



Food Security and Economic Partnership Agreements - a view from Brussels

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Abbreviations

ACP	<i>African Caribbean and Pacific countries</i>
AIDCO	<i>Europe Aid Co-operation Office</i>
BMZ	<i>German Federal Ministry for Economic Cooperation and Development</i>
CAP	<i>Common Agricultural Policy</i>
CFP	<i>Common Programming Framework</i>
CSP	<i>Country Strategy Paper</i>
DG	<i>Directorate General</i>
EBA	<i>Everything but Arms</i>
EC	<i>European Community</i>
ECHO	<i>European Community Humanitarian Aid Office</i>
EDF	<i>European Development Fund</i>
EP	<i>European Parliament</i>
EPA	<i>Economic Partnership Agreement</i>
EU	<i>European Union</i>
FSBL	<i>Food Security Budget Line</i>
GSP	<i>Generalized System of Preferences</i>
JPA	<i>EU-ACP Joint Parliamentary Assembly</i>
LDC	<i>Least Developed Countries</i>
MDG	<i>Millennium Development Goal</i>
NIP	<i>National Indicative Programme</i>
NGO	<i>Non-Governmental Organization</i>
RIP	<i>Regional Indicative Programme</i>
RPFT	<i>Regional Preparatory Task Forces</i>
RSP	<i>Region Strategy Paper</i>
SSA	<i>Sub-Saharan Africa</i>
WTO	<i>World Trade Organization</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 Eastern/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. 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

Background of the report

In September 2002, negotiations of Economic Partnership Agreements (EPAs) between the EU and African, Caribbean and Pacific (ACP) states were launched. The Cotonou Agreement, concluded in 2000, provides the framework for EPA negotiations. The system of non-reciprocal tariff preferences shall be replaced by reciprocal trade arrangements for all ACP countries. Thereby, WTO-conformity shall be guaranteed under the overall goal of “poverty reduction [...] and progressive integration of the ACP countries into the world economy”¹.

The report analyses EPAs with special regard to food security from the European Union’s point of view. 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.”² Food security is distinguished alongside three elements: Food availability, food access and food utility. Whether the food should preferably originate from local production, from food imports or from a combination of both, is reflected by differing conceptual approaches: Food self-sufficiency and food sovereignty emphasize the importance of local production, while food self-reliance allows for imports to guarantee access to food. Ensuring food security is one of the multi-dimensional aspects of poverty reduction strategies. As EPAs should provide a tool for development, food security concerns should be put on the negotiation agenda. In addition, EPA negotiations are entrenched with specific impacts on food security, which might make it necessary to accompany EPAs with flanking measures.

The EU’s concept of food security and importance in development cooperation

In its development cooperation, the EU promotes a concept of food self-reliance, as backed by Regulation N°1292/96 formulating the Food Aid and Food Security Programme of the European Commission. The EC’s food security policy “aims at targeting hunger as the earliest priority in the fight against poverty”.³ The multidimensional character of food security is stressed, which encompasses a coherent approach between sectors such as agriculture, trade and infrastructure. But trade liberalisation as a consequence of EPAs, which would potentially increase EU food exports to ACP, might as well have negative consequences in some Sub-

1 Cotonou Partnership Agreement: Article 19.1(1).

2 FAO (1996), p. 4.

3 European Commission (2006a).

Saharan African countries with regard to food security, e.g. for net-food producers in Western Africa. In addition, the envisaged opening of markets can be criticised against the background of the EU's own protectionist agricultural policy.

The EC's external assistance structure will be reformed in 2007, and with it, the EC Food Aid and Food Security Programme. Regulation N°1292/96 will then cease to be in force, and the Food Security Budget Line will be replaced by a Thematic Programme for Food Security. Six instruments will replace the existing range of geographical and thematic instruments for external assistance. The likely implications of these changes, scheduled for 2007, on the scope, effectiveness and visibility of EC food security support remain uncertain. The sharpened policy orientation around transition contexts and "exceptional situations" will probably limit the scope of EC food security support. Recent EC documents pay low attention to food security concerns in cross-cutting policy areas such as agriculture or development, which challenges the visibility of the new food security programme. The consequences of the institutional changes in the European food security agenda finally depend as well on the financial envelope supporting this programme, which has yet to be defined.

Food Security and EPAs

The integration of food security into the EPA process takes place, but could be strengthened. On a formal level, it is remarkable that the EU's directives for the negotiations of EPAs comprise a clause on food security. But references in EC documents such as the EU Strategy for Africa do in the first place refer to EPA *or* food security, leaving out the linkage between the two. On a practical level, food security concerns are rather implicitly taken into consideration in the EPA process. While it is of utmost importance that the awareness of linkages between EPAs and food security is raised in the ACP countries, the EU could actively promote the consideration of food security concerns. For this purpose, coordination between the different European stakeholders involved in the EPA process is essential. At the intra-EU level, food security is rather set on the agenda of DG Development and AIDCO than of DG Trade. While coordination between DG Trade and DG Development seems to be promising, AIDCO and DG Agriculture seem to play -at best- a minor role. Member states and civil society organisations are barely integrated into the EPA process so far. At the negotiation level, the Regional Preparatory Task Forces (RPTFs) provide the link between trade and aid. Their task is to assist in the formulation of technical assistance needs and in the identification of possible funding sources. In addition, the RPTFs try to ensure that that negotiation and implementation of EPAs are considered in the programming of aid for the period 2007 to 2012. The main facility for Community Aid for development cooperation in ACP countries is the European Development Fund (EDF). About half of its money can be spend on EPAs and regional integration. The EDF is complemented by Country and Region Strategy Papers (CSPs/RSPs). They constitute the main strategic tools for the programming of

EU assistance, and it is possible to declare food security as one of the two priority areas. Practise shows, that relatively few Sub-Saharan African countries choose food security as priority area. Therefore, RPTFs could discuss the consideration of food security strategies in the CSPs/RSPs.

Generally, it is important to keep in mind that the EU holds a special responsibility in the EPA process with regard to food security, because EPAs go beyond mere trade agreements and should be “above all instruments for development”.⁴ Although the negotiation partners are equal on a contractual basis, development cooperation is usually characterised by a donor-recipient relationship, which implies inequalities and different bargaining positions.

CAP Reform and Consequences for African Agriculture in the EPA context

Further implications for the food security situation might stem from the EU’s Common Agricultural Policy (CAP). EPAs and the ongoing CAP reform are related, because CAP reform leads to preference erosion and increased competition from EU imports. In parallel, the EU imposes general higher food safety standards which are particularly challenging for smallholder producers and developing countries. In addition, export refunds seriously damage African agricultural markets. The introduction of reciprocity in ACP-EU trade relations through EPAs could amplify these implications, which affect Sub-Saharan African agricultural markets negatively.

Recommendations

- The EU should actively promote its broad concept of food security against protectionist concepts. It can, however, not rely on market mechanisms and should look for **flanking measures** in order to avoid rural net food-producers’ losses of incomes.
- Trade liberalisation under EPAs might have negative effects on the agricultural sector, especially if the competitiveness of African farmers decreases due to market opening, and the gains from improved access to European markets remain marginal. Many African farmers are not competitive at all, and market opening might impede the development of local value-added food-product industries. Government revenue losses due to lower tax income reduce the amount of money that could be distributed to those disadvantaged by liberalisation. Therefore, it is important to address the question of **sensitive products and safeguard mechanisms**. One important criteria for the

4 COM(2002) 513 final, p. 25.

selection of sensitive products, which would be excluded from trade liberalisation under EPAs, should be food security.

- The **visibility** of food security on the European agenda should be strengthened. With regard to the multi-dimensional nature of food security, **coherence** between development, trade and agricultural policies should be assured. This includes a better integration of food security concerns into EC strategies and documents. It is important that cooperation within the European Commission is well functioning in further negotiations.
- Coordination between the **different stakeholders** involved at the European level is essential to ensure consideration of food security concerns in the EPA process. The contributions of other European stakeholders, apart from the Commission, are relatively low so far. Member states and civil society organisations should be better integrated into the negotiation process in order to increase support for EPAs and monitor the process. Fostering the political dialogue about EPAs and providing additional funding related to adjustment costs are the most important tasks for member states. They hold an advantage compared to the European Commission since they have a more distant relation to the EPAs, though they are still not neutral. DG Trade and the commission in general might lack credibility if trying to convince ACPs of EPAs, because they might be perceived as an opponent in the negotiations. In addition, a fund, which provides additional funding for EPA-related adjustment costs, should be established.
- EPAs could trigger increased coherence between trade policies and development cooperation. Given the EU's special responsibility, it should promote the integration of food security concerns in the EPAs. Supporting formulation and implementation of food security strategies in the CSPs is advisable in the context of the RPTFs. The linkage between RPTFs and the programming of CSPs/RSPs and NIPs/RIPs should be clarified and strengthened. In addition, negotiations could provide leverage for influencing the rules and components of regional integration, which should incorporate the so-called Singapore issues. To achieve this, it remains important to convince not only African negotiators, but civil society organisations as well. Since EPAs constitute **partnership** agreements, the EU cannot impose their rules on ACP countries.
- In the light of increasing competitiveness of EU agricultural products due to **CAP reform**, continuing export refunds and market opening under EPAs, the EU should assist African countries in restructuring and adapting their agricultural sector policies and strategies.

1 Introduction

It is estimated that 815 million people are chronically food insecure in the developing world.⁵ The concentration of hungry people is largest in South Asia and Sub-Saharan Africa. 28 % of children under five years of age are undernourished in Sub-Sahara Africa.⁶ Approximately three quarters of the food insecure live in rural areas, where economic and physical access to food remains insufficient. By its side, agriculture is the major economic activity of the rural population in most of SSA. Thus, food security is closely linked to poverty reduction in general and to rural development and agriculture in particular.

The addressing of food insecurity, which is targeted in the first Millennium Development Goal (to halve the share of undernourished by 2015), needs no further justification. In spite of some progress in reducing hunger at global level, the EU admitted earlier this year that reducing food insecurity “remains elusive in Sub-Saharan Africa, where persistent food insecurity is compounded by recurrent political instability.”⁷ Accordingly, food security is declared as “one of the “headlight” centres of the support from the European Commission to developing countries”⁸.

Relations between Sub-Saharan African states and the European Union are currently being shaped by the negotiation of so-called Economic Partnership Agreements (EPAs). The EPAs are being negotiated with six regional groupings.⁹ While EPAs aim - as their core - at introducing free-trade areas between the EU and the regions, they should be “above all instruments for development”.¹⁰ Taken together with EU’s above described major focus on food security, this development goal should be put high on the agenda of EPA negotiations. EPAs will constitute a major shift in EU-ACP trade relations, as they introduce, albeit asymmetric, reciprocity and open domestic markets to EU products. Hence, EPAs potentially have far-reaching implications on national economies and people’s livelihoods in Sub-Saharan Africa. Recent impact assessments demonstrate that EPAs might have negative consequences for some Sub-Saharan African countries regarding food security,¹¹ especially if

⁵ European Commission (2005b), p. 3.

⁶ UNICEF Statistics, Webpage, UNICEF (2006).

⁷ COM(2006) 21 final, p. 4.

⁸ European Commission (2001d), p. 3.

⁹ West Africa, Central Africa, East and Southern Africa Region (ESA), Southern African Development Community (SADC), Caribbean Region and the Pacific Region.

¹⁰ COM(2002) 513 final, p. 25.

¹¹ PriceWaterhouseCoopers (2004), p. 10.

the majority of people are rural net-food producers.¹² In addition, agriculture is a key area considering trade liberalisation under EPAs because market access in this sector is still highly restricted. So far, the EU protects its agricultural sector under the framework of the Common Agricultural Policy (CAP). Similarly, many SSA countries apply restrictive agricultural trade policies. Imports and exports of agricultural products account for a large proportion of overall ACP trade. The African countries, which take part in the EPA negotiations, highly depend on agriculture. In 2004, exports of agriculture and food products represented 36% of all SSA* exports, and 24% of all SSA* imports were agricultural goods.¹³ Given the importance of agro-industries in countries at early stages of development and with low extend of sectoral diversification, it seems that EPAs have the greatest potential for profoundly changing the overall trade framework in the area of agriculture.

In this context it is important to note that economic growth alone does not automatically improve poverty and food security. For instance the latest OECD/ADB Africa Economic Outlook 2006 report stresses that growth has taken place in SSA without major poverty alleviation and food security improvements. This is particularly true in countries mainly living from extractive industries, but the pattern is also visible in other countries. The lesson is that redistribution mechanisms in Africa cannot be taken for granted. Thus, a development oriented EPA has to look at developmental outcome beyond mere economic growth, and if it only would be to hint to vulnerable populations and necessary compensatory measures.

Besides analysing the concrete impacts for the Sub-Saharan African national economies, it is important to review the EU's concepts of food security and its underlying implications. It is unclear to what extent the EU's concepts of food security will be taken account of in the EPA process. A well functioning and transparent coordination will prove to be crucial for a substantial integration of food security concerns into EPAs. The question of coordination between the different DGs plays an important role concerning food security. Usually, DG Development and AIDCO deal with food security issues which are not in the centre of DG Trade's agenda in general but should it be in the case of EPAs. A coherent, DG-overarching approach to the EPA negotiations could therefore back the inclusion of food security relevant clauses in the EPAs.

