JIRD

Marrying poverty alleviation and sustainable development? An analysis of the EU–ACP Cotonou agreement

Adrian Flint
Department of Politics, University of Bristol, 10 Priory Road, Bristol BS8 1TU, United Kingdom.
E-mail: Adrian.Flint@bristol.ac.uk

The Cotonou Partnership Agreement, signed in Benin in 2000 between the European Union (EU) and its African-Caribbean-Pacific (ACP) partners, constitutes the basis for much of the EU's interaction with developing countries. The Agreement stresses the need to prioritize poverty alleviation and sustainable development as part of the overall development process. While an all-embracing approach to tackling problems of poverty and the environment ostensibly fulfils a number of social and political requirements where the EU's moral obligation towards the South is currently concerned, Cotonou's flagship provisions invite closer scrutiny. This paper considers the EU's attempt to marry poverty alleviation and sustainable development within its pro-poor strategy and assesses the likely efficacy of this approach in achieving Cotonou's stated aims.
Journal of International Relations and Development (2008) **11,** 55–74.
doi:10.1057/jird.2008.1

Keywords: ACP; Cotonou; environment; EU; sustainable development

Introduction

The year 2000 witnessed the demise of the 25-year-old Lomé regime governing relations between the European Union (EU) and its African-Caribbean-Pacific (ACP) partners. A new partnership agreement was signed between the two groups in Cotonou, Benin, on 23 June 2000, heralding a new era in this long-standing relationship. According to the central provisions of the agreement, the Cotonou era was to be one aimed at facilitating 'poverty eradication, sustainable development and the gradual integration of the ACP countries into the world economy' (Cotonou Partnership Agreement 2000: preamble).

Within the Cotonou Agreement, EU policymakers make frequent linkages between the terms 'poverty alleviation' (or eradication) and 'sustainable development' (Articles 1, 9, 19, 23, 24, 34, 73). Development is, of course, a highly contested term. Debates centred on the subject are frequently emotive, heavily polarized and oversimplified, and the language employed is imprecise.

In particular, 'sustainable development' is regularly invoked by a variety of interests that ordinarily would have little in common, from NGOs such as Oxfam and Greenpeace, to high street stores such as Marks & Spencer. The vague and ill-defined nature of the term provides it with a malleability that has engendered it with widespread appeal and left it open to a range of interpretations. While an all-embracing approach to tackling problems of poverty and the environment ostensibly fulfils a number of social and political requirements where the North's moral obligation towards the South is currently concerned, Cotonou's flagship provisions invite closer scrutiny.

Being able to provide for basic subsistence is clearly the platform for any poverty alleviation strategy, and analysis of the 'poverty trap' provides a rationalization for including environmental protection strategies within that platform. The devil, however, is in the details, given that there are a plethora of policy frameworks that claim to represent paths forward. The EU bases its stance on the assumption that its neoliberal poverty alleviation strategies will result in both a cessation of environmental degradation and an increase in economic growth. This article challenges this assumption from three angles. Firstly, it considers the evidence behind the equation of economic growth with lower levels of environmental degradation. Secondly, it evaluates the impact of neoliberal economic strategies on economic growth and poverty reduction. Finally, it discusses the extent to which wider environmental protection measures, while of benefit to the North, may be counterproductive where economic growth and poverty alleviation (and thus, by the EU's own assumption, localized environmental protection) in ACP countries are concerned. In short, poverty alleviation, far from evolving in tandem with environmental protection, is on the one hand endangered by it, in the form of environmental tariffs, and yet on the other still threatened by the lack of it, in that neoliberal economic strategies continue to emphasize environmentally unsound practices. As is so often the case, the reality of a multi-pronged strategy is far more complex than many would admit; one-size-fits-all approaches rarely have the subtlety to affect meaningful outcomes. This article concludes that the EU's attempt to marry poverty alleviation and sustainable development within its pro-poor strategy is a failure, given that Cotonou's stated aims cannot be met within this development framework.

Linking Poverty Alleviation and Environmental Sustainability

A strong argument for linking the two development strategies of poverty alleviation and environmental sustainability can certainly be made. The crux of the development debate revolves around two basic positions, whether to promote self-sufficiency or self-reliance when developing strategies for dealing

with those living in poverty.[1] Self-sufficiency entails people in rural areas having access to suitable agricultural land and necessary natural resources in order to subsist. Self-reliance necessitates adequate levels of employment and purchasing power so as to be able to acquire an adequate standard of living. Both positions involve a number of assumptions and risks. Self-sufficiency is often associated with heavy state involvement in an era currently governed by an increasing 'roll back' of the state. Self-reliance strategies, on the other hand, are usually dependent on economic growth, and neoliberal policies such as trade liberalization and the participation of developing countries in the global economy. The EU, by virtue of the Cotonou Agreement, has been anxious to channel the ACP countries into accepting self-reliance and associated growth-led strategies as the solution to their development woes by insisting that all agreements conform to WTO rules (Articles 34, 36–37, 39, 46–48).

