourable climate conditions as well as the declining competitiveness on the global market encroach on the ACP countries' agricultural sectors. Therefore the “agricultural sector must occupy a central position in these [EPA; K.B.] agreements.”⁸⁶²

One opportunity to address the challenge of increasing competitiveness is the strengthening of diversification of agricultural production. The diversification towards value-added agricultural products in the trade with the EU can be tackled by identifying new distribution channels through which value-added goods can be launched at the European market. Moreover, commodity prices need to be stabilised by a stabilisation mechanism of the EU or simplified access to the European market. Simplified access to credit as well as eased SPS measures would contribute to the aim of launching SSA value-added agricultural products to the European market. The conversion of the production apparatus as well as the provision of adequate policy instruments would be necessary.⁸⁶³

However, the diversification strategy should not only target the European luxury purchase markets by providing value-added goods but also the diversification into fair trade production could be an option although the shift is time consuming and costly. Furthermore, there is no exclusive way to access high price markets

⁸⁶¹ Agritrade: EPA negotiations, SADC configuration, 2008.

⁸⁶² South Centre: A positive agenda for African agriculture in EPAs, 2008, p.2.

⁸⁶³ Ibid., p.23.

but it is “intended to improve standards and fairness of production”.⁸⁶⁴ The diversification into non-agricultural products as well as the targeting of non-European markets could be a strategy to decrease the dependence on a few unprocessed raw materials.

However, farmers' organisations raise the issue that in the internal market low income levels require low cost products which are available to all sectors of population.⁸⁶⁵

The SADC IEPA does not provide any specific provisions or binding financial provisions on supply-side constraints and competitiveness. As already shown in chapter 4, addressing supply-side constraints and competitiveness is crucial to support SSA countries in enhancing agriculture and economic development.

5.3.3 Regional Integration

SACU is the oldest customs union of the world founded in 1889 and was restructured between South Africa and three territories formerly under British protectorates: Botswana, Lesotho and Swaziland in 1910. In 1969 the SACU agreement replaced the 1910 customs union agreement. Namibia joined in 1990 before being a de facto member administered by South Africa. A revision of the 1969 agreement occurred in 2002. The 2002 agreement tried to improve the 1969 agreement with regard to enhanced regional integration through further harmonisation of trade policies. The renewed agreement aims at:

- the movement of goods between the member states,
- the establishment of effective, democratic, transparent institutions,
- fair competition,
- increasing investment,
- improvement of economic development and diversification,
- integration into world economy,
- facilitation of sharing of revenues,
- development of common policies and strategies.⁸⁶⁶

⁸⁶⁴ Braun-Munzinger et al.: Dialogue meeting on challenges on changing agricultural markets in the context of ACP-EU trade, 2008, p.7.

⁸⁶⁵ EAFF, PROPAC, ROPPA, SACAU, WINF: Midterm review of the Economic Partnership Agreements, 2006, p.7.

The common revenue pool requires that all customs, excise, and additional duties collected in the CU are paid in the common pool. The distribution is calculated on the basis of three components: customs component, excise component, and development component. Each member's share is specifically calculated; the BLNS are compensated because they are disadvantaged compared with South Africa.⁸⁶⁷

In Article 39 a common agricultural policy is defined but at a more general level: the importance of agriculture is recognised and member states agreed to “co-operate on agricultural policies in order to ensure the co-ordinated development of the agricultural sector within the Common Customs Area.”⁸⁶⁸

A result of the liberalisation process within the TDCA, the Common Revenue Pool as a compensatory mechanism for the smaller countries in the SACU is shrinking. Because it is a source of income for the smaller SACU countries their revenue is declining. In general, the impact of the TDCA on SACU countries is difficult to assess because tracking is difficult and a lack of data makes it more complicated.⁸⁶⁹

The SADC was founded in 1992 to “promote sustainable and equitable economic growth and socio-economic development”, alleviate poverty, support regional integration, “consolidate, defend and maintain democracy, peace, security and stability”, and secure “self-sustaining development”.⁸⁷⁰

The trade protocol signed in 1996 aimed at the establishment of a FTA within eight years. Products have been grouped in three categories with different liberalisation commitments – 2012 about 98% of SADC merchandise trade should be set at zero tariffs. SADC countries made different offers to SACU, non-SACU SADC countries, and to South Africa following the principle of asymmetric integration.⁸⁷¹ According to Article 21 of the agreement agriculture is one area of cooperation.⁸⁷²

⁸⁶⁶ Southern African Customs Union (SACU) Agreement, 2002, Article 2.

⁸⁶⁷ WTO: Trade policy review: SACU. Report by the secretariat, 2003, p.8 et seqq.

⁸⁶⁸ Southern African Customs Union (SACU) Agreement, 2002, Article 39.

⁸⁶⁹ Braude/Sekolokwane: Sustainable development, 2008, p.xix.

⁸⁷⁰ Treaty of the Southern African Development Community, 1992, Article 5.

⁸⁷¹ WTO: Trade policy review SACU, 2003, p.13 et seq.

⁸⁷² Treaty of the Southern African Development Community, 1992, Article 21.

In Article 4 the IEPA of the SADC countries states that “regional integration is an integral element of their partnership and a powerful instrument to achieve the objectives of this Agreement” and is aimed at “greater economic opportunities, enhanced political stability and to foster the effective integration of developing countries into the world economy.” Moreover, it is highlighted that the “pace and content of their regional integration is determined exclusively by the SADC EPA States in the exercise of their sovereignty.”⁸⁷³

Although EPAs aimed at the strengthening of regional integration; thereby, supporting the integration into the global economy, there emerged several obstacles that will make it difficult for EPAs to support the regional integration in ACP countries particularly in SSA.

Stevens et al. state that EPAs became an “additional layer of complexity” to the “already intricate picture of regional integration in Africa.”⁸⁷⁴ The EPA grouping did not match the already existing configurations. Oxfam International states that

“The EPA negotiations are splintering existing regional alignments and forcing ACP countries to choose the body through which they will negotiate with the EU. This is particularly the case in Southern and Eastern Africa, where parties to the Southern Africa Development Community (SADC) Trade Protocol have split into three groups”.⁸⁷⁵

SADC Trade protocol countries negotiated under the ESA configuration, the Central African configuration, and the Southern African group.

The European Commission states that the imposition of EPA configurations can help SSA to arrange regional integration in Africa and end the regional confusion.

In a letter responding to concerns of Namibian civil society organisations Mandelson states that

“the EPA can play its part in simplifying trade relations to the benefit of traders in the region and in Europe. In the SADC EPA group for instance,

⁸⁷³ Council of the European Union: Interim Economic Partnership Agreement between the SADC EPA States, on the one part, and the European Community and its Member States, on the other part, 2008, Article 4.

⁸⁷⁴ Stevens et al.: The new EPAs, 2008, p.73.

⁸⁷⁵ Oxfam International: Unequal partners. How EU-ACP Economic Partnership Agreements (EPAs) could harm the development prospects of many of the world’s poorest countries, 2006, p.7.

trade was governed before by four different regimes [...]. Overall, the EPA should streamline existing trade relations between the EU and countries in Southern Africa.”⁸⁷⁶

But Bilal and Braun-Munzinger state that

“Whether a regional integration process can be driven or supported by external forces such as the EU or should be internally driven in order to be sustainable is a question that can ultimately only be answered by the African (and by extension, the ACP) countries themselves.”⁸⁷⁷

The outcome at the end of 2007 worsened the situation. Apart from the fact that EPAs splintered existing regional configurations, not even the constructed EPA regions initialled agreements as a whole. Individual countries and sub-regions agreed to the interim EPAs; though ACP countries and EU stated similarly that they will negotiate towards comprehensive EPAs including all EPA countries, the outcome is completely unsettled.

Furthermore, the different market access commitments within one region might create new regional barriers of trade which contradicts the original intentions of the EPAs.

Bilal and Braun-Munzinger provide three alternatives for the future development of the SADC EPA region; the role of South Africa will be crucial as well as the services and trade-related issues and their inclusion in the comprehensive EPAs. As already stated Botswana, Lesotho, and Swaziland prefer the inclusion of these issues into the full EPAs while Namibia and South Africa reject this proposal. One option describes the inclusion of South Africa in the regional EPA and the establishment of identical liberalisation schedules but varying degrees of commitments on trade-related issues and services. In the second option South Africa is also included in the EPA but the agreement is limited to the liberalisation of goods. Negotiations on services and trade-related issues could continue at a later stage. The third option acts on the assumption that South Africa will not sign the EPA and continues trading under the TDCA:

⁸⁷⁶ Mandelson, P.: Letter to NGO alliance Namibia, 2 September 2008.

⁸⁷⁷ Bilal, S./Braun-Munzinger, C.: EPA negotiations and regional integration in Africa: Building or stumbling blocs. Paper prepared for the Trade Policy Centre in Africa (trapca) 3rd Annual Conference “Strengthening and deepening economic integration in LDCs: current situation, challenges and way forward”, Arusha, Tanzania, 13-15 November 2008, p.13.

“This may jeopardise the relevance, and ultimately survival, of SACU. Hence, the opportunity of promoting stronger coherence in SACU and SADC through an EPA would be lost.”⁸⁷⁸

The development of regional markets is helpful for African agriculture with regard to food security issues, improved market access for small producers, and the opportunity of higher returns of investment than through the export to European markets. Unfortunately, SSA countries face a lot of constraints: high transport costs, the small size of regional and local markets, informal trade barriers, and – this will be discussed in this chapter – the fragmentation of regional areas through EPAs.⁸⁷⁹

Regarding agriculture, the integration of national and regional markets can support price stabilisation and the diversification of production. Measures to support agricultural development is the prioritisation of agriculture at the regional level, the adequate sequencing of liberalisation (strengthening of national production before market opening), a flexible timetable for negotiations, improving supply-side issues, the establishment of regional strategies, and the harmonisation of standards at regional levels. Moreover, the diversification of agricultural production is necessary to reduce the SSA countries’ dependency on commodity exports.⁸⁸⁰

The degree of regional integration is relatively low in Southern Africa and a common agricultural policy is rather weak, while national agricultural policies are relatively restricted by liberalisation efforts in the 1980s and 1990s. The relatively low degree of intra-regional trade in general and, in particular, in agriculture constricts Southern African countries from developing their economies and participating in world trade. Regional integration could benefit food security, improve market access, and create higher returns on investment but is limited due to supply-side constraints, e.g., insufficient infrastructure. Despite official rhetoric, regional integration has been negatively affected by the creation of EPA regional configurations that ignored existing regional integration efforts. Moreover, the conclusion of interim EPAs with individual countries and

⁸⁷⁸ Ibid., p.24.

⁸⁷⁹ Braun-Munzinger et al.: Dialogue meeting on challenges on changing agricultural markets in the context of ACP-EU trade, 2008, p.8.

⁸⁸⁰ South Centre: A positive agenda for African agriculture in EPAs, 2008, p.22 et seq.

sub-regions contributed to further disintegration. The future of this development is unclear: in the SADC EPA region countries could be divided further if Botswana, Lesotho, and Swaziland sign the IEPA in 2009 and Angola, Namibia, and South Africa will not sign.

5.3.4 Revenue Losses

The SADC IEPA deals with this issue but only at a general level in the following provisions. Article 7 “Development cooperation framework” states that both parties cooperate “to support the SADC EPA States' trade and development strategies within the overall SADC regional integration process.” It is stated that the “cooperation can take financial and non financial forms.”⁸⁸¹

Article 8 is more specific on “Development finance cooperation” which is a “crucial element” of the partnership. It refers to the development finance cooperation of the Cotonou Partnership Agreement, European Development Fund and the General Budget of the EU. Moreover, the article alludes to the financing of EU member states as well as other donors and states that an

“EPA fund would provide a useful instrument for efficiently channelling development financial resources and for implementing EPA accompanying measures. The EC Party agrees to support the efforts of the region to set up such a mechanism.”⁸⁸²

Article 17 on the “Cooperation on fiscal adjustment” acknowledges the fiscal revenue losses as result of the liberalisation of customs duties. Cooperation should include the “support to fiscal reforms” and

“on support measures complementary to fiscal reforms for the mitigation of the net fiscal impact of EPA that will be determined in accordance with a jointly agreed mechanism.”⁸⁸³

The EC has not been willing to discuss financial issues during the negotiations since the Regional Preparatory Task Forces (RPTF) has the mandate to link EPA negotiations with the programming of EC development finance. The 10th

⁸⁸¹ Council of the European Union: Interim Economic Partnership Agreement between the SADC EPA States, on the one part, and the European Community and its Member States, on the other part, 2008, Article 7.

⁸⁸² Ibid., Article 8.

⁸⁸³ Ibid., Article 17.

EDF finalised in 2008 disposes of 22.7 billion Euro for the period between 2007 and 2013. Moreover, the EU member states agreed in 2006 to provide a substantial share of the AfT funding to ACP countries for trade-related assistance. But above all Europe is not willing to provide binding commitments in the Economic Partnership Agreements.⁸⁸⁴

Hofmann refers to the fact that translating AfT “into concrete and effective action proves to be a continuous challenge.”⁸⁸⁵ She highlights that the AfT packages are not only “another financial commitment at the regional level” but “tools to better align the process of regional integration and EPA support on the one hand, and donor coordination on the other.”⁸⁸⁶

SSA governments are heavily dependent on import duties: on average the tariff revenue accounts for 7-10% of government revenue. Since a high share of ACP imports comes from the EU the liberalisation of tariffs might have a drastic effect. As already shown several studies assessing the potential losses arrive at different conclusions.⁸⁸⁷ But even if the losses seem to be low they might have a high impact. South Centre states that

“For instance, for Burundi, Cameroon, Congo, Kenya and Mauritius the loss in tariff revenue could be greater than their entire spending on health. In Congo, Mauritius and Togo, the drop in their government revenue from trade liberalisation under an EPA is nearly equivalent to their government expenditure on education.”⁸⁸⁸

Stevens et al.’s analysis for SADC countries, particularly Mozambique asserts:

“As a result of its EPA liberalisation Mozambique will lose theoretical revenue of \$10 million. Unsurprisingly, given the front loading of the liberalisation, 91% of this loss will take place in 2008.”⁸⁸⁹

According to them “it is Côte d’Ivoire and Mozambique that will be hit most and soonest.”⁸⁹⁰ For the BLNS countries the situation is more difficult:

⁸⁸⁴ Stevens et al.: The new EPAs, 2008, p.72.

⁸⁸⁵ Hofmann, B.: AfT: Supporting ACP efforts in regional economic integration and EPA implementation, in: TNI, Vol.7, No.7, 2008, p.10.

⁸⁸⁶ Ibid.

⁸⁸⁷ South Centre: Trade liberalisation and the difficult shift towards reciprocity in the EPAs, 2007, p.15 et seq.

⁸⁸⁸ Ibid., p.18.

⁸⁸⁹ Stevens et al.: The new EPAs, 2008, p.53.

⁸⁹⁰ Ibid., p.55.