On that account, the central aim of this report is to approach EPA negotiations from the European Union's perspective with a special regard to food security. After briefly outlining general issues of food security in section 2, the paper will give an overview about background and objectives of the EPA negotiations in section 3. Section 4 provides a deeper insight into the EU's concept of food security and analyses its underlying ideas. The evolution of the concept and its recent changes shall be outlined, and the role of liberalisation as influencing food security will be discussed. Afterwards Section 5 looks at the integration of food security and its concept into the EPA process. The structure and responsibilities in the negotiations are

12 See studies on West Africa and ESA by Pannhausen, C. (2006) and Seimet, T. (2006).

13 See table 1 and 2.

outlined, and the coordination of different stakeholders involved is analysed. In chapter 6, other EU policies with special relevance to the EPAs are discussed, in particular the matching of developing instruments relating to food security in the EPA process and linkages to the ongoing CAP reform. Finally, the results are summarized and some concluding recommendations are formulated.

2 The Concept of Food Security and Linkages to Development

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.”¹⁴ 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.¹⁵

- 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.¹⁶

14 FAO (1996), p. 4.

15 See Fig. A.

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

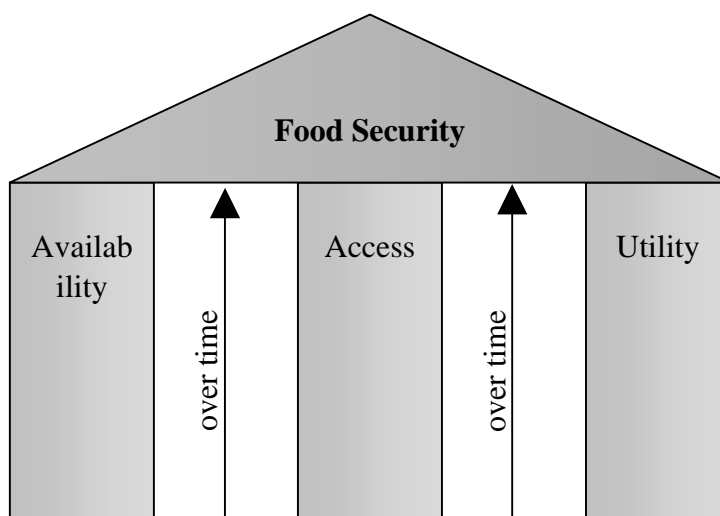


Fig. A: Pillars of Food Security

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”.¹⁷ 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.”¹⁸
- 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.¹⁹ 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

17 Via Campesina (2003), p. 1.

18 Suppan, S. (2003), p. 2.

19 FAO (2003b), p. 20.

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. More generally, it is argued that “self-sufficiency makes little economic sense”²⁰ given surplus food production in some areas of the world and high interconnectedness because of modern transportation systems. According to economic efficiency criteria, a country should not concentrate its efforts on food production if it has no corresponding comparative advantage for it.

- 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”²¹ 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.”²² 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.²³ 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.”²⁴ 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

20 Panagariya, A. (2002), p. 1.

21 FAO (2002), p. 5.

22 FAO (2003b), p. 20.

23 FAO (2003b), p. 49.

24 FAO (2003c), p. 57.

towards people who [...] have the purchasing power to buy the imports.”²⁵ 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.²⁶ “Poverty is a major cause of food insecurity and sustainable progress in poverty eradication is critical to improve access to food.”²⁷

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.²⁸

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.”²⁹ MFN obligations in general benefit

25 CUTS (1998), p. 7.

26 FAO (2003a), p. 33.

27 FAO (1996), p. 1.

28 InterAcademyCouncil (2004), p. 12.

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

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.

Under the Lomé convention, dating back to 1975, the European Union granted non-reciprocal trade preferences to the then 46 ACP countries.³⁰ 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)³¹ 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

30 The Lomé convention consisted of four successive 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.

31 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>).

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.³² 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 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.³³ 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.³⁴ 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.³⁵

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.³⁶ While some criticise this new economic philosophy as shortsighted, others praise it as fresh approach to development.³⁷ 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,³⁸ others

32 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.

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

34 ECDPM (2001), p.13.

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

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

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

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

emphasize the opportunities stemming from free trade agreements between the ACP and EU.³⁹

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 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.⁴⁰ EPAs are currently being negotiated with six regional groupings.⁴¹ 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.⁴² 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.⁴³

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.⁴⁴ 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.⁴⁵ 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

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

40 Investment, competition, transparency in government procurement and trade facilitation.

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

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

43 Compare presentation by Maerten (2004).

44 Maerten (2004).

45 ECA (2005), p. 29.

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.

3.2 Objectives of EPAs

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 co-operate 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.”⁴⁶ 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 [...]”⁴⁷. 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”.⁴⁸ 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 EC 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

46 Cotonou Partnership Agreement: Article 19 (1).

47 EU-EPA mandate: Directives for the negotiations of EPAs with ACP countries and regions; Article 3 (1).

48 EU-EPA mandate: Directives for the negotiations of EPAs with ACP countries and regions; Article 3 (2).

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 [...]. The purpose of EPAs is to promote regional integration and economic development.”⁴⁹ 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.”⁵⁰ Moreover, the EC 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.”⁵¹ For that reason the EC 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 EC 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.”⁵² 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 EC 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 EU claims to be assured 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

49 European Commission (2006c), p. 9.

50 Cotonou Partnership Agreement: Article 1(7).

51 Cotonou Partnership Agreement: Article 1(5).

52 EU-EPA mandate: Directives for the negotiations of EPAs with ACP countries and regions; Article 3(3).

that are of the opinion that EPAs can also have adverse effects on the ACP regions. To their view, EPAs and the liberalisation process will create even more issues (like unemployment, food insecurity, etc.) and is not automatically a solution for the poverty and food insecurity in the different countries.

What is at the origin of the contradictory assessments of possible impacts of EPAs? One of the reasons are the different concepts of food security across stakeholder. This will be analysed in the next chapter.

4 Food security in the EU's agenda

4.1 Historical changes and current concepts

Food security concerns are considered by the European Union in two different areas, namely EC's agricultural policy and EC's external relations. Traditionally, food security concerns were connected to the Common Agricultural Policy (CAP) dating back to 1962. According to Article 33 of the Treaty establishing the European Community, it is one of the objectives of the CAP "to assure the availability of supplies".⁵³ The production of basic foodstuff was subsidised in the interest of food self-sufficiency.⁵⁴

In the scope of the evolving development policy of the EU, food security concerns were introduced into the Union's external relations as well, namely into external assistance. European food aid, which was coupled to the management of agricultural surpluses, began in 1967 on the basis of the International Convention on Wheat. In the context of the Lomé arrangements, the aim was to promote food self-sufficiency through supply-oriented support policies.⁵⁸ The EU focused its efforts on short-term food-aid in kind, and technical and financial support.

Over time, the efficiency of mere food aid programmes and their linking to EU food surpluses was taken into doubts. Global thinking shifted towards integrating food aid into the development policies and food security strategies of recipient countries. In this context, addressing structural food insecurity obtained priority.⁵⁵ A demand-based approach, aiming at increasing the purchasing power of vulnerable groups, was added to the existing supply-based approach of increasing local food production. The broader notion of food security as formulated by the FAO (see chapter 2) was introduced into development strategies. With the adoption of Regulation N°1292/96 in 1996, the Council of the European Union formulated the

53 Art. 33 lit. D TEC.

54 European Commission (2004), p. 2.

55 Court of Auditors (2004), p. 4.

Food Aid and Food Security Programme of the European Commission. Today's EC food security policy "aims at targeting hunger as the earliest priority in the fight against poverty".⁵⁶ Food insecurity is seen as "both a cause and a consequence of absolute poverty".⁵⁷ Therefore, food security objectives are envisaged to be integrated within long-term and broad-based poverty reduction policies and strategies.⁵⁸ In addition, the multidimensional character of food security is stressed. This includes a coherent approach between sectors such as agriculture, trade and infrastructure.⁵⁹

The recognition of the importance of trade relations for assuring food security hints at existing links between food security concerns in EC policies and international affairs. Nevertheless, a discrepancy seems to exist between the treatment of own food security concerns and those of other countries. While the protectionist CAP was and still is built around the idea of reducing the dependence on food imports,⁶⁰ the developing countries' wish for self-sufficiency is clearly rejected by the European Union. In Communication 473 on Food Aid and Food Security it is said that, "it must be stressed that [...] food security is not synonymous with food self-sufficiency."⁶¹

Regarding the EU's external relations, the concept of food self-sufficiency is overcome by the internationally accepted concept of food security. At the same time, the EU's demands towards developing countries to open their agricultural markets under EPAs should be looked upon against the background of its own protectionist agricultural policy (see also Chapter 6). Admittedly, food security ceased to be of central concern for the CAP, as the EU emerged from a decade or more of food shortages and evolved from depending on food imports to being the world's second-largest exporter of agricultural products, but also its largest importer.

In addition to the contradiction between internal and external concepts of food security, the CAP's protectionist mechanisms have been continuously criticised "for the adverse effects of developing world agriculture, livelihoods and food security".⁶² Hence, the EU's concepts of food security relating on the one hand to the CAP, and on the other hand to its development policies, do not seem to be highly consistent. Moreover, even DGs such as AIDCO and DG Trade might understand the concept of food security in a slightly different manner with regard to the question of liberalisation.⁶³

56 European Commission (2005b), p. 3.

57 COM (2006) 21 final, p. 4.

58 COM (2006) 21 final, p. 6.

59 European Commission (2006a).

60 But this does not necessarily reflect a change in the formal objectives of the CAP, which were not envisaged to change in the rejected European Constitution.

61 COM (2001) 473 final, Annex 6, p. 26.

62 OECD (2002), p. 64.

63 See chapter 4.4.

4.2 The EU's main instruments related to food security

- **Food security budget line (FSBL):** The FSBL is based on Council Regulation 1292/96, and is designed to fund food security relevant activities. It distinguishes three types of intervention: (1) Food-aid operations; (2) Operations in support of food security; (3) Early warning systems and storage programs. It comprises two specific budget lines (21 02 01 and 21 02 02) and its annual budget, in decline in recent years, was about 450 million EUR.⁶⁴ The FSBL is administered by AIDCO. According to the evaluation of EC food security policy carried out in 2004, the FSBL accounted for 21,9 % of overall directly food security related commitments.
- **Geographical instruments:** The EDF, which is managed by DG Development, is the main facility for Community Aid for development cooperation in ACP countries.⁶⁵ The EDF is complemented by Country and Region Strategy Papers (CSPs/RSPs), which constitute the main strategic tools for the programming of EU assistance. They set up political guidelines and provide a strategic framework for the implementation of EU development cooperation in the ACPs.⁶⁶ The objectives outlined in the CSPs/RSPs are transformed into proposals for concrete operations in the National or Regional Indicative Programmes (NIPs/RIPs), which accompany them. Both, CSPs/RSPs and NIPs/RIPs, are set up nationally or regionally, but the Commission is involved through a consultation procedure and has to approve draft CSP/RSPs.

Compared to the EU's other regional instruments,⁶⁷ the EDF is the geographical instrument, where the commitment to food security relevant support is highest.⁶⁸

- **The NGO Co-Financing budget line:** Launched in 1976, it is a source of funds that all development NGO's in member states can access to get support for their actions in LDCs. According to an evaluation carried out on the EU's food security policy, it "most likely contributes funds to the promotion of increased food security in EC partner countries."⁶⁹
- **European Commission's Humanitarian Aid Office (ECHO):** ECHO focuses on humanitarian issues, and some of the activities that it finances are related to food security.

64 EuronAid (2004).

65 The EDF consists of several instruments, including risk capital, grants and loans to the private sector.

66 Compare APRODEV (2006a), p. 9.

67 MEDA (for Mediterranean countries), ALA (for Latin American and Asian countries), TACIS (for Newly Independent States), CARDS (for the Southern Balkan countries).

68 Particip (2004), p. 30.

69 Particip (2004), p. 37.

- **Rehabilitation budget lines:** These budget lines are designed to strengthening stability, respond to the needs of the population and support the reintegration of refugees and demobilisation. Some of its commitments are food security relevant.

4.3 Institutional changes in the European food security agenda

The EC's external assistance structure, and with it the EC Food Aid and Food Security Programme, will be reformed in 2007. As regards basic assumptions, changes of the food security policy remain insignificant. But on an instrumental level, the scope of the new EC food security support is uncertain.⁷⁰ The Council Regulation 1292/96 will cease to be in force in 2007. The FSBL was subject to criticism with regard to its administrative complexity and time-consuming and rather centralised procedures.⁷¹ Nevertheless, its continuation was recommended in its 2004 evaluation because of the "high flexibility between its components, its acknowledged role in the Linking Relief, Rehabilitation and Development (LRRD) approach, the multi actors-partnership and its various levels of interventions (policy and project)."⁷² Its added value as linking instrument between humanitarian aid and EC development programmes was underlined in the evaluation carried out by the Court of Auditors in 2003 as well.⁷³ But in the light of ambitions to simplify political and administrative structures for the delivery of the Community's assistance and cooperation programmes, the instruments for external assistance undergo a reform process. Six instruments will replace the existing range of geographical and thematic instruments, as mapped out in Communication 626 (2004). Three of the instruments are designed to implement particular policies and are designed with a fixed geographical coverage; three shall provide necessary responses to particular needs. The instruments are:⁷⁴

1. An instrument for Pre-Accession Assistance (IPA)
2. A European Neighbourhood and Partnership instrument (ENPI)
3. A Development Cooperation and Economic Cooperation instrument (DCECI)
4. An instrument for stability
5. The Humanitarian Aid instrument
6. Macro Financial Assistance

70 Andrews, C. (2005), p. 1.

71 Particip (2004a), p. 73.

72 Particip (2004b), p. 1.

73 Court of Auditors (2004), p. 75, 78.

74 Compare COM (2004) 626 final.

These instruments will provide the legal basis for all Community expenditures in support of external cooperation programmes. The existing thematic regulations such as the FSBL will be replaced by a minor number of thematic programmes (7 instead of 15). These programmes shall “cut across the geographical coverage of the three policy driven instruments (DCECI, ENPI, IPA)”, and are characterised by their subsidiary nature.⁷⁵ A thematic programme on food security will be established, which will “1) Support the delivery of international public goods contributing directly to food security [...], 2) Address food security on exceptional situations in countries or regions where either governments are not in place, or not in control of parts of a country, or no country strategic framework is operational [...] 3) Promote innovative policies and strategies in the field of food security”.⁷⁶ The overall objective of the programme will be “to advance the food security agenda and contribute to achieving the first MDG on hunger”.⁷⁷ It furthermore reflects a policy shift to primarily implementing food security programmes in countries in crisis, post crisis or transition scenarios.

