



Economic Partnership Agreement: Consequences for Eastern and Southern Africa with special regard to Food Security

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List of Abbreviations

<i>ACP</i>	<i>African, Caribbean and Pacific</i>
<i>COMESA</i>	<i>Common Market for Eastern and Southern Africa</i>
<i>CU</i>	<i>Customs Union</i>
<i>EAC</i>	<i>East African Community</i>
<i>EBA</i>	<i>Everything but Arms</i>
<i>EC</i>	<i>European Community</i>
<i>EPA</i>	<i>Economic Partnership Agreement</i>
<i>ESA</i>	<i>Eastern and Southern Africa</i>
<i>EU</i>	<i>European Union</i>
<i>FAO</i>	<i>Food and Agricultural Organisation</i>
<i>FTA</i>	<i>Free Trade Agreement</i>
<i>GATT</i>	<i>General Agreement on Tariffs and Trade</i>
<i>GDP</i>	<i>Gross Domestic Product</i>
<i>GNP</i>	<i>Gross National Product</i>
<i>GSP</i>	<i>Generalised System of Preferences</i>
<i>HDI</i>	<i>Human Development Index</i>
<i>IGAD</i>	<i>Intergovernmental Authority on Development</i>
<i>IOC</i>	<i>Indian Ocean Commission</i>
<i>LDC</i>	<i>Least Developed Countries</i>
<i>MFN</i>	<i>Most Favoured Nations</i>
<i>NDTPF</i>	<i>National Development and Trade Policy Forum</i>
<i>NGO</i>	<i>Non Governmental Organisation</i>
<i>REC</i>	<i>Regional Economic Communities</i>
<i>RNF</i>	<i>Regional Negotiating Forum</i>
<i>SADC</i>	<i>Southern African Development Community</i>
<i>WTO</i>	<i>World Trade Organisation</i>

Preface

Economic Partnership Agreements (EPAs) are enshrined in the Cotonou Partnership Agreement, signed in 2000 between the European Union (EU) and states from Africa, the Caribbean and the Pacific (ACP). They are meant to be an answer to arguably ineffective non-reciprocal trade preferences the EU granted to the ACP over the past 30 years, and to pressure for bringing EU trade relations with ACP countries in line with World Trade Organisation rules. While it is clear that the signing of reciprocal and regional trade agreements has potentially large impact on the ACP, it remains unclear quite how much so. EPAs potentially will redefine the economic framework between the ACP and the by far most important trade partner for a majority among them, the EU. The details of the agreement are not yet clear; they are currently under negotiation. The Cotonou Agreement foresees the start of the implementation period of EPAs in 2008. If that deadline is to be met and the agreements must reach the necessary threshold of ratifications to come into force, it is clear that they will be an important if not defining feature of the German EU Presidency in the area of development cooperation in the first half of 2007. It therefore seems particularly necessary and timely to look into potential effects on crucial sectors in often economically vulnerable ACP countries.

This paper is part of a series of three reports that have been written at DIE at the parallel. During February to April 2006, Clara Weinhardt, Christoph Pannhausen and Tim Seimet have conducted research on the potential impact of Economic Partnership Agreements (EPAs) on food security. The design of the papers created deliberate overlap and aimed at complementarity between the respective foci: While Clara Weinhardt (a student of international relations science at Dresden University) explored the line of argument at the Brussels level, Christoph Pannhausen (a student of Geography, Political Science and Development Economics at Bonn University) and Tim Seimet (a student of business administration science at Marburg University) had a close and critical look at analyses on the impact on Western and Easter/Southern Africa respectively. This triple perspective on EPAs and food security was researched during an internship of the three authors at DIE in Bonn. Their work touches on aspects of two interrelated research areas at DIE: agricultural policy and European cooperation with developing countries. The research is based on literature and some quantitative analysis (in the case of West Africa), but as an important feature, it included interviews with African and European actors in the ongoing EPA negotiations. The interviews were conducted in Brussels in March 2006; a list of interviewees can be found in all three reports.

Other than the three authors of these papers, we would particularly like to thank the interviewees in Brussels for their time and openness to discuss the issue of EPAs and food security. In the case of the study on West Africa, particular thanks go to Mr. Matthias Busse of the Hamburg Institute on World Economics (HWWA) for the kind transmission of his data.

Bonn, September 2006

Dr. Michael Brüntrup and Dr. Sven Grimm

Executive Summary

According to the World Food Summit Plan of Action 1996, food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life. Generally, three elements of food security are distinguished: Food availability, food access and food utilization, always considering the crucial temporal dimension of consistency. Today, global agriculture produces sufficient calories and nutrients to provide the whole world population with food. Therefore availability of food is not the main issue, but lack of income and access to adequate income is paramount to food security. Reducing inequality and fostering pro-poor growth are on that account essential for sustainable livelihoods.

One poor part of Africa, which still has to face food insecurity, is Eastern and Southern Africa (ESA), where more than 85 million people (40% of total population) are undernourished. The EC claims that Economic Partnership Agreements (EPAs) are key possibilities for poor regions like ESA to develop and fight food insecurity. The European Union (EU) is in the process of negotiating EPAs with six African, Caribbean and Pacific (ACP) regions, including the ESA countries, which contains 15 member states of the Common Market for Eastern and Southern Africa (COMESA). Although the EU projects promise sustainable development and increasing employment, other actors are afraid of the possible negative impacts of EPAs. These 'partnerships' potentially have far-reaching implications on national economies, people's livelihoods and the role of the state as a supplier of basic social services like health and education. EPAs will introduce reciprocity in trade preferences between the EU and ESA countries and thus open domestic ESA markets to EU products and vice versa. This is likely to have significant impacts on food products as the EU will also export those products to ESA, although the European Commission is emphasising that EPAs are not a traditional mercantilist approach, but are first and foremost introduced to help ACP countries to develop their economies.

Based on the EU-ACP Partnership Agreement that was signed in Cotonou/Benin in June 2000, the ACP countries agreed that the negotiation process will be held in two phases. In phase one, negotiation was supposed to take place at the all-ACP level, where negotiating principles were agreed with the EU. Phase two should be held at the country and regional level, in order to ensure that negotiations would consider the regional aspects of the six ACP regions. Negotiations on the ESA-EU EPA began formally on 7 February 2004 in Mauritius with the acceptance of the official roadmap for the forthcoming talks. It was agreed that both parties are going to enact the necessary legislation for the EPAs to enter into force on 1. January 2008.

Basically, the regional ESA negotiations are being carried out on two levels, ministerial and ambassadorial. Six ministers and six ambassadors have been designated to lead the discussion in six different clusters, namely development, market access, agriculture, fisheries, trade in service and trade-related areas. Preparatory talks on a technical level are meant to ensure proper co-ordination before meetings on the senior level take place. At the national level each

ESA member country established a National Development and Trade Policy Forum (NDTPF), which is supposed to include both government and non-state actors. The NDTPF is responsible for formulating a national negotiation position in each country, which is afterwards presented at the Regional Negotiating Forum.

The negotiations on country and regional level are supposed to take place in three phases, from March 2004 till December 2007.

- During the already completed first phase (March – August 2004), the setting of priorities was the central aim of negotiations. That included establishing the general framework for negotiations and a provisional list of priorities for further negotiations.
- In phase two (September 2004 – December 2005), the main negotiations took place. In principle, this second phase involved negotiations on all issues relevant to the EPA, that were prepared by ambassadors and senior officials in the first phase.
- Finally, on February 2006 the last phase (January 2006-December 2007) of the negotiations was introduced with senior level talks in Mauritius. Obviously, this phase and especially the year 2006 will be crucial for the talks, as disagreements have to be revisited and compromises reached in order to achieve that all parties ratify the EPA agreement in 2007.

The EU is by far the most important trading partner for ESA, whereas ESA is only a marginal partner for the EU. In detail, EU's exports to ESA in 2004 consisted mainly of capital-intensive commodities, while ESA exports to the EU consisted mainly of primary and labour-intensive commodities. Generally, the EU trade relation to countries in the ESA region is characterised by a complementary trade structure that is typical for North-South trade relations. Agriculture still represents slightly more than half of the total ESA exports to EU, which makes most countries heavily reliant on agricultural exports to the EU. Two major problems can be distinguished concerning the agricultural trade of the ESA countries with the EU, which are also main issues at stake in agricultural negotiations under the EPA. Firstly, access to markets in the EU. Although residual tariff barriers are now far more limited, non-tariff barriers have increased and structural supply constraints limit very strongly the capacities of ESA. Secondly, competition of imports from the EU on national markets could be problematic, as African farmers will be unlikely to be able to compete with subsidised farm imports from the EU. Especially family farming needs to be protected in that regard, as it is the driving force of growth in other economic sectors, the basis of agriculture in the region, the primary source of food security and the major weapon against rural poverty.

The report identified six main critical issues for ESA that need to be addressed in the ongoing negotiations that all have as well direct or indirect effects on food security concerns.

- Firstly, one of the hardest problems is the overlapping of regional groupings, which cannot be found to that extent anywhere else in the world. These multiple memberships of ESA countries in regional integration frameworks constrain intra-

regional trade and threaten to waste the already limited human and financial resources. ESA is confronted with at least six overlapping economic integration schemes with different political and economic priorities. Among that overlaps the status of Tanzania is one of the hardest problems to solve.

- Secondly, fostering regional integration is a major goal of an EPA. The economies of ESA countries can create more favourable conditions for trade, investment and growth if they co-operate within their regions. In the current discussions two opposed views of the potential impacts of the EPA on ESAs regional integration can be distinguished. On the one hand, critics (often from Non Governmental Organisation (NGOs)) are concerned that EPAs will undermine the regional integration efforts already going on in ESA. To their opinion, the EPA weakens the regional integration efforts, as ESA countries are significantly losing from the agreement to the benefit of the EU countries. On the other hand, especially the European Commission is of the opinion that the EPA is able to serve as a catalyst and can strengthen regional integration processes. According to this line of thought, EPAs can have positive effects on food security, as ESA could be able to solve food crisis by itself.
- Thirdly, all relevant stakeholders are supposed to participate in EPA negotiations. Although the European Commission emphasises the importance of civil society in the process, many NGOs and academics are raising concerns about the current involvement of civil society (including farmers unions) in the ESA-EPA process. Three concerns seem to be the most vital in that regard, namely capacity issues of the civil society bodies, lack of information and interest of parliamentarians in ESA countries and lack of involvement of NGOs in the ongoing negotiation process.
- Fourthly, the report describes the likely trade effects of an EPA for Eastern and Southern Africa. It comes to the result that trade creation out-weights trade diversion significantly, with a ratio of roughly one to four. In no country trade diversion exceed trade creation, meaning that there will be positive trade effects in each of the countries. EUs exports to ESA countries would increase by more than 1.1 billion US\$, which is small relatively to EUs total exports, but substantial in comparison to ESA countries`import levels from EU. The EU gains much more than ESA from full reciprocity and it would increase the dependency of ESA countries on trade with EU significantly. It can be expected that the effect of trade diversion could also be found for agricultural products, but more research needs to be done in that regard.
- Fifthly, the report underlines the importance of sensitive products for ESA. In order to protect important sectors from (unfair) competition by EU products, the ESA Group is allowed to designate so-called sensitive products that will maintain their trade-barriers. Defining these products is not an easy task, as the countries have very different resource endowments, production structures and priorities. One countries sensitive product could be another countries essential import interest from a food security perspective. The report shows that the criteria of tax revenues will not bring

substantial positive results for food security. It appears to be that just a deep focus on food security is able to bring a positive outcome in that regard.

- Finally the reports emphasises that infant industry protection and supply side constraints are important issues the EPA negotiations need to address.

Moreover, EPAs are likely to have impacts on revenues as well as on welfare of ESA countries. Consumers of all countries potentially gain a surplus out of the EPA, but this report argues that the amount will be far less than the proposed revenue shortfalls. The report shows that all countries are likely to face significant revenue losses. This could have adverse effects on public expenditure; import revenues finance a huge part of expenditures, including on education and health service. In order to prevent severely negative impact on public revenues and expenditures, new ways of getting revenues are needed, but replacing tax revenues is a sensitive issue. The countries will find it very difficult to come up with new ways to replace the foregone revenues.

Finally, in order to analyse the impacts of an EPA on food security of poor parts of the population, the report differentiates between net-consumers and net-producers of food. While net-consumers are likely to benefit from an EPA as prices of products are expected to decrease, net-producers are likely to suffer because of this predicted price decline. However, the implications on the groups are much more complex. Net-consumers could also suffer from an EPA as they possibly lose their jobs, because infant industries and farmers cannot compete with EU products. Net-producers might not be able to produce at these low costs and therefore would have to withdraw from the market. As the majority of ESA population depends on agriculture, this is likely to have a tremendous effect. Again the implementation of sensitive products and safeguard mechanism, as well as infant industry protection could be helpful to protect these agricultural sectors.

In conclusion, it is highly likely that the EPA with the EU will have enormous impacts on the ESA countries. Poverty reduction is the declared main aim for all parties involved, but different opinions exist if the current EPA is able to achieve or even have a positive impact on that. EPAs are at best supposed to have different effects in the short- and mid-term to the long-run. An exact conclusion cannot be drawn today, as the EPA could have benefits that are visible only in the medium or long-term. What we can do today is analysing the potential impacts on single issues, and weighing the risks, but predicting the overall impact on the economy of developing countries seems not to be possible.

1 Introduction

One predominantly poor part of Africa is the region of the COMESA, with its 20 member states in Eastern and Southern Africa¹, including some small poor landlocked countries like Malawi and small islands states like the Comoros. John Reed of Mozambique News wrote that „there are signs that southern Africa’s food problems are becoming chronic, and Malawi is the hardest hit of all”, while in February 2006, the BBC news reported that “[t]he United Nations estimates more than 11m people in parts of Kenya, Ethiopia, Somalia, Eritrea, Tanzania and Burundi need food aid for the next six months”.² The COMESA secretariat itself reported that approximately 50 million people within the region depended on food aid and especially countries like Ethiopia, Eritrea, Malawi, Sudan, Republic of Congo, Zambia and Zimbabwe were facing substantial food crisis. On that account, statistics of 2002 show that large parts of the population are dependent on food aid: 52% in Zimbabwe , 31% in Malawi and 28% in Zambia ³. In addition, figure 1 (cf. Annex 47) states that a total of more than 85 million people in the ESA countries are undernourished, including more than 30 million in Ethiopia, while figure 2 shows that almost 40% of total ESA population is undernourished (cf. Annex 47).

The causes for the food crisis are multifaceted. A meeting of different factors over a long period of time like droughts, conflicts, HIV/AIDS or poverty are playing a major role in this regard. In addition, the important agricultural sector has to face huge population growth, whereas farm productivity is still low as technologies remain underdeveloped, adequate inputs are still missing and soil fertility is declining significantly.⁴ The economies are characterised by a high dependence on (export) agriculture, a narrow industrial base and weak linkages between the different sectors. Therefore countries of COMESA remain economically fragile, highly vulnerable and uncompetitive.

What can be done to help those countries to fight food crisis and poverty in the short-term as well as in the long-term run? The European Commission is of the opinion that an EPA between the EU and ESA is the key possibility for poor ESA countries to develop, as the Cotonou Agreement provides that “[t]he central objective of ACP-EC cooperation is poverty reduction and ultimately its eradication; and progressive integration of the ACP countries into

1 COMESA members: Egypt, Ethiopia, Angola, Burundi, Comoros, DR Congo, Djibouti, Eritrea, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.

2 BBC News Africa (15.2 2006).

3 Makwavarara-Makanza (2005), p. 12.

4 BBC News Africa (15.2 2006).

the world economy”⁵. This describes the mandate for EU negotiations with the goal of agreeing EPAs with six ACP regions, including ESA, which embraces 15 members of COMESA, namely Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Uganda, Zambia and Zimbabwe. The ESA Group represents about 250 million inhabitants⁶, while most of the countries (besides Kenya, Zimbabwe, Mauritius and Seychelles) are defined as Least Developed Countries (LDCs)⁷ of the world, which all have to face high levels of extreme poverty. Although the EU projects amongst others sustainable development and increasing employment, other (non-state) actors are afraid of the possible negative impacts of EPAs. An extreme example in that regard is Ms Boohene of the NGO “Third World Network”, who described EPAs as “a looming monster that would devour all our progress”⁸. Especially the possible negative impacts on the fragile agricultural sector are of concern for them, as the majority of the people in ESA depend to a large extent on agriculture for their livelihoods.

EPAs potentially have far-reaching implications on national economies, people’s livelihoods and the role of the state as a supplier of basic social services like health, education, transport, food, etc. EPAs will introduce reciprocity in trade preferences between the EU and ESA countries and open domestic ESA markets to EU products and vice versa. This is likely to have significant impacts on food products as the EU will also export those products to ESA, although the European Commission is emphasising that EPAs are not a traditional mercantilist approach, but are at first introduced to help ACP countries to develop their economies.