The environmental concerns facing low-income countries differ from those of richer countries. In the EU, most environmental degradation occurs as a result of high levels of personal consumption. In developing countries, it is the opposite. The global impact of activities in developed countries is more severe in an aggregate sense than in developing countries when, for example, greenhouse gas emissions are considered; the toll on the environment in developing countries is exacted at a more local level. This is especially true for rural areas, where 70 percent of people who endure extreme poverty live (European Commission 2000b), and where the economically deprived are very much at the mercy of their local surroundings for their day-to-day subsistence and well-being. Based on these factors, any meaningful attempt at poverty reduction must target rural areas and incorporate environmental considerations.

In terms of health, the links between the environment and basic subsistence are immediately apparent — disease in Africa is largely environment-related, as are high rates of infant mortality and low life expectancy (Steele *et al.* 2002).[2] With little access to clean water, adequate sanitation, reliable energy supplies or food security, those on very low incomes tend to be susceptible to a number of environmental stresses. In the face of overwhelming health issues, the environmental consequences associated with high levels of poverty — soil erosion, desertification, deforestation and biodiversity loss — are ones which are sometimes overlooked but which must also be addressed if across-the-board quality of life is to be improved in the long term (Thomas 1998). When people are overwhelmingly dependent on their natural surroundings for their day-to-day subsistence, they are often forced to degrade or exploit their natural environment in order to support themselves. Moreover, since the majority of the deprived in rural areas are incapable of deriving subsistence from purely agricultural sources, they are invariably forced into finding alternative means of generating income,[3] many of which, such as charcoal

production, are environmentally destructive. The effects of this, and other such activities, are often compounded by the fact that the majority of those living in extreme poverty also live in ecologically sensitive areas, having been pushed onto marginal land (OECD 2001). This is particularly true for Africa, which is the continent with the world's highest proportion of people living in extreme poverty (World Bank 2004). Environmental degradation on an acute scale puts the livelihoods of those living in poverty at risk due to inevitably diminishing returns, thereby ensuring that the 'poverty trap' cannot be broken. It is particularly vital that strategies in countries such as those of the ACP focus on environmental protection as part of any poverty reduction programme, specifically where rural areas are concerned. However, despite an emphasis on environmentally sound development, the 2005 EU Official Development Assistance budget allocated just 2.34 percent of its total to 'general environmental protection' (Van Reisen 2007).

Equating growth with lower levels of environmental degradation

Jacques Morisset (2000), the World Bank Project Manager for Africa, contends that, for countries with few valuable natural resources, the most successful route to development is trade liberalization. By the late 1990s, both Mali and Mozambique had instituted economic 'reforms' in an attempt to create investor confidence and as a result had achieved growth rates of 7 and 13.3 percent, respectively, by the end of the decade (Morisset 2000). This growth was achieved with single figure inflation. Both countries were able to attract a larger share of foreign direct investment (FDI) than Kenya and Cameroon, despite the latter having larger domestic markets and greater access to natural resources. This, Morisset claims, demonstrates that, by merely creating the right economic conditions, countries can encourage good rates of economic growth.

The theory that people are forced to deplete and degrade their natural surroundings in order to survive invites the conclusion, on the part of pro-liberalization economists, that increased attention to poverty alleviation will promote a corresponding decrease in environmental degradation. Empirical evidence does tend to suggest a link between levels of GDP and environmental protection. The countries which demonstrate the highest levels of GDP also maintain the most stringent environmental legislation (Esty *et al*. 2006). Thus, empirical evidence suggesting that liberalization may drive economic growth (Morrison and Pearce 2003), forms the basis for claims that increased trade will result in decreased poverty levels and thus greater environmental protection.

However, for the EU to claim success in policy areas linking both poverty alleviation and sustainable development, the evidence tying economic growth and environmentally sound outcomes must be clear. It is not. In the 1950s,

Simon Kuznets (1993) plotted the relationship between per capita income and economic growth. His results suggested that, as an economy begins to develop, inequalities in income initially widen, peak and then fall. On a graph, these figures created an inverted 'U' shape — an outline commonly described as a 'Kuznets Curve'. In the early 1990s it was demonstrated that increased per capita income and pollution indicators produced a similar curve when plotted on a graph (Shafik and Bandyopadhyay 1992; Panayotou 1993; Grossman and Krueger 1994). The logical conclusion was that developing economies should accept environmental degradation as part of the development process on the basis that this would be a temporary phase. Water and localized air pollution in particular demonstrate a correlation between economic development and increased environmental standards. The former US Federal Reserve Chairman, Alan Greenspan (cited in Griswold 2001: 24n), testifying before a Senate Finance Committee in April 2001, stated forcefully that as far as he was concerned, 'environmental quality [is] directly related to the degree of prosperity in a particular economy'. However, this is not always the case. Unfortunately for proponents of the 'growth approach', few transboundary emissions, such as 'greenhouse' gases, decrease in the face of economic prosperity. In fact, the reverse is true; the countries most responsible for these emissions are the developed nations.