“The majority of countries face a severe short-term revenue shock [...]. BLNS are included in the table for the sake of completeness but, of course, their revenue is determined by the SACU revenue-sharing formula and will be barely affected directly by the EPA. Were the EPA to lead, though, to the dissolution of SACU (which cannot be ruled out though hopefully it is not probable), the revenue effects would be very, very severe.”⁸⁹¹

With regard to the exclusion of sensitive products, African ACP countries have to trade off government revenue need against the protection of domestic activity. If countries concentrate on the exclusion of high-level tariffs they would have to liberalise the medium-level ones but “mid-level tariffs raise the most revenue”.⁸⁹²

Stevens and Kennan conclude that “all the states would lose a substantial share of their theoretical revenue of imports from the EU if exemptions were concentrated on items with the highest tariffs.”⁸⁹³ They reason that

“most countries will feel obliged to allocate part of the ‘exclusion basket’ to items that are important for revenue raising and the corollary that some items with higher-than-marginal applied tariffs will be liberalised in order to ‘make room’ in the basket.”⁸⁹⁴

As already shown SADC IEPA countries excluded products with high tariffs but also products at zero tariff rates.

South Centre discusses ways to mitigate losses from decreased government revenues. They also mention the necessity of deciding between the objectives of protecting domestic agricultural and industrial production on one hand and tariff revenue on the other. Moreover, ACP countries should improve their collection efficiency and tax administration. Improving tariff collection rates could be a solution to the problem, but they are difficult to implement and enforce. A broadened tax base could be conducive to mitigating this problem but the introduction of a consumption tax would harm the poorest because their income is used to buy food stuffs. Finally, South Centre states that experiences from the past do not encourage this attempt in that the revenue recovery in low income countries “has been particular weak. For each \$1 of trade tax revenue

⁸⁹¹ Ibid.

⁸⁹² Stevens/Kennan: Agricultural reciprocity under Economic Partnership Agreements, 2006, p.9.

⁸⁹³ Ibid.

⁸⁹⁴ Ibid.

low-income countries have lost from liberalisation, they have recovered no more than 30c at best.”⁸⁹⁵

The consequences of losses of government revenue could be twofold. First, “State capacity to finance public policies” will be negatively affected (though already at a relatively low level since SAPs in the 1990s). Second, there could emerge an “impact of the transfer of taxation from frontier to internal taxation on the competitiveness of formal sector enterprises” that will affect the agro-food processing industry.⁸⁹⁶ An indirect effect might be the reduction of public spending on education and health that will threaten rural populations and smallholder families who are highly dependent on local employment.

5.3.5 Services and New Generation Issues

Chapter 11 of the SADC IEPA is concerned with ongoing negotiations towards a comprehensive EPA. It states that the negotiating parties – Botswana, Lesotho, Mozambique, and Swaziland – commit to the continuation “of negotiations in 2008 to extend the scope of this agreement.”⁸⁹⁷ Angola, Namibia, and South Africa will have the opportunity to join negotiations at a later stage. Botswana, Lesotho, Mozambique, and Swaziland were obliged to negotiate services until the end of 2008 including: a “liberalisation schedule for one services sector for each participating SADC EPA state”, a commitment to a standstill for all services sectors, and an obligation to negotiate the other services sectors within three years. On investment, the IEPA state that the parties negotiate an investment chapter until the end of 2008. With regard to competition:

“The EC Party agrees to cooperate with a view to strengthening regional capacity in the areas of competition and government procurement

⁸⁹⁵ South Centre: Trade liberalisation and the difficult shift towards reciprocity in the EPAs, 2007, p.20.

⁸⁹⁶ EAFF, PROPAC, ROPPA, SACAU, WINF: Midterm review of the Economic Partnership Agreements, 2006, p.10.

⁸⁹⁷ Council of the European Union: Interim Economic Partnership Agreement between the SADC EPA States, on the one part, and the European Community and its Member States, on the other part, 2008, Chapter 11, Article 67.

Negotiations will only be envisaged once adequate regional capacity has been built.”⁸⁹⁸

SADC IEPA countries have not been able to abide by the ambitious timeframe; negotiations continue in 2009. SADC IEPA countries are divided with regard to negotiations on services and other trade-related issues: Namibia and South Africa refuse to negotiate while Botswana, Lesotho, and Swaziland push for negotiations.

Khumalo states that these countries were ambitious, in that the liberalisation of national trade in services should take place “in order to deepen national economic integration, to have coordinated positions vis-à-vis third parties and to improve their participation and influence at the multilateral level.”⁸⁹⁹

Services are of vital importance for SSA economies; the share of the services sector in total GDP accounts for 43% in SADC and over 50% for Botswana.⁹⁰⁰

Moreover,

“Efficient and affordable services help workers and producers to gain a fair share in the global economy, providing access to credit for starting a business, communication with customers, and transportation of goods to the marketplace. Essential services – including water, health care, and education – are fundamental to a decent life everywhere.”⁹⁰¹

Oxfam International refers to the fact that the liberalisation of services entails dangers for developing countries: the opening up of services like banking to foreign investors led to a reduced rather than increased access to credit in SSA, particularly in rural areas.⁹⁰² Oxfam International analyses the Caribbean EPA and states that national treatment impedes Caribbean countries from treating domestic companies differently; thereby,

“limiting the number of suppliers, or providing requirements that foreign-service companies train and employ local people or that they provide benefits to local communities affected by the service.”⁹⁰³

⁸⁹⁸ Ibid.

⁸⁹⁹ Khumalo, N.: CARIFORUM EPA and beyond: Recommendations for negotiations on services and trade related issues. EPA negotiations on trade in services: Implications and recommendations for Southern Africa, 2008, p.10.

⁹⁰⁰ South Centre: EPA negotiations in Southern Africa, 2007, p.22.

⁹⁰¹ Oxfam International: Partnership or power play?, 2008, p.21.

⁹⁰² Ibid.

⁹⁰³ Ibid., p.22.

Moreover, governments could be prevented from providing affordable essential services, like water and education. For instance,

“By making an irreversible commitment to private sector provision in these essential services sectors, countries are placing themselves on a slippery slope. In the event that the participation of foreign companies does not assist countries to meet national development objectives and unexpectedly undermine access for the poorest and most vulnerable people in society, the EPA provisions make it very difficult for countries to alter conditions of foreign providers.”⁹⁰⁴

Meanwhile, it is most important for developing countries' services sector to gain improved access to the European market. But restricted access of highly-educated professionals, resulting from many requirements, undermines potential gains.⁹⁰⁵

Braude and Sekolokwane assume that the EU insistence on services and trade-related issues is related to the potential that the SADC EPA may serve as a precedent. “Once this has been achieved, it would then be able to seek similar provisions in deals with countries with larger markets that offer even greater potential for European firms.”⁹⁰⁶

They argue that “the ‘hard-line’ approach to the SADC-EPA negotiations may have more to do with the potential India and other markets than SADC itself.”⁹⁰⁷

With regard to agriculture, services could be an “important intermediary for the traditional agricultural and industrial sectors, particular through financial, telecommunications, transport, and distribution services”.⁹⁰⁸

There are challenges with the export of services (all SADC IEPA countries are net importers of services). These challenges include weak transport services, expensive telecommunication services, and an expected tourism boom with only a limited export capacity of support infrastructure (e.g. hotels, roads etc.).⁹⁰⁹

⁹⁰⁴ Ibid., p.24.

⁹⁰⁵ Ibid.

⁹⁰⁶ Braude/Sekolokwane: Sustainable development, 2008, p.63.

⁹⁰⁷ Ibid.

⁹⁰⁸ South Centre: EPA negotiations in Southern Africa, 2007, p.22.

⁹⁰⁹ Ibid.

5.4 EPA Negotiations and Outcome – Conclusions

These considerations were based on the negotiated outcome at the end of 2007 where the goods-only agreements have been initialled. With regard to the role of agriculture in EPA negotiations and, in particular, in the IEPA of the SADC IEPA countries, it is relatively difficult to assess the role that agriculture has played. There are only a few direct provisions on agriculture in the agreement and so indirect provisions that might affect agriculture must also be considered. Above all, the market access for agricultural products to the EU is considered one of the most important issues in the negotiations. As already shown, the SADC IEPA countries have few offensive interests regarding improved market access with the exception of meat, fruit, and vegetables. Sugar would have been an important product for Swaziland, but sugar and rice are exempted from liberalisation until 2009 and 2015 respectively. Most importantly for SADC IEPA countries but also for the other negotiating groups, has been maintaining their access to the European market. The EU did not offer any alternatives, thus ACP countries would have to fall back on the GSP system if they would not initial an EPA, which would have implied tariff increases for their most important export products.

The rapid liberalisation schedule and the low number of excluded products (though some are agricultural) may have a negative impact on agriculture and could result in unfair competition that will threaten the domestic agricultural markets and the livelihoods of rural producers in African countries. Moreover, the standstill clause and the prohibition against using export taxes do not support agricultural policy, particularly because the exceptions for the use of export taxes do not address agricultural issues. The standstill clause and export tax provisions do not allow SADC IEPA countries to apply a flexible agricultural policy. Moreover, agriculture is not adequately reflected in addressing supply-side constraints and competitiveness; only a small and more general article handles this issue. The effect of the IEPA on regional integration is disappointing and will not contribute to increased regional trade that might benefit the agricultural sector. Finally, agriculture could be negatively affected

due to the weak provisions for financing and the loss of government revenue could also have an impact on agricultural policies.

Generally, agriculture played an important role in the provisions on market access to the European market, but has had a small and relatively unimportant role in the other provisions like those on trade in goods – although the impact could be immense.

One reason could be that nearly all considerations were subordinated under the market access issue due to the high cost in the event of a fall back on the GSP system. Moreover, it is evident that exporters exerted pressure on their governments (e.g., in Namibia) to initial EPAs to maintain their market access. Other interest groups were less organised and could not raise their voices in the same way as economically powerful actors could. And as Weller and Ullmer state, governments tend to overestimate the role of exporters in trade negotiations.⁹¹⁰ The interests of smallholder farmers and the rural poor were not taken into account.

Furthermore, the agreements were concluded in haste and under immense pressure of the approaching deadline at the end of 2007. SADC negotiators at the technical level had little time to analyse the provisions carefully before initialising the agreements. The fact that many issues of the IEPA are currently contested supports this assumption.

Lastly, raising concerns in the course of negotiations could have been subject to tactical considerations: liberalisation of trade is contentious domestically in ACP countries. ACP governments could have called for the same internal reforms within the EU that the EU was calling for in their countries.

The EU aimed at several issues in the beginning of negotiations. Most important was the introduction of reciprocity in order to comply with WTO rules. The scope and speed of proposed reforms called for a liberalisation of 90% for the EU and of 80% for ACP countries over a period of 15 years. Moreover, the EU highlighted the importance of both regional integration and integration into the world economy. Another important point has been the negotiations on Singapore issues. The European Commission refused to include financial

⁹¹⁰ Weller/Ullmer: Trade and Governance, 2008, p.13.

commitments in the EPAs to address supply-side constraints and competitiveness issues. At the beginning of 2008 after initialising the IEPAs the EU emphasised the need to negotiate comprehensive EPAs. The Commission stated repeatedly that there would be no renegotiation of contentious issues except in the negotiations towards comprehensive EPAs.

ACP countries, in particular, SADC IEPA states tried first to maintain their preferential access to the EU market without reciprocity. Failing to do so, they emphasised the importance of asymmetry in the new trade negotiations with the European Union. In the beginning of the negotiations they requested for a scope of liberalisation of 60-70% over a period of up to 25 years. Regarding improving their market access to the European market, the enhancement of SPS and TBT provisions was crucial for SADC IEPA countries. SADC IEPA countries insisted on the provision of additional funding aimed at supply-side constraints, potential revenue losses as a result of tariff reduction, and capacity building. SADC countries were not willing to negotiate Singapore issues.

In their framework proposal in 2006, SADC IEPA countries proposed an approach to the TDCA provisions, they requested for improved rules of origin, and they asked for increased financial support. Two other proposals were modified in the course of negotiations. First, in mid-2007, under pressure from the approaching deadline, SADC IEPA countries accepted the inclusion of services in the negotiations. Second, they also accepted the TDCA market access provisions.

Regarding the outcome of negotiations on market access to the European Union, the DFQF offer cannot be overestimated. SADC IEPA countries only have a few offensive interests with regard to a small number of agricultural products and the IEPA is only weak in addressing SPS and TBT. But SADC countries were able to secure their market access to the EU at all with the IEPA which has been crucial for them. While the EU has few offensive interests concerning market access, its offer improved the EU's negotiating position in 2007 and increased pressure on ACP countries to make a market access offer themselves. SADC IEPA countries benefit from the DFQF, but they were not able to negotiate stronger provisions regarding SPS and TBT.

The liberalisation schedule for SADC IEPA countries is far from the original SADC offer and even farther from the EU proposal on liberalisation of market access in ACP countries. A rapid, front-loaded liberalisation will occur within a short period of time and few products are exempted from liberalisation. While the European Commission achieved its aim of introducing reciprocity and thereby achieving WTO compatibility, SADC countries did not. Several reasons might have played a role for this outcome: SADC IEPA countries did not negotiate more generous provisions because the TDCA is applied de facto. Moreover, due to the haste at the end of 2007, SADC IEPA countries subordinated this issue in order to focus on maintaining their access to the European market. Tactical considerations could be of importance, too.

The more detailed provisions on trade liberalisation, i.e., the standstill clause, export taxes, and safeguards are difficult to assess because there is no information available on the position of SADC countries at the beginning of the negotiations. Some of these provisions go beyond WTO requirements, the agreements were concluded in haste, and some of these provisions are already under renegotiation. SADC IEPA countries do not seem to be satisfied with these provisions. The European Commission defines these provisions as complement to the liberalisation commitments and allows renegotiation only in the negotiations towards full EPAs.

With regard to supply-side constraints and competitiveness, the rather weak provisions in the SADC IEPA (no operationalisation, no binding financial commitments), SADC countries did not achieve what they aimed for. After the European Commission opposed the inclusion of these issues in the EPA it could be regarded as compromise that the provisions are included in the IEPA.

As far as regional integration is concerned, both negotiating partners are not satisfied because several market access offers within one region resulted in the disintegration and the potential for further division of the SADC IEPA region (Botswana, Lesotho, and Swaziland on the one side, Namibia, Angola, and South Africa on the other side). At the end of 2007 this issue was also subordinated to maintain market access to the European market and WTO compatibility.

The problem of revenue losses is included in the IEPA: despite the lack of binding commitments from the EU negotiated in the agreement, the EU offers AfT funding to support trade-related issues in EPAs. This is not what the SADC IEPA countries aimed for since these resources are provided unilaterally and not negotiated, but it is a compromise with regard to additional funding.

SADC IEPA countries committed themselves to negotiate towards comprehensive EPAs including the liberalisation of services. While details are currently under negotiation it can be noted that SADC IEPA countries originally refused to include the liberalisation of services but they offered it in mid-2007 in view of the approaching deadline. This put pressure on the EU to accept the compromise and negotiate only services and investment rather than all issues it declares necessary to make EPAs development-friendly.