The likely implications of these changes scheduled for 2007 on the scope, effectiveness and visibility of EC food security support remain uncertain. Firstly, neither the Issues Paper on the Thematic Programme, nor Communication 21 on the thematic strategy for food security provide clear indications on how the newly established policy framework can be translated into concrete operational tools. Secondly, the added value of EC food security support is challenged by the narrower, but sharpened policy orientation around transition contexts and “exceptional situations”.⁷⁸ Thirdly, food security, previously identified as one of the six priority issues in EC development policy, faces the danger of lower visibility in the broader agenda for external assistance.⁷⁹

Recent official communications from the Commission seem to reflect that food security concerns in cross-cutting policy areas such as agriculture or development are rarely considered. For instance, while the 2005 EU Strategy for Africa puts a focus on fragile economies, and recommends that budgetary support should be tied to “innovative approaches [...] vis-à-vis fragile states or countries in transition”⁸⁰, the almost obvious linkage to food security is missing. Another example offers the EU’s “linking relief, rehabilitation and development” (LRRD) effort: It is considered an appropriate approach worthy of support in

75 COM (2005) 324 final, p. 2.

76 European Commission (2005b), p. 6.

77 COM (2006) 21 final, p. 8.

78 The explicit mention of “addressing food insecurity *in exceptional situations* in countries or regions where either governments are not in place, or not in control of parts of a country [...]”(italics added)” as one of the three components of the new thematic programme was added in the Issues Paper of September 2005. COM (2005) 324f of August 2005 merely refers to “address[ing] food insecurity in countries or regions where either governments are not in place, or not in control of parts of a country [...]”.

79 Andrews, C. (2005), p. 2.

80 COM (2005) 489 final, p. 39.

post-conflict situations. On the other hand, the concept of food security is not mentioned in this context, although up to now “LRRD is a core issue to be dealt with by the FSBL”,⁸¹ and food security concerns are certainly a central issue in many (post) emergency situations.

This lack of integration of food security into development policies is no novelty as the communication on agricultural commodity chains, dependence and poverty adopted in February 2004 attests. Although food security relevant topics such as “reduc[ing] income vulnerability” for producers of agricultural commodities, or paying special attention to “the potential for developing local, national and regional food markets, (...) especially for low-income food deficit countries”⁸² are addressed, food security itself is not mentioned.

More generally, the ‘European Consensus on Development’, adopted on the 20th of December 2005 and intending at bringing together commitments made under the MDG agenda and the overarching aim of reducing poverty within the EC development policy, is disappointing with regard to food security.⁸³ When attention is paid to agriculture, rural development or post-crisis development processes, “the precise linkage between these issues and the wider food security agenda is not established”.⁸⁴ While the proposal for the “European Consensus”, adopted on 13th of August 2005, admitted that “[n]ot enough attention has been paid to rural development and agriculture in recent years despite their importance for growth and poverty reduction”⁸⁵, the finally adopted “European Consensus on Development” eliminates these critical undertones. It is simply stated that “[a]griculture and rural development are crucial for poverty reduction and growth”.⁸⁶ Furthermore, food security is not listed as a cross-cutting issue next to promotion of human rights, good governance or environmental sustainability, which require a mainstreaming approach. In summary, the weak linkages of food security to key priorities in the European Consensus on Development confirms the concerns regarding low visibility of food security in the broader development agenda.

4.4 Food Security as instrument of EU development policy - the question of trade liberalisation

The question of trade liberalisation between the EU and African countries is controversial, if considered in relation to food security. Impacts deriving from import liberalisation as envisaged under EPAs are mixed and benefits might be uncertain. Opinions on the relation

81 Particip (2004a), p. 42.

82 COM (2004) 89 final, p. 4, 14.

83 It formally puts EC development policy next to trade policy and the common foreign security policy in the EU’s external relations, and aims at building a common framework.

84 Andrews, C. (2005), p. 11.

85 COM (2005) 311final, p. 21.

86 European Union (2005b), p. 24.

between liberalisation and food security vary from the clear attestation of a positive correlation to a harsh rejection of liberalisation regarding food security concerns. Multilateral agencies, including the International Monetary Fund, the World Bank, UN agencies and national governments, often focus on the macroeconomic level, while NGO studies have been more concerned about microeconomic effects, e.g. impacts of liberalisation for the food security of vulnerable households.⁸⁷ Supporters of liberalisation argue that it leads to economic growth and an overall welfare maximisation and assume “generally positive consequences of broader economy-wide and reciprocated trade liberalisation scenarios on aggregate food security”⁸⁸. Strong opponents emphasize the negative consequences for local producers,⁸⁹ and criticise the loss of policy space for national governments.

Those critics, however, oversee the opportunities created by liberalisation, such as new export possibilities or structural changes. In reality, the nature of the effects of trade liberalisation on food security depends on various factors – the nature of the markets and the state, the balance between risks and opportunities, winners and losers. To analyse the relationship between an open trade regime and food security, the different dimensions of food security⁹⁰ should be taken into consideration. To achieve food security, sufficient food has to be available and affordable for everyone, and a proper food utilization should be assured. Trade liberalisation tackles the dimension of access to food through the link with income and expenditures. While food availability might increase due to open market policies, access to food can decrease, for example due to an effect on income distribution. Changes in the trade regime do not only affect rural and urban incomes, but also employment, which might lead to changes in the income distribution. Particularly the rural poor, most of whom live from agriculture, face increased income risks because they have to switch from producing subsistence-local goods to producing tradable goods.⁹¹ Generally, trade liberalisation might lead to the following changes relevant to food security:

- **Structural change and diversity:** Production structures based on comparative advantages are likely to produce more efficiently, which might lead to economic growth. In addition, new export opportunities might be unlocked. But even if the overall welfare might increase, distributional consequences are not taken into account. Small-scale producers in developing countries, such as farmers, might for example face negative consequences due to increased competition. A positive effect might be that trade liberalisation can help developing countries to diversify their economies. But this depends on existing policies and institutions, as well as government and

87 CIDSE (2001).

88 OECD (2002), p. 8.

89 Kwa (1999).

90 See chapter 2.

91 ODI (1999), p.4.

private sector actions, which will determine the change of trade and production patterns.⁹²

- **Employment changes:** If production structures change, it is important to see how adaptable local resources, in particular labour, are. The agricultural sector might in some cases need to have the ability to absorb labour, and in others labour formerly employed in this sector might be forced to find employment outside agriculture. It is important to notice that agriculture belongs to the so-called “sensitive” sectors, which employ people with few other employment possibilities.⁹³ Therefore, trade liberalisation might, in the case of a contraction of the agricultural sector, negatively affect the food security situation of those employed in agriculture.
- **Lower domestic food prices due to import surges:** Food might be affordable for more people due to lower prices and increasing supply in domestic markets. But this positive effect depends on the transmission elasticities between international and domestic prices.⁹⁴ In addition, the overall effect on food security might be negative, if a large part of the poorest population is directly or indirectly dependent on agricultural production and sale. Hence, while net-food consumers are likely to benefit from lower domestic food prices, net-food producers might face negative consequences. This implies relative impacts on urban and rural food security.
- **Tax revenues:** Lower tariffs would lead to increased imports, which create additional tax revenues that could be used to finance adjustment costs of those disadvantaged. Of course, this is only possible if revenue gains exceed those losses resulting from lower tariffs.⁹⁵

EPAs aim at liberalising trade relations between the EU and ACP countries, why they will have an impact on the food security situation in the ACPs, which might vary -from country to country and region to region. The overall consequences for food security in West Africa are for example envisaged to be negative, if agricultural products will be subject to full liberalisation under EPAs.⁹⁶ This is related to the fact that the majority of the population still lives in rural areas (about 57%) and depend on agriculture for their livelihoods despite an ongoing urbanization process.

92 Oxford Policy Management (2003), p. 36.

93 Oxford Policy Management (2003), p. 17.

94 FAO (2003b), Chapter 1.

95 FAO (2003b), Chapter 1.

96 For an detailed analysis see Pannhausen, C. (2006).

	Rural area		Urban area	
Stakeholder group	Net-food producers	Net-food consumers	Net-food consumers (except those working in agribusiness)	Net-food consumers working in agribusiness
Consequences for food security	--	+/-	++	-

Table A - Consequences for food security of different stakeholders in West Africa under a full liberalisation scenario (based on Pannhausen 2006)

What role does liberalisation play for the concept of food security in EU development policy? Due to the EU's focus on the concept of self-reliance, free trade agreements are considered as potential ways to improve the food security situation in developing countries via food imports and economic growths. Various statements in EC publications support this view:

According to the 2001 bi-annual report on the EC food aid and food security programme, the regulation of international trade is seen as critical component of food security in developing countries.⁹⁷ DG Development has recently stressed that trade and agricultural issues are of central importance to the debate on food security and policy coherence.⁹⁸ It underlines that development strategies should be based on comparative advantages to assure national food availability.⁹⁹ Available food should come from national production, stocks and imports.¹⁰⁰ Increasing imports directly relies on further liberalisation efforts.

How are consequences resulting from liberalisation considered by the EU in the context of food security? It seems to be recognized by DG Development that rising food imports place an increasing strain on the balance of payments, and that lack of purchasing power limits access to food at household level. Furthermore, risks inherent to liberalisation such as increased exposure to foreign competition are noted. Therefore, a slower pace of liberalisation should be permitted to developing countries.¹⁰¹ But it is made clear that liberalisation remains the long-term objective, regardless of "short term negative consequences for food security"¹⁰². "Open trade and investment policies, macroeconomic stability, a market friendly business

97 European Commission (2001d), p. 11.

98 European Commission (2005b), p. 5.

99 European Commission (2001b), p. 3.

100 European Commission (2005d), p. 9.

101 Compare European Commission (2001b).

102 European Commission (2005b), p. 6.

environment and effective public institutions are fundamental”¹⁰³ to achieve national food availability.

The Europe Aid Co-operation Office (Europe Aid or AIDCO)¹⁰⁴ draws its attention in contrast to DG Trade more clearly on possible negative side effects. It admits in its 2001 bi-annual report on the EC Food Aid and Food Security Report that open market policies failed to foster economic growth for many developing countries. It is stated, that trade liberalisation in itself cannot be “the driving force of growth, and, therefore, of food security”.¹⁰⁵ Redistribution of benefits of economic growth is necessary in order to compensate small-scale farmers for the adverse consequences of direct competition on their earnings. Effective food security strategies must be part of the wider framework of rural development. Improving access to means of production and finance, developing income-generating activities, enhancing skills and participation on decision-making, import capacity and market integration in developing countries, could strengthen food security.¹⁰⁶

To sum up, market opening and economic growths might improve food availability on the one hand.¹⁰⁷ On the other hand, market liberalisation has mixed impacts on food security, and the evaluation of the link between trade policy and food security needs to be specific to each country.¹⁰⁸ But it is hard to take country-specific sector characteristics into consideration because EPAs are being negotiated with regional groups. This is especially important with regard to the selection of the so-called sensitive products. African countries will probably have to liberalise around 80 % of its duties under an EPA, which leaves room for the exclusion of sensitive products from liberalisation. What criteria should be used to define the sensitive products is not clear,¹⁰⁹ and the regional groups did not yet come up with a joint list of sensitive products. The exclusion lists of sensitive products of the member states of the regional groups show little natural overlap, if sensitive products are defined as those on which import tariffs are highest¹¹⁰. However, these lists are generally not generated based on food security concerns. This might impact negatively on the food security situation of some African countries.

103 European Commission (2005b), p. 6.

104 The European Commission’s agency responsible for identification, preparation, implementation, appraisal and evaluation of all aid programmes.

105 European Commission (2001d), p. 11.

106 European Commission (2001d), p. 15.

107 It should be kept in mind that increased food availability does not necessarily result in improved food access and food utility, which are the other two pillars of food security.

108 FAO (2003b), p. 51.

109 E.g. the highest possible tariff revenue, infant industry protection or food security concerns. For more details see Pannhausen (2006), chapter 4.4, p. 19.

110 For exact figures, see table 4.

5 Food Security and EPAs

5.1 Integration of food security into the EPA process

The interactions between food security and trade are identified as an area, in which the European Union might have a comparative advantage in international policy dialogue and debate.¹¹¹ In the 2005 Issues Paper, DG Development recognizes that “international but also regional trade have a strong impact on food security”.¹¹² In their commitment expressed in the 2005 Communication on Policy Coherence for Development is stated, that “policy coherence for development has also wider dimensions when it comes to issues such as food security”.¹¹³ Hence, it seems advisable to integrate food security concerns into EPAs. Accordingly, the Cotonou Agreement contains an article exclusively focusing on food security¹¹⁴ and cross-references in other sections. Article 54(3) Cotonou Agreement allows for specific agreements “to be concluded with those ACP States which so request in the context of their food security policies.” This clause enables ACP countries to take special safeguards, albeit the concrete scope of these specific agreements remains uncertain.