On that account, the central aim of this report is to look at the potential consequences of an EPA for ESA countries with special regard to food security. Therefore, the following section 2 starts with introducing the major concepts of food security and section 3 provides a deeper insight into backgrounds and objectives of EPA negotiations between the EU and the ACP regions.⁹ Section 4 looks intensively at the EPA-ESA negotiations. What is the actual state of negotiation? What are the critical issues in the ongoing process and the likely impacts? Issues like the overlapping integration schemes, participation of farmers unions, and infant industry protection are highlighted in this section. Finally section 5 describes the impacts of the EPA on the population in ESA, before the report ends with a conclusion that summarises the results of the report and gives some recommendations.

5 Cotonou Partnership Agreement: Article 19.1(1).

6 Compiled out of FAO (2005), p. 159-164.

7 According to the Economic and Social Committee of the United Nations, the following three criteria are used for the identification of LDCs: (1) low-income criterion, (2) human resource weakness criterion, (3) economic vulnerability criterion. In addition to these criterion, the population of an LDC must not exceed 75 million (<http://www.un.org/special-rep/ohrlls/lcd/lcd%20criteria.htm>).

8 TWN Africa (2004).

9 see for more details Weinhardt (2006)

2 The Concept of Food Security

The concept of food security emerged in the literature during the 1970s. Since then, numerous different dimensions and perspectives have been subsumed under this term. According to the World Food Summit Plan of Action 1996, a widely accepted definition, food security exists when “all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life.”¹⁰ This definition involves several conditions which, when all are met, constitute a situation of food security. Generally, three elements of food security are distinguished: Food availability, food access and food utilization, always considering the crucial temporal dimension of consistency.

- Firstly, food availability refers to sufficient quantity of food for everybody through household production or purchase (local or imported products). Food must be consistently available to all individuals, hence also emphasizing the importance of time. However, food availability is only one element of food security and therefore a necessary but insufficient condition for food security.
- Secondly, food access depends on ample purchasing power and resources as well as functioning markets to obtain adequate food. Household income, its distribution within the household at an individual level and food prices are relevant factors to be considered. Consequently, income poverty is a major constraint for access to food. Moreover, social norms and traditions can also play a profound role in determining food access, as it is illustrated by the role of women or children in many societies, making them the most vulnerable groups.
- Thirdly, food utility relates to dietary habits. It entails proper biological use of food, requiring potable water and adequate sanitation. To a large extent food utilization depends on knowledge within households of issues like food storage, processing techniques and basic principles of nutrition.¹¹

10 FAO (1996), p. 4.

11 Particip (2004), p. 9 and FAO (2003a), p. 31.

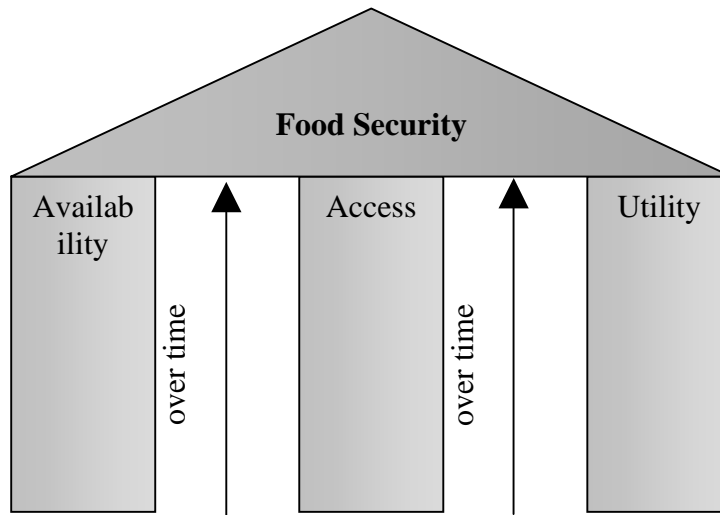


Figure 3: Pillars of Food Security

The Food and Agricultural Organization (FAO) definition of food security does not contain anything about the origin of food, i.e. whether it should preferably originate from local production, from food imports or from a combination of both. There are several schools of thought which provide policy guidelines how to achieve food security:

- As a response to the World Food Summit in 1996, the concept of food sovereignty has been established, most prominently by Via Campesina. It states, “food sovereignty is the peoples’, countries’ or state unions’ right to define their agricultural and food policy, without any dumping vis-à-vis third countries”.¹² Among other components, food sovereignty thus entails the right of countries to protect their mostly uncompetitive agricultural producers from too lowly priced imports. It is argued that “[f]ood sovereignty is a pre-condition for a genuine food security.”¹³
- Many countries’ food security policies emphasize the need for food self-sufficiency, achieved by trying to provide sufficient domestic production to meet a substantial part of consumption requirements.¹⁴ The advantage of this concept is to save foreign currency otherwise spent on food imports and to reduce dependence on external forces. However, the sole dependence on domestic local food production might result in adverse effects. High fluctuations in price and quantity due to seasonality of food production affect both food availability and food access for poor and vulnerable groups. Hence, drawbacks of food self-sufficiency include the dependence on food aid in case of adverse climatic variations such as droughts and floods. It is argued that “self-sufficiency makes little economic sense”¹⁵ given surplus food production in

¹² Via Campesina (2003), p. 1.

¹³ Suppan, S. (2003), p. 2.

¹⁴ FAO (2003b), p. 20.

¹⁵ Panagariya, A. (2002), p. 1.

some areas of the world and high interconnectedness because of modern transportation systems.

- In the current debate the focus shifts rather away from food self-sufficiency towards the concept of food self-reliance, which recognizes comparative advantages in agricultural production. “It is easier and more profitable to earn foreign exchange to buy food imports than it is to grow water-hungry agricultural crops”¹⁶ for many countries, especially those located in arid zones frequently confronted with water scarcity. In addition, changes in consumer preferences might create a demand for food imports, as is the case for wheat products in West Africa. Food self-reliance, while subject to various interpretations, reflects a “set of policies where the sources of food are determined by international trade patterns and the benefits and risks associated with it.”¹⁷ This encompasses generally to have the means to purchase or produce food based on respective comparative advantages, meaning that producing cash crops for export complies with food self-reliance as long as it is possible to import sufficient food with the export earnings.¹⁸ Food self-reliance thus reflects the increasingly liberalized global trade system.

Whichever approach is being pursued, all strategies aim at achieving food security, which is closely linked to any development efforts of a country. The fact that food security is embedded in the first MDG, demanding to halve the proportion of undernourished people by 2015, shows its importance in the international development context. It is intrinsically connected to poverty reduction, which currently is the overarching goal of development agencies. Today, global agriculture produces sufficient calories and nutrients in order to provide the whole world population with safe food. “[T]he productive potential of global agriculture has so far been more than sufficient to meet the growth of effective demand.”¹⁹ Regional imbalances in food supply are supposed to be adjusted through trade. Availability of food is not the overriding problem. Rather, “most international trade in food is directed towards people who [...] have the purchasing power to buy the imports.”²⁰ A lack of income and access to adequate income is paramount to food insecurity. Reducing inequality and fostering pro-poor growth are therefore essential for improved and sustainable livelihoods.²¹ “Poverty is a major cause of food insecurity and sustainable progress in poverty eradication is critical to improve access to food.”²²

16 FAO (2002), p. 5.

17 FAO (2003b), p. 20.

18 FAO (2003b), p. 49.

19 FAO (2003c), p. 57.

20 CUTS (1998), p. 7.

21 FAO (2003a), p. 33.

22 FAO (1996), p. 1.

However, food security issues go beyond mere poverty reduction. The particular target of the first MDG goal on food security is justified since it emphasizes that higher income may not be enough if it is not or cannot be converted into more and better food purchase and diligent use of food. Thus improved economic access via increased income is only one component of the access dimension of the food security concept. Functioning markets without large seasonal fluctuations are also important for food security. Moreover, questions of social access to food as well as its proper physiological utilization have to be considered. In addition, vulnerability to external shocks and the resilience of food systems must be addressed in order to guarantee the right to food.²³

As food security is crucial for development, any development strategy has to take account of its effects on food security. EPAs are supposed to be above all instruments for development. Besides, EPAs shall be integrated into the development policies of the ACP countries as well as into the support strategies of the EU. It is in this context that the EPA negotiations between the EU and the ACP countries are entrenched with specific impacts on food security. In the following chapter, the background and rationale for the EPA process under the Cotonou Agreement will be presented.

3 The EPA negotiations between the EU and ACP

3.1 Background of EPA negotiations

EU-ACP trade relations must be seen against the background of the GATT/WTO rules. They have introduced the Most Favoured Nation (MFN) principle, which stipulates that “with respect to customs duties and charges of any kind [...] any advantage, favour, privilege or immunity granted by any contracting party [...] shall be accorded immediately and unconditionally to [...] all other contracting parties.”²⁴ MFN obligations in general benefit developing countries, as they may be able to free-ride on bilateral tariff concessions exchanged between larger countries. In addition to that, developing countries can give developing countries unilaterally special market access. This is backed by the so-called Enabling Clause, introduced in 1979, which sets certain conditions that preferential market access granted by the EU has to fulfil.

Trade relations between ACP countries and the EU underwent various changes over the last decades, with EPAs representing the most recent development. Since 1975, the EU’s trade relations with the African, Caribbean and Pacific (ACP) countries were characterized by a system of preferential market access.

23 InterAcademyCouncil (2004), p. 12.

24 Agreement Establishing the World Trade Organization, Annex 1A, GATT (1994), Art. I, (1).

Under the Lomé convention, dating back to 1975, the European Union granted non-reciprocal trade preferences to the then 46 ACP countries.²⁵ Amongst the now 79 ACP countries, 66 former colonies of EC countries. The 48 African ACP countries account for the bulk of ACP member countries. The Lomé Convention aimed at developing the ACP trade by providing them with duty-free access to the European Union for all industrial goods and a wide range of agricultural products, excluding particularly those with a EU market order. Additionally, four protocols offered special market access terms for sugar, bananas, beef and veal, as well as rum, while some agricultural products received quota-restricted tariff preferences.

The Least Developed Countries (LDCs)²⁶ among the ACP region benefit from the “Everything but Arms” (EBA) initiative adopted in 2001. This agreement overcomes the EU’s historic regional focus on the ACP countries dominating its preferential trade policy by extending non-reciprocity to non-ACP LDCs. All LDCs received immediate duty and quota free access to the EU for all products originating in LDCs, except for arms and ammunition, and except for the sensitive products sugar, bananas and rice for which longer transitional periods were set.

The non-LDC developing countries outside the ACP region profit from a non-reciprocal, preferential tariff treatment on exports of their goods into the EU. This Generalised System of Preferences (GSP) was initiated in 1968 and enlarged exemptions from Most Favoured Nation (MFN) obligations to developing countries other than ACP countries. It did not respect the MFN principle. However, since the introduction of the Enabling Clause in 1979, developed countries can offer different treatment to developing countries in spite of the MFN obligation. But differential and more favourable treatment can only be accorded to developing countries, if identical treatment is offered to similarly situated GSP-beneficiaries.²⁷ This GSP system is less substantial and contains more exemptions than the Lomé Convention. Therefore, non-LDC ACP countries were privileged in comparison to other non-LDC developing countries

25 The Lomé convention consisted of four conventions. Lomé I (1975) was signed by 46 countries on the ACP side, Lomé II (1980) by 58, Lomé III (1985) by 65, and Lomé IV (1990) by 70 ACP countries. Today, 79 countries belong to the ACP group, of which 77 negotiate EPAs with the EU (Cuba and South Africa do not take part in the negotiations). South Africa has already concluded a free-trade agreements with the EU in 1999, as part of the Trade, Development and Co-operation Agreement (TDCA). The absence of South Africa in EPA negotiations is critical with regard to the seven countries of the SADC EPA negotiating configuration because four of them (Botswana, Lesotho, Namibia and Swaziland) are members of the Southern African Customs Union (SACU) with South Africa. The exclusion of South Africa from the SADC EPA thus complicates the negotiations with the regional group.

26 According to the Economic and Social Committee of the United Nations, the following three criteria are used for the identification of LDCs: (1) low-income criterion, (2) human resource weakness criterion, (3) economic vulnerability criterion. In addition to these criteria, the population of an LDC must not exceed 75 million (<http://www.un.org/special-rep/ohrlls/lcd/lcd%20criteria.htm>).

27 WTO (1979). This rule was often ignored in practice, but was assured in the 2005 WTO ruling concerning a dispute between India and the EC over the EU GSP “Drugs Arrangement” and seems to gain in importance.

that are excluded from the Lomé Convention. This discrimination between countries was in contrast to WTO rules established in 1995.

While the GSP system is consistent with these conditions set under the WTO law, Lomé preferences were highly criticised for its contradictoriness to the GATT.²⁸ At the same time its effectiveness was put into doubt, as the results were highly disappointing. In the 25 years of Lomé, the share of ACP exports in European markets has fallen by half, from nearly 8 % to about 3 %. The export stimulation that should have resulted from the preferential market access was muffled by the incapacity of ACP countries to produce more, better and a greater diversity of products.²⁹ These supply-side constraints seem a major hurdle that has to be overcome, if ACP states aim at increasing their competitiveness. Non-reciprocal trade preferences alone have proven to be insufficient to transform the ACP economies.³⁰

Hence, the expired Lomé Convention was replaced by the Cotonou Agreement in 2000, which constitutes a major shift in the EU's trade relations with ACP countries. The Cotonou Agreement, which provides the framework for the EPA negotiations, reflects a policy shift in EU development policy from preferential market access to free trade. This shift is based on the EU's own commitment to global trade liberalisation and the conviction that the integration of ACP countries into the world economy can be best achieved by such a radical economic reform.³¹ While some criticise this new economic philosophy as shortsighted, others praise it as fresh approach to development.³² But the disappointing results under Lomé did not constitute the major driving-force for the EU's commitment to change its trade regime with the ACP countries. While it remains unproven that reciprocal free trade agreements would lead to a major advancement for ACPs in comparison to Lomé preferences, changing the trade regime would guarantee its WTO compatibility, which is put forward as a key argument by the EU. While a coalition of ACP and EU civil society organisations launched the "Stop EPA campaign" aiming at stopping the EU's current approach to EPA negotiations,³³ others emphasize the opportunities stemming from free trade agreements between the ACP and EU.³⁴

The Cotonou Agreement lays down that the system of non-reciprocal tariff preferences shall be replaced by reciprocal trade arrangements for all ACP countries. During a transition period (2000-2008), Lomé preferences remain in place while the EU and ACP countries negotiate Economic Partnership Agreements (EPAs) that will gradually liberalise substantially all trade

28 For a short summary of the disputes on the WTO compatibility of the Lomé Convention see ECDPM (2003), chapter II.1.

29 ECDPM (2001), p.13.

30 Holland, M. (2004), p. 278.

31 Holland, M. (2004), p.278f.

32 Holland, M. (2004) p.279, 294.

33 See <http://www.stopepa.org/>.

34 Private Sector Foundation Uganda (2004), <http://www.psfuganda.org/news.php?newsId=175>.

between the regions. Apart from trade in manufactures and agricultural commodities, EPAs could cover trade-related issues such as trade in services or the so-called Singapore Issues.³⁵ EPAs are currently being negotiated with six regional groupings.³⁶ The negotiated free trade areas should comply with WTO rules regarding preferential trade agreements (Art. XXIV). The formation of a free-trade area requires “substantially all trade” to be liberalised between the territories of the union.³⁷ WTO jurisdiction indicates that about 90% of the market between the regions have to be totally liberalised. Under this average target, the application of asymmetric reciprocity would allow the developing countries to slightly open up less – e.g. about 80% of their markets, while the EU abolishes all trade barriers to ACP countries.³⁸

When assessing trade relations between the EU and ACP countries, they should be seen against a changing global context. The global trend towards lowering trade barriers leads to an erosion of the value of preferences granted to ACP states, as the preferential margin decreases. In the 1980s, the margin of preference was around 10%. In 2004, it was lower than 4% in comparison with MFN, and only 2% in comparison with GSP.³⁹ In addition to that, preferences are linked to the fulfilment of certain conditions, such as rules of origin and their documentation. These conditions often constitute a substantial hindrance to the use of preferences. The costs needed to comply with the rules of origin are for example estimated to make up 3% of the value of the good concerned.⁴⁰ This might be enough to offset the advantages linked to the preferential market access, especially in highly competitive sectors. In addition, the overall costs relating to the application of rules of origin are said to be much higher in LDCs. Hence, the value of preferences granted to developing countries declines, while the role of non-tariff barriers to trade such as sanitary and phytosanitary requirements increases. Therefore, a renewal of Lomé preferences would probably have been ineffective. EPAs consistently take a different approach and go beyond establishing a trade agreement addressing other barriers to trade, including supply-side related constraints.

The outcome of the EPA negotiations and its potential impacts on food security on Sub-Saharan African agricultural markets are extremely difficult to predict, since they depend on the political sensitivities of dozens of countries, on the WTO Doha round, on the different regional agendas of the ACP groups and other factors. For an assessment of the range of options, it is advisable to look further at the objectives of EPAs as embodied in the Cotonou agreement.