The negotiating structure is characterised by an asymmetric power relationship between the powerful EU and the rather weak ACP countries, which is reflected permanently in these EPA negotiations. ACP countries struggle with a lack of negotiating capacity as well as a weak resource base. The delay in negotiations intensified these problems and they had neither time nor capacity to carefully assess the EPA draft at the end of 2007. Moreover, the complex negotiations on numerous issues oppose their weak capacity. Furthermore, they are relatively dependent on the EU, for instance, regarding financial support in the framework of the EDF and other development funding. The regional configuration for negotiations was determined by the European Commission and was further weakened during negotiations. SADC IEPA countries were not able to develop strong common negotiating positions. Lastly, the phasing of the negotiations and the expiry of the waiver at the end of 2007 resulted in immense pressure on ACP countries. This led to the subordination of crucial issues under the primary objective of maintaining their market access to the European market.

The largest obstacle during the entire negotiating process was the fact that both partners insisted on their positions and were unwilling to make concessions to the other partner. Due to the immense delay in the negotiations, substantial dialogue did not take place until the summer of 2007. By then neither partner

had the time nor the capacity to conclude negotiations by exchanging positions. ACP countries have not been able to convince the European Commission to extend the waiver or find another solution, which would allow them to conclude the negotiations carefully and with more time. The EU had a relatively harsh position during the EPA negotiations: it refused to offer any alternatives, provided no additional funding within the EPA framework, insisted on the expiry of the waiver, exerted immense pressure in the negotiations, escalated the negotiating situation at the end of 2007 offering the two-step approach in last-minute, and refuses to renegotiate contentious issues in the framework of IEPAs. The DFQF offer in 2007 increased the incentive for ACP countries to sign the EPA and together with the impending waiver pushed for the conclusion of the agreements at the end of 2007. The EU increased its reliability and improved its negotiating position. The two-step approach was offered in last minute – the European Commission exerted the pressure on ACP countries as long as possible. Despite the threat to impose tariffs on ACP countries' exports, it would have been impossible to increase tariffs for poorest countries in the world. Therefore, the IEPA offer was an opportunity to save face and to secure the continuation of negotiations in 2008.

In the IEPA ACP countries committed themselves to continue negotiations until the end of 2008; because of the remaining contentious issues the negotiations have not yet been finalised. It is likely that some of the provisions affecting agriculture directly or indirectly will be subject to change.

6 Conclusions and Outlook

The question, Will Southern African countries develop their economies soon, alleviate poverty, and integrate into the world economy – despite the financial crisis or as a result of it? is difficult to answer. Their economies still depend on a few export commodities and there is still a low degree of diversification towards processed agricultural goods and manufactured products. This is the reason why the economic crisis might hit them hard in the light of falling prices for primary goods. The attempt to shift economies towards diversification is existent but transformation of economies is expensive – it is doubtful if additional funding will be available, particularly in view of the emerging economic crisis. The EPAs do not provide additional funding except for Aid for Trade measures and considered regional funds, but funding for concrete operationalisation is still outstanding.

Moreover, it is difficult to assess whether trade liberalisation within the free trade agreements will benefit Southern African countries or will be a threat to their volatile economies. First, negotiations are not yet finalised and the outcome of negotiations in 2009 is unclear. Furthermore, even if (comprehensive) EPAs are in force it will take time until it is possible to assess their economic and political impact. Thirdly, EPAs are complex agreements dealing with various provisions – it will be difficult to distinguish their impact from other factors, for instance, other free trade agreements or global factors. The fact that EPAs are very complex agreements contains the danger that individual preconditions of the particular countries are not taken adequately into account; a more differentiated development strategy could be necessary.

EPAs are of high importance in the trade relations between EU and ACP countries but also in international trade. EPA and WTO negotiations run parallel but the EPA outcome for the Southern African region goes far beyond WTO provisions and could influence WTO negotiations as well as other free trade negotiations serving as precedence. In the WTO negotiations, concessions were made and arguments have been exchanged back and forth. Moreover, the negotiations are open-ended and for this reason an important instrument to

exert pressure on the trading partner that would lose most in case of non-signing, is not available. In comparison, EPA negotiations were delayed until mid-2007 and then were concluded in haste with the looming deadline in sight. The political relevance of EPA negotiations and outcome is not only the impact on WTO and other trade negotiations between developed and developing countries, but also their implications for EU and SADC countries. The EPA negotiations illustrate a significant change in EU ACP relations; unfortunately, many ACP countries feel fleeced and doubt whether these new relations could be described as a partnership. While the EU might have achieved its objective to conclude WTO compatible trade agreements and secure its access to raw materials, the relations between EU and its former colonies could be seriously damaged.

During the negotiations on Economic Partnership Agreements the negotiating partners completely disagreed regarding the development dimension of the EPAs. The European Commission highlighted that development concerns are examined in the Cotonou Partnership Agreement and EPAs will boost trade through liberalisation, regional integration, and integration into the world economy. Moreover, trade-related issues complete the development dimension of the trade agreements and funding is secured in EDF and AfT. The ACP countries insisted on their position that trade alone is no sufficient instrument to strengthen their development and additional funding is necessary to address supply-side constraints, potential revenue losses as result of tariff reductions, and competitiveness. The trading partners advanced their views at the beginning of the negotiating process and continue to advance these views today. During the EPA negotiations, these different opinions did not reconcile. Nevertheless, the agreements were initialled at the end of 2007, but not as a result of a well-balanced negotiating process with negotiating parties exchanging views and finding togetherness by making concessions. In fact, the negotiating process has been characterised by enormous delays – despite the beginning of negotiations in 2002, substantial negotiations took place in mid-2007 with a looming deadline. The expiry of the waiver at the end of 2007 and the, legitimate or illegitimate, insistence of the European Commission asserting

that the only alternative options would be either to sign an EPA or to fall back on the less generous GSP system; thus, imposing tariffs on the poorest countries in the world and exerted enormous pressure on the ACP countries. The EU presented drafts for the agreements in autumn 2007 and in many cases technical negotiators did not read these drafts before they were initialled at the political level.

Chapter 2 has shown that agriculture is of high importance in WTO Doha negotiations, one of the most contentious issues is the question of the safeguard (SSM). In these WTO negotiations, new coalitions negotiated relatively successfully while EPA negotiations have been characterised by the fragmentation of regions in the course of negotiations. The already existing asymmetric power relations became more important in this constellation. Chapter 2 together with chapter 5 have also shown that WTO rules on trade agreements were crucial in EPA negotiations because WTO compliance was one of the strongest arguments for the necessity to conclude EPAs and during the negotiations the looming deadline was a persuasive reason to initial the agreements.

In chapter 3 the importance of European agriculture was discussed and it was shown that despite the low share in GDP, agriculture is still relevant in European countries. Moreover, the CAP is an instrument to strengthen the EU position in WTO negotiations, while WTO negotiations are an incentive to reform the CAP towards less support and more liberalisation. The ambivalence between protection of agriculture and liberalisation attempts still exists; CAP reform is still a challenge and not yet completed.

The central role of agriculture in ACP countries, in particular, SADC states was discussed in chapter 4. It was shown that agriculture is crucial for SADC economies despite the heterogeneity of these countries. Even though the contribution to GDP differs between these countries, agricultural trade is important and agriculture is essential for the large rural population that characterises all SADC countries. Moreover, agriculture is central to food security and the livelihoods of millions of small-scale farmers.

Chapter 5 analysed the role of agriculture in EPA negotiations and outcome. In comparison with the WTO negotiations, where agriculture plays an important role and is an independent area of negotiation, in the EPA negotiating process agriculture is negotiated under the area of market access. Therefore, only few provisions in the IEPAs deal directly with agriculture; most provisions impact the agricultural sector indirectly. This approach contradicts the central role agriculture plays in African economies as shown in chapter 4. The most important provision addresses the market access of ACP countries to the European market. The fall back on the GSP system would have had serious consequences for ACP countries; therefore, countries were striving to maintain their (nearly) duty-free and quota-free market access for their agricultural exports. Provisions regarding the market opening of the ACP countries do not reflect the crucial role agriculture plays in the ACP economies. The trade agreement between South Africa and the EU SADC IEPA countries and, because of their membership in the SACU, the TDCA provisions are de facto applied in SADC IEPA countries could have been one reason for the broad liberalisation commitments of the SADC IEPA countries. The subordination of all negotiating issues under the maintenance of market access to the European market contributed to the underestimation of agriculture in the IEPA provisions as well.

Since the market opening conditions at WTO level are still unclear, many ACP countries would have to open their markets to European competition quickly and extensively. This could result in a threat at WTO level to concede deeper liberalisation commitments because EPAs might serve as precedents.

With regard to the CAP, the fact that ACP countries agricultural exports should increasingly target luxury purchase markets is not adequately reflected in the SADC IEPA – provisions on SPS and other standards are relatively weak and do not provide any financial support. Moreover, the CAP still allows agricultural subsidies; therefore, the quick and extensive market opening for some ACP countries and sub-regions might have a negative impact on them due to unfair competition.

Because this thesis is descriptive and endeavours to provide a basis for serious and profound analysis, further investigation is necessary. Potential changes in the (I)EPAs during the negotiations in 2009 and beyond must be considered carefully. A more detailed analysis of the different actors in the negotiating process is required as soon as facts and data are available. Moreover, an examination of other relevant sectors for ACP countries and, in particular, SADC states is necessary to analyse the impact of these trade agreements on the African economies more broadly.

In this text one question has not been considered: the request for support to deal with supply-side constraints and competitiveness issues ignores the question what kind of agriculture should be supported at all. Hoering states that “another agriculture is possible”⁹¹¹ and questions the attempt to bring the green revolution to SSA. He draws attention to the fact that sustainable agriculture of smallholders is already highly productive. The strengthening of smallholder farmers would result in increased food security – these farmers produce for home consumption and sell the remaining produce at local markets without costs for expensive inputs. Their use of local techniques, application of own seeds, composting as well as biological pest control would reduce their dependence on highly volatile markets. Furthermore, agriculture is multi-functional and responsible for environmental, water, and climate issues. The smallholder farmers often produce organic agriculture with the use of Mapambano, the exchange of seeds, small decentralised irrigation systems and other elements. According to Hoering this allows a high degree of autonomy for the rural population in Africa. One should not try to bring a second green revolution to Africa, instead one should realise that the “backwardness” of Africa could be a chance for sustainability and food security.

⁹¹¹ Hoering: Agrarkolonialismus in Afrika, 2007, p.141 et seq.

7 Literature

ACP Council of Ministers/European Commission: ACP-EC EPA negotiations. Joint report on the all-ACP – EC phase of EPA negotiations, 2 October 2003. [ACP/00/118/03 Rev.1] <http://trade.ec.europa.eu/doclib/html/114136.htm> [2008-12-23]

ACP Council of Ministers/European Commission: Joint declaration of the second ACP-EC meeting at ministerial level, 2003. http://ec.europa.eu/trade/issues/bilateral/regions/acp/jd021003_en.htm [2008-12-23]

ACP Council of Ministers: Declaration of the 81st session of the ACP Council of Ministers held in Brussels, 21-22 June 2005 on the Economic Partnership Agreements (EPAs), 2005. http://www.acpsec.org/en/com/cou81_decisions_e.pdf [2008-12-23]

ACP Group of States: Submission on regional trade agreements, 2004. [TN/RL/W/155] http://www.acp-eu-trade.org/library/files/ACP-Mission-of-Botswana_EN_280404_ACPSEC_Developmental-Aspects-of-regional-trade-agreements-and-special-and-differential-treatment-in-WTO-Rules.pdf [2009-01-05]

ACP National and Regional Authorizing Officers (NAO/RAO): Brussels Declaration on the timely and effective implementation of the European Development Fund (EDF)/European Programme for Reconstruction Development (EPRD), May 2003. [ACP/81/045/03] [http://www.ecdpm.org/Web_ECDPM/Web/Content/Download.nsf/0/2D6E02971A6A2326C1256D33003D36A0/\\$FILE/Doc%20-%20ACP8104503%20-%207th%20NAOs%20&%20RAOs%20-%20Brussels%20Declaration.pdf](http://www.ecdpm.org/Web_ECDPM/Web/Content/Download.nsf/0/2D6E02971A6A2326C1256D33003D36A0/$FILE/Doc%20-%20ACP8104503%20-%207th%20NAOs%20&%20RAOs%20-%20Brussels%20Declaration.pdf) [2008-12-23]

African Union Trade and Finance Ministers: Addis Ababa Declaration on EPA negotiations, adopted at the African Union conference of ministers of trade and finance, 1-3 April 2008, Addis-Ababa, Ethiopia, 2008.

http://www.acp-eu-trade.org/library/files/AU-Ministers-of-Trade-and-Finance_EN_030408_AU_Addis-Ababa-Declaration-on-EPA-Negotiations.pdf [2009-02-16]

Agritrade: CAP reform: Executive brief, 2008.

<http://agritrade.cta.int/en/content/view/full/2499> [2008-07-09]

Agritrade: EPA negotiations, SADC configuration: Executive brief, 2008.

<http://agritrade.cta.int/en/content/view/full/2494> [2008-07-09]

Agritrade: Special report: Contentious issues in IEPA negotiations. Implications and questions in the agricultural sector, 2008.

http://www.acp-eu-trade.org/library/files/Agritrade%20Special%20Report_%20Contentious%20issues%20in%20IEPAs_October%202008.pdf [2008-11-24]

Agritrade: WTO agreement on agriculture: Executive brief, 2008.

<http://agritrade.cta.int/en/content/view/full/2500> [2008-07-09]

Alpha, A. et al.: WTO and EPA negotiations. For an enhanced coordination of ACP positions on agriculture, 2005. (ECDPM Discussion Paper No.70)

http://www.ecdpm.org/Web_ECDPM/Web/Content/Content.nsf/0/6055c79282067cfcc12570d2004a813c?OpenDocument?OpenDocument# [2006-03-01]

Asche, H.: Der Afrika-Aktionsplan der Weltbank: neue Aktionen?, 2006. (DIE Analysen und Stellungnahmen 3/2006)

[http://www.die-gdi.de/die_homepage.nsf/6f3fa777ba64bd9ec12569cb00547f1b/178fa4b8b8dc06fcc12570fb002ca2a2/\\$FILE/Internetfassung%20A&S%203.2006.pdf](http://www.die-gdi.de/die_homepage.nsf/6f3fa777ba64bd9ec12569cb00547f1b/178fa4b8b8dc06fcc12570fb002ca2a2/$FILE/Internetfassung%20A&S%203.2006.pdf) [2006-10-13]

Babula, R./Baltzer, K.: Overview of quantitative analyses of Economic Partnership Agreements: Market and revenue effects of liberalization of ACP barriers and enhanced EU market access, 2007.

http://www.acp-eu-trade.org/library/files/Babula-Baltzer_EN_1207_LIFE_Overview-of-quantitative-analyses.pdf [2008-06-26]

Bartels, L.: The EU's GSP+ arrangement as an alternative to the EPA process, 2007.

http://www.acp-eu-trade.org/library/files/Bartels_EN_121107_GSP+-as-an-alternative.pdf [2008-07-02]

Bazaara, N.: Impact of liberalisation on agriculture and food security in Uganda, 2001. http://www.saprin.org/uganda/research/uga_liberalization.pdf [2007-05-08]

Benz, A.: Verhandlungen, in: Handbuch Governance. Theoretische Grundlagen und empirische Anwendungsfelder, hg. v. Benz, A. et al., 2007, p.106-118.