Article 37 Cotonou Agreement provides the framework for establishing the new trade arrangements. A look on the EU’s directives for the negotiations of EPAs¹¹⁵ reveals that a food security clause has indeed been integrated. It states that “[t]he Agreement shall include provisions aimed at fostering food security in accordance with WTO rules”. This clause is a positive sign as it lays open that EU officials are, at least at a formal level, committed to take food security concerns into account. In general, mainly NGOs point at the linkage between EPAs and food security.¹¹⁶ Mentions in EC documents do in the first place refer to EPA or food security, leaving out the linkage between the two (see chapter 4.3). In the European Consensus on Development, the EU affirms for example its support for the pro-poor completion of the EPAs in the section on policy coherence for development. Nevertheless, food security, which is clearly linked to poverty reduction, is not mentioned in this context. In the EU Strategy for Africa, trade and development promotion by EPAs and the target of “increasing the competitiveness and productivity of African agriculture” are mentioned under the subheading of “Creating an economic environment for achieving the MDGs”.¹¹⁷ But food security is not mentioned in the context and is merely tied to boosting agriculture in a

111 Andrews, C. (2005), p. 13-14.

112 European Commission (2005b), p. 7.

113 COM (2005) 134 final, p. 11.

114 Cotonou Partnership Agreement (2000), Art. 54.

115 The EU EPA mandate is not officially published by the EU, but can be found on the internet (www.epawatch.net).

116 Compare ACORD (2006).

117 COM (2005) 489 final, p. 4-5.

different section of the document.¹¹⁸ Hence, food security concerns could have been given a more holistic and prominent place in the Strategy.

Apart from this conceptual approach to integrate food security into the EPA process, EU negotiators could put food security concerns on the negotiation agenda. But negotiations have not proceeded to the second phase so far. In this phase, the setting of the tariffs and exclusion of sensitive products will be addressed. Therefore, the inclusion of food security concerns into the actual EPA negotiations cannot yet be finally assessed. But even in the second phase it might not be possible to address food security concerns properly. Tariff reduction is probably not the most important and effective part of the EPAs, and market reactions to the lowering of tariff rates can hardly be predicted. The contribution of EPAs to regional integration, the role of sanitary and phytosanitary measures and the inclusion of the Singapore issues¹¹⁹ will probably have a greater impact on the ACPs than the mere cutting of tariff rates. But as the effects deriving from these changes are even less predictable, it is difficult to assure that food security concerns are sufficiently considered. Nevertheless, the relating questions should already gain awareness, because it is important to conduct assessment studies to identify possible results of EPAs and sensitive products, in order to be able to apply adequate measures such as safeguards. In general, most of EPA advocacy and impact assessment carried out so far relates to the impact on manufacturing industry, trade, governments and basic services. Analysis in relation to the impact of EPAs on agricultural production and food security in Africa is scarcely carried out.¹²⁰

5.2 EPAs and the partnership principle¹²¹

In trade negotiations, both partners are equal on a contractual basis. In contrary, in the field of development cooperation, partnership is traditionally characterised by a donor-recipient relationship. The equality of partners is undermined by economic differences and conditionality that is imposed by the EU. This creates dependency, but it is true that a reasonable use of the money often fails, if conditions are not set. Hence, the EU and ACP countries often take on different roles in the relationship between them.

In the EPA process, both relations get together: While EPAs are above all trade negotiations, the Commission underlines that “EPA negotiations and implementation are closely linked

118 COM (2005) 489 final, p. 28.

119 See chapter 3.2.

120 ACORD (2005), p. 20. As an exception, see the Sustainability Impact Assessment of EPAs on West African agro-industry, carried out by PriceWaterhouseCoopers (2004).

121 See chart 1.

with development cooperation.”¹²² The principle of equal partnership on the one hand, and EU responsibilities on the other hand, might therefore conflict.

EPAs imply rights and obligations for both sides. The Commission stressed that “the respect of the obligations by each side is essential for the achievement of the entire undertaking”.¹²³ Responsibilities are shared between the negotiation partners. All partners involved should for example provide the participation of new actors in the context of the Cotonou Agreement.¹²⁴ The EC should not be seen “as being in the driving seat”, and “it is in the first place the ACP governments and the civil society actors themselves to respond to opportunities [...] under the Cotonou Agreement”.¹²⁵ As EPAs are trade agreements, the EU and ACP regions are considered sovereign partners that do not dictate their conditions on the partner.

But establishing an equal partnership is counteracted by the fact that the EU, for which the ACP area is of minor economic interest, is the main trading partner for the ACP countries. 29% of all ACP exports go to the EU, which constitute only 3,1% of all EU imports.¹²⁶ Trade relations are even less balanced in case of the Sub-Saharan African countries, which comprise four regions the EU is negotiating the EPAs with.¹²⁷ In 2004, EU exports to Sub-Saharan Africa (SSA), with the exception of South Africa,¹²⁸ represented less than 1 % of total EU imports. But SSA*¹²⁹ exports to the EU made up 34% of all SSA* exports.¹³⁰ For the EU, trade with SSA* even decreased in recent years, compared to the EU overall trade volume with the rest of the world.¹³¹ Added that the EU is the major donor of development aid, it is obvious that the relation between EU member states and Sub-Saharan African countries is characterised by a certain dependency and asymmetry. In addition, Sub-Saharan African countries often face capacity constraints. Nevertheless, by stressing the equality of the partnership, African countries are made responsible for participation, dialogue and the fulfilment of mutual obligations in their countries.

It is the first time that ACP countries are faced with a real bilateral trade negotiation with the EU. In addition, the starting point for the EPA negotiations is unlike other trade negotiations.

122 COM (2005) 132 final, p. 22.

123 COM (2002) 513 final, p. 25.

124 European Commission (2001a), p. 2.

125 European Commission (2001a), p. 2.

126 DG Trade webpage, European Commission (2001c).

127 South Africa is excluded from EPA negotiations due to its Free Trade Agreement with the EU (EU-SA FTA).

128 SSA with exception of South Africa will be referred to as SSA* in the following.

129 SSA*: Sub-Saharan Africa (SSA), with the exception of South Africa.

130 See table 5.

131 See tables 6 and 7.

ACPs do not not only negotiate to obtain additional concessions or advantages, but in order not to lose what they already have obtained, “or not to risk eventual sanctions on the level of aid.”¹³² Trade Commissioner Peter Mandelson does not get tired to stress “to make sure that the process really does put development first”. The mainstreaming of trade into development and the resolution of difficult issues during the negotiations are the tasks of the Regional Preparatory Task Forces (RPTFs). But the RPTFs can merely implement flanking measures, due to the clear separation from trade negotiations, which are conducted between the European Commission and the Regional Negotiation Committee/Forum.¹³³ Nevertheless, they are the only unit that provides a direct link between development cooperation and the EPA negotiations, why they are of importance for the overall EPA process.¹³⁴

While the Cotonou Agreement emphasized political conditionality, such as the assessment of good governance¹³⁵, EPAs are negotiated with the regions regardless of the political background of the single ACP states. Hence, conditionalities, playing a major role for the allocation of the European Development Fund (EDF) financial resources as well, shall not be imposed. On the one hand, the partnership principle is strengthened thereby. On the other hand, it is questionable in a trade and equitable partner logic if the EU has a responsibility for assuring developmental friendly outcomes of the negotiations, especially if bearing in mind the gap in economic development and capacities between the two trading partners.

With regard to food security, the identification of sensitive products on the part of the African countries might become a delicate issue. If the regional groupings decide to align their decision on the exclusion of sensitive products from trade liberalisation with criteria such as relevance for revenue incomes, the result might have severe consequences for food security. In some countries, it might therefore be advisable to exclude certain agricultural products due to food security concerns. EU trade negotiators tend to refer the responsibility of selecting sensitive products to the ACP negotiators. Apart from that, it is questioned, if protecting small-scale farmers by remaining high tariffs makes sense in a long-term perspective for development.¹³⁶

132 ECDPM (2001).

133 See chart 2 in annexes.

134 For more details on RPTFs see chapter 5.3.2.

135 Cotonou Partnership Agreement (2000), Art. 8, Para. 4.

136 See general debate on liberalisation and food security, chapter 4.4.

5.3 Coordination of the EPA process

5.3.1 Coordination of the EPA negotiations within the European Commission

As already indicated at various places, the question of coordination between the different DGs plays an important role concerning food security. Usually, DG Development and AIDCO deal with food security issues which, as shown, are not in the centre of DG Trade's agenda in general but should it be in the case of EPAs. A coherent, DG-overarching approach to the EPA negotiations could therefore back the inclusion of food security relevant clauses in the EPAs. With regard to EPAs, the Commission stated in its Strategy for Africa that "[m]aintaining a close relationship between trade and development policies is essential".¹³⁷

EPAs are above all a trade instrument, and DG Trade takes the lead in the negotiations. The European Commission has received the mandate to negotiate EPAs with the ACP. On behalf of the EC, the negotiations are carried out by Commissioner Peter Mandelson at the ministerial level, and a senior official of DG Trade at the ambassadorial level. DG Trade C3, the geographical responsible unit in DG Trade, is entitled to prepare the cooperation at the technical level. DG Development engages in the negotiations as well because EPAs should serve as tool for development. Notably Louis Michel, the Commissioner for Development Cooperation and Humanitarian Aid, is closely associated amongst other commissioners to the EPA process.¹³⁸ DG Agriculture comes in, as the free-trade areas will affect the European agricultural market by partially opening the shielded markets of the CAP to foreign competitors from ACP-countries. In addition, there are/could be export interests for EU producers.

The scope of varying ideas and interests between different DGs stems from these differing entry points to the EPA negotiations. Thus, coherence and coordination are of utmost importance for the successful conclusion of EPAs. How is coordination assured?

EPA inter-service and negotiation meetings are regularly carried out to assure a coherent approach to EPA negotiations. Cooperation takes place mainly between DG Trade and DG Development, which are the key players in the EPA process on the part of the EC. Consultation between these two DGs takes place at each level of negotiations, and a representative of DG Development participated alongside staff from DG Trade in all actual negotiation meetings. In addition, EPA-related meetings between the two DGs are held on a weekly basis. Mr Falkenberg, deputy director general of DG Trade's Unit C dealing with EPAs, emphasized at the Trade SIA Stocktaking Conference (21-22 March, Brussels) that setting aims and strategies for the negotiation process is always preceded by internal DG-overlapping consultations, and that the conduct of negotiations never exclusively relies on DG

¹³⁷ COM (2005) 489 final, 12 October 2005, p. 4.

¹³⁸ European Commission (2006b), p 15.

Trade. Securing the development orientation and advancing the negotiations of the EPAs was declared as the main priority in the relations with the ACP by DG Development in 2004.¹³⁹ Working together with DG Trade to negotiate EPAs was listed by DG Development as a priority of a proactive contribution to the EPA process.¹⁴⁰ Coordination between the two DGs is supported by the fact that the two units in DG Trade in charge of EPAs (C2, C3) are taken by former DG Development staff. To sum up, coordination between DG Trade and DG Development seems to be well functioning. Nevertheless, some other stakeholders seem to remain sceptical about the coordination and DG Development's integration. The UK Department for International Development (DFID) criticised that "the role of DG Development in the EPA process appears to be minimal" and complained that the role DG Development is playing is not clearly defined.¹⁴¹

It remains less clear how other DGs contribute to the EPA process. In the 2004 General Budget, it was stated that "AIDCO will actively participate in the Economic Partnership Agreement (EPA) Task Forces and actively support the EPAs through appropriate coordinated projects to implement the development cooperation component."¹⁴² But involvement of AIDCO seems to be low so far. Within AIDCO no one is directly in charge of monitoring or contributing to the EPA process. In addition, AIDCO did not participate fully in all RPTFs. An increased cooperation of DG Trade and DG Development with DG Agriculture is probable at a later stage of negotiations. Then, negotiators discuss issues such as tariffs and safeguards. A hindrance to cooperation might be that DG Agriculture does not belong to the RELEX family (DG RELEX, DG TRADE, DG Development, AIDCO, ECHO), which holds common channels for communication and coordination.¹⁴³

Coordination of the EPA process also involves creating or matching channels for financial means that could cover the EPA-related adjustment costs. A study of the Commonwealth Secretariat identifies four main types of adjustment which EPA will require ACPs to undertake: 1) fiscal adjustment, 2) trade facilitation and export diversification, 3) production and employment adjustment, 4) skills development and productivity enhancement.¹⁴⁴ These adjustments will be relevant for the food security situation, as they will be necessary to mitigate the transitional costs of trade liberalisation and thereby avoid massive losses in income. Income poverty is considered a major constraint for access to food. The overall costs

139 European Union (2005a), p. 47.

140 European Union (2004), p. 11.

141 International Development Committee, House of Commons (2005a), p. 6, 20.

142 European Union (2004), p. 23.

143 e.g. Commission Quality Support Group, RELEX Information Committee (RIC), Common Relex Information System (CRIS).

144 Commonwealth Secretariat (2006).

to cover support in the four areas of adjustment are estimated by the Commonwealth study at €9.2 billion. It is not yet clear how these adjustment costs will be properly addressed.¹⁴⁵

5.3.2 Coordination of other stakeholders within the EU

Apart from the European Commission, which is conducting the negotiations, various stakeholders are involved in the EPA process. Those range from Civil Society members, over EP members to the EU member states. As shown in chart 4,¹⁴⁶ the Commission negotiates directly with the regional negotiation committee/forum of the regional ACP groups. EU member states can only indirectly take part in the EPA process by participation in the RPTF meetings, where EC delegations participate as well (see Box 1). European Non-state actors and the European Parliament are merely involved through consultation and monitoring efforts. But ensuring a broad involvement of different actors is essential in order to gain support for the EPAs. This could raise public awareness and acceptance of EPAs, which seems to be essential in the light of insufficient information and the “stop-EPA-campaign”. In African countries, public acceptance and awareness of the EPA process as well as involvement of non-state actors seems to be even lower.¹⁴⁷ It is important to remember that the EU cannot impose EPAs on ACPs¹⁴⁸.