35 Investment, competition, transparency in government procurement and trade facilitation

36 West Africa, Central Africa, East and Southern Africa Region (ESA), Southern African Development Community (SADC), Caribbean Region and the Pacific Region

37 GATT(47), Art. XXIV, (8), lit. b.

38 Compare presentation by Maerten (2004).

39 Maerten (2004).

40 ECA (2005), p. 29.

3.2 Objectives of EPAs and linkages to food security

EPAs between the EU and ACP countries are based on five major objectives, namely development, reciprocity, deepening regional integration, partnership and compatibility with WTO rules. In 2000, the Cotonou Agreement defined how the EU and ACP are going to cooperate in future on issues like political relations, development and trade. The agreement underlines that “[t]he central objective of ACP-EC cooperation is poverty reduction and ultimately its eradication; sustainable development; and progressive integration of the ACP countries into the world economy. In this context, cooperation framework and orientations shall be tailored to the individual circumstances of each ACP country, shall promote local ownership of economic and social reforms and the integration of the private sector actors into the development process.”⁴¹ This article underlines the importance of sustainable economic development, which should be at the centre of EPA negotiations between the EU and the six ACP regions for the purpose of eliminating absolute poverty (as stated e.g. in the EU Africa Strategy). In order to achieve sustained development, the agreement includes the liberalisation of trade between the two regions: “EPAs shall be directed at establishing free trade between the parties [...]”⁴². On that account, maintaining and improving market access is a commitment clearly emphasised in the Cotonou Agreement. On the one hand, the liberalisation process implies that EPAs would have to improve access of ACP countries to EU markets, but on the other hand, a liberalisation process would also require ACP countries to open up their markets to the EU goods by removing almost all duties and quotas. To the main European Commission’s belief, this liberalisation process is essential, because of legal and economic reasons. Legally, the EPAs need to be WTO compatible as WTO rules demand the ACP regions to liberalise “[...]substantially all trade over the course of a transitional period”.⁴³ Economically, the European Commission claims that there is strong evidence that a gradual opening of the poor ACP regions to EU products will increase efficiency, reduce costs and bring down consumer prices and thus, ultimately, have a positive impact on food security. However, the European Commission seems also to be aware of the potential problems trade liberalisation could cause. That is the reason why the European Commission says that it wants to allow long transitional periods for the opening of the markets, together with slower liberalisation processes for the ACP states. Additionally, the Commission is thinking of allowing the ACP regions to exclude specified sensitive products and to develop safeguard mechanism for relevant vulnerable sectors of the economies.

Nevertheless, although trade appears to be a very vital part of the current EPA negotiations, the European Commission is eager to point out that EPAs are not just about trade but go much further. Peter Mandelson said that “EPAs [...] should no longer be conceived as trade agreements in the conventional sense where both sides are seeking mutual advantage [...]”.

41 Cotonou Partnership Agreement: Article 19.1.

42 EU-EPA mandate: Directives for the negotiations of EPAs with ACP countries and regions; Article 3.1(1).

43 EU-EPA mandate: Directives for the negotiations of EPAs with ACP countries and regions; 3.2(2(1)).

The purpose of EPAs is to promote regional integration and economic development.”⁴⁴ The Commission is aware that EPAs can only operate if regional integration is strong and on a stable basis. Cotonou underlines that by describing that “[r]egional 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.”⁴⁵ Moreover, the European Commission says that EPAs are designed as a response to globalisation and the need to foster development. Hence, EPAs should create positive side effects as they encourage “[s]ustained economic growth, developing the private sector, increasing employment and improving access to productive resources.”⁴⁶ For that reason the European Commission is of the opinion that the EPAs will be a tool to help the poor ACP regions to improve their competitiveness in the world market, diversify their exports and on the long run increase food security.

As this report focuses on analysing the possible food security impacts of EPAs, it is amongst other things relevant to find out how the role of agriculture is seen in the current negotiation processes. Generally, it is underlined by the European Commission that agriculture has a key-role in the EPA negotiation process as in most of the ACP countries the majority of the people are heavily dependent on agricultural products. Article 3.3 of the EU directive for the negotiations of EPAs with ACP countries and regions describes that “[t]he agreement shall include provisions aimed at fostering food security in accordance with WTO rules.”⁴⁷ It appears to be that the EU is aware of the importance of food security in ACP, where most of the people still remain heavily dependent on agricultural commodities. None the less, many (non-state) actors are of the opinion that the food security aspect is not sufficiently included in the current negotiations and much more needs to be done to ensure food security in ACP countries. Even European Commission staff stated that food security plays a quite marginal role in the negotiations. Obviously, this statement is in contrast with the saying that food security has a key-role in the negotiations and the EU’s development cooperation.

In summary, the European Commission seems to be convinced that the EPAs are able to reduce poverty as well as food insecurity in the ACP countries. However, there are also many non-state organisations with concerns about potential adverse effects of EPAs. To their view, EPAs and the liberalisation process will create even more problems than it solves, like increasing unemployment and food insecurity. Therefore liberalisation itself is not automatically a solution for poverty and food insecurity in different countries. This apparent contradiction will be analysed in this report y looking at the impacts of the EPA on the ESA countries with special regard to food security. Is it really a promising way to go for the ESA region or is it just a possibility for the EU to increase access to ESA markets? In order to get a

44 European Commission (2006), p. 9.

45 Cotonou Partnership Agreement: Article 1(7).

46 Cotonou Partnership Agreement: Article 1(5).

47 EU-EPA mandate: Directives for the negotiations of EPAs with ACP countries and regions; article 3.3(6).

deeper insight into the ESA negotiations, the next part of the report gives an overview over the current state of negotiation, the trade relations with the EU and key critical issues.

4 EPA negotiations between the EU and the ESA Group

4.1 Background and current state of negotiation

Based on the EU-ACP Cotonou Partnership Agreement the ACP countries agreed that the negotiation process will be held in two phases. In phase one, negotiation will take place at the all-ACP level, where negotiating principles are agreed with the EU. In phase two, negotiations are held at the country and regional level in order to ensure that negotiations will also consider the regional aspects of the six in advance determined ACP regions. Negotiations on the ESA-EU EPA began formally on the 7. February 2004 in Mauritius with the acceptance of the official roadmap for the forthcoming talks⁴⁸. It was agreed that both parties are going to enact the necessary legislation for the EPAs to enter into force on 1. January 2008. At the beginning of the negotiations, ESA consisted of 16 countries. At that time the Democratic Republic of Congo was also part of the ESA-EPA configuration, but end of 2005 the government suspended its membership and changed to the Central African EPA initiative. That leaves the ESA Group with 15 member states in the current negotiation process.⁴⁹ Among the regional trading blocs within ESA, the relatively well developed COMESA secretariat is the main negotiation partner for the EU, as it has a major say on the ESA-EPA negotiation process in terms of providing logistics, commissioning of respective country and regional studies, and providing liaison between the EU and the different ESA member countries.

Basically, the regional ESA negotiations are being carried out at two levels, ministerial and ambassadorial. Six ministers and six ambassadors, with alternates for each, have been designated to lead the discussion in six different clusters, namely development, market access, agriculture, fisheries, trade in service and trade-related areas. That means that food security is not an own cluster in the talks. Preparatory talks on a technical level ensure proper co-ordination before meetings on the senior level take place. At the national level each ESA member country established a NDTPF, which is supposed to include both government and non-state actors. The NDTPF is responsible for formulating a national negotiation position in each country, which is afterwards presented at the Regional Negotiating Forum (RNF). Each NDTPF sends three representatives to the RNF, which prepares ESA positions prior to proceedings with the EU and meets at least every 3-4 months. The composition of the RNF shall include representatives from the capitals of each ESA country (public and non-state

48 Twineyo (2006), p. 5.

49 European Commission (2006), p. 3.

actors), leading ambassadorial spokespersons from Brussels, as well as representatives from NGOs and of regional organisations involved in issues like development or trade. Other members of the RNF are experts in the various clusters to be negotiated under the EPA, which means that the experts vary according to the agenda of the RNF.⁵⁰

The negotiations are supposed to take place in three phases, from March 2004 until December 2007. During the already completed first phase (March – August 2004) the setting of priorities was the central aim of negotiations. That included establishing the general framework for negotiations and a provisional list of priorities for further negotiations. In April 2004, the first RNF meeting was held in Kenya. In that meeting it became obvious that most ESA countries had not done sufficiently prepared their national positions. In July 2004 the second RNF took place in Uganda; the countries still lacked preparation for substantive negotiation with the EU.

In phase two (September 2004 – December 2005) the main negotiations took place. In principle, this second phase involved negotiations on all issues relevant to the EPA, that were prepared by ambassadors and senior officials in the first phase. During this second phase many different meetings at all different levels were held. The first ambassadorial/senior-level meeting and technical talks took place in July and October 2004. Moreover, amongst others a joint senior-level brainstorming meeting in Kenya in May 2005 provided a platform for open dialogue on regional issues, market access, trade-related issues and development co-operation aspects. In addition a joint ESA-European Commission technical and senior level talk on market access, agriculture, fisheries and development that was carried out in September and October 2005.⁵¹

Finally, on February 2006, the last phase (January 2006-December 2007) of the negotiations was introduced with senior level talks in Mauritius. Obviously, this phase and especially the year 2006 will be crucial for the talks as disagreements have to be revisited and compromises reached in order to achieve that all parties ratify the EPA agreement in 2007. On that account, Peter Mandelson emphasised that "there are many hurdles to overcome, but we are on the right track. The challenge is to speed up and intensify talks to meet the 2007 deadline for finalising negotiations."⁵²

With regard to food security, it is questionable whether this aspect is sufficiently considered in the current negotiation process, both on the side of the EU and ESA. European Commission staff emphasised that they are not against a deeper inclusion of food security in the ongoing process, but are of the opinion that ESA countries at first need to address food security issues in their regional negotiations. They cannot force ESA countries to focus more on agricultural issues and food security concerns, Commission staff claimed, as it is first and foremost

50 Mihretu (2005), p. 1ff; Negotiation mandate for the ESA-EU EPA (2004).

51 European Commission (2006), p. 16; Agritrade (2005), p.1ff; Negotiation mandate for the ESA-EU EPA (2004).

52 Mandelson (2006b).

regional business among ESA countries. On that account, the European Commission underlines the partnership aspect of EPAs and that is why the EU does not want to interfere in that regard. However, the question whether the EU has a moral responsibility to force ESA countries to include issues like food security in the negotiations is widely discussed, but opinions differ widely. However, much more needs to be done on the issue by the EU and by ESA, as it is widely accepted that food security and agricultural aspects are vital for ESA. The next part of the paper will shortly elaborate on the importance of agriculture for ESA, when trade relations with the EU are analysed.

4.2 Importance of Agriculture in trade relations between the EU und ESA

The EU is in average the most important trade partner for all countries of the ESA region . The EU market access is already opened to most of the ESA countries, namely to all those countries that are defined as LDCs. All LDC countries have duty-free access for almost all their products under the EBA initiative introduced by the EU in 2001.⁵³ Statistics of EUROSTAT/Worldbank⁵⁴ show that in 2004 the value of total trade between the EU and ESA was at around €10bn per year. ESA exports represented €5.061bn, while ESA imports were €4.830bn. This yields a trade balance of around €231m. The EU is by far the most important trading partner for ESA (34% of exports and 23% of imports), whereas ESA is only a marginal partner for the EU (0,50% of exports and 0,49% of imports). In detail, EU exports to ESA in 2004 consisted mainly of capital-intensive commodities such as machinery (42%), chemicals (13%) and vehicles (12%). ESA exports to the EU consist mainly of primary and labour-intensive commodities. Five products accounted for more than 50% of total exports to the EU with textiles (15%), precious stones (13%) as the main export products followed by sugar (9%), plants/flowers (8%) and Coffee (7%) (cf. figures 4 and 5, Annex 48). Generally, the EU-ESA trade relation is characterised by a complementary trade structure that is typical for North-South trade relations. Agriculture still represents slightly more than half of the total ESA exports to EU, which makes most countries heavily reliable on agricultural exports to the EU. In four ESA countries even more than 80% of exports to the EU consist of agricultural and food-product exports, namely Malawi (98,6%), Burundi (92,6%), Seychelles (87,3%) and Uganda (83,8%).⁵⁵ The main agricultural products traded between ESA and EU are sugar, coffee, fish, tobacco and tea. Tables 1 and 2 (cf. Annex 38/39) show that all these products are under the top ten imported items of the EU from ESA. In contrast, just one agricultural product is under the top ten exported products from the EU to ESA.

Agriculture is crucial for ESA as it influences the livelihood of the people significantly and provides food security. It is the main economic activity in most ESA states, especially for the rural poor. Figure 6 (cf. Annex 49) states that the agricultural sector employs around 70% of

53 Mihretu (2006), p. 5.

54 EUROSTAT (2005), p. 97.

55 Agritrade (2005): statistics from 2002.

the economic active in ESA. While smallholders grow mainly food crops like cereals, pulses, root and tuber crops, commercial farmers grow mainly cash crops for export like tobacco, tea, coffee and flowers.

Two key problems can be distinguished with regard to the agricultural trade of the ESA countries with the EU. These are also main issues at stake in agricultural negotiations for an EPA. Firstly, access to markets in the EU: Although residual tariff barriers are now far more limited, non-tariff barriers have increased and structural supply constraints limit very strongly the capacities of ESA. Secondly, competition of imports from the EU on national markets: This could be problematic as such an agreement can harm African farming by creating competition between African farm products and cheap, subsidised farm imports from the EU. Especially family farming needs to be protected as it is the primary source of food security, a substantial driving force of growth in other economic sectors, the basis of agriculture in the region, and the major tool against rural poverty.

4.3 Critical issues

The current negotiations on the EPA are very likely to have enormous effects on agricultural production and food security. In order to analyse the possible impacts and likely issues of the EPA on ESA, the paper will continue its argument by focussing on the main critical issues of the ongoing negotiations with a special focus on food security.

4.3.1 Impacts on Regional Integration

There is a wide consensus that one of the hardest problems to solve for ESA countries is the overlapping of regional groupings, which cannot be found anywhere else in the world to such an extent. It is basically argued that the multiple memberships of ESA countries in regional integration frameworks constrain intra-regional trade and constitute a waste of already limited human and financial resources. Most ESA countries do not have adequate human and technical resources to effectively engage in the EPA negotiations.⁵⁶ Moreover, the choice of which regional grouping to join for EPA negotiations was a very difficult one for most ESA countries. For instance, the Democratic Republic of Congo belongs to four regional economic communities. The country seems to be unsure what EPA Group it wants to be part of, as it started to negotiate within the ESA Group, but already changed to the Central African EPA configuration. Table 3 (cf. Annex 39) shows that ESA is confronted with at least six overlapping economic integration schemes with different political and economic priorities. The main regional integration arrangement with a trade policy agenda are COMESA, the Eastern African Community (EAC) and SADC. All 15 ESA members that negotiate the EPA belong to COMESA. This is the geographically widest regional organisation in Africa with 20 member states. It has a Free Trade Agreement (FTA) with 11 members and is working

⁵⁶ Mayn (2004), p. 1.

towards a Customs Union (CU) in 2008 with all 20 members. The EAC has launched its CU in 2005 and the SADC has planned a FTA in 2008 and a CU in 2010 with all its member states. One of the biggest challenges in that regard is the current status of Tanzania. The country is a member of the EAC, which means it has a CU with Uganda and Kenya. However, while the two countries are negotiating the EPA under the ESA initiative, Tanzania is negotiating under the SADC configuration. The European Commission tries hard to convince Tanzania to change to ESA, as it is much more logical to have a FTA with EU with the other EAC members instead of having two different FTAs within one CU. Obviously the current status of Tanzania is a problem and further work is needed to convince Tanzania to change as soon as possible to the ESA Group or to find another solution.⁵⁷

Besides this overlapping integration schemes, the huge differences between the countries is enormous and makes the negotiations very complex.⁵⁸ It makes clear that the countries differ extremely in some respects. On the one hand, small island states like Seychelles and Mauritius have achieved relative wealth, while on the other hand states like Sudan and Ethiopia with a huge population face widespread severe poverty and are classified as LDCs. These countries will have very different needs and demands they would want to see addressed in the negotiations, especially with regard to food security. That makes it extremely difficult for the ESA Group to find a common position, which is vital in order to negotiate successfully with the EU. Only if the ESA Group has one voice, it is able to stand the negotiation power of the EU. However, the region seems to be far away from that.

The EU wants to address the issue of economic integration schemes with the EPAs, as one main aim is fostering regional integration in the ACP regions. Many documents point out that fostering regional integration is a major goal of EPAs, including the prospective EPA between the EU and ESA. For instance, the joint roadmap of the ESA region describes that “[t]he specific objective of EPAs shall be [...] to support regional integration”⁵⁹. Moreover, the Cotonou Agreement states that “[r]egional and sub-regional integration processes [...] shall be encouraged and supported.”⁶⁰ The small and vulnerable economies of ESA can create more favourable conditions for trade, investment and growth if they co-operate within their regions. “A focus on deepening integration with a view to enhancing intra-African trade would provide positive results.”⁶¹ Regional integration, it is argued, will give ESA a chance to build up adequate negotiation capacities, which could help ESA countries to strengthen their competitiveness, save human and financial resources and improve their bargaining position vis-à-vis the EU. It is obvious that possible positive impacts on regional integration would be very vital especially for the ESA region with its overlapping regional integration schemes.