At the same time, as noted, it can be argued that increased per capita income leads to less immediate reliance on natural surroundings for subsistence (self-reliance) and thus can have a positive environmental impact on the patterns of degradation usually associated with poverty. If this is correct, then, global environmental concerns notwithstanding, significantly increased levels of trade between the EU and the lower-income ACP countries will go a long way towards fulfilling the EU's desire for an economic system based on the principles of sustainable development and poverty alleviation.

Do EU Trade Policies Promote Economic Growth within the ACP Bloc?

It is imperative then, given the EU's approach to sustainable development, that EU policies stimulate economic growth. The Cotonou Agreement remains in its early stages, and a fulsome assessment of its impact on sustainability must await the implementation of the economic partnership agreements (EPAs) in 2008. Even then, the benefits of any poverty alleviation strategies often only become visible after having been in place for a number of years. Even so, if the rationale behind the Cotonou Treaty is the facilitation of the ACP countries into the global economy while simultaneously promoting 'sustainable' outcomes, trade policy clearly has an important role to play (Cotonou Partnership Agreement 2000: Article 1).

Trade, more than any other strategy, illustrates the tensions inherent in linking the sustainable development paradigm with the goal of poverty alleviation. Neoliberal theory, as largely embraced by all of the major donors to developing countries, dictates that trade liberalization, the lowering of tariffs, a focus on exports, and freer trade are all central to the generation of wealth and the raising of living standards and thereby self-reliance. However, freer trade and environmentalism make uneasy bedfellows and many would argue that the two are diametrically opposed.[4] It is precisely this dichotomy that makes sustainable development such a fraught concept. This tension, and the fact that trade policy represents a cornerstone of EU–ACP relations, makes an assessment of trade relations a crucial determinant in gauging the success of the polity's self-reliance approach to poverty alleviation, even at this early stage.

A major difficulty when assessing EU–ACP trade relations is that the ACP is in no sense a homogenous bloc. It is geographically dispersed, consisting of microstates such as Nauru, densely populated states such as Nigeria, LDCs such as Mozambique, and political 'anomalies' such as Cuba. A one-size-fits-all policy is, by definition, almost bound to fail in such circumstances. The EU has acknowledged these variations and has put forward the 'Everything But Arms' (EBA) initiative as a response to the plight of the LDCs (Holland 2003). Under the EBA, LDC exports are permitted to enter the EU duty free, thereby allowing these countries to sell their commodities at above world prices.[5]

By splitting the ACP into two separate blocs, LDCs and non-LDCs, the EU has highlighted further problems facing policymakers. The two blocs have fundamentally different needs and demands. Such differences are clearly exposed when considering the effects of the EU's Common Agricultural Policy (CAP) on the economic fortunes of the ACP countries. There are recurrent calls from NGOs and campaigners for the EU to reform the CAP as it is claimed to be detrimental to farmers in the developing world who cannot compete with over-subsidized European farmers who overcome their lack of competitive advantage in the agricultural sector through public funding. 'Trade not Aid' is the frequently made call, the assumption being that, by dismantling the CAP and laying a level playing field, low-income farmers will be able to compete with farmers from developed countries. Analysis of the 'Trade not Aid' position, which is largely accepted as a truism by the general public, reveals that a dismantling of the CAP will indeed benefit some developing countries (Dearden 2007).[6] Yet, it is the countries from the so-called Cairns Group (Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Pakistan, Paraguay, the Philippines, South Africa, Thailand and Uruguay) which stand to benefit the most (Roederer-Rynning 2005). Many ACP members, including Kenya and Namibia, as well as LDC sugar producers, would be disadvantaged by the

removal of these barriers to trade (Richardson and Krimphoff 2007; Stevens 2007).

Furthermore, even if all barriers to trade were to be removed, a level playing field implemented and economic growth successfully fostered, a number of concerns remain. LDCs, even if they were to witness significant increases in per capita GDP, are likely to retain relatively high poverty levels for the foreseeable future.[7] This in turn emphasizes the fact that for many in these countries, the natural environment will remain a primary source of subsistence. It is thus essential to assess whether pro-trade policies place additional strain on often already fragile natural systems and therefore, in the medium-term at the very least, possibly leave people worse off.

Assuming that trade liberalization does in fact stimulate economic growth, FDI, and self-reliance across the entire ACP bloc, it is important to establish whether the policies being pursued by the EU will actually allow for the benefits of the liberalization of trade to be experienced by all. Likewise, even if it were to be demonstrated that increased per capita income results in higher environmental standards, it is far from clear that policies designed by the EU to promote such development among its ACP partners will be demonstrably successful. Indeed, the failure of these strategies might render self-reliance on the part of these countries less likely and undermine any possibility of environmentally sustainable outcomes.