Therefore, a broad involvement of different actors might raise acceptance of EPAs in European as well as ACP countries. Member states’ support could improve EPAs by working to ensure coherence between the trade and development component, raising public awareness, or showing their support for the EPAs in order to convince other stakeholders of their development friendly achievements. Concerning this matter, member states hold an advantage compared to the European Commission because they have a more distant position (see chapter 5.2). DG Trade and the commission in general might lack credibility if trying to convince ACPs of EPAs, because they might be perceived as an opponent in the negotiations.

Civil Society involvement should reflect the increasing role played by non-state actors in the development process, and they could provide helpful input, represent different party of the society and monitor the EPA process, particularly the private sector which is most affected by an EPA. In addition, the assistance if NGOs would be helpful to convince ACP countries of the development friendly results that could be achieved by EPAs.

145 See chapter 5.4.

146 See chart 2.

147 compare http://www.bilaterals.org/article.php?id_article=2359.

148 See chapter 5.2. on the partnership principle, which implies that the EU cannot impose conditionalities.

According to the negotiation directives, non-state actors in the EU shall be “informed and consulted on the content of negotiations”.¹⁴⁹ The Commission has sought to engage European NGOs as part of their overall civil society trade dialogue. In these meetings, negotiation updates were provided and questions could be raised to Commission staff.¹⁵⁰ Non-state actors see these meetings as rather providing them with information than as representing an opportunity for consultations. In the civil society dialogue meeting held on March 3rd 2005, food security was the main subject of a presentation by the NGO APRODEV¹⁵¹ on EPAs and development. It was suggested that EPAs should contribute to preventing a negative impact of free trade on food security. Beyond, they should be designed to ensure improved food security “by addressing the coordination of aid and trade agenda and supply-side constraints”.¹⁵² Policy space should be given to ACPs to allow the promotion of national agricultural productivity and diversification towards higher value-added agricultural goods.

Box 1: Regional Preparatory Task Forces (RPTFs)

According to Article 37 (3) Cotonou Agreement, measures for capacity building in the public and private sectors of ACP countries shall be taken in the preparatory period of the EPAs. These measures shall include, where appropriate, “assistance to budgetary adjustment and fiscal reform, as well as for infrastructure upgrading and development”. In line with these provisions, the joint ACP-EC Regional Preparatory Task Forces have been set up.¹⁵³ They are the main instruments designed to assure a link between aid (EDF) and trade (EPA) under the Cotonou Agreement. Their task is to assist in the formulation of technical assistance needs and in the identification of possible funding sources. The RPTFs try to ensure that that negotiation and implementation of EPAs are considered in the programming of aid for the period 2007 to 2012. They comprise representatives of the regional and national authorizing officers (in most cases responsible for the EDF), and relevant experts on the ACP side. The EU delegation includes officials from DG Trade, DG Development, EuropeAid Cooperation Office and from the regional or other relevant EC Delegations. Member states have participated for the first time in a RPTF meeting in March 2006 in Ouagadougou.

Member states, which agreed on the negotiation directives giving the mandate to the Commission, can contribute indirectly to the EPA process by monitoring and supporting the ongoing negotiations. In the first phase of negotiations, member states seemed to show little interest. Only Poland and the UK have issued statements on EPAs so far.

149 EU-EPA Mandate (2002).

150 For a full list of EPA-related Civil Society Dialogue meetings see table 3.

151 Association of World Council of Churches related Development Organisations in Europe.

152 Presentation at DG Trade Civil Society Dialogue, 3 March 2005, Ulmer (2005).

153 In case of the ESA region, the already existing Interregional Co-ordination Committee (IRCC) is used as coordination instrument.

- Poland welcomes Peter Mandelson's commitment to put development at the heart of EPA negotiations. It supports the idea that each separate EPA should be individually-tailored in terms of timing, pace, sequencing, product lists etc. – to particular regions and countries.
- The British position was rather critical towards EPAs. The International Development Committee (IDC) of the House of Commons published the report "Fair trade? The European Union's trade agreements with African, Caribbean and Pacific countries" in March 2005, when DFID and the UK Department of Trade and Industry (DTI) additionally launched a joint statement, which was backed by Prime Minister Tony Blair. The IDC's report contained fierce criticism and doubted that EPAs will lead to a development friendly outcome for ACPs.¹⁵⁴ The joint DTI and DFID statement shared the IDC's report's criticism on a predetermined inclusion of the Singapore Issues in the negotiations. This claim is incompatible with the EC's negotiation directives, which the UK endorsed.

The Commission regarded the UK's position as counterproductive,¹⁵⁵ especially because certain ACPs have already opted to include investment in the negotiations. In addition, the inclusion of these three issues is, according to the Commission, crucial for assuring that EPAs deliver on development. Member states should instead support the EPA process in a two-fold manner by means of communication and additional funding. The UK's statements should be seen against the background of the active and EPA-critical NGO movement in Britain. Generally, the British government seems to be supportive of EPAs. Although DFID claimed that ACPs should be protected from import surges of EU agricultural products, the UK government position with regards to EPA is that "trade liberalisation has greater potential than it has disadvantages".¹⁵⁶

Germany announced in early 2005 to launch a position paper, but it is rumoured that due to differences between the Federal Ministry for Economic Cooperation and Development (BMZ) and the Federal Ministry of Consumer Protection, Food and Agriculture (BMVEL) on the question of EBA-like market access for all ACPs, the publication is still pending.¹⁵⁷ In the light of the coming German presidency of the European Council in the first half of 2007, it seems unlikely that a detailed positioning will take place beforehand. The Federal Minister for Development, Mrs Wierczorek-Zeul, declared in a speech held in February 2006 at the Friedrich-Ebert Foundation that Germany should promote the developmental aspects of EPAs.

In general, food security seems to be a low priority on the agenda of EU member states. Germany has established an EPA Working Group comprising among BMZ staff and non-state

154 International Development Committee, House of Commons (2005a), Summary Page 3.

155 Compare note by Carl (2005).

156 International Development Committee, House of Commons (2005b), number 15.

157 Informationsbrief Weltwirtschaft & Entwicklung (2006), p. 4.

actors, which will address among other aspects the consequences of EPAs for food security in Sub-Saharan Africa.

Other member states launched initiatives or made statements relating to EPAs and food security as well. Luxembourg, for example, held within the framework of its Presidency of the EU Council in 2005 a seminar on "How to achieve food security: a major challenge for policy coherence". It was recommended that ACP countries should be allowed to organize a community preference for their markets in the style of the EU's preferences under the Common Agricultural Policy.¹⁵⁸ The French president Jacques Chirac for his part has expressed its support for EPAs, but stressed that they have to serve as development tools and criticised their current form for being too liberal.¹⁵⁹ But EU member state missions in the ACP countries seemed to be badly informed about the ongoing EPA negotiations, as surveys carried out on behalf of Germany revealed.

Apart from these separate actions, there are some fora in which member states can jointly address EPA and EPA-related issues. Most importantly, member states have for the first time participated in Ouagadougou in the regional seminar from 8th to 10th March 2006 on the programming of the EC aid for the Western African region. Next to Commission representatives from Brussels and from the National and Regional Authorising Offices (NAOs/RAOs), member states with an active presence in the countries could participate upon approval by the respective ACPs. This innovative meeting constellation was received positively and is to be continued. In addition, ten member states¹⁶⁰ have formed the "group of friends of the EPAs". They generally want to support and monitor the EPA process. This heterogeneous forum rather provides a platform for discussion and interchange of opinions, and does not aim at formulating a joint position.

The European Parliament (EP) understands its current contribution to the EPA process as providing a monitoring body. The linkage between EPAs and food security is stressed in various resolutions. Agriculture plays an "important multi-functional role, [...] including food security", and EPA negotiations will have a "major impact on food security and on the agricultural sector in the ACP countries".¹⁶¹ In the light of "devastating effects of uncontrolled free world trade for the development of food crops in the poorest countries"¹⁶², EPAs should include safeguard measures for the protection of ACP producers from EU imports.¹⁶³ The principle of food sovereignty shall be respected and promoted.¹⁶⁴ Moreover,

158 Chairman's conclusions and recommendations (2005), p. 8.

159 Chirac (2005).

160 France, Belgium, the Netherlands, England, Ireland, Denmark, Sweden, Poland, Germany and Austria.

161 European Parliament resolution (2002b), lit. P, Q.

162 European Parliament resolution (2001), Art. 6.

163 European Parliament resolution (2006), Art. 19.

164 European Parliament resolution (2002a), Art. 4.

EPAs are constantly addressed in the EP's Development Committee, which is responsible for the promotion, implementation and monitoring of the development and cooperation policy of the Union. On March 22nd 2006, the EP adopted a resolution on the development impacts of Economic Partnership Agreements prepared by the chairwomen of the Development Committee.¹⁶⁵ The EP calls for "greater collaboration between Directorates-General Development, Trade and External Relations, and the Europe Aid - Cooperation Office, as well as EU Member States, on how to best deliver EPA development support".¹⁶⁶ The Morgantini Report, which provided the basis for the EP resolution, develops a critical standpoint with regard to current EPA discussions. A "lack of a concrete development-friendly result so far" is acknowledged and the need for the provision of protection for ACP producers' domestic and regional markets is underlined.¹⁶⁷ In the explanatory statement relating to the report, food security concerns are directly addressed. The priority should be on domestic production rather than export production, which should lead to ensuring food security. "Self-sufficiency and the guarantee of a decent income for small farmers should be the priorities."¹⁶⁸

The EU-ACP Joint Parliamentary Assembly (JPA) brought up EPAs as a topic in various meetings,¹⁶⁹ and its Standing Committee on Economic Development, Finance and Trade is engaged with EPAs. Agriculture is seen as crucial sector with regard to Cotonou, and EPAs should be accompanied with financial support for this sector. In addition to the protection of sensitive products, appropriate safeguard measures shall be provided according to the JPA. In general, the added value of ACP agricultural exports should increase.¹⁷⁰

The different stakeholders in the EU do not hold a common position regarding EPAs. The EP's call for self-sufficiency does for example contradict the modern concept of food security that the European Commissions promotes¹⁷¹.

165 European Parliament resolution (2006).

166 European Parliament resolution (2006), Art. 31.

167 Committee on Development (2006), Art. 7, 8.

168 Committee on Development (2006), p. 12.

169 Joint Parliamentary Assembly (JPA) 10th Session, 19 to 24 November 2005, Edinburgh; JPA 9th Session, 16 to 21 April 2005, Bamako; JPA 8th Session, 20 to 25 November 2004, the Hague; Meeting of JPA Standing Committees, 22 to 23 September 2004, Brussels; JPA 7th Session, 16 to 19 February 2004, Addis Abeba.

170 ACP-EU (2004), p. 5.

171 For details on the EU's concepts of food security, see chapter 4.

5.4 The matching of development instruments relating to food security in the EPA process

The different instruments relating to food security in the EPA process vary from those directly designed to accompany the negotiations (RPTFs) to others traditionally belonging to the EU's development policy.

The RPTFs are the main instruments designed to assure a link between aid (EDF) and trade (EPA) under the Cotonou Agreement.¹⁷² RPTFs shall play an important role in the programming of the RSPs, and it is assumed that this will lead to an increased relevance of trade related aid in the RSPs.¹⁷³

Parallel to the anticipated launching of the EPAs, the 10th EDF will cover a 6-year period beginning in 2008.¹⁷⁴ Therefore, it is important to assure the adequate linking of the allocation of EDF resources to EPA-related adjustment costs. As mentioned above (chapter 5.3.1) the overall adjustment costs are estimated by the Commonwealth study at €9.2 billion. In the light of the Gleneagles commitment to further increase the percentage of GNI allocated to development assistance to 0.70 % by 2015 and an increased size of the 10th EDF, it would be possible for the EU to fund its traditional EDF activities and an EPA adjustment facility.¹⁷⁵ In December 2005, the European Council adopted a financial envelope for the 10th EDF, which comes to € 22,682 million for the period 2008-2013.¹⁷⁶ But it remains unclear which proportion of the fund will be spent on EPA-related adjustment costs.

The programming of the regional programmes under the coming EDF will determine, in which sectors and under which priorities the financial resources will be allocated. Between February and March 2006, six regional seminars were held to prepare the programming exercise of EC aid for ACP countries. From July 2006 onwards, the draft CSPs shall be submitted to EC headquarters. As agreed upon by EU and ACP countries, EPAs need to be accompanied by "appropriate development-support measures in order to allow ACP countries and regions to maximise the benefits they should be deriving from EPAs".¹⁷⁷ As the programming is ongoing, CSPs/RSPs and NIPs/RIPs cannot yet be judged upon their commitment to EPA and food security related programmes. But according to the

172 See chapter 5.3.2.

173 APRODEV (2006a), p. 3.

174 For the first time, the EDF will form a part of the general Community budget and is accordingly covered in the New Financial Perspectives 2007-2013 (2 February 2005).