57 Jakobeit et al (2005), p. 15.

58 Table 4 (Annex 40) gives an overview over some selected macroeconomic indicators of ESA member states.

59 ESA roadmap: Article 13.

60 Cotonou Partnership Agreement: Article 1.

61 ATPC, No.10, 2005, p. x (Executive Summary).

What makes all the 15 members of ESA unique, is that they are all members of COMESA. The average economic growth of member–states remained at between 3 to 4% during the last years. The region has a potential market size of over 374 million people while generating GDP of US\$203bn per annum. Available data shows that total intra-regional trade among COMESA member-states in 2004 increased by about 10% with a total volume of approximately US\$4.5bn.⁶² Intra-regional trade was 7,5% of total COMESA trade in 2003 and experienced an annual growth rate of almost 19% in the period 2001-2003⁶³, which underlines the potential to expand trade links between the countries of the region.

In the current discussions two opposed views of the potential impacts of the EPA on regional integration in Eastern and Southern Africa can be distinguished. On the one hand, mainly NGOs criticise the potential negative impacts of an EPA. A joint press release on EPAs by African and European farmers pointed out that EPAs “do not foster economic partnership and regional integration, on the contrary they strengthen “free” trade.”⁶⁴ NGOs are concerned that EPAs will undermine the regional integration efforts already going on in ESA. To their opinion, EPAs weaken the regional integration efforts, as ESA countries are significantly losing from the agreement to the benefit of the EU countries. UNECA calculated that intra-regional trade within COMESA would go down by almost 6%, and exports to other African regional economic integration schemes would decrease by 3,3%.⁶⁵ This is a trend against deeper regional integration of ESA and deeper intra-African trade integration. It will therefore be vital that the regional economic integration of ESA has deepened, before implementing a FTA with the EU. The European Commission states that it supports the integration policy as it is of the opinion that the EPA can only deliver if there is a stable regional integration behind it.⁶⁶ The Commission is of the opinion that the EPA is able to serve as a catalyst and can strengthen regional integration processes, which then can have positive effects on food security as ESA could be able to solve the crisis by itself. Furthermore, de la Rocha argues that the Cotonou Agreement and EPA negotiations could become the key external driving force that could strengthen the integration process. This would also strengthen the economies of the region and assist ESA in becoming a more active partner in the global economy.⁶⁷ Definitely, the European Commission is right when saying that the overlap of membership in incompatible economic integration schemes is the key problem, not an EPA itself. COMESA, EAC and SADC plan to deepen their integration towards CUs, but as a country can logically only belong to one CU, this is a problem the countries have to solve for themselves. The EPAs do help to force the countries to choose only one integration framework in order to negotiate in the EPA. The countries are forced to think about the best regional initiative for

62 COMESA (2006).

63 Gibb (2006), p.6.

64 EPAwatch (2005).

65 UNECA (2005), p.8.

66 European Commission (2005a), p. 11.

67 de la Rocha (2003).

them. Hence, Mauritius decided to negotiate under ESA, because it is more involved in trade with COMESA than with SADC countries. However, as mentioned before, Tanzania decided to negotiate under SADC, although it is not a good choice from a regional, economical and legal point of view.

Regional integration is likely to have positive effects on food security in ESA, but it does not seem to be sufficient just to implement the EPAs. With that in mind it is important to analyse who needs to be involved in the negotiation process in order to find a common position on what are the desirable results out of the EPA and what are the main issues for all parts of the population. Particularly NGOs (including farmers unions and representatives) have to be part of the process to raise demands and concerns of all relevant parts of the population..

4.3.2 Participation of various stakeholders in the negotiation process

All relevant stakeholders are supposed to participate in the EPAs between ACP regions and the European Commission. The Cotonou Partnership Agreement describes that “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.”⁶⁸ Interviewees from DG TRADE staff also emphasised the importance of civil society consultation to achieve an outcome that is positive for all parts of society. By definition, non-state actors include the private sector, economic and social partners (e.g. farmers unions) as well as civil society in all its forms.⁶⁹ In order to achieve wide participation of various stakeholders, “[a]ppropriate mechanism will be established to ensure Non-State actors in the EU and in the ACP countries will be informed and consulted on the content of negotiations. And the coordination with ongoing ACP-EU dialogues is ensured.”⁷⁰ Apparently, the EU accepts the importance of NGOs in the process and recognises that an ongoing dialogue with all parts of society is crucial in order to realise the true potential of EPAs. Knowing that the majority of the poor in ESA are people living in rural areas and depending on agricultural products for their livelihoods, the involvement of civil society is easily understood as crucial, particularly as those groups of society do not have the capacity to lobby and effectively influence the negotiations. Relevant civil society organisations in this context are, for instance, those that represent marginalised groups, such as farm labourers, which are not represented by private sector organisations.

It is important that the involvement of civil society is practically adopted during the whole process of negotiations. The ESA-EPA joint road map has introduced national and regional structures in order to negotiate with the EU. Thus, each country established the NDTPF

68 Cotonou Partnership Agreement: Article 2.

69 Cotonou Partnership Agreement: Article 6.1.

70 EU-EPA mandate Article 10.

comprising government and non-governmental actors. This structure shall facilitate wider consultations among all relevant stakeholders as well as guide the process of developing national positions before tabling them at the RNF.⁷¹ In addition, DG TRADE staff is pointing out that it is consulting non-state actors in the ongoing process of negotiations. In that regard, workshops and seminars have been organised in ESA and Europe to get people involved and disseminate information. Different parts of society from ESA and from Europe are invited to these workshops to discuss EPA relevant topics and the European Commission is emphasising that it is interested in gathering opinions of academics, governments, NGOs etc.⁷²

In contrast, although the European Commission emphasises the importance of civil society in the process, many NGOs and academics are raising concerns about the current involvement of civil society (including farmers unions) in the ESA-EPA process. Three concerns seem to be the most vital in that regard.

- Firstly, most of the civil society bodies in ESA are facing significant capacity constraints that lead to limited resources to engage in trade negotiations.⁷³ On the one hand DG TRADE staff pointed out that the COMESA secretariat, as the negotiation leader on the ESA side, is a relative efficient institutions with above-average experts. On the other hand, however, the lack of financial and human capacity is still a huge issue – particularly when dealing with a well-oiled machinery like EU trade negotiators. Obviously, negotiations are undertaken between parties with great imbalances in terms of political and economic power. The ESA Group has a much weaker negotiation capacity than the EU led by DG TRADE. The ability of ESA to remain firm on its negotiation position is therefore very low and is further weakened by its economic and financial dependence on the EU, as the main donor of development aid.
- Secondly, the national parliaments of ESA do not seem to be highly engaged nor well-informed about EPA. Parliamentarians of ESA countries are often not aware of the relevant issues. Of course, there are great differences in that regard. While parliamentarians of the two EAC member states Uganda and Kenya are active and thus positive examples in that regard, parliaments of other East African countries lack this engagement.
- Thirdly, concerns are being raised that farmer groups and farmers unions like almost all NGOs are not sufficiently involved in the process, although DG TRADE staff pointed out that they are willing to include NGOs in the process. In that regard numerous workshops, conferences and seminars have been held in ESA and Europe in order to increase information exchange between NGOs and the European

71 ESA-EC Joint Roadmap (2004).

72 Mandelson (2006a).

73 Kamidza (2004).

Commission. Moreover, the European Commission is financing projects to increase awareness and capacity of farmers unions and farmers organisations. Yet, the awareness and information level of farmers' unions seems to be extremely low; much more will have to be done in that regard. NGOs claim that potential effects of EPAs are not efficiently communicated in ESA, especially when comparing it with the announcement of the Cotonou Agreement in 2001/2002. When analysing the involvement of civil society bodies in ESA, it becomes obvious that results vary greatly from country to country. On the one hand Kenya has a quite strong base of civil society that are to some extent involved in the process. A quite efficient network of NGOs was established and the information exchange between civil society and ESA negotiators seems to be one of the best in the region, mainly because of the strong civil society body of the Kenya Civil Society Alliance. On the other hand, many concerns are raised about the civil society involvement in other countries. For instance, a representative of the Mauritius Chamber of Commerce and Industry underlined that there is practically no involvement of civil society agents in Mauritius in the current EPA-ESA negotiations. A representative of OneWorld Africa pointed out that the civil society (including farmers' unions) are currently not involved in a sufficient extent in the process in Zambia. On that account, a representative of the Civil Society Trade Network of Zambia said that the complexity of understanding trade issues is the main problem. She emphasised that most organisations dealing in agriculture are not really aware of the consequences of an EPA on food security, as most farmers unions are not well informed about trade issues. Even though there are some organisations such as the Civil Society Trade Network of Zambia who sit in the NDTPF, not many farmers organisations are really participating in the negotiations as a result of this lack of knowledge in trade issues.⁷⁴

In conclusion, not many local NGOs in ESA have begun to engage in the EPA. They do not seem to be aware of the possible effects of EPAs, especially on food security. Only supra-regional NGOs like Oxfam (a Northern-driven NGO) or huge and well organised NGOs like the Civil Society Trade Network of Zambia are active and partly involved. For instance, EcoNews Africa is organising workshops for society representatives in ESA, including NGOs, workers unions, farming groups and farmers unions. It further organises regional meetings for specific target groups such as small-scale farmers and trade unions.⁷⁵ However, NGOs are not able to address all relevant issues alone. The EU could think about improving its assistance to NGOs and farmers unions, in order to get all parts of society involved. Moreover, the ESA governments as well need to address these issues and open themselves for demands from civil society actors. There is much that has to be improved in future, as many issues of the process need to be discussed with all relevant parts of society. One topic that needs to be discussed with all stakeholders of society are the possible trade effects of the EPA, which now analysed in the following part of the report.

74 See List of Interviews.

75 EPA News for East Africa (2005).

4.3.3 Trade effects

Eliminating or reducing trade barriers between the EU and ESA potentially results in trade creation, which means that greater trade volumes between the two regions could be the outcome. This should lead to welfare improvements for all members of the FTA. In a potential EPA between the EU and ESA, more competitive EU exporters are likely to substitute inefficient ESA suppliers and vice versa, thus – in economic theory – leading to an efficient use of resources. However, the different industrial development level implies the risk for ESA that trade diversion is dominating. Together with the move to free trade between the countries, while maintaining their external trade barriers towards the rest of the world, that might decrease welfare for these countries. Consumers might switch from more efficient producers in non-member states to less efficient suppliers from within the region, diverting inter-regional trade flows into intra-regional ones. The elimination of tariffs, along with the continuation of the process of the CAP reform, could lay the basis for an expansion of EU products of value-added food products to ESA countries.⁷⁶ This could happen either directly to these markets or via South Africa and the South African retail giants which are increasingly establishing themselves in the ESA region.⁷⁷

In the scenario of this report for ESA, trade creation out-weights trade diversion significantly, with a ratio of roughly one to four. In no country trade diversion would exceed trade creation, meaning that there would be positive trade effects in each of the countries. EU's exports to ESA would increase by more than 1.1 billion US\$, which is small relatively to the EU's total exports but substantial in comparison to ESA import levels from EU. The EU gains much more than ESA from full reciprocity and it would increase the dependency of ESA countries on trade with EU significantly. In detail, larger effects on imports could be found in larger markets like Kenya, or in markets like Ethiopia, where tariffs are currently higher and effects of their lowering would consequently be greater. In this scenario, shares in trade would be shifted from the rest of the world (including other ESA countries) to EU producers. Even if the EU suppliers are not more efficient than those from the rest of the world (excluding ESA countries), they could be favoured over more efficient producers because of the tariff reductions.

Although table 5 (cf. Annex 40) does not provide a deeper insight into agricultural products, it can be expected that the effect of trade diversion will also appear for agricultural products. However, more in-depth analysis would need to be done for a firm statement in that regard.⁷⁸

In summary, two possible negative trade effects as results of the EPA are likely to occur. Firstly, according to our scenario, more efficient rest-of-the-world producers lose market

76 For more details about CAP: Weinhardt (2006).

77 Mayn (2004), p. 4; Leiderer (2003), p. 1-2; Szepesi (2004), p. 8/9; see for more details table 5 (Annex 40).

78 Pannhausen (2006) did an analysis of agricultural products for Western Africa, based on a study by Busse. The result was that trade diversion will occur significantly for agricultural products with a big trade gain for EU. The same is likely to happen in ESA, but detailed studies are missing.

share to less efficient EU producers. Secondly, there is a substantial trade loss within the ESA region, which means that the EPA would be trade expanding but at cost to regional trade flows and thus likely repercussion on regional integration. In order to avoid detrimental impacts of the EPA on the ESA region, sensitive products or safeguard measures are discussed in the ongoing negotiations.

4.3.4 Sensitive products and safeguard measures

The question of sensitive products could be very important for ESA as NGOs claim that the region already suffered from negative effects of past liberalisation of agricultural markets enforced by the WTO. For instance, EPAwatch argues that in Kenya 600.000 small scale dairy farmers have been threatened by imports of milk powder and other dairy products from the EU. This poses widespread problems to farmers and to Kenya's economy as small-scale dairy producers in ESA are not able to compete with cheaper, subsidised products from the EU and have therefore been forced out of the market.⁷⁹ EPAs could potentially worsen this situation, since it aims at opening up markets between the two regions under the principle of reciprocity. It would create a FTA between some of the richest and some of the poorest countries of the world, which is a dangerous prerequisite with the destruction of farmers' livelihoods and an increased food insecurity as a possible result. Devastating effects for the countries could be the outcome, where agriculture is the mainstay of the economy.

In order to protect producers in important sectors from being forced out of the market by EU products, the ESA Group is allowed to designate so-called sensitive products for which countries can maintain trade-barriers. As ESA countries have to define these sensitive products as a group and not individually each country for itself, the countries need to find a consensus about the products that should be excluded from liberalisation. Obviously, this is not an easy task as the countries have very different resource endowments, production structures and priorities. One country's sensitive product could be another country's essential import interest from a food security perspective. The question of sensitive agricultural products is a difficult one, especially in a region as diverse as ESA. The difference between the countries gets highly visible when looking at the importance of agriculture. Figure 7 (cf. Annex 49) shows that while agriculture accounts for the biggest share of GDP in some countries like Burundi (49%), it is just marginal for others like the Seychelles (3,3%). Furthermore, when analysing agriculture as a share of total exports it gets clear that some countries like Malawi (94,7%) are heavily dependent on agriculture, whereas in countries like the Seychelles (0,3%) agriculture does not contribute significantly for the total export share. Therefore, not every country is equally interested in declaring agricultural products as sensitive. However, when looking at the region as a whole, agriculture is the key sector for the mainstay of the economy.⁸⁰ On that account it is no surprise that more than 70% of the

79 EPAwatch (2005).

80 cf. figure 8 (Annex 50) gives an overview over agricultural exports of ESA.

economically active population in the ESA region work in the agricultural sector, including Rwanda and Burundi with maximum values of 90% (cf. figure 6; Annex 49). When analysing food trade of the countries (cf. figure 9; Annex 50), huge differences in that regard between the countries are obvious. While some countries like Sudan are net food importers, others like Kenya are net food exporters. In this context, objective criteria will need to be worked out as a guide in order to define sensitive products and reconcile national interest at the regional level. These criteria could be the products' contribution to employment creation, the products' contribution to sustainable livelihood, food security concerns, ability of the product to support poverty alleviation, ability of the product to assist in rural development, concerns of revenue losses etc.. All criteria could be relevant, but, as already emphasised, with regard to the importance of food security for ESA, the food security criteria appears to be the most vital one for our purposes. Nevertheless, other criteria are also important, as they are part of the ongoing discussion process and could have indirect impacts on food security.

One example for such an indirect impact would be the fiscal criteria. In general, EPAs have to be WTO compatible, a requirement clearly set out in the current negotiations. Article XXIV of GATT 1994 defines among other things that "substantially all the trade" has to be liberalised between the EU and ACP regions in a "reasonable length of time." The article does not exactly say how much trade needs to be liberalised, but it clearly points out that not all trade must be included. It is generally interpreted that around 90% of EU-ACP trade have to be liberalised within ten to twelve years⁸¹. However, the liberalisation of tariffs can be undertaken asymmetrically, that enables ESA to liberalise say about 80% of its duties, while the EU would liberalise almost 100%.⁸²

From a rational point of view it is possible that ESA will declare those products as sensitive that bring most tariff revenues as most countries depend heavily on those revenues.⁸³ In doing so, the countries would obviously declare those say 20% of the total products as sensitive that have the highest duty rates and therefore bring maximum revenues. The first problem in this regard is to find a consensus about the products included on the regional ESA level. As product duties are highly diverse in the different countries, it would be very difficult to decide which products to choose. A product with a high import duty in one country, could be duty free in another country. Nevertheless, although this is a pure rational criteria, it could be possible that there exists an overlap, which means that agricultural products could be found under the high-duty products. If this is the case the fiscal criteria could also lead to food security, even though it is not the main purpose of this criteria. However, a huge difference between the ESA member states exists in that regard. In some countries just a few agricultural products would be within the 20%, while in other states several agricultural products would

81 Mayn (2004), p.1; this report uses this interpretation.

82 In the trade agreement between EU and South Africa the liberalisation of tariffs was undertaken asymmetrically. How much finally will be liberalised by ESA is not clear at the moment. Maertens (2004) analysed that ESA is proposed to liberalise about 86% of all products.