Bertelsmann-Scott, T.: Difficult deadline: challenges of the SADC EPA negotiations, in: TNI, Vol.6, No.4, 2007, p.9-10.
http://www.acp-eu-trade.org/library/files/TNI_EN_6.4.pdf [2008-11-25]

Bertow, K./Schultheis, A.: Impact of EU's agricultural trade policy on smallholders in Africa, 2007. <http://www.germanwatch.org/handel/euaf07.pdf> [2007-12-08]

Bertow, K.: Interview led with a Namibian EPA expert, December 2008.

Bertow, K.: Interview led with the German Federal Ministry for Economic Cooperation and Development, March 2009.

Bilal, S./Braun-Munzinger, C.: EPA negotiations and regional integration in Africa: Building or stumbling blocs. Paper prepared for the Trade Policy Centre in Africa (trapca) 3rd Annual Conference "Strengthening and deepening economic integration in LDCs: current situation, challenges and way forward", Arusha, Tanzania, 13-15 November 2008.
http://www.acp-eu-trade.org/library/files/Bilal-Braun-Munzinger_EN_201108_EC_DPM_EPA-negotiations-and-RI-in-Africa.pdf [2008-11-24]

Bilal, S./Julian, M.: EPA negotiations update: Overview of the process and state of play, in: TNI, Vol.2, No.1, 2003, p.2-4.
http://www.acp-eu-trade.org/library/files/tni_eng_vol2_no1.pdf [2007-07-13]

Bilal, S./Rampa, F.: Alternative (to) EPAs. Possible scenarios for the future ACP trade relations with the EU, 2006. (Policy Management Report 11)

http://www.ecdpm.org/Web_ECDPM/Web/Content/Content.nsf/0/ef21975bac4deaadc1257115004cd88a?OpenDocument?OpenDocument# [2006-03-03]

Bilal, S./Rampa, F.: Reviewing EPAs negotiations and alternative scenarios, in: TNI, Vol.5, No.1, 2006, p.1-3. http://www.acp-eu-trade.org/library/files/TNI_EN_5-1.pdf [2007-07-13]

Bilal, S.: 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> [2006-11-14]

Bilal, S.: Implications of the Doha Development Agenda on the EPA negotiations, prepared for the COMESA EPA seminar, 31 October-1 November 2002.

<http://www.acp-eu-trade.org/library/files/Bilal%20-%20Doha%20impact%20on%20EPAs.pdf> [2008-07-15]

Blum, S./Schubert, K.: Politikfeldanalyse, 2009.

Borrmann, A. et al.: The WTO compatibility of the Economic Partnership Agreement between the EU and the ACP states, 2005.

http://www.hwwa.de/Forschung/Handel_&_Entwicklung/docs/2005/Publ/Borrmann_etal_WTO_Compatibility.pdf [2006-01-09]

Braude, W./Sekolokwane, K.: Sustainable development. The missing piece in the Southern African Customs Union's regional trading arrangements?, 2008.

http://www.iisd.org/pdf/2008/trade_missing_piece_south_africa.pdf [2009-01-14]

Braun-Munziger, C. et al.: Dialogue meeting on challenges of changing agricultural markets in the context of ACP-EU trade: Identifying an Aid for Trade agenda, organised by CTA and ECDPM, Brussels, 14-15 April 2008.

http://www.ecdpm.org/Web_ECDPM/Web/Content/Download.nsf/0/2A2F6065C

D9EFE20C125748A004DF073/\$FILE/2008%20Bxl%20Aft_CTA-ECDPM%20meeting_final_EN.pdf [2008-09-02]

Brundsen, J.: Economic development deals 'may be revised', European Voice, 3 April 2008.

<http://www.europeanvoice.com/article/imported/economic-development-deals-%E2%80%98may-be-revised%27/59541.aspx> [2008-12-23]

Bureau, J.-C./Matthews, A.: EU agricultural policy: What developing countries need to know, 2005. (IIS Discussion Paper No.91)

http://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID922068_code356913.pdf?abstractid=922068&mirid=5 [2008-07-09]

Chirwa, E. et al.: Walking tightropes: Supporting farmer organisations for market access, 2005. (Natural Resource perspectives No.99, November 2005)

<http://www.odi.org.uk/publications/nrp/99.pdf> [2008-07-13]

Chiwandamira, D.P.: A review of the negotiation of Economic Partnership Agreements (EPAs) between the European Union and SADC and the implication for small scale farmers, 2006. <http://www.ifad.org/events/epa/8.pdf> [2007-07-14]

Council of the European Union: Council conclusions on Economic Partnership Agreements (EPAs). 2870th External Relations Council meeting Brussels, 26-27 May 2008. http://www.europa-eu-un.org/articles/en/article_7908_en.htm [2008-06-26];

<http://register.consilium.europa.eu/pdf/en/07/st09/st09560.en07.pdf> [2008-06-26]

Council of the European Union: Interim Economic Partnership Agreement between the SADC EPA States, on the one part, and the European Community and its Member States, on the other part, 2008. [COM(2008)562final]

<http://register.consilium.europa.eu/pdf/en/08/st13/st13314-ad01.en08.pdf> [2008-12-26]

Cuba, Dominican Republic, Honduras, Pakistan, Haiti, Nicaragua, Kenya, Uganda, Zimbabwe, Sri Lanka, El Salvador: Agreement on Agriculture: Special and Differential Treatment and a Development Box. Proposal to the June 2000 session of the Committee on Agriculture, 2000. [G/AG/NG/W/13]
<http://www.tradeobservatory.org/library.cfm?RefID=25351> [2008-12-12]

Del Ninno, C. et al.: Food aid and food security in the short- and long run: Country experience from Asia and Sub-Saharan Africa, 2005. (World Bank, SP discussion paper; No.538)
http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2005/11/17/000090341_20051117143743/Rendered/PDF/342920Food0aid0SP00538.pdf [2007-07-15]

DG Trade: Trade statistics ACP (excluding South Africa), 2008.
<http://trade.ec.europa.eu/doclib/html/113468.htm> [2009-03-16]

Dixon, J. et al.: Farming systems and poverty. Improving farmers' livelihoods in a changing world, 2001. <ftp://ftp.fao.org/docrep/fao/003/Y1860E/Y1860E00.PDF> [2008-11-12]; http://www.fao.org/docrep/003/Y1860E/y1860e04.htm#P1_1 [2008-11-12]

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, 10 December 2006.
http://www.bilaterals.org/IMG/pdf/synthesis_APE_midterm_review_Eng_FINAL.pdf [2007-04-14]

ECDPM: State of EPA negotiations in January 2009. Briefing note, 2009.
http://www.acp-eu-trade.org/library/files/ECDPM_EN_090109_ECDPM_State-of-EPA-negotiations.pdf [2009-01-10]

Ellis, F.: Small farms, livelihood diversification, and rural-urban transitions: Strategic issues in Sub-Saharan Africa, paper presented at the research

workshop "The future of small farms", Wye, 26-29 June 2005.

http://www.ifpri.org/events/seminars/2005/smallfarms/sfproc/SO4_Ellis.pdf

[2008-09-30]

European Commission: Agriculture: CAP Health Check will help farmers meet new challenges, 2008. [IP/08/1749]

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1749&format=PDF&aged=0&language=EN&guiLanguage=en> [2009-01-27]

European Commission: Communication from the Commission to the Council and the European Parliament. Economic Partnership Agreements, 2007.

[COM(2007)635final]

http://trade.ec.europa.eu/doclib/docs/2007/october/tradoc_136541.pdf

[2008-06-26]

European Commission: Communication from the Commission to the European Parliament and the Council. Preparing for the "Health Check" of the CAP reform, 2007. [COM(2007)722final]

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0722:FIN:EN:PDF> [2008-08-01]

European Commission: Communication from the Commission: A sustainable Europe for a better world: A European Union strategy for sustainable development, 2001. (Commission's proposal to the Gothenburg European Council) [COM(2001)264 final]

http://europa.eu/eur-lex/en/com/cnc/2001/com2001_0264en01.pdf [2008-11-11]

European Commission: Council Regulation of applying the arrangements for products originating in certain states which are part of the African, Caribbean and Pacific (ACP) Group of States provided for in agreements establishing, or leading to the establishment of, Economic Partnership Agreements, 2007.

[14970/1/07REV1]

European Commission: EPA Flash News: Zambia joins Economic Partnership Agreement with EU, 1 October 2008.

<http://trade.ec.europa.eu/doclib/html/140806.htm> [2008-11-18]

European Commission: EU offers full market access to Africa, Caribbean and Pacific regions in EPAs negotiations, 2007.

http://ec.europa.eu/trade/issues/bilateral/regions/acp/pr040407_en.htm
[2008-11-18]

European Commission: Fact sheet on the Interim Economic Partnership Agreements. SADC group, 2009.

<http://trade.ec.europa.eu/doclib/html/142189.htm> [2009-02-05]

European Commission: Green Paper on relations between the European Union and the ACP countries on the eve of the 21st century. Challenges and options for a new partnership, 1996.

http://aei.pitt.edu/1206/01/ACP_21st_gp_COM_96_570.pdf [2009-01-02]

European Commission: Health Check of the CAP (guide), 2007.

http://ec.europa.eu/agriculture/healthcheck/guide_en.pdf [2008-08-13]

European Commission: Press release: Dairy market: Commission proposes additional measures to help dairy sector, 15 January 2009. [IP/09/57]

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/57&format=PDF&aged=0&language=EN&guiLanguage=en> [2009-02-15]

European Commission: Simplifying the CAP. A single Common Market Organisation, 2009.

http://ec.europa.eu/agriculture/simplification/cmo/index_en.htm [2009-02-15]

European Commission: The EC special incentive arrangement for sustainable development and good governance (GSP+) 2009-2011, 2009.

<http://trade.ec.europa.eu/doclib/html/141663.htm> [2009-01-02]

European Community/ACP Group of States: 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, 23 June 2000.

European Parliament Fact Sheets: 4.1.3. Agricultural markets policy – common organisations of the market (COMs) – general concept, 2000.

http://www.europarl.europa.eu/factsheets/4_1_3_en.htm [2008-11-25]

European Parliament resolution the Economic Partnership Agreement between the Cariforum States, of the one part, and the European Community and its Member States, of the other part. 2009. [B6-0141/2009]

<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P6-TA-2009-0175+0+DOC+XML+V0//EN> [2009-04-04]

Faber, G./Orbie, J.: The EU's insistence on reciprocal trade with the ACP group. Economic interests in the driving seat? First draft. Paper prepared for the EU-SA 10th biennial international conference Montreal, Canada, 17-19 May 2007.

<http://www.unc.edu/euce/eusa2007/papers/orbie-j-05g.pdf> [2007-06-05]

FAO: FAO Director-General appeals for second Green Revolution. Vast effort needed to feed billions and safeguard environment, 2006.

<http://www.fao.org/newsroom/en/news/2006/1000392/index.html> [2008-09-27]

FAO: Import surges: What are their external causes?, 2006. (FAO Briefs on Import Surges. Issues: No.3)

<ftp://ftp.fao.org/docrep/fao/009/j8674e/j8674e00.pdf> [2008-11-18]

FAO: Import surges: What is their frequency and which are the countries and commodities most affected?, 2006. (FAO Briefs on Import Surges. Issues: No.2)

<ftp://ftp.fao.org/docrep/fao/009/j8675e/j8675e00.pdf> [2008-11-18]

Fischer Boel, M./Michel, L.: A 'Green Revolution' for Africa, 2008, in: TNI, Vol.7, No.8, October 2008, p.5. http://www.acp-eu-trade.org/library/files/TNI_EN_7-8.pdf [2008-12-07]

Fontagne, L. et al.: An impact study of the EU-ECP Economic Partnership Agreements (EPAs) in the six ACP regions, 2008.

<http://trade.ec.europa.eu/doclib/html/138081.htm> [2008-06-26]

Frein, M./Reichert, T.: Fortschritt durch Stillstand. Die Dauerkrise der WTO-Verhandlungen aus entwicklungspolitischer Sicht, 2008.

http://www.forum-ue.de/fileadmin/userupload/publikationen/han_2008_wtofortschritt.pdf [2008-06-26]

General Agreement on Tariffs and Trade (GATT), 1947.

http://www.wto.org/english/docs_e/legal_e/gatt47_e.pdf [2009-01-15]

Halderman, M./Nelson, M.: EU policy-making: Reform of the CAP and EU trade in beef and dairy with developing countries, 2005. (PPLPI Working Paper No.18)

<http://www.fao.org/ag/againfo/projects/en/pplpi/docarc/wp18.pdf> [2008-07-09]

Hanson, V./Julian, M.: EPA negotiations update, in: TNI, Vol.7, No.1, 2008, p.18-19. http://www.acp-eu-trade.org/library/files/TNI_EN_7-1.pdf [2009-04-05]

Hanson, V.: WTO roundup, 2008, in: TNI, Vol.7, No.7, September 2008, p.11-12. http://www.acp-eu-trade.org/library/files/TNI_EN_7-7.pdf [2008-10-01]

Hazelhurst, E.: Mandelson in eggdance to placate SA, in: Business Report, Namibia, 5 March 2008. http://www.bilaterals.org/article.php3?id_article=11403 [2008-05-31]

Hazell, P./Diao, X.: The role of agriculture and small farms in economic development. Paper presented at the research workshop "The future of small farms", Wye, 26-29 June 2005.

http://www.ifpri.org/events/seminars/2005/smallfarms/sfproc/SO1_hazell.pdf [2008-09-30]

Hazell: Transformations in agriculture and their implications for rural development, in: eJADE (electronic Journal of Agricultural and Development

Economics), Vol.4., No.1, 2007, p.47-65.

<ftp://ftp.fao.org/docrep/fao/010/ai191e/ai191e00.pdf> [2008-09-30]

Henson, S. et al.: Linking African smallholders to high-value markets: Practitioner perspectives on benefits, constraints, and interventions, 2008.

(World Bank Policy Research Working Paper 4573)

http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2008/03/24/000158349_20080324130750/Rendered/PDF/wps4573.pdf

[2008-09-30]

Hoering: Agrar-Kolonialismus in Afrika. Eine andere Landwirtschaft ist möglich, 2007.