175 Goodison (2006a), p. 5-6.

176 Council of the European Union (2005) p. 26, number 70.

177 European Commission (2005d), p.4.

Commission, a review of the 9th EDF underlines that “in terms of current support, regional integration and EPAs are already at the centre of the current regional programmes”.¹⁷⁸

The most significant support in financial terms that was relevant for EPAs has been provided through the ongoing RIPs.¹⁷⁹ Under the framework of the 9th EDF, additional support facilities relevant for EPAs were set up. These comprise a €24 million EPA Support Facility that was mainly used to finance impact assessment studies for most of the ACPs at national level,¹⁸⁰ two programmes in the area of SPS (€71,68 million) and the €50 million Trade.Com programme aiming at enhancing capacities and mechanisms for consultation of the private sector and civil society in trade negotiations. In addition, it was stated that monitoring activities were to be organised in order to ensure that adequate resources are allocated in support of EPAs and regional economic integration in the preparation of the programming cycle of the 10th EDF.

Have these EPA-related funding instruments been used effectively so far? Throughout the current EDF period, the use of funding for EPA related programmes seemed relatively low. Explanations might be that EPAs are addressed in the regional indicative programs (RIPs). But in the programming cycle, NIPs are defined at an earlier stage, one main reason why they are often treated with priority. In addition, inadequate capacities together with the understaffed regional delegations and the complexity of programming procedures impeded an exhaustive use of funds reserved for EPAs. To face these obstacles, the idea of a trust fund, comparable to the trust fund on infrastructure and financed by EU member states, is considered by some members of the European Commission as an useful additional instrument to face near-term adjustment costs. Traditional EU development assistance often focuses, due to rather time-consuming procedures, on long-term perspectives. But Member states could provide additional funding at short term to compensate immediate or additional adjustment costs. The EU cannot increase the amount of the 10th EDF (2008-2013), because it is already set up. For the EU, the only possibility to provide additional, short-term funding would be the creation of a Fund outside the EDF, like the Trust Fund to finance infrastructure.

Ensuring the appropriate addressing of food security in the NIPs/RIPs seems to face even greater difficulties, arising from the multi-faceted nature of its underlying concepts. As the promotion of food security as a crosscutting issue is geared to alleviating poverty,¹⁸¹ it can be assigned and subordinated to other programmes. This is at the expense of initiatives explicitly linked to the improvement of the food security situation. The new thematic programme (see

178 European Commission (2005d), p. 30.

179 European Commission (2005d), p. 29.

180 The use of the EPA Support Facility was subject to some criticism. As negotiations are conducted at a regional level, the approach of looking at consequences for the single nation states instead of the whole region was questioned.

181 Council of the European Union (1996).

Chapter 4.3) is designed as a complementary instrument to the existing geographical instruments, which should provide long-term approaches to food security.

In line with the Paris Declaration on the harmonisation and aligning of aid (2 March 2005), the Commission adopted a communication aiming at increasing EU aid on March 2nd 2006. With regard to food security, the communication calls for a consideration of the food security situation in the scope of the country analysis, on which the CSP should be based. Explicit reference to food security is made in the context of an analysis of the economic and social situation. “CSPs must analyse the situation, trends and progress or delays in the social sectors and in terms of food security”.¹⁸² But integration of food security concerns in the geographical instruments under the EDF remains inadequate.

The tendency to pass over food security operations as focal sector under the CSPs/RSPs, respectively the NIPs/RIPs, is reinforced by the fact that financing under the Food Security Budget Line and its subsequent thematic programme remains outside the EDF. For ACP countries, the provisions and funds under the Food Aid and Security Programme have an additional character.¹⁸³ Some critical voices allege that African countries do not attach enough importance to food security related issues. This claim goes back to the dominant “nutrition in development paradigm”, which states that “hunger and malnutrition are caused by poverty and ignorance, and that they will improve if livelihoods (economic growth and incomes) and education services improve.”¹⁸⁴ Hence, a proactive solution of hunger and malnutrition is neglected. Indeed, funding of food security programmes remains a marginal concern in the programming of the EDF. An analysis of the current CSPs reveals that food security and rural development are only considered by 6 of 44 African countries, which have defined a CSP, as priority area under the envelope A.¹⁸⁵ Ethiopia, Guinea Conakry, Madagascar, Mozambique, Niger and Sudan have chosen food security as priority area. Other countries like Burundi or Ghana have selected rural development as priority area, which might lead to (indirect) positive results for food security. Still, countries like Chad (34 % undernourished), Mali (29 % undernourished) or Senegal (24 % undernourished) have not selected food security as priority. The picture does not change significantly for the RSPs. West Africa for example has classified food security as a non-priority sector for the regional strategy.¹⁸⁶

Feedback from the first programming phase of the 2nd generation of CSPs in the ESA region revealed some critical points. There seemed to be little clarity about programming requirements in EC delegations and NAO/RAO offices. Less than 50 % of ACP countries were fully involved in the programming process, and an overall lack of “accessible and

182 COM (2006) 88 final, p. 16.

183 Natural Resources International Ltd (2000), p. 8.

184 UN System Standing Committee on Nutrition (2006), p. 2.

185 See table 8. Envelope A provides funding for the NIPs from the EDF.

186 West Africa, European Community (2002), Annexe 4, p. 11.

practical instructions and programming tools” was noted.¹⁸⁷ In addition, the requirement to concentrate EDF funding in one to two sectors, which might go at the expense of side issues such as food security, was questioned.¹⁸⁸

6 CAP Reform and Consequences for African Agriculture in the EPA context

The agricultural sector is of utmost importance for achieving food security in Sub-Saharan African countries. At the same time, agriculture remains the most protected economic sector in the EU. The Common Agricultural Policy (CAP) influences international agricultural markets and negatively impacts the economic and social situation of many farmers in developing countries. High tariff rates and export refunds to European farmers became subject to criticism for impeding the socio-economic development of countries affected. Since EPAs should on the contrary be a tool for development, but open African markets to European (agricultural) products, they might conflict with the CAP, which is currently undergoing a reform process.

Following the first reform attempts beginning in 1992, the EU launched a major reform of its Common Agricultural Policy (CAP) in 2003. In the context of EPAs and the introduction of reciprocity in ACP-EU trade relations, the CAP reform will not only affect European markets, but result in implications for ACP-EU agricultural trade. Therefore, the effects of CAP reform should be assessed in the context of EPA negotiations. The European Parliament even claims that the “common agricultural reform will have a major impact on food supply security and on the agricultural sector in the ACP countries”, and calls for the Commission to conduct an analysis of the likely impacts.¹⁸⁹ What are the key changes triggered by the CAP reform? What are possible impacts and how should they be addressed?

CAP reform increases the importance of efforts to shift European agricultural production from quantity to quality and reduces policies regarded as trade biasing (classified as *amber box* measures) by the WTO. Instead of support coupled to agricultural production, a system of single farm payments was introduced in June 2003. It will gradually affect at least 75% of agricultural production.¹⁹⁰ Intervention prices, which guarantee a community price above world market level, are gradually abandoned in the context of CAP reform. Enhancing the competitiveness and increasing the market-orientation of European agricultural production, is one of the main objectives of the reform.¹⁹¹ This should lead on the one hand to higher farmer

187 Presentation held by Frederiksen (2006).

188 Presentation held by Frederiksen (2006).

189 European Parliament resolution (2002b), Art. 17.

190 European Commission, letter by Paul Nielson and Pascal Lamy, 21 June 2004.

191 COM (2003) 554 final, p. 2.

incomes. On the other hand, increased competitiveness would reduce the need for protective custom duties and export refunds.

The EU has recently, in the frame of the WTO Doha negotiations, announced to phase out its export refunds by 2013 if other countries accept to phase out policies that are considered export subsidies, too.¹⁹² This would not only ensure WTO conformity, but will have impacts on the ACP agricultural markets. It would reduce “unfair competition from EU agricultural and food product exports”. With the suspension of the Doha-Round, the fate of this proposal is unclear.

However, for the time being several products such as cereals, milk and sugar still receive export refunds.¹⁹³ As agreed upon at the beginning of the new millennium, these export refunds on “non-annex I”-products¹⁹⁴ cannot exceed the WTO ceiling of €15 million. EU export subsidies repeatedly became subject to criticism, as for example pronounced by the ACP-EU Joint Parliamentary Assembly in its 2004 report on EPAs.¹⁹⁵

The huge impact of EU’s export subsidies and domestic support in the agricultural sector on the economies of ACP was underlined with a view to its counterproductive effects on “facilitating diversification, the preservation of family and cooperative agricultural structures and food sovereignty and increasing the added value of agricultural (...) exports from the ACP”.¹⁹⁶ The EC itself stated that OECD countries’ agricultural policies in general have negative impacts on developing countries “by subsidising exports, which in a depressed market, reach DC’s markets below local production costs and compete directly with local production (milk and derived products) or indirectly through substitution of locally produced food stuff (cereals, meat).”¹⁹⁷

While the abandonment of subsidies probably has overall positive impacts for net-food exporting African countries, net-food importing countries might be negatively affected in case of an increase in world prices for basic products.¹⁹⁸ Local agricultural producers will benefit in both cases, since subsidised European products always constitute unfair competition for them. Thus, although African ACP countries do not necessarily have the same interests as

192 CTA website: http://agritrade.cta.int/capreform/executive_brief.htm.

193 See table 9.

194 Definition by Agritrade of “non-annex I”-products: “term used to refer to value-added products produced on the basis of CAP agricultural raw materials but which were not included in the agricultural products listed in the annex to the Treaty of Rome and subsequent EU treaties. For these ‘non-annex I’ products export refunds are made available on the content of cereal, rice, sugar, dairy and egg in the finished product.”

195 Joint Parliamentary Assembly resolution (2004), p. 9.

196 Joint Parliamentary Assembly resolution (2004), Art. 13, p. 19.

197 COM (2002) 429 final, p. 20.

198 ECDPM/CTA (2005), p. 39.

regards CAP reform, some general trends and implications can be anticipated. For ACP countries, CAP reform has several consequences:

- **Preference erosion:** The preferential margin granted to ACPs in relation to non-ACP countries decreases because intervention prices and EU custom duties are gradually reduced. The CAP reform, reinforced by the BSE crisis, has for example already led to a 20% decrease of beef prices. This results in a loss of income for ACP countries, which are beneficiaries of the beef protocol and highly depend on these commodity exports. “Protocol exports to the EU of beef and veal amounted to \$109,629,247 averaging a quarter of the agricultural exports of the countries.”¹⁹⁹ In general, downward pressures on agricultural prices in the EU will not only affect traditional ACP preferences granted by protocols, but also non-traditional exports such as fruit-and-vegetable exports.²⁰⁰
- **Increased competition from EU imports:** CAP reform aims at increasing the competitiveness of EU agricultural producers, which leads to a reduction of differences between EU and world market prices. This makes it easier for European producers to export processed agricultural products on ACP markets, which will in return face increased competition.²⁰¹ Even relatively small increases in EU exports to ACP countries might lead to “profound implications for ACP value-added food-product industries”²⁰². The cereals sector, which is already being liberalised since 1993, is especially affected by CAP reform. The trend in EU exports of “preparations of cereals” demonstrates this: Between 1995 and 2004 EU exports to ACP countries of these products increased in value from €127 million to €358 million, which constituted an increase of the ACP’s share of total EU exports of these products from 5.32% to 9.72%.²⁰³ Cereals are identified as sensitive products for the region of East and South Africa, where an increase in EU imports might put emerging industries at risk²⁰⁴ and squeeze local producers out of the market.
- **Higher food safety standards:** The strengthening of EU food safety standards and control procedures, which should promote the envisaged shift from quantity to quality in the EU, leads to increased costs for ACP producers of exporting into the EU (if they are able to comply at all).

199 ICTSD (2005), p. 4; ACP countries currently benefiting from bovine meat and veal protocols: Botswana, Kenya, Madagascar, Namibia, Swaziland, and Zimbabwe.

200 Goodison (2006b), p. 12.

201 Compare ECDPM/CTA (2005), p. 17.

202 Goodison (2006b), p. 17.

203 CTA website: http://agritrade.cta.int/capreform/executive_brief.htm.

204 ECDPM/CTA (2005), p. 16.

Taking into account the EU agricultural budget, an increased focus of rural-development expenditures on competitiveness can be remarked. The budget for 2006 included increased allocations for direct aids and agricultural market measures by 2.5% to €42.9 billion²⁰⁵ and increased money for rural development by 11.6 % to €11.8 billion.²⁰⁶ These measures aim among other things at fostering competitiveness, combined with the rise of the single-payment scheme.

What are consequences for African producers, which have to face increased competitiveness of EU agricultural imports? To answer this question, the prospects for the European agricultural markets and the anticipated development of EU exports should be looked at.²⁰⁷ According to a study carried out by DG Agriculture, the production of wheat increases by 17.7% until 2012 compared to the 2003 production level. At the same time, exports of cereals will increase significantly by 50.5% to 30.4 million tonnes. While it is not indicated to which regions these exports would probably flow to, it seems likely that ACP countries will have to face higher competition from EU products in the cereals sector. Exports of wheat and soft wheat will even increase by 93.2% and 107.4 % respectively. These increases in exports will prove to be particularly relevant, if EPAs introduce a free-trade area between ACP and EU countries without excluding the respective agricultural products from liberalisation.

While the forecast highlights in which sectors the EU's production might expand, it also shows a clear decline in production in others. In particular, the production of skimmed milk powder is foreseen to decrease to a level of 0.9 million tonnes by 2012. This means that exports will probably decrease by 52.8%. Beef production will decline to around 7.6 million tonnes by 2012, and exports will reduce by 76.3%. Beef prices are expected to remain at a high level, and imports are likely to increase. However, ACP exporters would only be able to profit from this growing export market, if they can produce high-quality beef complying with EU food safety standards. The EU's relative surplus of low-quality beef might be exported to African countries.