83 Stevens and Kennan (2005).

be included. When looking at the ESA region as a group, the fiscal criteria is not a criteria to choose, from a food security perspective. The differences between the countries are too big. As shown in table 6 (cf. Annex 41), in countries like Kenya this criteria could have some positive effects on food security, but the effects on other vulnerable countries like Djibouti and Malawi would be at best marginal. In addition, even if in countries like Kenya some agricultural products would be included, many other agricultural products are not and therefore the impact on food security in ESA would be neither planned nor substantial.

We will now turn to possible results if the explicit food security criteria would be chosen⁸⁴ DG TRADE staff emphasised that food security aspects are useful to include and that the EC is assisting ESA in that regard. Agricultural products, which are produced in ESA and produced and exported by the EU, namely milk, sugar, vegetables, potatoes and maize are likely products to be declared 'sensitive'.⁸⁵ As agricultural imports account just for 10% of total imports from the EU, theoretically all agricultural products could be excluded from liberalisation. DG TRADE staff stated that the European Commission was open for discussions about possible agricultural sensitive products. The Commission says that it would be generous in accepting the sensitive products, recommend by the ESA Group. On that account, the ESA Group would have to react now and define the sensitive products. Commission officials stated that the European Commission can assist ESA countries in many aspects, but in practice, ESA countries had to do the work and had to decide on their own which products they want to exclude from liberalisation. However, especially for agricultural products, the high deviation of economic development within ESA results in very different economic interests, as argued above. Food net importing countries would for example appreciate the import of certain agricultural products from the EU, as they do not have an accordant industry and would hope to promote the production of locally processed value-added products. The same commodities are, however, sensitive in other countries that seek to protect their agricultural sector and agro-processing industries against EU competition. As neither the exclusion of single sectors nor the creation of expansive exclusion lists would be WTO compatible, it will be very difficult for the countries to find a compromise.

Nevertheless, no matter what products will be chosen at the end, it could be very important to introduce safeguard measures in order to protect specific products and sectors. DG TRADE staff underlined that they were willing to accept safeguards requests by ESA, as safeguard measures were a commonly used trade tool to prevent the disruption of local industries as a result of imports. "Safeguard provisions as defined in Article 8 of Annex V to the Cotonou Agreement shall apply *mutatis mutandis*, in accordance with relevant provisions of the WTO."⁸⁶ In addition, establishing a monitoring and surveillance system could be an option to

84 The impacts on food security of the other mentioned criteria need to be analysed in future studies, but it could be assumed that the impacts are also at best accidentally.

85 cf. table 7 (Annex 44) and figure 10 (Annex 51) for more details.

86 EU-EPA Mandate Article 3.3(7).

be aware once the threat of market disruption occurs.⁸⁷ The Cotonou Agreement describes that “[t]he purpose of support in cases of short-term fluctuations in export earnings is to safeguard macroeconomic and sectoral reforms and policies that are at risk as a result of a drop in revenue and remedy the adverse effects of instability of export earnings in particular from agricultural and mining products.”⁸⁸ This safeguard clause allows action to be taken where imports cause or threaten to cause serious injury, disturbances or difficulties in any sector, which could lead to an economic deterioration of the ESA region. Within these provisions emphasis is placed on preventing disruption of markets. These types of provisions could very usefully be applied in a context where an EPA could cause an expansion of EU exports of simple value-added food products to ESA countries. Establishing those monitoring and surveillance arrangements in sensitive sectors could prevent severe market disruptions arising under EPAs with the EU. In addition, infant industry protection and addressing supply side constraints analysed in the next part of the report are likely to have positive impacts on the ESA economies and on food security.

4.3.5 Infant Industry Protection and Supply Side Constraints

NGOs claim that through the EPA the EU is seeking an increased market access for their own goods and services into ESA markets. This potentially poses serious threats to already vulnerable local food production, local food processing and infant manufacturing industries in ESA. Indeed, it remains unclear whether enterprises in ESA are ready to compete with EU products, because of the developing nature of the economies in these countries and various supply-side constraints that are serious obstacles to competitive production. In addition, the competitiveness of imported products is often distorted when it is maintained by substitutes to producers and exporters enabling them to sell their products at dumping prices, which means at prices less than their cost of production. Dumping of agricultural products is one of the most damaging trade practices for ESA and is threatening the livelihoods of millions of small-scale farmers who cannot compete with the cheaper imports. ESA is likely to find itself dependent on EU products. That threatens their quest for food security and sovereignty in agriculture, as ESA is able to produce simple value-added food products for themselves. This trade thus potentially has the capacity to undermine the basis of agriculture-based industrial development, which would result in serious consequences for employment and rural incomes. This potential price and quality competition from EU based industries to local manufacturers could be negative aspects of the EPA, especially given the lack of economies of scale and access to latest technology. Further de-industrialisation, loss of jobs and barriers to entry into new markets of local products are possible consequences .

Infant industry protection could be one possibility to help vulnerable industries to develop on a level where they are able to compete with EU products. However, when the EU has free

87 Goodison (2004).

88 Cotonou Partnership Agreement: Article 68(2).

market access, infant industry protection would no longer be possible. Thus, ESA countries might not have the chance to build-up own industries and set-up an adequate market chain⁸⁹, although there is a wide consensus under academics that infant industry protection is an important means for developing countries to develop. Indeed, European Commission staff underlined the importance of infant industry protection and said that they are open for discussions and they stressed that especially food producing industries could be relevant in that regard.

Besides tariffs as important barriers for companies, other trade barriers are further vital to consider, such as corruption, divergence of standards across markets in the region, high transport costs due to both regulation and infrastructure problems and non-tariff barriers in the form of import bans, suspended duties and the like. In many ESA countries, serious constraints are faced by local enterprises in producing goods competitively, as a result of the developing nature of the economies.⁹⁰ These constraints range from the unreliable provision of public utilities (e.g. electricity and water supply) and poor public infrastructure through weak institutional and policy frameworks to low labour productivity (arising from poor education, health and housing provision). All these constraints are relevant when looking at the problems of ESA countries to compete with EU products. Opening the markets before addressing these issues is likely to result in unequal (and thus unfair) competition. The EU has to assist ESA countries to solve these issues and the European Commission emphasises itself that “[t]he ESA EPA will therefore also include measures to increase the competitiveness and productivity of agriculture in the ESA region.”⁹¹ The Cotonou Partnership Agreement states that “[t]he Community shall support the ACP States’ efforts, in accordance with the provisions set out in this Agreement and the development strategies agreed between the Parties to strengthen their capacity to handle all areas related to trade, including, where necessary, improving and supporting the institutional framework”.⁹² However, up to date, EU aid programmes have been heavily focussed on addressing the physical constraints on public infrastructure but have not dealt so far with the human management problems faced. Problems of low labour productivity, management constraints and problems with public utility provision have received relatively minor attention. Yet these broader issues are central to the ability of ESA enterprises to take advantage of trade preferences and competitively produce.

As a result, an EPA can reduce food insecurity and poverty, but preferential free trade alone cannot bring the promised positive effects. That is why the ACP as a group insists that the EU should assure the development dimensions by EPA. Nonetheless, the EU is opposed to include flanking development measures in the trade negotiations, as the very prospect of an EPA is supposed to foster development. It is vital to analyse the potential impacts of an EPA on development aspects in more detail as many people in ESA could benefit or lose. The

89 Mayn (2004), p.4.

90 Charalambides (2005), p. 6ff.

91 European Commission (2006), p. 9.

92 Cotonou Partnership Agreement: Article 44(2).

potential consequences of the EPA with regard to food security as a major potential impact are summarised in the following part.

5 Impacts on Food Security

In order to illustrate the potential impacts of an EPA on food security in ESA, it is important to consider the pattern of expenditures and the sources of income of the poor, as this part of the population is likely to suffer the most from food crisis. Trade may affect poverty by contributing to increased or decreased incomes or opportunities, or by altering the prices. For instance, several studies carried out in Uganda have shown that relative price changes especially for food do matter for overall food security. Farmers tend to substitute less profitable crops such as millet with more profitable ones like coffee. In ESA, food is by far the most important item of expenditure for the poor, thus food prices are among the most important factors affecting their real incomes, which is influenced by domestic production more than imports. Although an EPA would provide access to a lucrative EU market for all countries, successful import or export-competition requires increased efficiency in producing high quality goods. The major share of the benefits from trade arising from the EPA will therefore benefit to those households that own factors which are most in demand. Generally these are unlikely to be the poor households,⁹³ as the poor usually have very limited assets. The sale of unskilled labour tends to be the most important source of income for the poor, complemented by the value of own consumption. Moreover, households earn income by selling the factors they produce. Hence, the source of income of the poor will be as well an important determinant of the effect of trade liberalisation, like the effect on the prices of their consumption. Almost 70% of the population in ESA still lives in rural areas, although urbanisation is increasing (cf. figure 11, Annex 51). However, there are substantial differences between the countries. For instance, in Djibouti just 16% of the population live in rural areas, in contrast to Burundi where 90% of the population is living in rural parts of the country. Poverty and food insecurity in ESA are predominantly a rural phenomenon, although urban poverty is also considerable.⁹⁴ Therefore, when thinking of food security in ESA, those who live in the rural areas are the most important parts of the population and need to be involved much more seriously in current EPA negotiations.

How is food security – particularly of the poor parts of the population – linked to trade? The first link occurs at the border. When ESA members liberalise their trade policies, this will result in lower market prices for imports at the border of ESA countries. The second linkage focuses on how prices are transmitted from the border to local producers, consumers and households within the country. The extent to which households and businesses in the economy experience these price changes depends on the quality of infrastructure and the

93 Twineyo (2006), p.20.

94 See for some examples figure 12 (Annex 52) and for a deeper insight IFAD (2002), p. 9ff.

behaviour of domestic marketing margins, as well as even geographical factors. Again, addressing the supply side constraints is therefore indispensable.

Another potential and vital impact of an EPA are revenue losses for ESA countries. Most of the countries depend to a high extent on import duties as a source of government revenues. The EU is a substantial source for most ESA countries' imports and is therefore a main component of the import tax base. Thus, the elimination of the import tariffs on products from the EU is a relevant factor in the economic analysis of the EPA in general, and in particular when looking at the impact of the EPA on the poor. Table 8 (cf. Annex 46) indicates the possible revenue losses of the ESA members due to the reciprocal treatment of EU goods into the ESA markets. According to this calculation, all countries would have to face revenue losses. In absolute value terms, Kenya, Sudan and Mauritius are likely to suffer the most. In relative terms (revenue losses per capita) and as a share of total fiscal revenues Djibouti, Mauritius and Seychelles are the major potential revenue losers. This could have adverse effects on public expenditure of different countries, as with import revenues a huge part of expenditures like education and health service are financed. With less revenue from import duties, less money can be put into public expenditures; financing the relevant sectors will thus become more difficult. This is likely to have detrimental effects especially on the poor, who have to spend more money on these services instead of spending it on food.⁹⁵ The COMESA secretariat analysed that if all EU imports came in free of duty, governments in the COMESA region would lose about 25% of their trade taxes and about 6% of their total tax revenue. Although 6% is not much at the first sight, it is significant as most fiscal systems are in a fragile situation.⁹⁶

In order to prevent impact on public expenditures, new ways of getting revenues are needed, but replacing tax revenues is a politically sensitive issue. The countries need to find a new fiscal basis or they have to cut public expenditures such as education and health.⁹⁷ ESA countries will find encounter difficulties in replacing the foregone revenues. On the one hand, this is difficult as alternative taxes are not likely to achieve the same amount of money like import duties. On the other hand, the adjustment costs of undertaking the reforms will weigh heavily on ESA countries, as more financial and human resources will be needed if new revenues are to be established. It is therefore highly likely that most of the ESA countries will have problems to compensate the loss of revenue and to implement new ways of collecting revenues. Therefore, from a development perspective, the EU should need to focus more assistance to ESA countries on improving customs processing, restructuring their income sources, and shifting toward indirect taxation – provided the political will in ESA countries exists or can be established. If both the ESA countries and the EU will not cope with this issue, especially the poor will suffer.

95 Of course, another impact is that the quality of education and health service declines and that has effects on the development of individuals and of the country as a whole.

96 COMESA (2006).

97 Mihretu (2006), p. 7.

In contrast to that, possible positive impacts of the EPA on the poor are welfare improvements. As import prices go down because of the liberalisation, consumers are able to consume more food products for the same income. Welfare implication analysis show that consumers of all countries gain a surplus out of the EPA, but the amount is far less than the proposed revenue shortfalls (cf. table 9 in Annex 46). None the less, Mauritius and Kenya gain the most in absolute terms, whereas Mauritius and Seychelles gain the most per capita. This is not a surprise as the level of consumer surplus depends to a large extent on the level of trade creation. However, the model ignores the potential producer surplus movements. Companies could be able to improve their competitiveness by accessing inputs at lower prices (e.g. machinery), but could also be threatened by EU companies that could result in job losses in all sectors, including the agricultural sector.

Moreover, in order to analyse the impacts of the EPA on the poor it is important to differentiate between net-consumers and net-producers of food. The differences between the countries the report already described, with some countries being net-importers of food and others net-exporters.⁹⁸ And even within a country, differences between population groups are likely to be found. While net-consumers are likely to benefit from an EPA as prices of products will decrease, net-producers are likely to suffer because of this price decline. However, the implications on the groups are much more complex. Net-consumers could also suffer from an EPA as they possibly lose their jobs, because infant industries and farmers cannot compete with the EU products. Net-producers might not be able to produce at these low costs and therefore have to withdraw from the market. As the majority of ESA population depends on agriculture, this is likely to have a tremendous effect. Again the implementation of sensitive products and safeguard mechanism, as well as infant industry protection could be helpful to protect these agricultural sectors.

Hence, a lot of research needs to be done. It is vital to know more about the potential impact of an EPA on the poor in ESA. Poor families of farmers do not have alternative sources of income, because the other economic sectors, particularly the industrial sector, are not able to provide more jobs. Considering that the ESA agricultural sector provides income and jobs to more than 70% of the population, and that the farming sector is also the driving force of growth in other economic sectors, more research would be vital. The role of family farming as the basis of agriculture in the region, the driving force of economic activity, the primary source of food security and the main tool in reducing rural poverty cannot be overemphasised.

6 Conclusion

An Economic Partnership based on the prospect of reciprocal free trade with the EU is likely to have enormous impacts on the ESA region. Poverty reduction is the main aim for all parties

98 cf. figure 9; Annex 50.

involved, but different opinions exist if an EPA is a good instrument to achieve poverty reduction. We can summarise that EPAs are at best supposed to have different effects in the short- and mid-term to the long-run., but different groups of people will be affected differently. An exact conclusion cannot be drawn today, as the EPA could have benefits that are visible only in the medium or long-term. What we can do today is analysing the potential impacts on single issues, but a prediction of the impact on the economy as a whole seems not to be possible. The report analysed the most important possible issues and impacts of the EPA on ESA with special regard to food security.

On the one hand the EPA offers the options for ESA. To list a number of them: an EPA might provide chances (i) to overcome the traditional donor-recipient relationship, (ii) to benefit from cheaper high-technical consumer and producer goods, (iii) to promote economic diversification, leading to optimal factor allocation due to increased competition, and (iv) to enter into a more equitable partnership with the EU. Moreover, a FTA with EU offers the chance to lock-in economic policies, as it would make it costly for ESA countries to reverse their politics. With regard to the multiple memberships of the countries in regional economic integration schemes this would be very valuable for ESA. On the other hand, the EPA implies several challenges for ESA countries, such as potential revenue losses, trade diversion effects and increased competition in the domestic market. The final shape of an EPA cannot be predicted, but some vital prerequisites were found that need to be in place in order to achieve a positive outcome.