Hofmann, B.: AfT: Supporting ACP efforts in regional economic integration and EPA implementation, in: TNI, Vol.7, No.7, 2008, p.10.

http://www.acp-eu-trade.org/library/files/TNI_EN_7-7.pdf [2008-12-17]

ICTSD/APRODEV: Benchmarks for a pro-development monitoring of EPA negotiations, in: TNI, Vol.4, No.4, 2005, p.1-3.

http://www.acp-eu-trade.org/library/files/TNI_EN_Vol4-No4_July-August-2005.pdf [2007-07-13]

IPS: Q&A: "We Are Generous but Not Naïve". Interview with Louis Michel, EU Development Commissioner, 2008. <http://ipsnews.net/news.asp?idnews=40762>

[2009-03-17]

Jayne, T.S. et al.: Smallholder income and land distribution in Africa: Implications for poverty reduction strategies, 2002. (USAID FS II Policy Synthesis No.59)

<http://www.aec.msu.edu/fs2/polsyn/number59.pdf>

[2007-04-19]

Julian, M. et al.: EPA negotiations update, in: EPA negotiations update, in: TNI, Vol.7, No.7, 2008, p.13-14.

http://www.acp-eu-trade.org/library/files/TNI_EN_7-7.pdf [2008-12-17]

Julian, M. et al.: EPA negotiations update, in: TNI, Vol.7, No.5, 2008, p.14-15.
http://www.acp-eu-trade.org/library/files/TNI_EN_7-5.pdf [2008-12-17]

Julian, M. et al.: EPA negotiations update, in: TNI, Vol.7, No.6, 2008, p.13-14.
http://www.acp-eu-trade.org/library/files/TNI_EN_7-6.pdf [2008-12-17]

Julian, M./Makhan, D.: EPA negotiations update, in: TNI, Vol.5, No.5, 2006,
p.6-7. http://www.acp-eu-trade.org/library/files/TNI_EN_5-5.pdf [2007-07-13]

Julian, M./Makhan, D.: EPA negotiations update, in: TNI, Vol.6, No.7, 2007,
p.14-15. http://www.acp-eu-trade.org/library/files/TNI_EN_6-7.pdf [2008-12-17]

Julian, M./Van Hove, K.: EPA negotiations update: State of play of negotiations,
in: TNI, Vol.2, No.4, 2003, p.6-7.
http://www.acp-eu-trade.org/library/files/tni_eng_vol2_no4.pdf [2007-07-13]

Julian, M.: EPA negotiations update, in: TNI, Vol.3, No.6, 2004, p.6-7.
http://www.acp-eu-trade.org/library/files/TNI_EN_3-6.pdf [2007-07-13]

Julian, M.: EPA negotiations update, in: TNI, Vol.4, No.1, 2005, p.6-7.
http://www.acp-eu-trade.org/library/files/TNI_EN_4.1.pdf [2007-07-13]

Julian, M.: EPA negotiations update, in: TNI, Vol.4, No.2, 2005, p.6-7.
http://www.acp-eu-trade.org/library/files/TNI_EN_vol%204.%20no.2..pdf
[2007-07-13]

Julian, M.: EPA negotiations update, in: TNI, Vol.4, No.3, 2005, p.6-7.
[http://www.acp-eu-trade.org/library/files/TNI_ENG_Vol4_No3_May-June-2005.p
df](http://www.acp-eu-trade.org/library/files/TNI_ENG_Vol4_No3_May-June-2005.pdf) [2007-07-13]

Julian, M.: EPA negotiations update, in: TNI, Vol.4, No.4, 2005, p.6-7.
[http://www.acp-eu-trade.org/library/files/TNI_EN_Vol4-No4_July-August-2005.p
df](http://www.acp-eu-trade.org/library/files/TNI_EN_Vol4-No4_July-August-2005.p
df) [2007-07-13]

Julian, M.: EPA negotiations update, in: TNI, Vol.4, No.5, 2005, p.6-7.
http://www.acp-eu-trade.org/library/files/TNI_EN_4-5.pdf [2007-07-13]

Julian, M.: EPA negotiations update, in: TNI, Vol.4, No.6, 2005, p.6.
http://www.acp-eu-trade.org/library/files/TNI_EN_4-6.pdf [2007-07-13]

Julian, M.: EPA negotiations update, in: TNI, Vol.5, No.2, 2006, p.6-7.
http://www.acp-eu-trade.org/library/files/TNI_EN_5-2.pdf [2007-07-13]

Julian, M.: EPA negotiations update, in: TNI, Vol.5, No.3, 2006, p.6f.
http://www.acp-eu-trade.org/library/files/TNI_EN_5-3.pdf [2007-07-13]

Julian, M.: EPA negotiations update, in: TNI, Vol.5, No.6, 2006, p.6-7.
http://www.acp-eu-trade.org/library/files/TNI_5-6_EN.pdf [2007-07-13]

Julian, M.: EPA negotiations update, in: TNI, Vol.6, No.1, 2007, p.6-7.
http://www.acp-eu-trade.org/library/files/TNI_EN_6-1.pdf [2007-07-13]

Julian, M.: EPA negotiations update, in: TNI, Vol.6, No.2, 2007, p.10-11.
http://www.acp-eu-trade.org/library/files/TNI_EN_6-2.pdf [2007-07-13]

Julian, M.: EPA negotiations update, in: TNI, Vol.6, No.3, 2007, p.10-11.
http://www.acp-eu-trade.org/library/files/TNI_EN_6-3.pdf [2007-11-25]

Julian, M.: EPA negotiations update, in: TNI, Vol.6, No.4, 2007, p.14-15.
http://www.acp-eu-trade.org/library/files/TNI_EN_6.4.pdf [2007-11-25]

Julian, M.: EPA negotiations update, in: TNI, Vol.6, No.5, 2007, p.14-15.
http://www.acp-eu-trade.org/library/files/TNI_EN_6-5.pdf [2008-06-02]

Julian, M.: EPA negotiations update, in: TNI, Vol.6, No.6, 2007, p.18-19.
http://www.acp-eu-trade.org/library/files/TNI_EN_6-6.pdf [2008-06-02]

Julian, M.: EPA negotiations update, in: TNI, Vol.7, No.10, 2008, p.17-18.
http://www.acp-eu-trade.org/library/files/tni_en_7-10.pdf [2009-02-01]

Julian, M.: EPA negotiations update, in: TNI, Vol.7, No.8, 2008, p.14-15.
http://www.acp-eu-trade.org/library/files/TNI_EN_7-8.pdf [2008-12-17]

- Julian, M.: EPA negotiations update, in: TNI, Vol.7, No.9, 2008, p.14-15.
http://www.acp-eu-trade.org/library/files/TNI_EN_7-9.pdf [2008-12-17]
- Julian, M.: EPA negotiations update, in: TNI, Vol.8, No.1, 2009, p.13-14.
http://www.acp-eu-trade.org/library/files/TNI_EN_8-1.pdf [2009-04-05]
- Julian, M.: EPA negotiations update: Start of regional negotiations, in: TNI, Vol.3, No.1, 2004, p.6-7.
http://www.acp-eu-trade.org/library/files/TNI_EN_3-1.pdf [2007-07-13]
- Julian, M.: EPA negotiations update: State of play of negotiations, in: TNI, Vol.2, No.3, 2003, p.6-7. http://www.acp-eu-trade.org/library/files/TNI_EN_2-3.pdf [2007-07-13]
- Julian, M.: EPA negotiations update: State of play of the negotiations, in: TNI, Vol.3, No.2, 2004, p.6-7.
http://www.acp-eu-trade.org/library/files/TNI_EN_3-2.pdf [2007-07-13]
- Julian, M.: EPA update, in: TNI, Vol.8, No.2, 2009, p.13-14.
http://www.acp-eu-trade.org/library/files/TNI_EN_8-2.pdf [2009-04-05]
- Kalaba, M.: Intra-SADC trade performance review 2006: Chapter 5: Namibia, 2006.
<http://www.sadctrade.org/files/Intra-SADC-trade-performance-review-2006-5-namibia.pdf> [2009-04-13]
- Kappel, R.: Europäische Entwicklungspolitik im Wandel. Perspektiven der Kooperation zwischen der Europäischen Union und den AKP-Ländern, 1996. (INEF Report 17/1996) <http://inef.uni-duisburg.de/page/documents/report17.pdf> [2006-01-05]
- Kasteng, J.: Agriculture and development in EPA negotiations, 2006.
http://www.sjv.se/webdav/files/SJV/trycksaker/Pdf_rapporter/ra06_32E.pdf [2007-04-01]

Keck, A./Piermartini, R.: The economic impact of EPAs in SADC countries, 2005. (WTO Staff Working Paper ERSD-2005-04)

http://www.wto.org/english/res_e/reser_e/ersd200504_e.doc [2006-01-23]

Kelly, V.A.: Factors affecting demand for fertilizer in Sub-Saharan Africa, 2006. (World Bank Agriculture and Rural Development Discussion Paper 23)

http://siteresources.worldbank.org/INTARD/Resources/ARD_DP23_FINAL.pdf [2008-11-05]

Kenya Civil Society Alliance: Dossier on EU's EPA bullying tactics, 2007.

http://www.acp-eu-trade.org/library/files/KCSA_EN_161107_Dossier-on-EU-s-EPA-bullying-tactics.pdf [2009-03-06]

Khumalo, N.: CARIFORUM EPA and beyond: Recommendations for negotiations on services and trade related issues. EPA negotiations on trade in services: Implications and recommendations for Southern Africa, 2008.

<http://www.gtz.de/de/dokumente/en-epa-cariforum-and-beyond-services-implications-southern-africa-2008.pdf> [2008-08-29]

Khumalo, V.: Intra-SADC trade performance review 2006: Chapter 7: Swaziland, 2007.

<http://www.sadctrade.org/files/Intra-SADC-trade-performance-review-2006-7-swaziland.pdf> [2009-04-13]

Koroma, S./Deep Ford, J.R.: The agricultural dimension of the ACP-EU Economic Partnership Agreements, 2006.

<ftp://ftp.fao.org/docrep/fao/009/a0676e/a0676e.pdf> [2007-04-01]

Kruger, P.: SADC EPA negotiations. The circle of trust, in: TNI, Vol.6, No.8, 2007, p.8. http://www.acp-eu-trade.org/library/files/TNI_EN_6-8.pdf

[2009-04-05]

Kwa, A.: African countries and the EPAs: Do agriculture safeguards afford adequate protection?, 2008. (South Bulletin. Reflections and Foresights. 16 October 2008, Issue 25)

http://www.acp-eu-trade.org/library/files/Kwa_EN_071108_South-Centre_African-countries-and-the-EPAs.pdf [2008-11-24]

Lambrechts: Responding to Africa's agricultural challenges: The need for new paradigms in aid, trade and science, 2008, in: TNI, Vol.7, No.8, October 2008, p.6-7. http://www.acp-eu-trade.org/library/files/TNI_EN_7-8.pdf [2008-12-07]

Lamy, P.: Speaking notes for the WTO Director-General Pascal Lamy. Informal meeting of heads of delegations, 12 December 2008.

http://www.wto.org/english/news_e/news08_e/tnc_dg_12dec08_e.htm
[2009-01-20]

Leadership: Nigeria: EU denies accusation of forcing EPA, 25 December 2008. <http://allafrica.com/stories/200812250177.html> [2009-01-15]

Lui, D./Bilal, S.: Contentious issues in the interim EPAs. Potential flexibility in the negotiations, 2009. (ECDPM Discussion Paper No.89)
[http://www.ecdpm.org/Web_ECDPM/Web/Content/Download.nsf/0/CA0600DFC1F8D539C125757C00491727/\\$FILE/09-89-e_contentious%20issues%20EPAs.pdf](http://www.ecdpm.org/Web_ECDPM/Web/Content/Download.nsf/0/CA0600DFC1F8D539C125757C00491727/$FILE/09-89-e_contentious%20issues%20EPAs.pdf) [2009-03-17]

Maleleka, D./Matlanyane, R.: Trade performance review 2005: Lesotho, 2005. <http://www.sadctrade.org/files/TPR%20Lesotho.pdf> [2009-02-03]

Manchin, M.: Preference utilization and tariff reduction in European Union imports from Africa, Caribbean, and Pacific countries, 2005. (World Bank Policy Research Working Paper 3688)
http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2005/08/19/000016406_20050819124920/Rendered/PDF/wps3688.pdf
[2006-05-30]

Mandelson, P.: Commission seminar on economic partnership agreements. Remarks by Peter Mandelson. European Parliament, 17 April 2008. <http://trade.ec.europa.eu/doclib/html/138558.htm> [2008-12-23]

Mandelson, P.: EPAs: Remarks to ACP Ministers. Speech by Peter Mandelson at the ACP-EU Joint Ministerial Trade Committee, 28 June 2006.

<http://trade.ec.europa.eu/doclib/html/129140.htm> [2008-12-23]

Mandelson, P.: EPAs: There is no plan B. Interview, in: TNI, Vol. 6, No.5, 2007, p.1-3. http://www.acp-eu-trade.org/library/files/TNI_EN_6-5.pdf [2008-12-07]

Mandelson, P.: EU agriculture and the world trade talks. Speech by Peter Mandelson at the NFU annual conference, 27 February 2005.

<http://trade.ec.europa.eu/doclib/html/127628.htm> [2008-10-10]

Mandelson, P.: Letter to NGO alliance Namibia, 2 September 2008.

<http://trade.ec.europa.eu/doclib/html/140482.htm> [2008-11-18]

Mandelson, P.: Mandelson urges final push in EPA talks. Remarks to the INTA Committee, 11 September 2007.

http://ec.europa.eu/commission_barroso/ashton/speeches_articles/sppm168_en.htm [2009-02-15]

Matomola, M./Dlamin, S.: Trade performance review 2005: Namibia, 2005.

<http://www.sadctrade.org/files/TPR%20Namibia.pdf> [2009-02-03]

McCarthy, C. et al.: Benchmarking EPA negotiations between EU and SADC, 2007.

[http://www.ictsd.org/dlogue/2007-10-01/Benchmarking%20EPA%20Negotiations%20-%20McCarthy%20et%20al%20-%20Final%20\(2\).pdf](http://www.ictsd.org/dlogue/2007-10-01/Benchmarking%20EPA%20Negotiations%20-%20McCarthy%20et%20al%20-%20Final%20(2).pdf)

[2008-06-29]

Michel, L.: Economic Partnership Agreements: Drivers of development, 2008.

http://www.acp-eu-trade.org/library/files/Michel_EN_0308_EC_EPAs-drivers-of-development.pdf [2008-11-04]

Milner: An assessment of the overall implementation and adjustment costs for the ACP countries of Economic Partnership Agreements with the EU. Summary. Report to the Commonwealth Secretariat, 2005.

<http://www.thecommonwealth.org/files/184326/FileName/Milner%20Summarisedrev.1.pdf> [2008-12-23]

Mogapi, S.: Intra-SADC trade performance review 2006: Chapter 1: Botswana, 2006.

<http://www.sadctrade.org/files/Intra-SADC-trade-performance-review-2006-1-botswana.pdf> [2009-04-13]

Mogapi, S.: Trade performance review 2005: Botswana, 2005.