Increased competitiveness vis-à-vis ACP producers, going hand in hand with increased exports to ACP countries, might squeeze producers out of the local markets. Their anticipated loss in income, due to low flexibility in the job market in rural areas, will have negative impacts on the food security situation.²⁰⁸ Therefore, it seems relevant to take implications of the ongoing CAP reform into account, when negotiating EPAs. The question of better market access of EU agricultural products to African markets under an EPA should be further discussed in the light of the current level of agricultural support extended to these products in the EU. The EU argues that the shift from price support and export subsidies to direct aid

205 The overall EU budget for 2005 amounts at €21.2 billion in commitments.

206 Agritrade (2006b).

207 See table 10.

208 See Pannhausen, C. (2006), Seimet, T. (2006).

payments is less trade distorting and makes payments WTO conform (so-called “green-box-measures”). This is true in that the support is no longer directed at specific products, but even though, economically more efficient ACP producers might lose markets to EU suppliers, who can improve the price competitiveness of their products due to aid payments.²⁰⁹ Decoupled payments made directly to producers are considered by various research institutions as not being neutral.²¹⁰ According to Goodison, the “process of CAP reform will not reduce the trade-distorting nature of EU agricultural-support programmes” at a basic level.²¹¹ This is due to the fact that entitlements to the single farm-payments will be calculated on the basis of aid entitlement individual farmers received from 2000 to 2002. Therefore, existing distortions will continue, argues Goodison.

CAP reform and its consideration in EPA negotiations, which aim at fostering economic growth in African countries, seems especially relevant if the need to create added value for African agricultural products²¹² is taken into account. African countries have to move up the value chain to lay more solid foundations for the promotion of sustainable poverty-focussed growths.²¹³ CAP reform aims at shifting patterns of EU exports “away from bulk commodities towards higher-value food-product exports”.²¹⁴ Hence, increased competition from the EU might be severely impeding African local value-added food-product industries in their development. Considering that simple value-added food products are often a starting point for agriculture-based industrialisation, this aspect of CAP reform might be especially of concern for African developing countries in the long run. As food security is generally characterised by ensured access to food, income-generating development of African economies via marketing of value-added products constitutes an important step to achieving food security.

With regards to EPA, the Commission confirmed that “[a]griculture will be an important element in our talks with ACP region”.²¹⁵ In a DG Trade Civil Society meeting in 2005, the Commission answered a query concerning EPAs and the external impact of CAP reform, that “there should be a reduction of production in Europe and therefore an increase in imports.”²¹⁶ It was added, that the anticipated decrease in production would vary from sector to sector. But

209 Compare Goodison, P. (2006b), p. 13.

210 Compare for example the joint ECDPM and CTA publication: WTO and EPA Negotiations. For an enhanced coordination of ACP positions on agriculture, Discussion paper No. 70, December 2005, p. 38.

211 ECDPM/CTA (2005), p. 14.

212 ECDPM/CTA (2005), p. 11.

213 Goodison (2006b), p. 18.

214 Agritrade (2006a).

215 European Commission, letter by Poul Nielson and Pascal Lamy, 21 June 2004.

216 DG Trade Civil Society Dialogue meeting (2005).

the forecast published by DG Agriculture in 2005²¹⁷ shows that the production of cereals, wheat, soft wheat, barley, maize, oilseed and poultry is envisaged to rise by 2012.

However, any forecast relating to trends resulting from the CAP reform should be seen with caution. Developments in EU export will be crucially influenced by exchange-rate movements, in particular between the euro and the US dollar.²¹⁸ Exchange-rate movements are especially important for the market balance for cereals in the EU. If the dollar had not weakened against the euro since 2000, surveys predicted that the EU “would [have] be[en] able by 2005 to export cereals without any need for export refunds”.²¹⁹ But concerning the world market situation, a gradual weakening of the euro is assumed to an exchange rate of 1.15 US\$/€ in 2012.²²⁰ This would strengthen EU exports in future and catalyse the effects of CAP reform for African agriculture. Others preview a long-term weak US-dollar due to the huge trade deficit of the United States. This would strengthen the euro and reduce EU exports. In addition, higher oil prices would have a negative impact on agricultural production costs, especially on European industrialised products, which would lead to higher prices for agricultural goods. These restrictions show that it is hardly possible to make a comprehensive forecast concerning trends resulting from the CAP reform. The obvious uncertainties related to the effects of reforming the CAP once again legitimate calls for the implementation of monitoring mechanisms and safeguard clauses. Generally, it is important to recognize that the analysis shows that less subsidies do not necessarily lead to less competitiveness, less EU exports and more EU imports. In contrast, European agricultural production might even increase its competitiveness and exports might increase, even if income transfers to European farmers will decrease.

In addition, it might be questionable if the external effects of the reformed CAP will prove to be central for African agriculture. As Ms Nalunga, Uganda’s country director for the African NGO Southern and Eastern Africa trade and information network (SEATINI), stated, many African countries like Uganda cannot compete “whether products are subsidised or not” due to low production capacity and poor infrastructure.²²¹ This raises a couple of fundamental questions: What, if many poor depend on the production of products that are not competitive? Do African markets offer them the possibility to switch to other, more competitive sectors? Could and would African governments transfer gains from liberalisation to those people? If not, excluding the respective product from liberalisation would set a precedent for the selection of sensitive products.

217 European Commission (2005a).

218 Agritrade (2005b).

219 Agritrade (2005b).

220 European Commission (2005a), p. 23.

221 House of Commons, International Development Committee (2005a), Evidence 11.

7 Conclusions and Recommendations

The EU's concept of food security

In the context of EPAs, the EU should actively promote its broad concept of food security against simple protectionist concepts. It can, however, not rely on market mechanisms and should look for flanking measures in order to avoid rural net food-producers' losses of incomes. Effective food security strategies must be part of the wider framework of development, particularly rural development. The contradiction between the treatment of own food security concerns and those of other countries might be one of the reasons why the concept of self-sufficiency is reintroduced into discussion by critics like the European Parliament. To overcome this contradiction, the EU should treat and harmonise the food security and agricultural policy of other countries in accordance to their own concepts. Due to the ongoing reform of the EC's external assistance structure, the focus of EC food security policy is narrowed to transitional contexts and "exceptional situations". Both, the reform process and general tendencies relating to funding of food security interventions, should not lead to a decrease in visibility of food security concerns in the wider framework for external assistance. Food security should be treated with priority, and the campaign for the implementations of the MDGs, which include the fight against hunger, could provide leverage. With regard to the multi-dimensional nature of food security, coherence between development, trade and agricultural policies should be assured. This includes a better integration into EC strategies and documents, which so far has been insufficient.

Food security and trade liberalisation

The EU's concept of food security in the context of developing countries is based on a concept of self-reliance, with a focus on assuring access to food. This concept therefore considers free trade agreements as potential ways to improve the food security situation in developing countries via economic growths and, if food deficient, on food imports. But benefits deriving from import liberalisation as envisaged under EPAs are mixed and uncertain. Trade liberalisation under EPAs might have negative effects on the agricultural sector, especially if the competitiveness of African farmers decreases due to market opening, and if the gains from improved access to European markets remain marginal. Many African farmers are not competitive at all, and market opening might impede the development of local value-added food-product industries. Government revenue losses minimize the amount of money that could be distributed to those disadvantaged by liberalisation. Therefore, it is important to address the question of sensitive products and safeguard mechanisms. One important criteria for the selection of sensitive products, which would be excluded from trade liberalisation under EPAs, should be food security. Safeguard mechanisms should allow for (temporary) import restrictions, if a domestic industry is damaged or threatened with a damage caused by a surge in imports, especially in the agricultural sector and if the state shows unable to provide compensation. The introduction of safeguard mechanisms should not preclude addressing the underlying causes for food security in the long-term. Protectionism can only serve as transitional solution in the short and medium term.

Coordination and involvement of stakeholders

Coordination between the different stakeholders involved at the European level is essential to ensure a consideration of food security concerns in the EPA process. Coordination between DG Trade and DG Development seems to be promising so far. Nevertheless, EPAs remain above all trade negotiations. Therefore, it is important that cooperation within the European Commission is well functioning in further negotiations. Taking into account food security will prove to be especially important in the coming third phase of negotiations, when the setting of the tariffs and exclusion of sensitive products will be addressed. It is a positive sign that the EU's directives for the negotiations of EPAs comprise a clause on food security. The contributions of other European stakeholders, apart from the Commission, are relatively low so far. Civil Society organizations could be better involved in the EPA process. The awareness of EPAs among member states is beginning to increase, and could be used in order to provide additional funding related to adjustment costs. The idea of a fund financed by member states was already raised and is highly welcomed by the Commission. This fund could be structured in a similar way as the already established trust fund on infrastructure. In general, member states could support development cooperation with ACPs, which comprises EPA-related support, by increasing their ODA according to the commitments made. Member states should foster the political dialogue about EPAs. They hold an advantage compared to the European Commission since they have a more distant relation to the EPAs, though they are still not neutral. DG Trade and the commission in general might lack credibility if trying to convince ACPs of EPAs, because they might be perceived as an opponent in the negotiations. Hence, the integration of member states into the EPA process, e.g. via the RPTFs, is important and should be strengthened.

Coherence and partnership

The consideration of food security concerns in the EPA process is closely related to the underlying partnership principle. It is important to recognize the equality of negotiators in contractual terms. But in addition, the EU bears a special responsibility. Capacity constraints in Sub-Saharan African countries cannot be disregarded in the context of EPAs. The EU should assure a just balance between mere trade negotiations and development policies. EPAs could trigger increased coherence between trade policies and development cooperation. The negotiations could provide leverage for influencing the rules and components of regional integration including the so-called Singapore issues. To achieve this, it remains important to convince not only African negotiators, but civil society organisations as well. Since EPAs constitute partnership agreements, the EU has limited scope to impose their rules on ACP countries. If necessary, the EU could assist in selecting sensitive products along food security criteria. In addition, a better integration of flanking measures into the EPA process should be aimed at. The linkage between RPTFs and the programming of CSPs/RSPs and NIPs/RIPs remains unclear and should be strengthened. At the same time, instruments should be matched so as to ensure that food security strategies are considered in the CSPs. It can be necessary to support the formulation and implementation of food security strategies. So far, only six Sub-Saharan African countries have declared food security as a priority area in their CSPs. In this

context, the EU should put food security on the agenda in cases where undernourishment seriously affects the population.

CAP Reform and Consequences for African Agriculture

EPAs and the ongoing CAP reform are related to a certain degree. CAP reform leads to preference erosion, increased competition from EU imports and higher food safety standards. The introduction of reciprocity in ACP-EU trade relations through EPAs could amplify the related implications, which affect Sub-Saharan African agricultural markets negatively. Hence, CAP reform and its consequences should be addressed in EPA negotiations. In the light of better market access for EU exports to African markets, an anticipated increase in exports and production with possible negative effects on food security, safeguard mechanisms allowing for temporary import restrictions should be introduced. In addition, longer time frames than the currently envisaged 12 years to implement EPAs might be necessary in some cases. Domestic support for EU agricultural producers will not cease to be in force once the CAP reform is completed. This might provoke market distortions and lead to unfair competition between EU exports and local production, if tariffs are to be removed under EPAs. Hence, the EU should assist African countries in restructuring and adapting their agricultural sector policies and strategies in order to increase their competitiveness. The EU and member states should make financial sources covering EPA-related adjustment available with the objective of providing a coherent and stable framework of incentives for producers to seek market opportunities on local, regional and international markets. Apart from domestic support in the form of direct payments, still existing export refunds can seriously damage African agricultural markets.

Transparency

Last but not least, it is essential that all issues raised are promoted in a transparent way, and that ample information is available to all stakeholders involved. The information strategy of the Commission seems to be improvable as concerns coordination with DGs other than DG Development and with other stakeholders.

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Ms. A. WAGNER: German Federal Ministry for Economic Cooperation and Development, Brussels (22.3.2006).