- First of all, the European Commission has to provide guarantees to the ESA Group. Questions like infant industry protection, food security, safeguard measures, sensitive products and supply-side constraints need to be addressed seriously and for the benefits of the very poor of ESA. On that account, a long and flexible timeframe seems crucial in order to foster regional integration.
- Moreover, capacity issues and the inclusion of various stakeholders (including farmers unions) need to be improved, in order to find out what the different population groups demand and expect. The European Commission has to be aware that some countries still lack the democratic space, which allows civic bodies to participate in this process, while others have weak and underdeveloped non-state actors. Even in those countries where civil society bodies are relatively developed, the lack of knowledge at the membership level about this trade engagement is highly visible. Much more needs to be done in that regard by all parties involved, as they have a responsibility to involve all relevant parts of society in order to achieve a positive outcome for all.
- Negotiations on agriculture must be based on the interests of ESA small-scale farmers and have to protect their livelihoods and local food production. On that account, the European Commission as the more powerful part arguably has the moral responsibility to make trade fair. The EU still spends billions of Euros annually on subsidies, which looks morally indefensible in light of poverty in ESA. Thus, the European Commission would need to prove its commitment to development in ESA in the

ongoing negotiations. The claims that EPAs are not just about trade need to be substantiated. However, not only the European Commission needs to take responsibility.

- Although time pressure is very high with the end of negotiation envisaged in 2007, much more needs to be done by ESA governments to achieve a positive outcome. One vital question is to Tanzania, about what EPA group it will negotiate with. A change to the ESA Group is important to give the negotiations and the later results a stable basis. From an economic point of view it is irreproducible that Tanzania is negotiating under the SADC configuration, whereas the other EAC members Uganda and Kenya negotiate under ESA. In addition, lack of capacity and supply-side constraints are issues the ESA countries need to address at first by themselves. The ESA-EPA is a partnership agreement, i.e. that both parties have the same rights but also the same commitments.

If managed properly, an EPA might constitute a chance for ESA to develop its economies significantly and a chance for the EU to prove that it is aware of and able to resume its global role to the benefit of the very poor in Africa. Weather or not the outcome will be positive, depends to a high degree on addressing and solving the right issues in the ongoing negotiations. Food security is a key question for poor people in the ESA region. It should thus be relevant in all phases of negotiation and be key aspect to consider in seemingly technical details.

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Annex

Tables

Table 1: Main imported agricultural products by the EU from ESA

	Product	% total of region	Cum % of total agri exp	Value (in 1000 Euro)	Quantity (in tons)	Share of Extra-EU	Rank of total products
1701	Cane or beet sugar and chemically pure sucrose	7,7	7,7	391.385	727.394	33,4	2.
0901	Coffee, wheather or not roasted or decaffeinated	6,1	13,8	309.357	280.639	11,3	4.
1604	Prepared or preserved fish; Caviar and caviar subst	5,5	19,3	279.392	119.599	18,7	5.
2401	Unmanufactured tobacco, tobacco refuse	5,1	24,4	256.493	97.661	15,2	6.
0902	Tea	3,0	27,4	151.502	104.785	33,3	10.
0708	Leguminous vegetables, shelled or unshelled	2,6	30	129.220	48.945	43,0	11.
0304	Fish fillets and other fish meat	1,9	31,9	97.570	26.350	3,5	14.
0810	Fresh strawberries, raspberries, blackberries	1,3	33,2	66.938	22.490	12,6	18.
0303	Frozen fish (excl. Fish fillets and other fish meat of	1,1	34,3	54.160	48.481	5,3	19.
0709	other vegetables, fresh or chilled (excl. Potatoes,	0,9	35,2	44.447	18.229	8,8	22.
2008	Fruits, nuts and other edible parts of plants	0,7	35,9	37.499	47.900	3,3	27.
0905	Vanilla	0,7	36,6	35.297	263	50,3	28.

Source: European Commission (2005b), statistical analysis 2004 (EUROSTAT/Worldbank)

Table 2: Main exported agricultural products from EU to ESA

	Product	% total of region	Cum % of total agri exp	Value in 1000 Euro	Quantity (in tons)	Share of Extra-EU	Rank of total products
0303	Frozen fish (excl. Fish fillets and other fish meat of	2,0	2,0	95.946	126.818	11,0	7.
0402	Milk and cream, concentrated or containing added	1,1	3,1	52.388	23.857	3,0	19.
2106	Food preparations, N.E.S	0,7	3,8	32.795	7.496	1,3	32.

Source: European Commission (2005b), statistical analysis 2004 (EUROSTAT/Worldbank)

Table 3: Overlapping integration schemes in ESA

	COMESA	COMESA FTA	SADC	EAC ⁹⁹	ECCAS	IGAD	IOC
Burundi	*	*			*		
Comoros	*						*
Djibouti	*	*				*	
Eritrea	*					*	
Ethiopia	*					*	
Kenya	*	*		*		*	
Madagascar	*	*	*				*
Malawi	*	*	*				
Mauritius	*	*	*				*
Rwanda	*	*			*		
Seychelles	*						*
Sudan	*	*				*	
Uganda	*			*		*	
Zambia	*	*	*				
Zimbabwe	*	*	*				

Source: Jakobeit et al (2005), p.15

99 ECCAS: Economic Community of Central African States.

Table 4: Selected Macroeconomic Indicators of ESA Member States

	<i>Total population (2005)</i>	<i>Total land area (2002, in Thousand ha)</i>	<i>GNP per capita (2003, current US\$)</i>	<i>HDI Rank (2005)</i>	<i>LDC</i>
Burundi	7.068.000	2.568	90	169	*
Comoros	790.000	223	450	132	*
Djibouti	712.000	2.318	910	150	*
Eritrea	4.297.000	10.100	190	161	*
Ethiopia	72.420.000	100.000	90	170	*
Kenya	32.420.000	56.914	400	154	
Madagascar	17.901.000	58.154	290	146	*
Malawi	12.337.000	9.408	160	165	*
Mauritius	1.233.000	203	4.100	65	
Rwanda	8.481.000	2.467	220	159	*
Seychelles	82.000	45	7.490	51	
Sudan	34.333.000	237.600	460	141	*
Uganda	26.699.000	19.710	250	144	*
Zambia	10.924.000	74.339	380	166	*
Zimbabwe	12.932.000	38.685	-	145	
ESA	242.629.000	612.734	251	-	

Source: Compiled from UN and EUROSTAT/Worldbank documents (ESA: own calculation)

Table 5: Possible trade effects of EU-ESA EPA (US\$)

	Trade Creation	Net trade diversion	ESA's diverted trade	EU's trade gain
Burundi	12.325.876	-1.590.623	-269.314	13.943.310
Djibouti	56.456.321	-9.564.476	-215.526	66.020.797
Ethiopia	120.678.556	-31.151.559	-3.285.650	151.830.115
Eritrea	13.137.093	-1.381.481	-26.814	14.518.574
Kenya	211.271.997	-60.498.415	-2.426.328	271.770.412
Madagascar	16.555.404	-4.086.557	-248.092	20.641.961
Malawi	15.124.010	-6.545.835	-332	21.669.845
Mauritius	166.926.856	-44.739.919	-2.864.042	211.666.775
Rwanda	10.552.742	-3.056.649	-749.240	13.609.391
Seychelles	25.349.172	25.349.172	-371.794	28.075.738
Sudan	119.558.097	-33.493.487	-1.232.861	153.051.584
Uganda	19.166.664	-9.017.648	-1.236.647	28.184.312
Zambia	31.748.630	-10.358.152	-433.072	42.106.782
Zimbabwe	45.604.361	-17.633.252	-253.778	63.237.613
ESA-Sum	864.455.779	-207.768.881	-13.613.490	1.100.327.209
ESA-Average	115.260.771	-27.702.517	-1.815.132	

Source: Karingi et al.(2005)¹⁰⁰, p.64-66 (ESA: own calculation)

100 All tables compiled from Karingi et al (2005) are based on the Wits/SMART model.

Table 6: Sensitive products for Djibouti and Kenya when maximum revenue is the criteria**DJIBOUTI**

Product	Tariff year	Tariff type	Product Name	Duty type	Min Rate	Max Rate	Imports Value	Cumulative share of total
8904	2002	2002	Tugs and pusher craft.	MFN	40,00	40,00	4217,971	2,7
8703	2002	2002	Motor cars and other motor vehicles principally de	MFN	33,00	40,00	4093,258	5,4
8517	2002	2002	Electrical apparatus for line telephony or line te	MFN	33,00	40,00	2447,404	7
8502	2002	2002	Electric generating sets and rotary converters.	MFN	40,00	40,00	1208,949	7,8
8529	2002	2002	Parts suitable for use solely or principally with	MFN	40,00	40,00	1010,577	8,4
8521	2002	2002	Video recording or reproducing apparatus, whether	MFN	40,00	40,00	330,797	8,6
9009	2002	2002	Photocopying apparatus incorporating an optical sy	MFN	40,00	40,00	221,965	8,8
8527	2002	2002	Reception apparatus for radio-telephony, radio-tel	MFN	40,00	40,00	159,859	8,9
9506	2002	2002	Articles and equipment for general physical exerci	MFN	33,00	40,00	104,525	9
8518	2002	2002	Microphones and stands therefor; loudspeakers, whe	MFN	40,00	40,00	103,372	9
8528	2002	2002	Reception apparatus for television, whether or not	MFN	33,00	40,00	98,081	9,1
7117	2002	2002	Imitation jewellery.	MFN	40,00	40,00	69,862	9,1
8524	2002	2002	Records, tapes and other recorded media for sound	MFN	40,00	40,00	65,512	9,2
3703	2002	2002	Photographic paper, paperboard and textiles, sensi	MFN	40,00	40,00	62,014	9,2
9007	2002	2002	Cinematographic cameras and projectors, whether or	MFN	40,00	40,00	45,316	9,2
3707	2002	2002	Chemical preparations for photographic uses (other	MFN	40,00	40,00	32,256	9,3
8711	2002	2002	Motorcycles (including mopeds) and cycles fitted w	MFN	40,00	40,00	32,097	9,3
8523	2002	2002	Prepared unrecorded media for sound recording or s	MFN	40,00	40,00	22,838	9,3
7113	2002	2002	Articles of jewellery and parts thereof, of precio	MFN	40,00	40,00	18,881	9,3
9006	2002	2002	Photographic (other than cinematographic) cameras;	MFN	40,00	40,00	17,937	9,3
9010	2002	2002	Apparatus and equipment for photographic (includin	MFN	40,00	40,00	17,903	9,3
6702	2002	2002	Artificial flowers, foliage and fruit and parts th	MFN	40,00	40,00	16,993	9,3
9011	2002	2002	Compound optical microscopes, including those for	MFN	40,00	40,00	14,560	9,4
9504	2002	2002	Articles for funfair, table or parlour games, incl	MFN	40,00	40,00	14,160	9,4
9102	2002	2002	Wrist-watches, pocket-watches and other watches, i	MFN	40,00	40,00	12,842	9,4
9012	2002	2002	Microscopes other than optical microscopes; diffra	MFN	40,00	40,00	11,329	9,4
9101	2002	2002	Wrist-watches, pocket-watches and other watches, i	MFN	40,00	40,00	5,664	9,4
9307	2002	2002	Swords, cutlasses, bayonets, lances and similar ar	MFN	40,00	40,00	3,776	9,4
8519	2002	2002	Turntables (record-decks), record-players, cassett	MFN	40,00	40,00	2,832	9,4

8522	2002	2002	Parts and accessories suitable for use solely or p	MFN	40,00	40,00	2,832	9,4
9505	2002	2002	Festive, carnival or other entertainment articles,	MFN	40,00	40,00	2,832	9,4
3702	2002	2002	Photographic film in rolls, sensitised, unexposed,	MFN	40,00	40,00	2,524	9,4
3706	2002	2002	Cinematographic film, exposed and developed, wheth	MFN	40,00	40,00	1,888	9,4
9008	2002	2002	Image projectors, other than cinematographic; phot	MFN	40,00	40,00	1,888	9,4
9304	2002	2002	Other arms (for example, spring, air or gas guns a	MFN	40,00	40,00	1,888	9,4
8520	2002	2002	Magnetic tape recorders and other sound recording	MFN	40,00	40,00	1,314	9,4
8903	2002	2002	Yachts and other vessels for pleasure or sports; r	MFN	40,00	40,00	0,944	9,4
9201	2002	2002	Pianos, including automatic pianos; harpsichords a	MFN	40,00	40,00	0,944	9,4
9207	2002	2002	Musical instruments, the sound of which is produce	MFN	40	40	0,944	9,4
2402	2002	2002	Cigars, cheroots, cigarillos and cigarettes, of to	MFN	33,00	33,00	21732,407	23,5
9023	2002	2002	Instruments, apparatus and models, designed for de	MFN	33,00	33,00	8490,135	29
8704	2002	2002	Motor vehicles for the transport of goods.	MFN	33,00	33,00	5140,173	32,4
6309	2002	2002	Worn clothing and other worn articles.	MFN	33,00	33,00	5064,911	35,6
8474	2002	2002	Machinery for sorting, screening, separating, wash	MFN	33,00	33,00	4147,992	38,3
2208	2002	2002	Undenatured ethyl alcohol of an alcoholic strength	MFN	33,00	33,00	2782,913	40,1
7308	2002	2002	Structures (excluding prefabricated buildings of h	MFN	33,00	33,00	2117,716	41,5
2203	2002	2002	Beer made from malt.	MFN	33,00	33,00	1858,763	42,7
8708	2002	2002	Parts and accessories of the motor vehicles of hea	MFN	33,00	33,00	1383,426	43,6

KENYA

Product	Tariff year	Tariff type	Product Name	Duty type	Min Rate	Max Rate	Imports Value	Cumulative share of total
1701	2005	2004	Cane or beet sugar and chemically pure sucrose, in	MFN	100,00	100,00	256,593	0,02
1006	2005	2004	Rice.	MFN	75,00	75,00	45,238	0,03
1101	2005	2004	Wheat or meslin flour.	MFN	60,00	60,00	1068,413	0,12
0402	2005	2004	Milk and cream, concentrated or containing added s	MFN	60,00	60,00	289,883	0,15
0401	2005	2004	Milk and cream, not concentrated nor containing ad	MFN	60,00	60,00	52,715	0,15
2523	2005	2004	Portland cement, aluminous cement, slag cement, su	MFN	25,00	55,00	164,179	0,16
6309	2005	2004	Worn clothing and other worn articles.	MFN	50,00	50,00	17502,089	1,7
6302	2005	2004	Bed linen, table linen, toilet linen and kitchen l	MFN	25,00	50,00	2710,150	1,93
1005	2005	2004	Maize (corn).	MFN	25,00	50,00	2359,764	2,14
5208	2005	2004	Woven fabrics of cotton, containing 85 % or more b	MFN	25,00	50,00	48,112	2,15
6211	2005	2004	Track suits, ski suits and swimwear; other garment	MFN	25,00	50,00	24,599	2,15

5210	2005	2004	Woven fabrics of cotton, containing less than 85 %	MFN	25,00	50,00	19,575	2,15
6305	2005	2004	Sacks and bags, of a kind used for the packing of	MFN	25,00	45,00	61,342	2,15
8309	2005	2004	Stoppers, caps and lids (including crown corks, sc	MFN	25,00	40,00	2489,055	2,37
8506	2005	2004	Primary cells and primary batteries.	MFN	0,00	35,00	418,047	2,41
2403	2005	2004	Other manufactured tobacco and manufactured tobacc	MFN	25,00	35,00	177,100	2,42
2402	2005	2004	Cigars, cheroots, cigarillos and cigarettes, of to	MFN	25,00	35,00	130,622	2,44
3605	2005	2004	Matches, other than pyrotechnic articles of headin	MFN	35,00	35,00	1,198	2,44
8525	2005	2004	Transmission apparatus for radio-telephony, radio-	MFN	0,00	25,00	29226,353	5
8703	2005	2004	Motor cars and other motor vehicles principally de	MFN	0,00	25,00	23114,310	7,02
3808	2005	2004	Insecticides, rodenticides, fungicides, herbicides	MFN	0,00	25,00	17779,899	8,58
8704	2005	2004	Motor vehicles for the transport of goods.	MFN	0,00	25,00	16984,639	10,06
2710	2005	2004	Petroleum oils and oils obtained from bituminous m	MFN	0,00	25,00	16887,080	11,54
9303	2005	2004	Other firearms and similar devices which operate b	MFN	25,00	25,00	14119,729	12,78
8524	2005	2004	Records, tapes and other recorded media for sound	MFN	25,00	25,00	13155,978	13,93
9306	2005	2004	Bombs, grenades, torpedoes, mines, missiles and si	MFN	25,00	25,00	12704,371	15,04
7210	2005	2004	Flat-rolled products of iron or non-alloy steel, o	MFN	0,00	25,00	9429,648	15,87
8422	2005	2004	Dish washing machines; machinery for cleaning or d	MFN	0,00	25,00	8311,068	16,6
4810	2005	2004	Paper and paperboard, coated on one or both sides	MFN	10,00	25,00	8226,489	17,32
4801	2005	2004	Newsprint, in rolls or sheets.	MFN	10,00	25,00	8218,858	18,04
4909	2005	2004	Printed or illustrated postcards; printed cards be	MFN	25,00	25,00	5115,610	18,48
2106	2005	2004	Food preparations not elsewhere specified or inclu	MFN	10,00	25,00	4637,824	18,89
8529	2005	2004	Parts suitable for use solely or principally with	MFN	25,00	25,00	4559,157	19,29
2208	2005	2004	Undenatured ethyl alcohol of an alcoholic strength	MFN	25,00	25,00	4536,436	19,69
4802	2005	2004	Uncoated paper and paperboard, of a kind used for	MFN	10,00	25,00	4338,747	20,07
0303	2005	2004	Fish, frozen, excluding fish fillets and other fis	MFN	25,00	25,00	3908,971	20,41
4804	2005	2004	Uncoated kraft paper and paperboard, in rolls or s	MFN	0,00	25,00	3878,768	20,75
3920	2005	2004	Other plates, sheets, film, foil and strip, of pla	MFN	10,00	25,00	3810,628	21,08
3923	2005	2004	Articles for the conveyance or packing of goods, o	MFN	0,00	25,00	3535,229	21,39
8544	2005	2004	Insulated (including enamelled or anodised) wire,	MFN	0,00	25,00	3514,989	21,7
8414	2005	2004	Air or vacuum pumps, air or other gas compressors	MFN	10,00	25,00	3220,036	21,98
9608	2005	2004	Ball point pens; felt tipped and other porous-tipp	MFN	0,00	25,00	2835,930	22,23
9301	2005	2004	Military weapons, other than revolvers, pistols an	MFN	25,00	25,00	2685,932	22,46