<http://www.sadctrade.org/files/TPR%20Botswana.pdf> [2009-02-03]

Ng, F./Aksoy, M.A.: Who are the net food importing countries?, 2008. (World Bank Policy Research Working Paper 4457)

http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2008/01/02/000158349_20080102095804/Rendered/PDF/wps4457.pdf
[2008-09-30]

Osakwe, P.N.: Sub-Saharan Africa and the global financial crisis, 2008, in: TNI, Vol.7, No.7, September 2008, p.4-5.

http://ictsd.net/downloads/tni/tni_en_7-10.pdf [2008-12-07]

Oxfam International/TWN Africa: A matter of political will. How the European Union can maintain market access for African, Caribbean and Pacific countries in the absence of Economic Partnership Agreements, 2007.

http://www.oxfam.org.uk/resources/policy/trade/downloads/joint_epas_twnafrica.pdf [2008-07-02]

Oxfam International: Partnership or power play? How Europe should bring development into its trade deals with African, Caribbean, and Pacific countries, 2008. (Oxfam Briefing Paper 110)

http://www.oxfam.de/download/partnership_or_powerplay.pdf [2008-06-26]

Oxfam International: 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/files/unequal%20partners.pdf> [2008-07-02]

Pedersen, P.O.: The development of the informal small-enterprise sector in Eastern and Southern Africa: From import substitution to structural adjustment, 2005. (DIIS Working Paper no 2005/11)

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 [2007-04-19]

Perez, R.: Are the Economic Partnership Agreements a first-best optimum for the African Caribbean Pacific Countries?, in: Journal of World Trade, Volume 40, Issue 6, 2006, p.999-1019.

http://www.stopepa.de/img/EPAs-ACP-Is_it_Best_Option-Perez_2006%20Journal%20of%20World%20Trade%20paper.pdf [2008-07-14]

Pretty, J.N.: Agricultural sustainability: concepts, principles and evidence, in: Philosophical Transactions of the Royal Society of London, Series B, Vol.363, No.1491, 2008, p.447-465.

<http://rstb.royalsocietypublishing.org/content/363/1491/447.full.pdf+html> [2008-09-22]

Preville, C.: The challenges facing farmers' organizations in the liberalized trading environment. Feature address delivered at the WINFA-OXFAM Farmers Forum Catholic Pastoral Centre in Edinboro, Kingstown, St. Vincent and the Grenadines, 20-23 September 2004.

http://www.crnw.org/documents/private_sector/Challenges%20Facing%20Farmers%20in%20the%20Liberalized%20Trading%20Environment%20-%20Preville.pdf [2008-12-10]

Reichert, T.: EU-Agrarsubventionen auf dem Prüfstand. Entwicklung von Kriterien für ihren Umbau, 2006. <http://www.germanwatch.org/tw/eu-agr05.pdf> [2007-04-01]

Roberts, I./Gunning-Trant, C.: The European Union's Common Agricultural Policy. A stocktake of reforms, 2007. (Abare Research Report 07.13)
http://www.abare.gov.au/publications_html/crops/crops_07/EU_cap07.pdf
[2008-07-09]

Roux, W.: Economic Partnership Agreements: The new game of divide and rule. A reader, 2008.
http://www.bilaterals.org/IMG/doc/Trade_Reader_2008.doc [2008-08-13]

Rudloff, B.: Parallele europäische Agrarreform und WTO-Agrarverhandlungen – behindern oder stärken sich beide Prozesse wechselseitig?, 2008. (SWP Aktuell 29 2008)
http://www.swp-berlin.org/common/get_document.php?asset_id=4881
[2008-07-28]

SADC – EC joint road map for the Economic Partnership Agreement negotiations, 2004. <http://trade.ec.europa.eu/doclib/html/118125.htm>
[2007-12-23]

Schneider, A./Kernohan, D.: The effects of trade liberalisation on agriculture in smaller developing countries. Implications for the Doha Round, 2006. (CEPS working document 244, 2006)
<http://www.gbv.de/du/services/gLink/2.1/51661455X/999/http://shop.ceps.be/fre/e/1338.pdf?> [2007-04-19]

Schott, J.J.: The future of the multilateral trading system in a multi-polar world, 2008. (DIE Discussion Paper 8/2008)
[http://www.die-gdi.de/CMS-Homepage/openwebcms3_e.nsf/\(ynDK_contentByKey\)/ANES-7FSGDU/\\$FILE/DP%208.2008.pdf](http://www.die-gdi.de/CMS-Homepage/openwebcms3_e.nsf/(ynDK_contentByKey)/ANES-7FSGDU/$FILE/DP%208.2008.pdf) [2008-08-17]

Setton, D.: Vom "Washingtoner Konsens" zum "Genfer Konsens".
Strukturanpassung in neuem Gewand, in: VENRO (Hg.): Welche
Konditionalitäten braucht die Entwicklungszusammenarbeit?, 2006. (VENRO
2015 im Gespräch 10) http://www2.weed-online.org/uploads/venro_2015_im_gespraech_nr.10.pdf [2007-04-09]

Siegel, P./Alwang, J.: Poverty reducing potential of smallholder agriculture in Zambia: Opportunities and constraints, 2005. (World Bank – Africa Region Working Paper Series No.85)

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

Simatele, M.C.H.: Food production in Zambia. The impact of selected structural adjustment policies, 2006. (AERC Research Paper 159)

<http://www.aercafrica.org/documents/RP159.pdf> [2007-04-19]

South Centre: A positive agenda for African agriculture in EPAs, 2008.

http://www.southcentre.org/index.php?option=com_docman&task=doc_download&gid=838&Itemid=68 [2008-07-13]

South Centre: EPA negotiations in Southern Africa: Some issues of concern, 2007.

http://www.southcentre.org/index2.php?option=com_content&do_pdf=1&id=296 [2008-07-02]

South Centre: Market access for trade in goods in Economic Partnership Agreements (EPAs), 2008. (Fact Sheet No.7)

http://www.southcentre.org/publications/AnalyticalNotes/Other/2008Feb_EPA_Fact_Sheet_No7.pdf [2008-03-12]

South Centre: South Centre's analysis and news of the WTO's mini-ministerial, No.1, 2008.

http://www.southcentre.org/index.php?option=com_docman&task=doc_download&gid=886&Itemid= [2008-07-29]

South Centre: South Centre's analysis and news of the WTO's mini-ministerial, No.2, 2008.

http://www.southcentre.org/index.php?option=com_docman&task=doc_download&gid=885&Itemid= [2008-07-29]

South Centre: The value of EU preferences for the ACP and EPA contribution to market access, 2007. (Fact Sheet No.2)

http://www.southcentre.org/index2.php?option=com_content&do_pdf=1&id=312
[2008-07-02]

South Centre: Trade liberalisation and the difficult shift towards reciprocity in the EPAs, 2007. (Fact Sheet No.3)

http://www.southcentre.org/index.php?option=com_docman&task=doc_download&gid=172&Itemid= [2008-07-02]

Southern African Customs Union (SACU) Agreement, 2002.

<http://www.sacu.int/main.php?include=docs/legislation/2002-agreement/part1.html> [2008-11-14]

Staatz, J.M./Dembélé, N.N.: Agriculture for development in Sub-Saharan Africa, 2008. (World Bank Background Paper for the World Development Report 2008, draft version: May 4, 2007)

http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2007/11/12/000020953_20071112114248/Rendered/PDF/413780AFR0Agri1development01PUBLIC1.pdf [2008-09-30]

Stein, H.: The World Bank and the IMF in Africa: Strategy and routine in the generation of a failed agenda, 2004. http://www.macua.org/Howard_Stein.pdf [2009-02-17]

Stevens, C. et al.: The new EPAs: Comparative analysis of their content and the challenges for 2008, 2008.

[http://www.ecdpm.org/Web_ECDPM/Web/Content/Download.nsf/0/E8036BBF7CB4214BC1257421002B30D2/\\$FILE/ODI-ECDPM%20EPA%20Analysis%20-%20Final%20Report%2031-03-08%20Amended%2003-04-08.pdf](http://www.ecdpm.org/Web_ECDPM/Web/Content/Download.nsf/0/E8036BBF7CB4214BC1257421002B30D2/$FILE/ODI-ECDPM%20EPA%20Analysis%20-%20Final%20Report%2031-03-08%20Amended%2003-04-08.pdf) [2008-12-12]

Stevens, C./Kennan, J.: Agricultural reciprocity under Economic Partnership Agreements, 2006. (IIIS Discussion Paper No.111)

<http://www.tcd.ie/iis/policycoherence/index.php/iis/content/download/549/2052/file/iisdp111.pdf> [2007-08-05]

Stockbridge, M. et al.: Farmer organisations for market access: Learning from success, 2003.

http://www.sdc-ruraldevelopment.ch/en/Home/Book_Shop/Rural_Economic_Development/document.php?itemID=2077&langID=1 [2008-07-14]

Sunday Standard: Mandelson urges SADC to conclude EPA, 10 March 2008.

http://www.sundaystandard.info/search/search_item.php?NewsID=2798
[2009-02-15]

TNI: An interview with Sir John Kaputin: Secretary General of the ACP group, in: TNI, Vol.7, No.1, 2008, p.12-14.

http://www.acp-eu-trade.org/library/files/TNI_EN_7-1.pdf [2008-10-01]

TNI: WTO roundup, in: TNI, Vol.8, No.2, 2009, p.12.

http://www.acp-eu-trade.org/library/files/TNI_EN_8-2.pdf [2009-03-29]

TRALAC: UN urges African economies to diversify, 30 January 2009.

http://www.tralac.org/cgi-bin/giga.cgi?cmd=cause_dir_news_item&cause_id=1694&news_id=59359&cat_id=1026 [2009-02-15]

Treaty establishing the European Community (consolidated version), 2006.

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2006:321E:0001:0331:EN:PDF> [2007-07-21]

Treaty of the Southern African Development Community, 1992.

<http://www.sadc.int/index/browse/page/120> [2008-03-03]

Ubisse, A.: Intra-SADC trade performance review 2006: Chapter 4:

Mozambique, 2006.

<http://www.sadctrade.org/files/Intra-SADC-trade-performance-review-2006-4-mozambique.pdf> [2009-04-13]

Ulmer, K.: Making a pig's ear of African agriculture, in: European Voice, 19 May 2008.

UNECA: Economic report for Africa 2007. Accelerating Africa's development through diversification, 2007. <http://www.uneca.org/era2007/ERA2007Full.pdf> [2008-12-05]

Van Hove, K./Julian, M.: EPA negotiations update: State of play of negotiations, in: TNI, Vol.2, No.2, 2003, p.6-7.
http://www.acp-eu-trade.org/library/files/tni_eng_vol2_no2.pdf [2007-07-13]

Von Urff, W.: Agrarmarkt und Strukturen des ländlichen Raumes in der Europäischen Union, in: Die Europäische Union. Politisches System und Politikbereiche, hg. v. Weidenfeld, W., 2006, p.215-222.

Weller, C./Ullmer, K.: Trade and Governance. Does governance matter for trade?, 2008. http://www.acp-eu-trade.org/library/files/Weller_EN_1108_APRODEV_Does-governance-matter-for-trade.pdf [2008-11-24]

Wiggerthale, M.: Supermärkte auf dem Vormarsch im Süden – Bedrohung für Kleinbauern?, 2007.
http://www.supermarktmacht.de/hintergruende/publikationen/20071015-eed-for-um-supermarkt_vormarsch_07_deu.pdf?navanchor=1010012 [2008-07-14]

World Bank: Development Data Group. World development indicators online, 2008. <http://go.worldbank.org/U0FSM7AQ40> [2009-03-16]

World Bank: World Development Report 2005. A better investment climate for everyone, 2004.
http://siteresources.worldbank.org/INTWDR2005/Resources/complete_report.pdf [2008-11-15]

World Bank: World Development Report 2008. Agriculture for development, 2007.
http://siteresources.worldbank.org/INTWDR2008/Resources/WDR_00_book.pdf [2008-07-02]

WTO: Doha Work Programme. Decision adopted by the General Council on 1 August 2004 ("July Package"), 2 August 2004. [WT/L/579]
http://www.wto.org/english/tratop_e/dda_e/ddadraft_31jul04_e.pdf [2008-07-09]

WTO: Ministerial Conference. Fifth session. Cancún, 10-14 September 2003. Ministerial Statement, adopted on 14 September 2003, 23 September 2003. [WT/MIN(03)/20]
http://www.wto.org/english/thewto_e/minist_e/min03_e/min03_20_e.doc
[2008-12-12]

WTO: Ministerial Conference. Fourth session, Doha, 9-14 November 2001. Ministerial Declaration, adopted on 14 November 2001, 20 November 2001. [WT/MIN(01)/DEC/1].
http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.pdf
[2009-01-17]

WTO: Revised draft modalities for agriculture, 6 December 2008. [TN/AG/W/4/Rev.4]
http://www.wto.org/english/tratop_e/agric_e/agchairtxt_dec08_a_e.pdf
[2009-01-24]

WTO: Trade policy review: Mozambique. Report by the secretariat, 2003. <http://docsonline.wto.org/DDFDocuments/t/WT/TPR/S79-0.doc> [2009-01-02]

WTO: Trade policy review: SACU. Report by the secretariat, 2003. [WT/TPR/S/114] http://www.wto.org/english/tratop_e/tpr_e/s114-0_e.doc
[2009-01-02]

WTO: Trade policy review: SACU. Report by the secretariat. Annex one: Botswana, 2003. [WT/TPR/S/114/BWA]
http://www.wto.org/english/tratop_e/tpr_e/s114-1_e.doc [2009-01-02]

WTO: Trade policy review: SACU. Report by the secretariat. Annex two: Kingdom of Lesotho, 2003. [WT/TPR/S/114/LSO]
http://www.wto.org/english/tratop_e/tpr_e/s114-2_e.doc [2009-01-02]

WTO: Trade policy review: SACU. Report by the secretariat. Annex three: Namibia, 2003. [WT/TPR/S/114/NAM]

http://www.wto.org/english/tratop_e/tpr_e/s114-3_e.doc [2009-01-02]

WTO: Trade policy review: SACU. Report by the secretariat. Annex five: Kingdom of Swaziland, 2003. [WT/TPR/S/114/SWZ]

http://www.wto.org/english/tratop_e/tpr_e/s114-5_e.doc [2009-01-02]

Homepages

<http://www.agra-alliance.org>

<http://www.epa2007.org>

<http://www.stopepa.de>

8 Annex

European Community/ACP Group of States: 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, 23 June 2000.

ARTICLE 1

Objectives of the partnership

The Community and its Member States, of the one part, and the ACP States, of the other part, hereinafter referred to as the "Parties" hereby conclude this Agreement in order to promote and expedite the economic, cultural and social development of the ACP States, with a view to contributing to peace and security and to promoting a stable and democratic political environment.

The partnership shall be centred on the objective of reducing and eventually eradicating poverty consistent with the objectives of sustainable development and the gradual integration of the ACP countries into the world economy.