Annex

Tables

SSA*: all Sub-Saharan African countries with the exception of South Africa (does not take part in EPA negotiations)

Table 1: SSA* exports of agricultural products 2004²²²

	Total SSA* exports (in \$ 000)	SSA* exports of agricultural products (in \$ 000)	% of total SSA* exports
2004	18045114.72	6495572.974	36

Table 2: SSA* imports of agricultural products 2004²²³

	Total SSA* imports (in \$ 000)	SSA* imports of agricultural products (in \$ 000)	% of total SSA* imports
2004	28182276.077	4848442.217	26.7

Table 3: List of Civil Society Dialogue meetings relating to EPAs

	Type	Subject
10.04.2006	Ad hoc meeting	EPA
30.11.2005	Ad hoc meeting	ACP-EU Economic Partnership Agreements: status of negotiations; trade and development aspects
19.05.2005	Ad hoc meeting	ECONOMIC PARTNERSHIP AGREEMENTS WITH AFRICAN, CARIBBEAN AND PACIFIC COUNTRIES: COMMISSION RESPONSE, DISCUSSION
17.03.2005	Regular meeting	TRADE AND DEVELOPMENT -- THE 2005 CONTEXT; Topic 2: State of play – Economic Partnership Agreements (EPAs) with African, Caribbean and Pacific countries
03.03.2005	Ad hoc meeting	ECONOMIC PARTNERSHIP ACCORDS WITH AFRICAN, CARIBBEAN AND PACIFIC COUNTRIES: THE CIVIL SOCIETY VIEW
30.03.2004	Ad hoc meeting	Poverty Reduction and new ACP-EU Trade Arrangements: EUROSTEP study
09.03.2004	Ad hoc meeting	Sustainability Impact Assessment of ACP-EU Economic Partnership Accord negotiations
04.03.2003	Regular meeting	EU-ACP negotiations: updates

222 Compiled using COMTRADE (2006) data.

223 Compiled using COMTRADE (2006) data.

27.11.2002	Regular meeting	EU-ACP negotiations: updates on Sustainability Impact Assessments and process
04.07.2002	Ad hoc meeting	ACP-EU negotiations
04.03.2001	Regular meeting	EU-ACP negotiations: updates on Sustainability Impact Assessments and process

Source: Website DG Trade. <http://trade-info.cec.eu.int/civilsoc/meetdetails.cfm?meet=85>

Table 4: Degree of Overlap of Sensitive Products to be excluded

Region	Exclusions common to all %	Exclusions common to half %	No overlap %
Caribbean	0	1	58
Central Africa	0	12	51
East and Southern Africa	0	2	43
SADC	0	3	64
West Africa	0	0.2	92

Source: Agritrade (2005a)

Trade relations between the EU and SSA*

Table 5 : SSA* exports²²⁴

	Total SSA* exports (in \$ 000)	SSA* exports to EU (in \$ 000)	% Of total SSA* exports
2002	37.025.341	10.374.498	28,02
2003	41.398.534	11.693.768	28,25
2004	18.045.114	6.292.257	34,87

Table 6 : EU imports²²⁵

	Total EU imports (in \$ 000)	EU imports from SSA* (in \$ 000)	% Of total EU imports
2002	2.435.882.863	24.555.388	1,01
2003	2.969.687.328	27.601.625	0,93
2004	3.576.393.574	30.291.182	0,85

224 Compiled using COMTRADE (2006) data.

225 Compiled using COMTRADE (2006) data.

Table 7: EU exports²²⁶

	Total EU exports (In \$ 000)	EU exports to SSA* (In \$ 000)	% Of total EU exports
2002	2.492.954.659	24.555.388	0,98
2003	3.007.981.854	27.601.625	0,92
2004	3.597.944.928	26.427.274	0,73

Table 8: Food Security as priority area in CSPs for the period 2002-2007

Country (countries in bold indicate FS priority area in CSP)	Food security as priority area	% Of programmable envelope A	Undernourished as percentage of total population (2001)
Angola	(-)	FS programme to be financed wholly or partly by FSBL	40
Benin	-		15
Botswana	-		32
Burkina Faso	(-)	FS, rural devt. €7 million from FSBL	19
Burundi	(-)	rural devt.: 49,3 %	68
Cameroon	-		26
Central African Republic	-		43
Cap Verde	-		
Chad	-		34
Comores	-		
Congo	-		38
Djibouti	-		
Cote d'Ivoire	N/A		14
Democratic Republic of the Congo	-		71
Eritrea	(-)	FS programme to be financed with FSBL	73
Ethiopia	+	FS: 14 %	47
Gabon	-		6
Gambia	(-)	rural devt.: 40,5 %	27
Ghana	(-)	rural devt.: 35 %	13
Guinea Bissau	-		
Guinea Conakry	+	rural devt. and FS: 15-20 %	26
Kenya	(-)	agriculture and rural devt.: 25-35 %	33
Lesotho	-		12
Liberia	N/A		46
Madagascar	+	rural devt. and FS: 22.5 %	37
Malawi	(-)	agriculture and natural resources: 21,7 %	33
Mali	-		29
Mauritania	-		10
Mauritius	-		6

226 Compiled using COMTRADE (2006) data.

Mozambique	+	FS: 0-15 %	47
Namibia	(-)	rural devt.: 60%	22
Niger	+	rural devt. and FS: 12-15%	34
Nigeria	-		9
Rwanda	(-)	rural devt.: 50%	37
Senegal	-		24
Somalia	- (EC strategy)		
Sierra Leone	-		50
Sudan	+	FS: 40%	27
Swaziland	-		19
Togo	N/A		26
Uganda	(-)	rural devt.: 15 %	19
United Republic of Tanzania	-		44
Zambia	-		49
Zimbabwe	N/A		44

Sources: APRODEV (2003), United Nations Statistics Division (2005). http://data.un.org/unsd/mi/mi_goals.asp

Table 9: "Non annex I" export refunds by product usage, EU budget (million €)

Product	2004	2005
Cereals and rice	36.0	31.0
Sugar	183.0	193.0
Milk and butter	193.0	186.0
Eggs	3.0	5.0
TOTAL	415.0	415.0

Source: Agritrade (2006a).

Table 10: Projected impact of CAP reform proposals

Product	Usable production in millions of tonnes				Exports in millions of tonnes			
	2003	2006	2009	2012	2003	2006	2009	2012
Cereals	230.2	256.6	263.7	271.0	20.2	27.3	27.9	30.4
Wheat	106.6	122.1	126.3	130.9	10.3	15.5	17.4	19.9
Soft wheat	97.8	113.3	117.2	121.6	9.4	15.1	17.0	19.5
Barley	54.2	55.2	55.2	54.7	6.5	7.9	7.9	7.9
Maize	41.5	49.8	52.7	55.1	2.0	2.0	2.0	2.0
Oilseed	16.2	21.7	23.0	26.8	1.0	0.5	0.5	0.5
Skimmed milk powder ²²⁷	1.1			0.9	0.3304			0.156

227 Figures are drawn from European Commission (2005a), except figures for production in 2012, which are drawn from CTA, Agritrade, "Prospects for EU agriculture following enlargement and reform", February 2005 (http://agricta1.cta.int/en/resources/extended_comments/prospects_for_eu_agriculture_following_enlargement_and_reform)

	Production in '000 tonnes cwe²²⁸							
Beef/veal	8033	8082	7874	7723	392	310	206	93
Poultry	10747	11153	11441	11654	969	919	915	915

Source: European Commission (2005c)

228 Carcass weight equivalent (cwe): The weight of meat cuts and meat products converted to an equivalent weight of a dressed carcass. Includes bone, fat, tendons, ligaments, and inedible trimmings (whereas product weight may or may not). Source: <http://www.ers.usda.gov/data/foodconsumption/Glossary.htm#CWE>

Figures

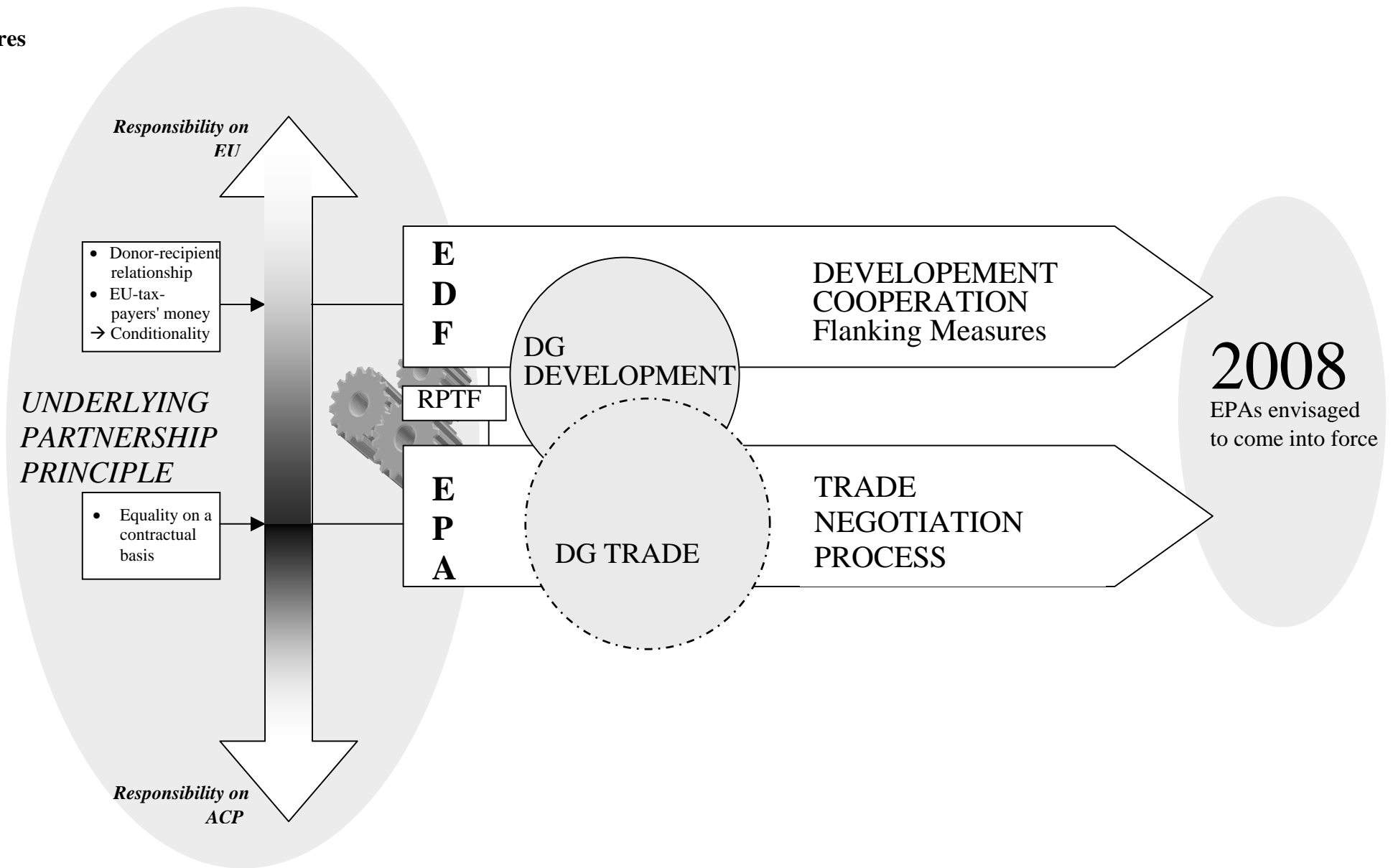


Figure 1: EPAs - Responsibility and the partnership principle
Source: own illustration

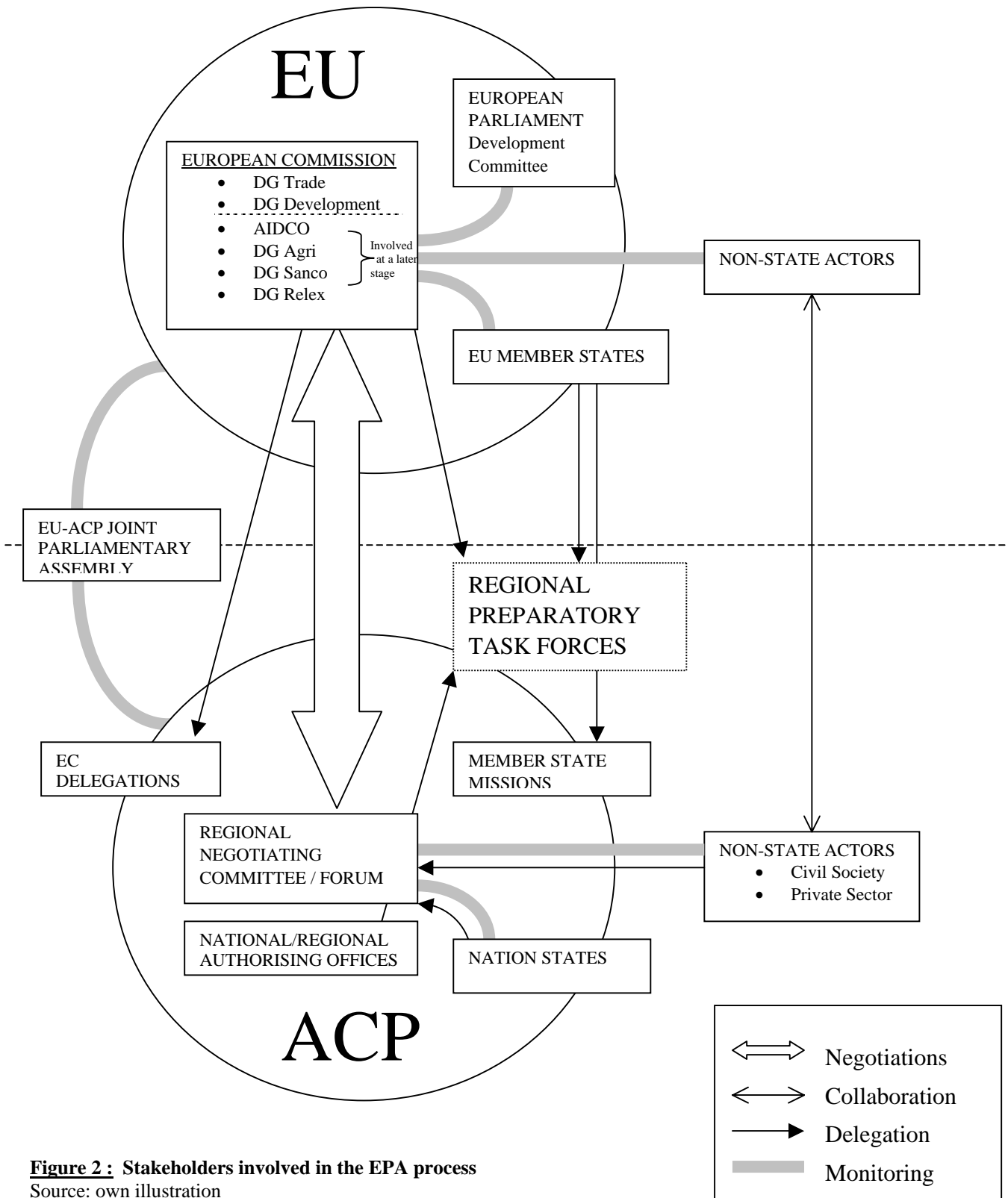


Figure 2 : Stakeholders involved in the EPA process
 Source: own illustration