The EU is not alone in its call for greater trade liberalization on the part of the ACP countries and represents part of a wider consensus. The International Monetary Fund (IMF) and World Bank actively encourage developing countries to reduce subsidies and tariffs in order to make themselves more competitive and to promote export-led growth. However, the developed countries that dominate these bodies do not necessarily practise what they preach. The EU's CAP is once again at the fore, regularly cited as being in flagrant breach of all neoliberal principles, dispensing as it does approximately EUR 55 billion per year in subsidies (European Commission 2006). The USA and Japan, while not as generous, also heavily subsidize their agricultural sectors — Oxfam estimates the level of developed country subsidies at USD 1 billion per day (Watkins 2002). These subsidies have a negative impact on free trade. For example, the CAP regularly results in large-scale overproduction. The excess is then frequently 'dumped' on developing countries, thereby undercutting local producers who cannot compete. Countries in southern Africa, having liberalized their agricultural sectors, have been swamped with EU-subsidized beef and tomatoes, which in turn have marginalized local producers. Likewise, dairy producers in the Caribbean have been forced to compete with heavily subsidized milk powder emanating from the EU (Godfrey 2002). Since 2000, exports from low-income ACP countries to the EU have shown little sign of improvement (Kipe 2003).

Furthermore, while access to the markets of developed countries now appear, at first glance, to be fairly straightforward, significant barriers to trade still exist. While EU tariffs since 1999 have averaged just 7 percent, it is important to note which sectors contain the 'peak' tariffs. Some of the highest barriers to goods entering the EU are to be found on agricultural produce. Cereals, bananas, sugar and meat all face stiff tariffs when entering the EU — some as high as 100 percent (Hoekman *et al.* 2001). Similarly, the fishing industry is estimated by the World Bank to be subsidized to the tune of USD 20 billion worldwide (World Bank 2005); up to 25 percent of fishing revenues now consist of subsidies, the vast majority of which are issued by developed countries (Oceana 2006). With 90 percent of such subsidies in violation of WTO rules (Insausti 2001), this represents a potentially disproportionate impact on developing countries, many of which rely on agriculture or fisheries for exports. Thus, even if the liberalization of trade constitutes a panacea for issues pertaining to both poverty and environmental degradation in developing countries, it is clear that the global economic system would have to be far more open for this to occur. In any case, despite promises made at the conclusion of the Uruguay Round to cut agricultural support by 20 percent, subsidies in developed countries are continuing to rise. Between 1995 and 2004, agricultural subsidies for the Organisation for Economic Co-operation and Development (OECD) countries increased from USD 182 billion to USD 300 billion (La Vina *et al.* 2006).

Admittedly, such statistics are sometimes viewed as largely 'smoke and mirrors' which do not fully represent the realities of international trade; Arvind Panagariya (2005a, 2005b), at various times advisor to the World Bank, IMF and WTO, argues forcefully that the impact of many of these supposed barriers to trade have been greatly exaggerated. He is concerned that there is bourgeoning dogma, an orthodoxy, which lays all the blame for the developing world's ills at the door of developed countries. Oxfam, for example, argues that if rich countries would liberalize their markets and eradicate subsidies, it would be worth up USD 100 billion in additional revenue for developing countries (Watkins and Fowler 2004). The famous United Nations Development Programme (UNDP) statistic exposing the EU's expenditure of more than USD 913 in subsidies on every cow in the polity juxtaposed against a seemingly paltry USD8 per person in aid to Sub-Saharan Africa is another frequently cited piece of evidence used to demonstrate the paucity of the polity's aid programmes. Panagariya (2005b) maintains that such comparisons are spurious, since all countries spend comparatively more on internal matters than on international aid and that this is equally true for developing countries. Moreover, the effects of export subsidies, long pilloried by NGOs and poverty campaigners, are, in Panagariya's view, overstated and increasingly irrelevant. Export subsidies, based on WTO figures, suggest that such inputs are now in

the vicinity of USD 3–5 billion. The elimination of such subsidies will, in Panagariya's (2005a) view, provide little overall benefit for the international trading regime. Once again, based on WTO figures, he attributes a figure of USD100.7 billion in subsidies to the top five domestic subsidy users, including permissible blue-box and *de minimis* subsidies. While undoubtedly high, this figure is substantially lower than has been suggested. Former World Bank President Paul Wolfowitz, for example, put the figure at USD 280 billion while Oxfam has estimated it to be in excess of USD 300 billion (cited in Panagariya 2005a). Such stark differences have resulted from analysts employing different criteria in their definitions of subsidies. The lower figure is based on trade distorting export subsidies and amber-box subsidies while the higher estimates are based on the OECD's Producer Support Estimates (PSE), which measure the total income in excess of the global market level, be it based on WTO-sanctioned interventions or not. The higher figures proffered would arguably be disputed by a majority of economists as many such 'subsidies' are not in violation of WTO rules. Consequently, although these figures are not trifling, the benefits attached to the removal of subsidies are lower than many would suggest; tariffs are more significant where the curtailment of the flow of goods is concerned (Panagariya 2005a).

Environmental Tariffs

Given the centrality afforded low tariffs barriers by neoliberal analysts in promoting trade flows, it is imperative to consider the ongoing debate surrounding 'technical barriers to trade'. For many campaigners, there is a fear that, with mounting pressure to reform the international trading regime, wealthy countries may resort to new forms of protectionism. As traditional trade barriers are slowly and steadfastly eroded, even in the face of obstructionism, there is a fear on the part of developing countries that wealthy states might erect non-trade barriers in their stead in order to check what might be viewed as excessive imports. Many developing countries are concerned that environmental and technical requirements might replace tariffs and duties. 'Green' tariffs are a particularly sensitive issue. The use of such tariffs has provoked a storm of controversy and is opposed by free trade economists and development campaigners alike. Many in the South believe that developed countries are attempting to use environmental standards as a pretext for maintaining, if not strengthening, trade barriers.