Source: WITS/SMART Simulations

Table 7: Production (kg/person/year) of agricultural products in ESA countries

Country name	Food item code	Food items	2000-2002
Burundi	2615	Bananas	242
	2533	Sweet potatoes	119
	2532	Cassava & products	110
	2657	Beverages, fermented	73
	2605	Vegetables, other & prod	38
	2546	Beans, dry & products	35
	2536	Sugar cane	30
Comoros	2560	Coconuts & copra	104
	2615	Bananas	83
	2532	Cassava & products	75
Djibouti	2605	Vegetables, other & prod	34
	2738	Milk, whole	20
Eritrea	2534	Roots&tubers,oth & prod.	23
Ethiopia	2534	Roots&tubers,oth & prod.	53
	2514	Maize & products	44
	2536	Sugar cane	33
	2520	Cereals,others &products	25
	2738	Milk, whole	22
	2518	Sorghum & products	21
	2511	Wheat & products	21
Kenya	2536	Sugar cane	129
	2738	Milk, whole	89
	2514	Maize & products	78
	2605	Vegetables, other & prod	34
	2531	Potatoes & products	29
	2616	Plantains	27
	2618	Pineapples & products	20
Madagascar	2532	Cassava & products	149
	2536	Sugar cane	134
	2805	Rice & prod (milled eq.)	105
	2738	Milk, whole	33
	2533	Sweet potatoes	31
	2625	Fruit, other & products	26
Malawi	2532	Cassava & products	218
	2531	Potatoes & products	171
	2536	Sugar cane	166
	2514	Maize & products	162
	2542	Sugar & prod. (raw eq.)	20
Mauritius	2536	Sugar cane	4389
	2542	Sugar & prod. (raw eq.)	483
	2544	Molasses	128
	2605	Vegetables, other & prod	55

	2656	Beer	33
	2600	Brans	25
Rwanda	2616	Plantains	282
	2533	Sweet potatoes	145
	2531	Potatoes & products	125
	2532	Cassava & products	110
	2657	Beverages, fermented	51
	2605	Vegetables, other & prod	33
	2546	Beans, dry & products	29
	2518	Sorghum & products	22
Seychelles	2763	Pelagic fish & products	503
	2656	Beer	92
	2560	Coconuts & copra	40
	2744	Eggs & products	27
	2762	Demerseal fish & prod.	26
	2615	Bananas	25
	2605	Vegetables, other & prod	22
Sudan	2738	Milk, whole	155
	2536	Sugar cane	155
	2518	Sorghum & products	103
	2605	Vegetables, other & prod	26
	2556	Groundnuts (shelled eq.)	23
	2542	Sugar & prod. (raw eq.)	22
Uganda	2616	Plantains	399
	2532	Cassava & products	215
	2657	Beverages, fermented	145
	2533	Sweet potatoes	103
	2536	Sugar cane	65
	2514	Maize & products	48
	2615	Bananas	25
	2738	Milk, whole	24
	2531	Potatoes & products	21
Zambia	2536	Sugar cane	177
	2532	Cassava & products	86
	2514	Maize & products	66
	2657	Beverages, fermented	24
	2542	Sugar & prod. (raw eq.)	21
	2605	Vegetables, other & prod	20
Zimbabwe	2536	Sugar cane	341
	2514	Maize & products	107
	2542	Sugar & prod. (raw eq.)	46
	2738	Milk, whole	24

Source: FAO Statistic Division (only agricultural products that account for more than 20 kg/person/year are considered)

Table 8: Possible revenue implications of EU-ESA EPA (US\$)

	<i>Revenue losses</i>	<i>Revenue losses per capita</i>	<i>Loss as a share of total fiscal revenues</i>
Burundi	-7.664.911	-1,08	5,8
Djibouti	-37.523.124	-52,70	16,55
Ethiopia	-55.126.359	-0,76	3,47
Eritrea	-7.385.208	-1,72	3,14
Kenya	-107.281.328	-3,31	3,29
Madagascar	-7.711.790	-0,43	1,70
Malawi	-7.090.310	-0,57	1,79
Mauritius	-71.117.968	-57,68	5,69
Rwanda	-5.622.946	-0,66	2,37
Seychelles	-24.897.374	-303,63	8,06
Sudan	-73.197.468	-2,13	2,85
Uganda	-9.458.170	-0,35	1,13
Zambia	-15.844.184	-1,45	1,63
Zimbabwe	-18.430.590	-1,43	0,94
ESA Average	-35.025.124	-1,85	4,20

Source: Karingi et al.(2005), p. 67/68 (ESA average: own calculation) and UNECA (2005), p.9

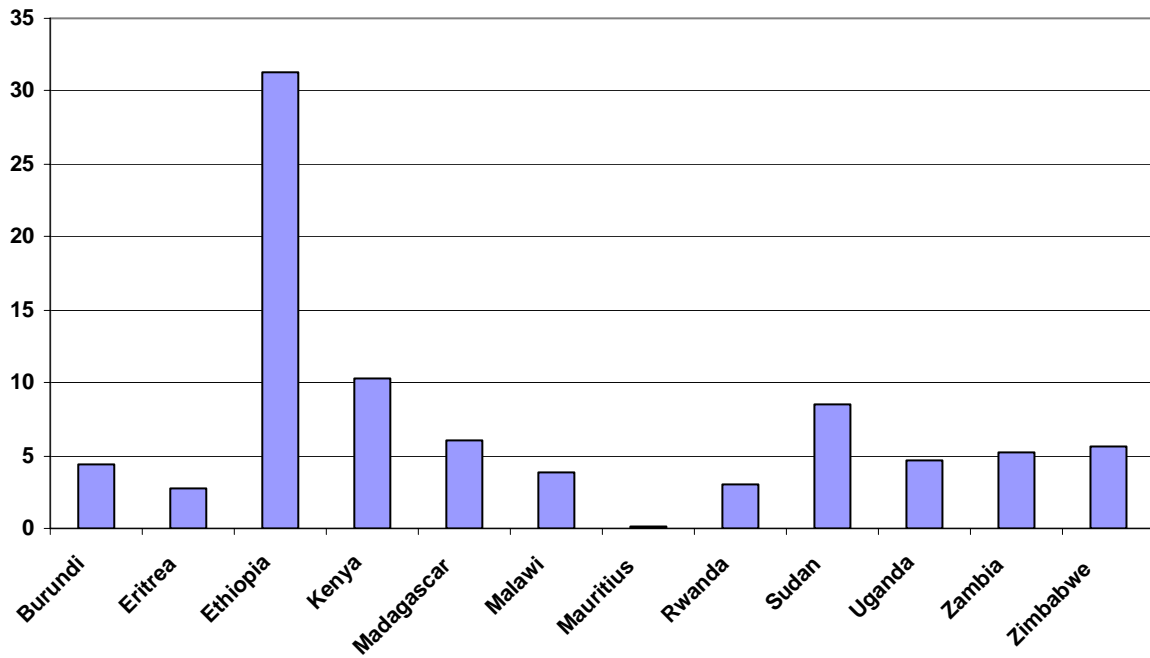
Table 9: Possible welfare (consumer surplus) implications of EU-ESA EPA (US\$)

	Consumer surplus (absolute)	Consumer Surplus (per capita)
Burundi	1.825.590	0,26
Djibouti	10.894.790	15,30
Ethiopia	19.029.481	0,26
Eritrea	1.157.124	0,27
Kenya	30.657.688	0,95
Madagascar	863.988	0,05
Malawi	2.105.792	0,17
Mauritius	57.580.281	46,70
Rwanda	875.792	0,10
Seychelles	8.067.172	98,38
Sudan	19.157.950	0,56
Uganda	1.661.690	0,06
Zambia	3.389.191	0,31
Zimbabwe	8.190.357	0,63
ESA	165.456.886	0,68

Source: Karingi et al. (2005), p.68/69 (ESA and Consumer Surplus per capita: own calculation)

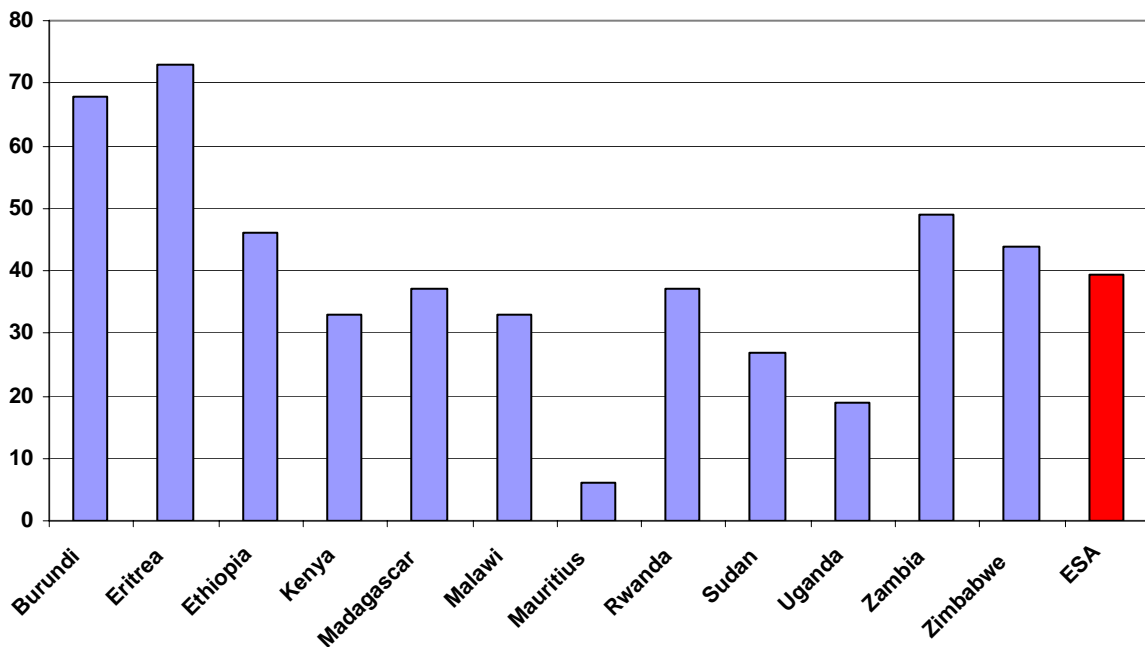
List of figures

Figure 1: Number of people undernourished (2000-2002) (millions)



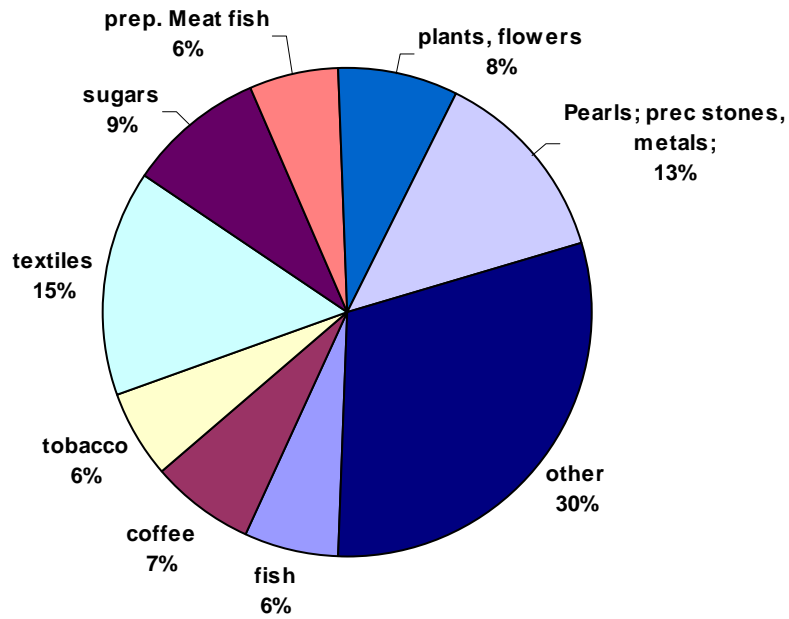
Source: FAO (2005), p. 150-153

Figure 2: Proportion of undernourished in total population (%)



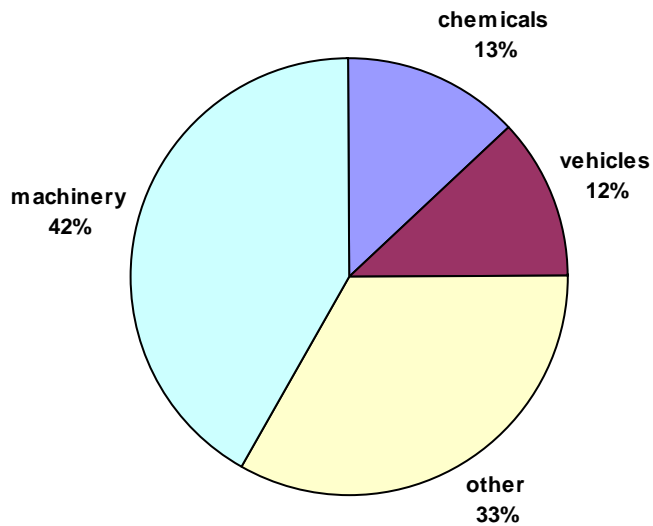
Source: FAO (2005), p. 150-153 (ESA: own calculation)

Figure 4: Main products imported in EU from ESA



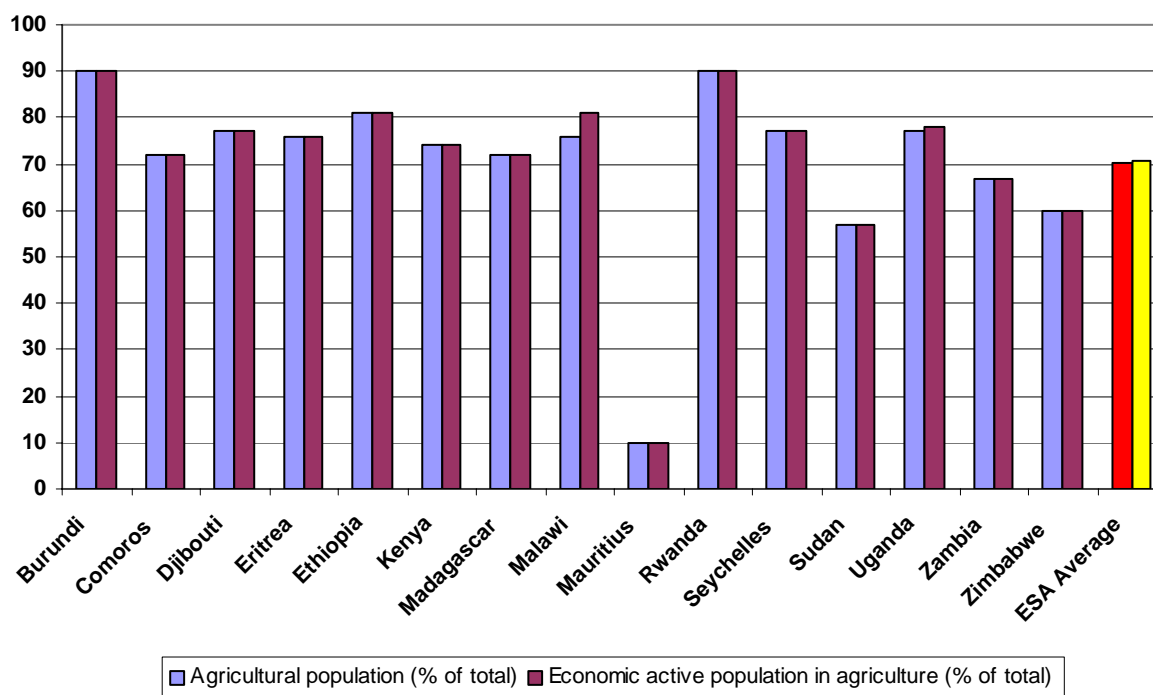
Source: Statistical Analysis 2004, EUROSTAT and Worldbank