These objectives and the Parties' international commitments shall inform all development strategies and shall be tackled through an integrated approach taking account at the same time of the political, economic, social, cultural and environmental aspects of development. The partnership shall provide a coherent support framework for the development strategies adopted by each ACP State.

Sustained economic growth, developing the private sector, increasing employment and improving access to productive resources shall all be part of this framework. Support shall be given to the respect of the rights of the individual and meeting basic needs, the promotion of social development and the conditions for an equitable distribution of the fruits of growth. Regional and sub-regional integration processes which foster the integration of the ACP countries into the world economy in terms of trade and private investment shall be encouraged and supported. Building the capacity of the actors in development and improving the institutional framework necessary for social

cohesion, for the functioning of a democratic society and market economy, and for the emergence of an active and organised civil society shall be integral to the approach. Systematic account shall be taken of the situation of women and gender issues in all areas – political, economic and social. The principles of sustainable management of natural resources and the environment shall be applied and integrated at every level of the partnership.

ARTICLE 2

Fundamental principles

ACP-EC cooperation, underpinned by a legally binding system and the existence of joint institutions, shall be exercised on the basis of the following fundamental principles:

- equality of the partners and ownership of the development strategies: for the purposes of implementing the objectives of the partnership, the ACP States shall determine the development strategies for their economies and societies in all sovereignty and with due regard for the essential elements described in Article 9; the partnership shall encourage ownership of the development strategies by the countries and populations concerned;
- participation: apart from central government as the main partner, the partnership shall be open to different kinds of other actors in order to encourage the integration of all sections of society, including the private sector and civil society organisations, into the mainstream of political, economic and social life;
- the pivotal role of dialogue and the fulfilment of mutual obligations: the obligations assumed by the Parties in the framework of their dialogue shall be central to their partnership and cooperation relations;
- 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.

ARTICLE 28

General approach

Cooperation shall provide effective assistance to achieve the objectives and priorities which the ACP States have set themselves in the context of regional and sub-regional cooperation and integration, including inter-regional and intra-ACP cooperation. Regional Cooperation can also involve Overseas Countries and Territories (OCTs) and outermost regions. In this context, cooperation support shall aim to:

- a) foster the gradual integration of the ACP States into the world economy;
- b) accelerate economic cooperation and development both within and between the regions of the ACP States;
- c) promote the free movement of persons, goods, services, capital, labour and technology among ACP countries;
- d) accelerate diversification of the economies of the ACP States; and coordination and harmonisation of regional and sub-regional cooperation policies; and
- e) promote and expand inter and intra-ACP trade and with third countries.

ARTICLE 34

Objectives

1. 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.

ARTICLE 36

Modalities

1. In view of the objectives and principles set out above, the Parties agree to conclude new World Trade Organisation (WTO) compatible trading arrangements, removing progressively barriers to trade between them and enhancing cooperation in all areas relevant to trade.

2. The Parties agree that the new trading arrangements shall be introduced gradually and recognise the need, therefore, for a preparatory period.

3. In order to facilitate the transition to the new trading arrangements, the non-reciprocal trade preferences applied under the Fourth ACP-EC Convention shall be maintained during the preparatory period for all ACP countries, under the conditions defined in Annex V to this Agreement.

4. In this context, the Parties reaffirm the importance of the commodity protocols, attached to Annex V of this Agreement. They agree on the need to review them in the context of the new trading arrangements, in particular as regards their compatibility with WTO rules, with a view to safeguarding the benefits derived therefrom, bearing in mind the special legal status of the Sugar Protocol.

ARTICLE 37

Procedures

1. Economic partnership agreements shall be negotiated during the preparatory period which shall end by 31 December 2007 at the latest. Formal negotiations of the new trading arrangements shall start in September 2002 and the new trading arrangements shall enter into force by 1 January 2008, unless earlier dates are agreed between the Parties.

[...]

3. The preparatory period shall also be used for capacity-building in the public and private sectors of ACP countries, including measures to enhance competitiveness, for strengthening of regional organisations and for support to regional trade integration initiatives, where appropriate with assistance to budgetary adjustment and fiscal reform, as well as for infrastructure upgrading and development, and for investment promotion.

[...]

5. Negotiations of the economic partnership agreements will be undertaken with ACP countries which consider themselves in a position to do so, at the level they consider appropriate and in accordance with the procedures agreed

by the ACP Group, taking into account regional integration process within the ACP.

6. In 2004, the Community will assess the situation of the non-LDC which, after consultations with the Community decide that they are not in a position to enter into economic partnership agreements and will examine all alternative possibilities, in order to provide these countries with a new framework for trade which is equivalent to their existing situation and in conformity with WTO rules.

7. Negotiations of the economic partnership agreements shall aim notably at establishing the timetable for the progressive removal of barriers to trade between the Parties, in accordance with the relevant WTO rules. On the Community side trade liberalisation shall build on the *acquis* and shall aim at improving current market access for the ACP countries through *inter alia*, a review of the rules of origin. Negotiations shall take account of the level of development and the socio-economic impact of trade measures on ACP countries, and their capacity to adapt and adjust

8. their economies to the liberalisation process. Negotiations will therefore be as flexible as possible in establishing the duration of a sufficient transitional period, the final product coverage, taking into account sensitive sectors, and the degree of asymmetry in terms of timetable for tariff dismantlement, while remaining in conformity with WTO rules then prevailing. 8. The Parties shall closely cooperate and collaborate in the WTO with a view to defending the arrangements reached, in particular with regard to the degree of flexibility available.

Council of the European Union: Interim Economic Partnership Agreement between the SADC EPA States, on the one part, and the European Community and its Member States, on the other part, 2008.

SADC IEPA

ARTICLE 4

Regional integration

1. The Parties recognise that regional integration is an integral element of their partnership and a powerful instrument to achieve the objectives of this Agreement.
2. The Parties reaffirm the importance of regional and sub-regional integration amongst the SADC EPA States to achieve greater economic opportunities, enhanced political stability and to foster the effective integration of developing countries into the world economy. Without prejudice to the commitments undertaken in this Agreement, the pace and content of their regional integration is determined exclusively by the SADC EPA States in the exercise of their sovereignty.
3. The Parties support in particular the integration processes and related development policies and political agendas, based on the Southern African Customs Union Agreement signed on 21st October 2002, the Southern African Development Community Treaty signed on 17 August 1992 and the Constitutive Act of the African Union adopted on 11 July 2000. They aim at building and deepening their partnership on the basis of those processes and at implementing this Agreement in a mutually supportive manner with those instruments, taking into account the respective levels of development, needs, geographical realities and sustainable development strategies.

ARTICLE 7

Development cooperation framework

The Parties commit themselves to cooperating in order to implement this Agreement and to support the SADC EPA States' trade and development

strategies within the overall SADC regional integration process. The cooperation can take financial and non financial forms.

ARTICLE 8

Development finance cooperation

1. The Parties recognise that development cooperation is a crucial element of their partnership and an essential factor for the realization of the objectives of this Agreement as laid down in Article 1. Development finance cooperation for regional economic cooperation and integration, as provided for in the Cotonou Agreement, shall be carried out so as to support and promote the efforts of the SADC EPA States to achieve the objectives and to maximise the expected benefits of this Agreement. Areas of cooperation and technical assistance are set out, as appropriate, in Chapter 3 and in the other Chapters of this Agreement. Cooperation shall be implemented according to the modalities provided for in this Article, shall be kept under ongoing review and shall be revised as necessary according to the provisions of Article 108 of this Agreement.

2. The European Community² financing pertaining to development cooperation between the SADC EPA States and the European Community supporting the implementation of this Agreement shall be carried out within the framework of the rules and relevant procedures provided for by the Cotonou Agreement, in particular the programming procedures of the European Development Fund and within the framework of the relevant instruments financed by the General Budget of the European Union. In this context, supporting the implementation of this Interim EPA shall be a priority.

3. The Member States of the European Union collectively undertake to support, by means of their respective development policies and instruments, development cooperation activities for regional economic cooperation and integration and for the implementation of this agreement in the SADC EPA States and at the regional level, in conformity with the complementarity and aid effectiveness principles.

4. The Parties recognize that adequate resources will be required for the implementation of this Agreement and the fullest realization of its benefits. In this respect the Parties shall cooperate to enable SADC EPA States to access other financial instruments as well as facilitate other donors willing to further support the efforts of the SADC EPA States in achieving the objectives of this Agreement.

5. The Parties agree that a regional development financing mechanism such as an EPA fund would provide a useful instrument for efficiently channelling development financial resources and for implementing EPA accompanying measures. The EC Party agrees to support the efforts of the region to set up such a mechanism. The EC Party will contribute to the fund following a satisfactory audit.

ARTICLE 10

Cooperation in trade in goods

The aim of cooperation in this area shall be to enhance trade in goods and the SADC EPA States capacity to trade, including the phasing out of tariffs and customs duties, properly implementing rules of origin, trade defence instruments, non-tariff measures including sanitary and phyto-sanitary (SPS) measures and technical barriers to trade (TBT), and promoting customs cooperation and trade facilitation.

ARTICLE 11

Cooperation in supply-side competitiveness

The aim of cooperation under this Article shall be to increase the competitiveness of the SADC EPA States and remove supply side constraints at national, institutional and, in particular, at company level. This cooperation includes, amongst others, fields such as production, technology development and innovation, marketing, financing, distribution, transport, diversification of economic base, as well as development of the private sector, improvement of the trade and business environment and support to small and medium enterprises in the field of agriculture, fisheries, industry and services.

ARTICLE 17

Cooperation on fiscal adjustment

1. The Parties recognize that the phasing out or reduction of customs duties laid down in this Agreement may affect the fiscal revenues of the SADC EPA States and agree to cooperate on this matter.

1. The Parties agree to cooperate in accordance with the provisions of Article 8 in particular:

- a) on support to fiscal reforms and
- b) on support measures complementary to fiscal reforms for the mitigation of the net fiscal impact of EPA that will be determined in accordance with a jointly agreed mechanism.

ARTICLE 19

Free trade agreement

1. This Agreement establishes a free trade area (FTA) between the Parties, in conformity with the General Agreement on Tariffs and Trade (hereinafter referred to as "GATT 1994"), in particular Article XXIV.

2. The FTA shall respect the principle of asymmetry, commensurate to the specific needs and capacity constraints of the SADC EPA States, in terms of levels and timing for commitments under this Agreement.

3. The FTA will apply to trade between, on one side, the European Community and, on the other side, the SADC EPA States.

ARTICLE 21

Rules of origin

1. For the purposes of this Chapter, "originating" means qualifying under the rules of origin set out in Protocol 1.

2. Within the first three years of the entry into force of this Agreement, the Parties shall review the provisions of Protocol 1, with a view to further simplifying the concepts and methods used for the purpose of determining origin. In such review the Parties shall take into account the development of

technologies, production processes and all other factors, including on-going reforms of rules of origin, which may require modifications to the provisions of this Protocol. Any such modifications shall be effected by a decision of the Joint Council as defined in Article 93.

3. Particular attention shall be given to these provisions within the framework of the review foreseen in paragraph 2.

ARTICLE 23

Standstill

No new customs duties shall be introduced, nor shall those already applied be increased in trade between the Parties as from the entry into force of this Agreement for all products subject to liberalisation.

ARTICLE 24

Duties, taxes or other fees and charges on exports

1. No new customs duties on exports or charges having equivalent effect shall be introduced, nor shall those already applied be increased, in the trade between the European Community and the SADC EPA countries from the date of entry into force of this Agreement.

2. In exceptional circumstances where the SADC EPA States can justify specific revenue needs, protection of infant industries, or protection of the environment, these SADC EPA States may introduce, after consultation with the EC Party, temporary export taxes or charges having equivalent effect on a limited number of additional products.

3. The Parties agree to review the provisions of this Article in the Joint Council no later than three years after the entry into force of this Agreement, taking fully into account their impact on development and diversification of the SADC EPA States' economies.

ARTICLE 27

Free circulation of goods

1. Customs duties shall be levied only once for goods originating in the EC Party or in the SADC EPA States in the territory of the other Party.
2. Any duty paid upon importation into a SADC EPA State shall be refunded fully when the goods are re-exported from the customs territory of the SADC EPA State of first importation. Such products shall then be subject to the duty in the country of consumption.
3. The Parties agree to cooperate with a view to facilitating the circulation of goods and simplifying customs procedures.

ARTICLE 28

More favourable treatment resulting from free trade agreements

1. With respect to matters covered by this Chapter, the EC Party shall accord to SADC EPA States any more favourable treatment applicable as a result of the EC Party becoming party to a free trade agreement with third parties after the signature of this Agreement.
2. With respect to the subject matter covered by this Chapter, the SADC EPA States shall accord to the EC Party any more favourable treatment applicable as a result of the SADC EPA States or any Signatory SADC EPA State becoming party to a free trade agreement with any major trading economy after the signature of this Agreement.
3. Where a SADC EPA State can demonstrate that it has been given by a third Party substantially more favourable treatment than that offered by the EC Party, the Parties will consult and jointly decide how best to implement the provisions of paragraph 2.
4. The provisions of this Chapter shall not be so construed as to oblige the EC Party or any SADC EPA State to extend reciprocally any preferential treatment applicable as a result of the EC Party or any SADC EPA State being party to a free trade agreement with third parties on the date of signature of this Agreement.
5. For the purposes of this Article, 'major trading economy' means any developed country, or any country accounting for a share of world merchandise exports above 1 percent in the year before the entry into force of the economic

integration agreement referred to in paragraph 2, or any group of countries acting individually, collectively or through an economic integration agreement accounting collectively for a share of world merchandise exports above 1.5 percent in the year before the entry into force of the economic integration agreement referred to in paragraph 2.

ARTICLE 33

Multilateral safeguards

1. Subject to the provisions of this Article, nothing in this Agreement shall prevent the SADC EPA States and the EC Party from adopting measures in accordance with Article XIX of the General Agreement on Tariffs and Trade 1994, the Agreement on Safeguards, Article 5 of the Agreement on Agriculture annexed to the Marrakech Agreement Establishing the World Trade Organization and any other relevant WTO Agreements.
2. Notwithstanding paragraph 1, the EC Party shall, in the light of the overall development objectives of this Agreement and the small size of the economies of the SADC EPA States, exclude imports from any SADC EPA State from any measures taken pursuant to Article XIX of the GATT 1994, the WTO Agreement on Safeguards and Article 5 of the Agreement on Agriculture.
3. The provisions of paragraph 2 shall apply for a period of five years, beginning from the date of entry into force of the Agreement. Not later than 120 days before the end of this period, the Joint SADC-EC Council shall review the operation of those provisions in the light of the development needs of the SADC EPA States, with a view to determining whether to extend their application for a further period.
4. The provisions of paragraph 1 shall not be subject to the Dispute Settlement provisions of this Agreement.

ARTICLE 34

Bilateral safeguard

1. Notwithstanding Article 33, after having examined alternative solutions, a Party may apply safeguard measures of limited duration which derogate from

the provisions of Articles 25 and 26, under the conditions and in accordance with the procedures laid down in this Article.