There is special concern regarding the Application of Sanitary and Phyto-sanitary Measures (SPS) which form part of the Uruguay Round agreement. The SPS agreement allows countries to block imports of goods that either represent a threat to human or animal well-being or that pose a significant risk

to the environment. SPS requirements are important because they allow importing countries to protect themselves from pests, threats to public health and environmental hazards. These policies are in place to halt, among other concerns, the spread of diseases such as the so-called 'zoonoses': diseases which can be transmitted from animals to humans — tuberculosis, salmonellosis and listeriosis.[8] SPS legislation represents one of the greatest stumbling blocks to ACP goods competing on EU markets, effectively eroding the margins offered by supposedly preferential access (Roederer-Rynning 2005). Most SPS legislation is aimed at agricultural products and, as the majority of ACP exports constitute such goods, these countries continue to be disproportionately affected. It was for this reason that SPS measures proved so contentious in the build up to the signing of Cotonou (Roederer-Rynning 2005).

The issue of SPS measures is likely to constitute a continuing problem for developing countries because their implementation is on the increase. WTO data show that in 1995 there were 220 SPS notifications (Wilson 2001). By 2004, the number of notifications had risen to 5,240, the vast majority of which were made by developed countries (World Trade Organisation 2004). For many African countries, a major source of concern is the institution by the EU of increased standards relating to aflatoxins. These toxins are carcinogenic chemicals produced by the *Aspergillus* mould, which is commonly found on groundnuts. Contamination can occur at any number of stages of production and, as a result, strict control measures are needed to ensure containment. The EU use of SPS measures has increased this burden. By raising the guidelines governing aflatoxins from two parts per billion (ppb), as per the generally accepted international standard, to nine ppb, the EU puts at risk USD 670 million worth of groundnut exports from African countries (Muyakwa 2001). Many lower-income countries simply cannot afford to implement such strict monitoring policies and as a result are unable to meet the required standards.

In the wake of the BSE crisis and the genetically modified (GM) food debate, the EU has also imposed stringent food safety measures. The EU requires procedures in place that will accommodate a 'farm to fork' system of checks and controls (European Commission 2000a). This will ensure the regulation of all aspects of food production, including the manufacturing of feed, processing and storage. Another 'principle of food safety' entails the traceability of all food and feed. This means that detailed records relating to suppliers and customers must be maintained, with regular tests confirming quality control.

Intentionally or not, then, SPS measures represent a trade barrier to developing countries, especially LDCs, and threaten to negate any positive aspects made in dismantling other trade barriers such as export subsidies and traditional border tariffs. The standards demanded by the EU's food safety proposals entail high levels of administration and an extensive testing/monitoring capacity. It can sometimes take between 2 and 4 years to

demonstrate that a country's produce meets the necessary requirements. However, because the EU does not publish figures on the extent to which imports fail SPS measures, it can be difficult to assess the impact of this legislation on ACP products. A general appreciation of the position of ACP countries wishing to export to the EU can be garnered from US data; vegetables, fish products and fruit are the items most commonly rejected on the basis of their failure to meet SPS criteria (Unnevehr 2000). During the last 20 years, most were detained due to rodent or insect infestation. Other common violations include microbiological contamination and high pesticide residues. Between 1984 and 1994, Guatemala had 3,000 shipments of fresh produce blocked by American inspectors as a result of overly high pesticide residues. Consequently, the American Food and Drug Administration (FDA) now automatically detains all Guatemalan products entering the USA for testing (Unnevehr 2000). In 1996, Bangladesh exported USD 288 million in fishery products to the USA, Europe and Japan. Inspection of the processing plants by EU monitors in 1997 led to a ban on such products entering the EU as a result of poor hygiene practices (Unnevehr 2000). The Bangladeshi Government had to invest a substantial amount of money in order to restore confidence in these plants.

A similar pattern emerges regarding disputes referring to the SPS Agreement. Since the completion of the Uruguay Round, 18 complaints have been made, with most of these stemming from developed countries. The USA leads the way with seven complaints, followed by Canada with six and the EU with two (Jensen 2002). Only two developing countries, India and Thailand, have made similar complaints. No LDCs have attempted to force a ruling on SPS measures. This is partly due to the fact that, from a low-income country's perspective, there is little to be gained from WTO proceedings. If the Dispute Body rules in favour of the plaintiff, then that country can impose punitive trade tariffs against the offending party. Yet, for the majority of developing countries such sanctions could be counterproductive and would be more likely to harm their own economies.