Figure 5: Main products exported from EU in ESA



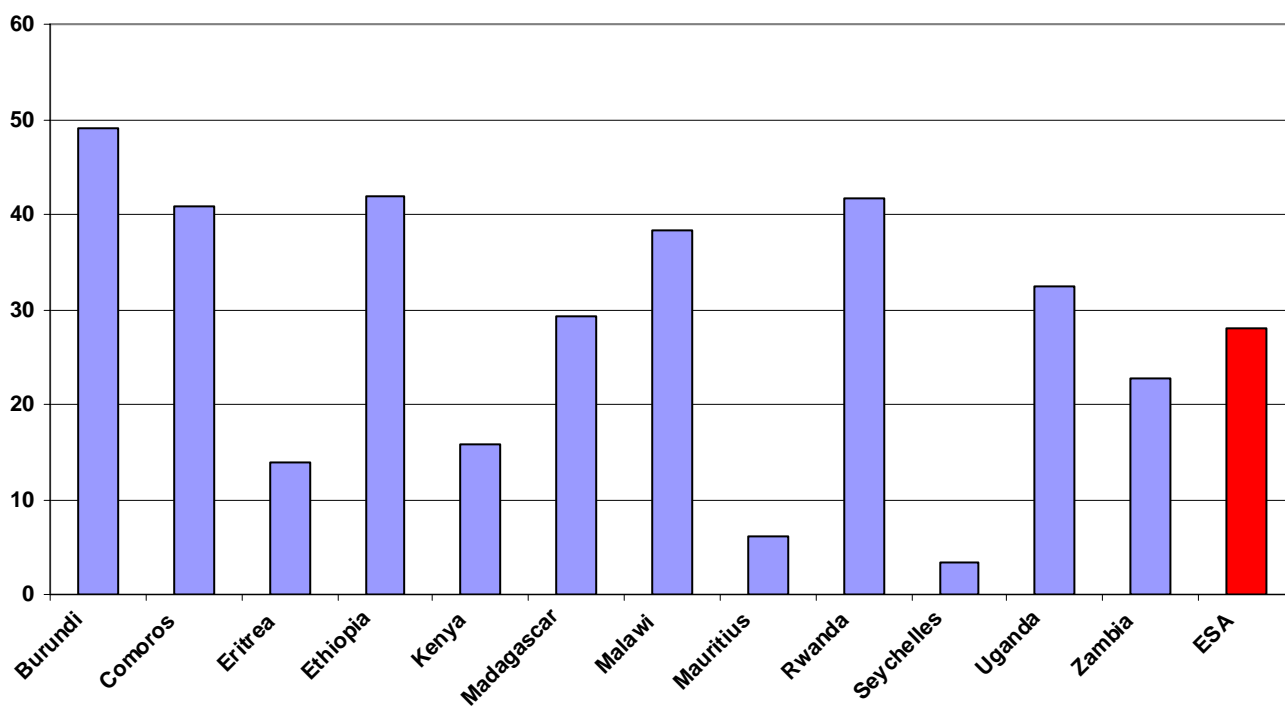
Source: Statistical Analysis 2004, EUROSTAT and Worldbank

Figure 6: Agricultural population (% of total) and Economic active population in agriculture (% of total) in ESA



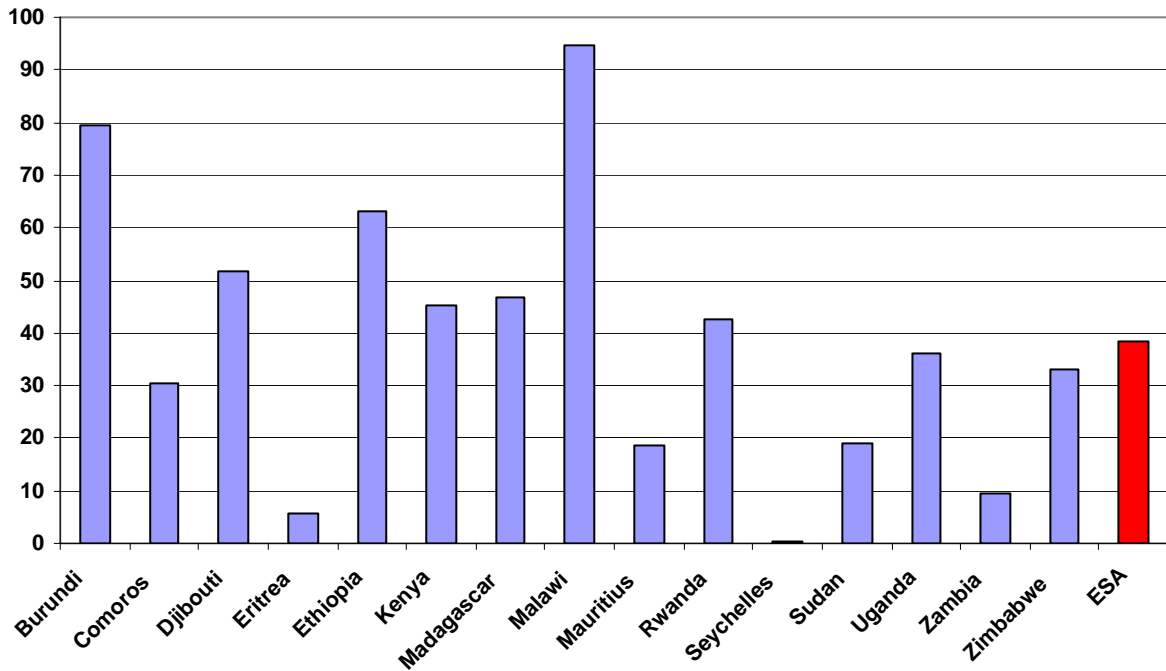
Source: FAO (2005), p. 160-164 (ESA: own calculation)

Figure 7: Agriculture value added (% of GDP) in ESA



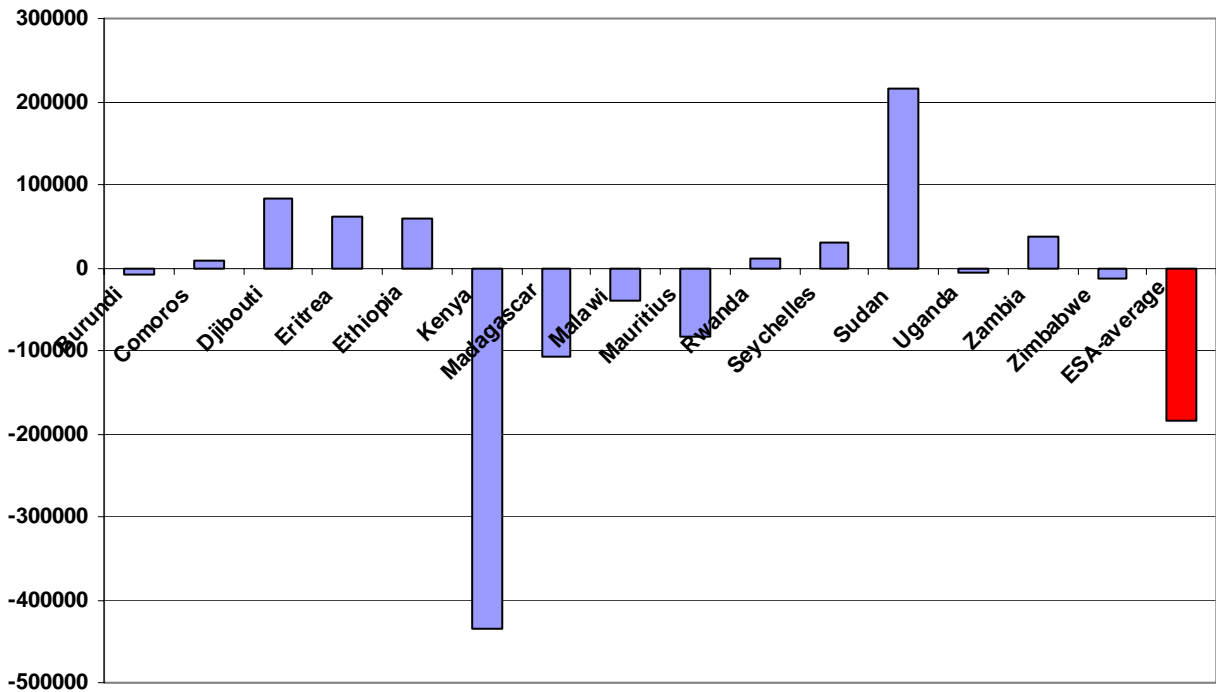
Source: FAO (2005), p. 177-181 (ESA: own calculation)

Figure 8: Agricultural exports of ESA as share of total exports

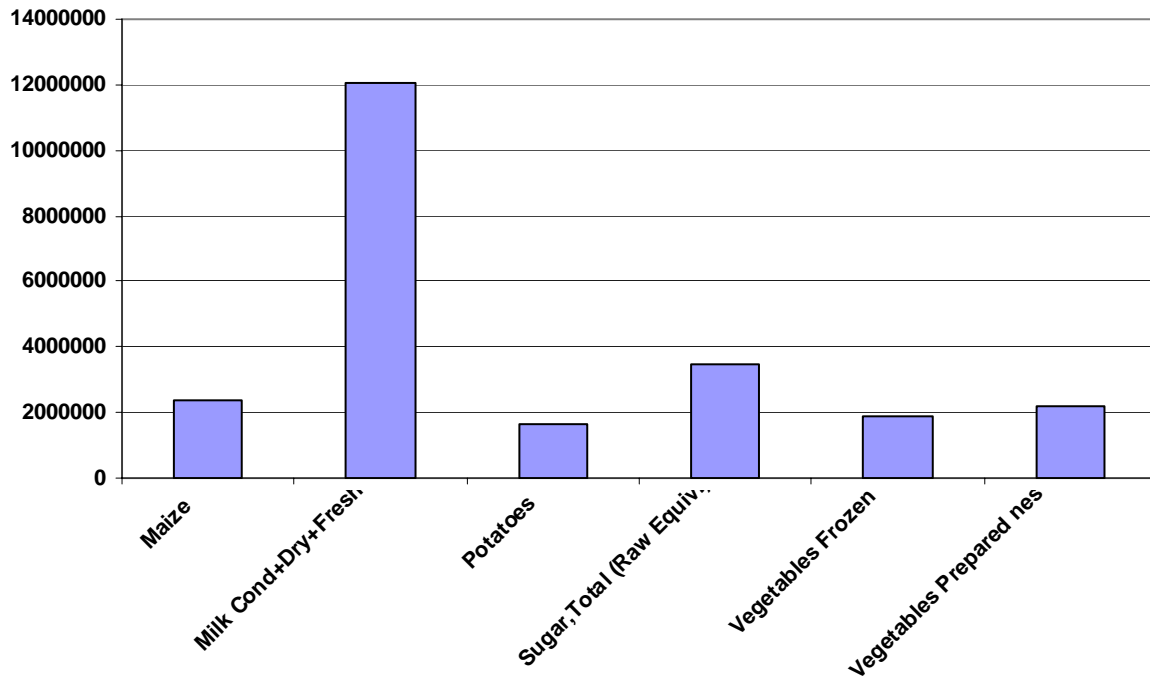


Source: FAO(2005), p. 172-176 (ESA: own calculation)

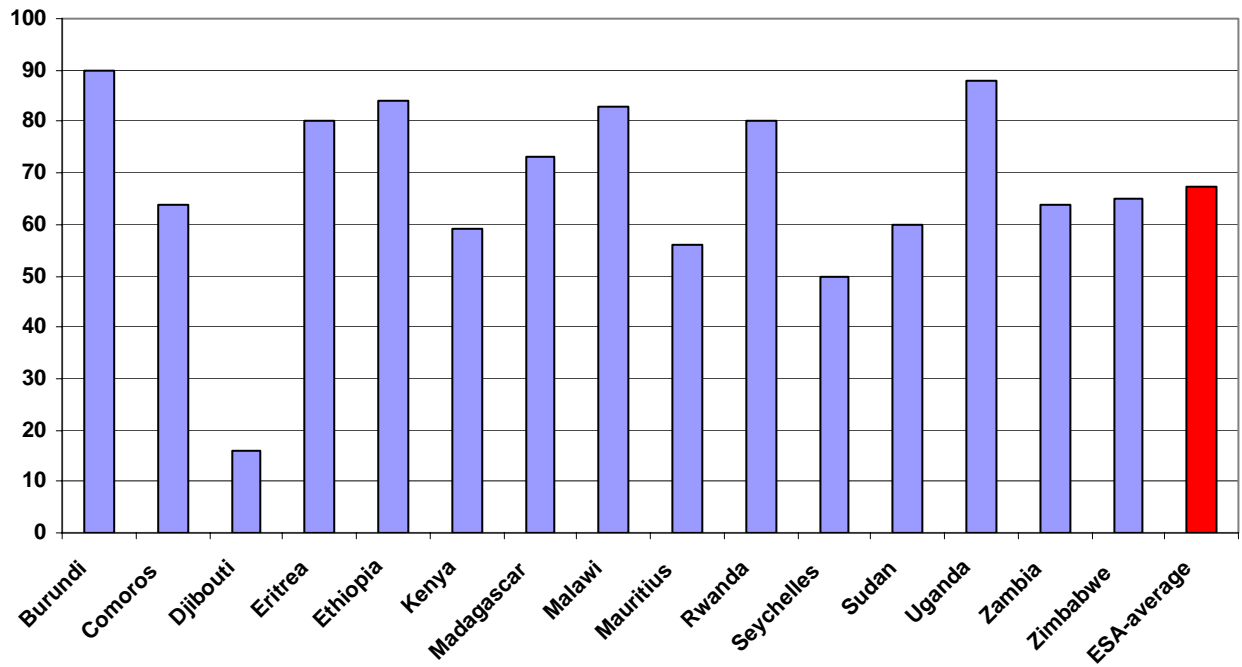
Figure 9: Net food imports (Thousands \$)



Source: FAO (2005), p. 172-176 (ESA: own calculation)

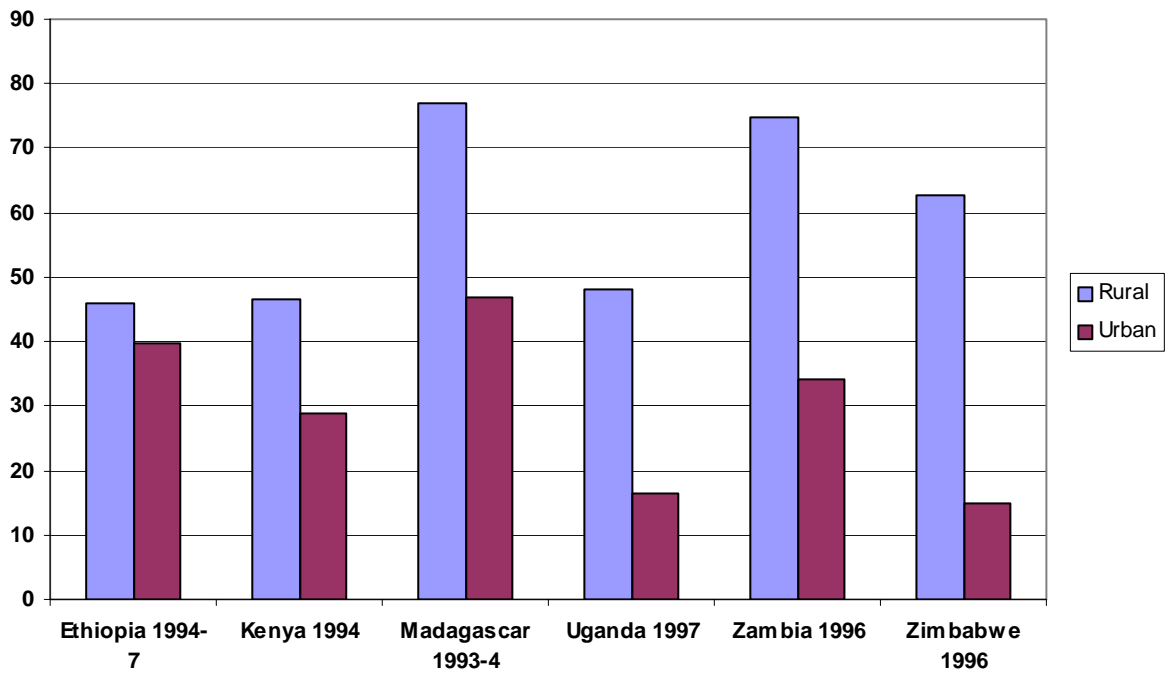
Figure 10: Total EU(25) exports of relevant agricultural products in 2004 (Export Value in 1000\$)

Source: FAOSTAT (2006): Agriculture and Food trade

Figure 11: Rural population (% of total) in ESA

Source: FAO (2005), p. 160-164 (ESA: own calculation)

Figure 12: Rural-urban differences in poverty in ESA (country specific poverty lines)



Source: International Fund for Agriculture (2001), p. 28