2. Safeguard measures referred to in paragraph 1 of this Article may be taken where a product originating in one Party is being imported into the territory of the other Party in such increased quantities and under such conditions as to cause or threaten to cause:

- a) serious injury to the domestic industry producing like or directly competitive products in the territory of the importing Party, or
- b) disturbances in a sector of the economy producing like or directly competitive products, particularly where these disturbances produce major social problems, or difficulties which could bring about serious deterioration in the economic situation of the importing Party, or
- c) disturbances in the markets of like or directly competitive agricultural products⁹¹² or mechanisms regulating those markets.

3. Safeguard measures referred to in this Article shall not exceed what is necessary to remedy or prevent the serious injury or disturbances, as defined in paragraph 2 of this Article.

4. Those safeguard measures which may be taken by the importing Party may only consist of one or more of the following:

- a) suspension of the further reduction of the rate of import duty for the product concerned, as provided for under this Agreement, or
- b) increase in the customs duty on the product concerned up to a level which does not exceed the WTO bound rate of duty, or
- c) introduction of tariff quotas on the product concerned.

5. Without prejudice to paragraphs 1, 2 and 3 of this Article, where any product originating in one or more SADC EPA State is being imported in such increased quantities and under such conditions as to cause or threaten to cause one of the situations referred to under 2(a), (b) and (c) of this Article to a like or directly competitive production sector of one or several of the EC Party's outermost regions, the EC Party may take surveillance or safeguard measures

⁹¹² For the purpose of this article agricultural products are those covered by Annex I of the WTO Agreement on Agriculture.

limited to the region or regions concerned in accordance with the procedures laid down in paragraphs 6 to 9.

6.

a) Without prejudice to paragraphs 1, 2 and 3 of this Article, where any product originating in the EC Party is being imported in such increased quantities and under such conditions as to cause or threaten to cause one of the situations referred to under 2(a), (b) and (c) of this Article to a SADC EPA State, the SADC EPA State concerned may take surveillance or safeguard measures limited to its territory in accordance with the procedures laid down in paragraphs 7 to 10 of this Article.

b) A SADC EPA State may take safeguard measures as provided for in paragraph 2 of this Article, where a product originating in the EC Party as a result of the reduction of duties is being imported into its territory in such increased quantities and under such conditions as to cause or threaten to cause disturbances to an infant industry producing like or directly competitive products. Such provision is applicable for a period of twelve years for Botswana, Namibia and Swaziland or fifteen years for LDCs from the date of entry into force of this Agreement. This application period can be further extended on review by the Joint Council, in view of the overall level of development achieved by the SADC EPA States. Measures must be taken in accordance with the procedures laid down in paragraph 6 to 9 of this Article.

7.

a) Safeguard measures referred to in this Article shall only be maintained for such a time as may be necessary to prevent or remedy serious injury or disturbances as defined in paragraphs 2, 5 and 6 of this Article.

b) Safeguard measures referred to in this Article shall not be applied for a period exceeding two years. Where the circumstances warranting imposition of safeguard measures continue to exist, such measures may be extended for a further period of no more than two years. Where one or more SADC EPA State applies a safeguard measure, or where the EC Party applies a measure limited to the territory of one or more of its outermost regions, they may however apply that measure for a period not exceeding four years and, where

the circumstances warranting the imposition of safeguard measures continue to exist, extend it for a further period of four years.

c) Safeguard measures referred to in this Article that exceed one year shall contain clear elements progressively leading to their elimination at the end of the set period, at the latest.

d) No safeguard measure referred to in this Article shall be applied to the import of a product that has previously been subject to such a measure, within a period of at least one year from the expiry of the measure.

8. For the implementation of the above paragraphs, the following provisions shall apply:

a) Where a Party takes the view that one of the circumstances set out in paragraphs 2, 5 and/or 6 exists, it shall immediately refer the matter to the Trade and Development Committee for examination.

b) The Trade and Development Committee may make any recommendation needed to remedy the circumstances which have arisen. If no recommendation has been made by the Trade and Development Committee aimed at remedying the circumstances, or no other satisfactory solution has been reached within 30 days of the matter being referred to the Trade and Development Committee, the importing Party may adopt the appropriate measures to remedy the circumstances in accordance with this Article.

c) Before taking any measure provided for in this Article or, in the case to which paragraph 9 of this Article applies, as soon as possible, the Party or the SADC EPA State concerned shall supply the Trade and Development Committee with all relevant information required for a thorough examination of the situation, with a view to seeking a solution acceptable to the parties concerned.

d) In the selection of safeguard measures pursuant to this Article, priority must be given to those which least disturb the operation of this Agreement.

e) Any safeguard measure taken pursuant to this Article shall be notified immediately to the Trade and Development Committee and shall be the subject of periodic consultations within that body, particularly with a view to establishing a timetable for their abolition as soon as circumstances permit.

9. In critical circumstances where delay would cause damage which it would be difficult to repair, the importing Party concerned, whether the EC Party, or one or more SADC EPA States as the case may be, may take the measures provided for in paragraph 3, 5 and/or 6 on a provisional basis without complying with the requirements of paragraph 8. Such action may be taken for a maximum period of 180 days where measures are taken by the EC Party and 200 days where measures are taken by one or more SADC EPA States as the case may be, or where measures taken by the EC Party are limited to the territory of one or more of its outermost region(s). The duration of any such provisional measure shall be counted as a part of the initial period and any extension referred to in paragraph 6. In the taking of such provisional measures, the interest of all parties involved shall be taken into account. The importing Party concerned shall inform the other Party concerned and it shall immediately refer the matter to the Trade and Development Committee for examination.

10. If an importing Party subjects imports of a product to an administrative procedure having as its purpose the rapid provision of information on the trend of trade flows liable to give rise to the problems referred to in this Article, it shall inform the Trade and Development Committee without delay.

11. Safeguard measures adopted under the provisions of this Article shall not be subject to WTO Dispute Settlement provisions.

ARTICLE 35

Prohibition of quantitative restrictions

All prohibitions or restrictions applying on the import or export of goods between the Parties, other than customs duties and taxes, and fees and other charges provided for under Article 22 of this Agreement, whether made effective through quotas, import or export licenses or other measures, shall be eliminated upon the entry into force of this Agreement, unless justified under the exceptions of Article XI of the GATT 1994. No new such measures shall be introduced. The provisions of this Article shall be without prejudice to the provisions of Article 32 Title II on antidumping and countervailing measures.

ARTICLE 49

Objectives

1. The Parties agree to co-operate in order to facilitate and increase trade in goods between them, by identifying, preventing and eliminating unnecessary barriers to trade within the terms of the TBT Agreement.
2. The Parties undertake to co-operate in strengthening regional and specifically SADC EPA States' integration and co-operation on matters concerning technical barriers to trade.
3. The Parties undertake to establish and enhance SADC EPA States' technical capacity on matters concerning technical barriers to trade.

ARTICLE 50

Scope and definitions

1. The provisions of this Chapter shall apply to technical regulations, standards and conformity assessment procedures as defined in the TBT Agreement in so far as they affect trade covered by this Agreement.
2. For the purposes of this Chapter, the definitions used by the TBT Agreement shall apply.

ARTICLE 53

Measures for identifying, preventing and eliminating technical barriers to trade

The Parties agree to identify and implement mechanisms among those supported by the TBT Agreement that are the most appropriate for particular priority issues or sectors. Such mechanisms may include:

1. Intensifying their collaboration, with a view to facilitating access to their respective markets, by increasing the mutual knowledge and understanding of their respective systems in the field of technical regulations, standards, metrology, accreditation and conformity assessment;
2. Exchanging information, identifying and implementing appropriate mechanisms for particular issues or sectors, i.e. alignment to international standards, reliance on the supplier's declaration of conformity, the use of

internationally recognized accreditation to qualify conformity assessment bodies and the use of international product testing and certification schemes;

3. Identifying and organising sector-specific interventions on technical regulations and conformity assessment with a view to facilitating understanding of and access to their respective markets. These sectors will be chosen taking into account key areas of trade, including priority products;

4. Developing co-operation activities and measures with a view to supporting the implementation of the rights and obligations under the TBT Agreement;

5. Where appropriate, developing common views and approaches on technical regulatory practices, including transparency, consultation, necessity and proportionality, the use of international standards, conformity assessment requirements, the use of impact and risk assessment, enforcement and market surveillance;

6. Promoting harmonisation, whenever possible and in areas of mutual interest, towards international standards, and the use of such standards in the development of technical regulations and conformity assessment procedures;

7. Undertaking to consider, in due course, negotiating mutual recognition agreements in sectors of mutual economic interest;

8. Promoting collaboration between the Parties' and SADC EPA States, as the case may be, organizations responsible for technical regulations, metrology, standardisation, testing, certification, inspection and accreditation; and

9. Promoting the participation by the SADC EPA States in international standardssetting bodies.

ARTICLE 57

Objectives

1. The Parties agree to facilitate trade and investment within the SADC EPA States and between the Parties while ensuring that measures adopted shall apply only to the extent necessary to protect human, animal or plant health or life in accordance with the provisions of the SPS Agreement.

2. The Parties undertake to co-operate in strengthening regional integration and specifically SADC EPA States' co-operation on matters concerning sanitary and phytosanitary measures (herein after referred to as "SPS measures") and to address problems arising from SPS measures on agreed priority sectors and products⁵ whilst giving due consideration to regional integration.

3. As a result thereof, the Parties agree to promote bi-regional collaboration aiming at recognition of appropriate levels of protection in SPS measures.

4. The Parties agree to establish and enhance SADC EPA States' technical capacity to implement and monitor SPS measures, including promoting greater use of international standards and other matters concerning SPS.

ARTICLE 59

Competent authorities

1. The respective SPS authorities shall be the competent authorities in the SADC EPA States and the EC Party for the implementation of the measures referred to in this Chapter.

2. The Parties or the SADC EPA States, as the case may be, shall, in accordance with this Agreement, inform each other of their respective competent SPS authorities and any changes thereto.

ARTICLE 60

Transparency

1. The Parties reaffirm the principle of transparency in the application of SPS measures, in accordance with the SPS Agreement.

2. The Parties recognise the importance of effective mechanisms for consultation, notification and exchange of information with respect to SPS measures in accordance with the SPS Agreement.

3. The importing Party shall inform the exporting Party of any changes in its sanitary and phytosanitary import requirements that may affect trade falling under the scope of this Chapter. The Parties undertake to establish mechanisms for the exchange of such information where appropriate.

4. The Parties will apply the principle of zoning or compartmentalization when defining import conditions, taking into account international standards.

Zones or compartments of defined sanitary or phytosanitary status may also be identified and proposed jointly by the Parties, on a case by case basis, wherever possible, in order to avoid disruption to trade.

ARTICLE 61

Information exchange

1. The Parties agree to establish an early-warning system to ensure that the SADC-EPA States are informed in advance of new EC SPS measures that may affect SADC EPA exports to the EU. This system shall be based on existing mechanisms where appropriate.
2. The Parties or the SADC EPA States, as the case may be, agree to collaborate in the further development of the epidemiological surveillance network on animal disease and in the domain of plant health, the Parties will exchange information on the occurrence of pests of known and immediate danger to the other Party.

ARTICLE 63

Consultations

If either Party or a SADC EPA State, as the case may be, considers that another Party has taken measures which are likely to affect, or have affected, access to its market, appropriate consultations will be held with a view to avoiding undue delays and finding an appropriate solution in conformity with the WTO SPS Agreement. In this regard, the Parties shall exchange names and addresses of contact points with sanitary and phytosanitary expertise in order to facilitate communication and the exchange of information.

ARTICLE 64

Cooperation, capacity building and technical assistance on sanitary and phytosanitary measures

1. The Parties agree to promote cooperation between SADC EPA States' SPS institutions and equivalent EC Party institutions.
2. The Parties agree to cooperate in facilitating regional harmonization of measures and the development of appropriate regulatory frameworks and

policies within and between the SADC EPA States, thereby enhancing intra-regional trade and investment.

3. The Parties agree that the following are priority areas for cooperation:
- a) the building of technical capacity in the public and private sectors of SADC EPA States to enable sanitary and phytosanitary control, including training and information events for inspection, certification, supervision and control;
 - b) the building of capacity in SADC EPA States to maintain and expand their market access opportunities;
 - c) the building of capacity to ensure that measures adopted do not become unnecessary barriers to trade, while recognizing the Parties' rights to set their own appropriate levels of protection;
 - d) the enhancement of technical capacity for the implementation and monitoring of SPS measures, including promoting greater use of international standards;
 - e) the promotion of cooperation on the implementation of the SPS Agreement, particularly strengthening SADC EPA States' notification and enquiry points as well as other matters concerning relevant international standards setting bodies;
 - f) the development of capacities for risk analysis, harmonization, compliance, testing, certification, residue monitoring, traceability and accreditation including through the upgrading or setting up of laboratories and other equipment to help SADC EPA States comply with international standards. In this regard, the Parties acknowledge the importance of strengthening regional cooperation and the need to take into account the priority products and sectors identified in accordance with this Chapter; and
 - g) the support for the participation of SADC EPA States in relevant international standards setting bodies.

ARTICLE 67

Second stage of negotiations

The Parties agree to continue negotiations in 2008 to extend the scope of this Agreement. For the purpose of this Title, the SADC EPA States will be constituted of Botswana, Lesotho, Mozambique and Swaziland. The remaining SADC EPA States may join the process of negotiation on a similar basis. To this end, they will notify in writing the EC Party and the other SADC EPA States.

1. Trade in Services

- a) The Parties recognise the growing importance of trade in services for the development of their economies and reaffirm their respective rights and obligations under the General Agreement on Trade in Services (GATS).
- b) No later than 31 December 2008, the Parties will complete negotiations on services liberalisation on the basis of the following:
 - i. liberalisation schedule for one service sector for each participating SADC EPA State;
 - ii. commitment to a standstill as specified in Article V(1)(b)(ii) GATS, for all services sectors; and
 - iii. agreement to negotiate progressive liberalisation with substantial sectoral coverage within a period of three years following the conclusion of the full EPA.

2. Cooperation in Services

- a) The Parties recognise that trade capacity building can support the development of economic activities, in particular in services sectors. To this end, the EC Party agrees to support capacity building aimed at strengthening the regulatory framework of the participating SADC EPA States.
- b) By the time of laying down the necessary arrangements for the liberalisation of trade in services, the Parties will define the specific cooperation objectives, principles and procedures that will accompany trade liberalisation.

3. Investment

The Parties agree to negotiate an Investment chapter, taking into account the relevant provisions of the SADC Protocol on Finance and Investment, no later than 31 December 2008.

4. Cooperation on Investment

The EC Party agrees to provide adequate technical assistance to facilitate negotiations and implementation of the Investment chapter.

5. Competition and Government Procurement

The EC Party agrees to cooperate with a view to strengthening regional capacity in the areas of competition and government procurement. Negotiations will only be envisaged once adequate regional capacity has been built.

I assure that I wrote this doctoral thesis by myself and that I only used the aids I specified.

Stuttgart, 20 April 2009