Neoliberal Growth Strategies and Environmental Degradation

Despite these obstacles, low-income countries are being encouraged, by the EU and other donor bodies, to exploit their comparative advantage in the agricultural sector by planting cash crops. Such programmes inevitably lead to some degree of monocropping and a shift away from food production. From an environmental perspective, monocropping and genetic conformity incorporate a number of risks, including susceptibility to specific plant diseases capable of eradicating whole harvests. The banana industry has a long history of such

disasters. In the early part of the last century, subsistence farmers in Central America and the Caribbean tended to grow a variety of bananas. Demand for uniform size and colour led plantation owners to insist on monocropping. These plantations rarely lasted more than 8–10 years before they were decimated by disease (Tucker 2000).[9] Moreover, banana and sugar plantations have historically resulted in the large-scale clearance of tropical forests in LDCs such as Haiti, as well as the abundant use of pesticides and artificial fertilizers. A similar case can be made for coffee and cocoa production (Clay 2004).[10] In Kenya, the booming horticultural sector stands accused of appropriating scare water resources, to the cost of subsistence farmers (Van Haren *et al*. 2007).

Bolstered levels of trade are supposed to encourage developing countries to diversify and to find ways of adding value to their exports and yet, in reality, the system discourages multiformity, thereby perpetuating the reliance on low added-value agricultural produce. This is problematic when making the case for liberalization, as the terms of trade for agricultural produce have been steadily declining. This decline can best be demonstrated when assessing coffee prices. Coffee prices in 2002 were less than a third of what they were in 1997 (Morrissey 2003). However, this decrease has occurred despite a booming coffee market in developed countries. In 1993, the global coffee market was estimated to be worth USD 30 billion, of which the producers' share was USD 12 billion. By 2003, the global coffee market had grown to USD 50 billion yet the share claimed by producers had contracted to USD 8 billion (Murphy 2003). This pattern has been replicated across a number of agricultural sectors which saw the terms of trade for countries in Sub-Saharan Africa decline by 9 percent in the late 1990s. Unless agricultural produce can have value added, these commodities are unlikely to bring about the type of economic gains low-income countries such as the LDCs require in order to become self-reliant. However, EU legislation effectively creates a number of obstacles to exports from developing countries. Tomato paste, canned peaches, canned pears, citrus fruit juice, wine and spirits, butter, and milk powder are all heavily subsided or protected by EU legislation, making it difficult for countries to break into these markets (Stuart 2005). Furthermore, the EU's SPS legislation makes value-added food production onerous, as processed food products need to be packaged in a specific manner in order to meet health and hygiene specifications. Most LDCs do not have the capacity to produce these packaging materials, resulting in the need to import them. The associated costs are prohibitive for low-income countries.

A further obstacle to ACP exports is the EU's complex and unwieldy 'point of origin' rules. Such legislation outlines the stipulations that must be satisfied in order to ascertain the country of origin of any given product. While point-of-origin measures are necessary in order to prevent 'trade deflection', whereby

goods are re-directed through countries holding preferential trade agreements with the EU, they present a problem for a number of ACP exporters (Brenton and Manchin 2002). They can represent a significant barrier to exporting countries, especially when they are accompanied by stringent technical regulations. It is a relatively simple procedure to gauge the origin of items that are single stage productions, such as agricultural goods. In other instances, complexities arise. The higher the level of manufacture behind the product, the more time-consuming it is to ascertain the origin of a commodity. There are myriad costs associated with detailing origin and the process requires a certain administrative capacity. The situation can become even more complex if the countries involved have lax customs controls. If documentation is poor or lacking, it might be impossible to satisfy the necessary requirements. Only one-third of imports from developing countries actually meet the requirements enabling them to qualify for the preferential treatment to which they are entitled (*ibid.*). This represents a significant under-utilization of EU preferential schemes which, theoretically, offer preferences for 99 percent of exports from developing countries (*ibid.*). This is particularly the case where clothing and textile imports are concerned. The low cost of labour in many developing countries is what makes them attractive to clothing and textile producers, many of which have relocated to developing countries for this very reason. However, the annexes governing technical and point-of-origin regulations for clothing and textile manufacturing run to over 80 pages. Few LDCs, for example, have the technical or administrative expertise to adequately deal with such regulations.

In order to qualify for aid and other forms of assistance, developing countries are expected to institute economic reforms and open up their economies to FDI. A Food and Agriculture Organisation study (cited in Madeley 2000) has shown that the liberalization of agriculture in developing countries tends to lead to a concentration of land ownership as well as large-scale, plantation-style farming methods. It is also argued that this results in the widespread displacement of rural populations. As low-income countries such as the LDCs often have extremely underdeveloped manufacturing sectors, there is little hope that these displaced people will find employment within other sectors of the economy. Consequently, they are forced either to farm marginal lands or to clear new areas for cultivation. This has widespread environmental ramifications, including deforestation and desertification (Tucker 2000).

The EU's demand for liberalization is problematic in yet another sense. The economic theories upon which growth strategies are based assume functioning markets. However, there is little sense in preparing developing countries for participation in the global market place if the market forces necessary to ensure the functioning of such systems are not in place. If these market conditions are not satisfied, then the full implementation of the Uruguay Round Agreement

on Agriculture will make little difference to many lower-income ACP countries. This is an aspect of economic reform that is seldom discussed, but what is clear is that the international trade in primary commodities is becoming increasingly dominated by a relatively small number of multinational corporations (MNCs).

When the dominant four firms in a given sector account for more than 40 percent of the market share, many economists argue that effective competition becomes difficult (as expressed on the Herfindahl index). Yet this is exactly what is being replicated throughout the sectors in which developing countries hold a competitive advantage. To draw upon the coffee market once more to illustrate: nearly 90 percent of global coffee exports are handled by just three companies (Murphy 2003). Such dominance enables companies to ensure that the coffee prices paid to producers remain low, with the result that farmers need not necessarily benefit from increased production or volume of sales. The reason such dominance occurs is that commodity markets are fraught with risk and only big companies can afford to 'ride out' fluctuations in the global trading system; the unpredictability of commodity markets makes them too 'risky' for smaller ventures. The multinationals tend to absorb this risk by expanding both horizontally, for example buying, shipping and milling grain, and vertically, for example owning joint ventures that allow a company to participate in numerous aspects of the supply chain, for instance the growing and canning of fruit. By so doing, MNCs can reduce the risks inherent in volatile markets and absorb the costs associated with any potential shocks.

Evidence of further deterioration in operating markets is reflected in the trend towards the expansion of supermarket chains into developing countries, even in African states where at first glance there would appear to be little outlet for such ventures. Shoprite Checkers, a South African-based multinational, is one of many supermarket chains that have taken advantage of increasingly open African markets in order to penetrate neighbouring countries. The company now has outlets in over 16 African countries including LDCs such as Tanzania and Lesotho (Shoprite 2006). Evidence from Latin America suggests that when such penetration occurs, a relatively small number of companies rapidly achieve dominance (Reardon 2003). Up to 60 percent of the supermarket sector in Latin America is controlled by between four and five firms (Reardon 2003). The result is that certain commodity sectors have found themselves beholden to supermarket giants intent on cutting their costs. In Latin America, more than half of all dairy products are now sold through supermarkets, as are an increasing percentage of local fruit and vegetables. Supermarket chains are able to use their buying power to dominate market shares. Moreover, they also tend to bring with them 'First World' measures such as demands for specific levels of hygiene, packaging and fruit/vegetable size, shape and variety. In essence, international SPS measures are being

imposed on domestic markets and producers. Furthermore, by shifting away from wholesalers to contracts, these supermarket chains are eliminating any bargaining power producers might have held in a functional marketplace.

The Associated Costs of Globalization

Even accepting — for a moment — that economic growth does lead to environmental protection by virtue of reducing poverty — it is difficult to see how the EU's development policies will have the necessary effect in this regard. What is certain is that many of the policies will lead to added environmental pressures as people struggle to cope with the impact of trade liberalization on employment and on the agricultural sector. The costs associated with many developing countries becoming functioning members of the international economy are — comparatively — vast. The reorientation of their economies involves dramatic bureaucratic and administrative changes, as well as demands for an increased scientific and technical capacity. Furthermore, in order to ensure that they are capable of 'playing the system', the lower-income members of the ACP bloc need greater representation within international bodies such as the WTO. That, as a result of the cost, 23 LDCs have no representation in Geneva is a clear indication of their continuing marginalization (Kumar 2001). The lowering of trade barriers alone will not suffice.

As yet there is no clear strategy in place aimed at aiding ACP countries in their efforts to make these adjustments. Where attempts have been made to lessen the financial blow, they have tended to be inadequate. In 1999, the EU and South Africa concluded a free trade treaty, the Trade, Development and Cooperation Agreement (TCDA), which committed both parties to a substantial lowering of trade barriers within the coming decade.[11] However, by doing so, South Africa, as the dominant member of the Southern African Customs Union (SACU), *de facto* committed its fellow members to the free trade agreement. This is significant. The EU is South Africa's major trading partner and the loss of tariff revenues is certain to be notable. To put the effects of the TDCA into perspective, Swaziland has traditionally derived nearly 50 percent of its revenues from the SACU. Estimates (Goodison and Stoneman 2005) suggest that the losses associated with the implementation of the TDCA are likely to be in the region of 13–14 percent of Swaziland's annual income (approximately R420 million/USD61 million[12]).

Conclusion

In tying poverty alleviation and sustainable development together in the Cotonou Agreement, the EU has succeeded in formulating a development

strategy that appears to 'tick all the boxes', being both pro-poor and 'environmentally friendly' while conforming to the rules of the global trading system. In doing so, however, it has created a rod for its own back, since, in viewing these elements as being almost synonymous, it ignores a number of conflicting tensions. The majority of the world's poor live on marginal land in rural areas, and are heavily dependent on their natural surroundings in order to subsist. The degradation of the natural environment is likely to have a profound effect on their already precarious life chances. Moreover, there is little evidence that the growth-orientated development model being pursued by the EU will protect or preserve these fragile environments, thereby undermining the possibility of food self-sufficiency. Nor is there evidence to suggest that EU policies will affect a degree of wealth sufficient to render this problem void. Even when affording the EU policymakers the benefit of the doubt, it is difficult not to conclude that policies such as the CAP, SPS legislation and rules of origin, together with the ACP's loss of tariff revenues, seriously undermine the EU's own stated development agenda. Returning to the three stated aims of the Cotonou Agreement, 'poverty eradication, sustainable development and the gradual integration of the ACP countries into the world economy', only the third appears to be realistically achievable through the implementation of the EU's current development policies.

Notes

1 In terms of food security, on a national level, self-sufficiency entails 'meeting food needs as far as possible from domestic supplies and minimising dependence on food trade' while the concept of self reliance 'takes into account the possibilities offered by international trade' (UNESCAP Bulletin on Asia-Pacific Perspectives 2004–2005).

2 Approximately 30 percent of all incidence of disease in Sub-Saharan Africa can be linked to environmental factors (Steele *et al*. 2002).

3 In southern Africa, reliance on non-agricultural sources of income for the rural poor is estimated to be as high as 80–90 percent of household earnings (Organisation for Economic Cooperation and Development 2001).

4 Zero-growth advocates such as Herman Daly argue that bolstering economic growth will only serve to hasten global environmental degradation (Daly 1992, 1996).

5 The so-called 'EBA (Everything But Arms) Regulation' (Regulation (EC) 416/2001) was adopted by the EU in February 2001, granting duty-free access to all imports from least developed countries (LDCs) without any quantitative restrictions, with the exception of arms and munitions. Only imports of fresh bananas, sugar and rice were not fully liberalized immediately. Duty-free access was granted for bananas in January 2006, while duties on the remaining products will be gradually reduced, for sugar in July 2009 and for rice in September 2009.

6 That this position is largely accepted as a truism is acknowledged by the EU Trade Commissioner, Peter Mandelson (2005), in a speech in Edinburgh in July 2005. He argues that the public should not fall into 'the simplistic trap of believing that abolition of all or part of the CAP is the solution to the problems of Africa'.

7 Botswana is a good case in point. The country represents an economic success story in a region of often failing or faltering economies. Botswana managed to achieve and sustain growth rates of over 7 percent between 1985 and 1999, accruing nearly USD6 billion in foreign exchange reserves in the process as well as diversifying its economy away from the mining sector. Despite this, 47 percent of the population remain below the poverty line, confined, in many instances, to marginal, environmentally fragile areas (Leith *et al.* 1999).

8 'Farm-to-fork' legislation, based on the European Commission (2000a) White Paperon Food Safety, was passed in January 2002. The European Food Safety Authority (EFSA) was established to oversee the implementation of the policy. See Regulation (EC) No 178/2002 of the European Parliament and of the Council of 28 January 2002 laying down the general principles and requirements of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety.

9 Recent research suggests that the future of the banana may be threatened by the black sigatoka fungus which attacks the ubiquitous Cavendish variety. As nearly all plantation farmed bananas are of this variety, a rapid spread of the fungus could be catastrophic for the industry (*New Scientist* (13 May 2006): 5).

10 Traditionally, coffee is a shade-grown crop that requires little fertilizer in order to develop. However, in order to increase yields 'full-sun' variants were developed. These require substantial quantities of agro-chemical inputs in order to propagate successfully (Clay 2004).

11 The EU will liberalize around 95 percent of its imports from South Africa within 10 years, while the respective figures on the South African side are approximately 86 percent in 12 years (European Commission 1999).

12 Adapted from figures in Kirk and Stern (2003).

References

Brenton, Paul and Miriam Manchin (2002) *Making EU Trade Agreements Work: The Role of Rules of Origin*, Brussels: Centre for European Policy Studies, Working Document No. 183, March.

Clay, Jason (2004) *World Agriculture and the Environment*, Washington, DC: Island Press.

Cotonou Partnership Agreement (2000) Signed Between the European Commission and the African-Caribbean-Pacific Group of States, Benin, 23 June, *Official Journal* L 317 of 15 December 2000.

Daly, Herman E. (1992) *Steady-State Economics*, 2nd edn, London: Earthscan Publications.

Daly, Herman E. (1996) *Beyond Growth: The Economics of Sustainable Development*, Boston, MA: Beacon Press.

Dearden, Stephen J.H. (2007) 'A Review of EU Development Policy', presented at the Migration and People Movement in Europe: Threat or Benefit? Conference, Vienna, 28–29 September, Fifth International Workshop of the Network 'Strategic Elites and EU Enlargement', organized in connection with the Austrian Academy of Sciences.

Esty, Daniel C., Tanja Srebotnjak, Christine H. Kim, Marc A. Levy, Alexander de Sherbinin and Bridget Anderson (2006) *Pilot 2006: Environmental Performance Index*, New Haven, CT: Yale Centre for Environmental Law and Policy.

European Commission (1999) Agreement on Trade, Development and Cooperation between the European Community and its Member States, of the one part, and the Republic of South Africa, of the other part, *Official Journal* L 311 of 4 December 1999.

European Commission (2000a) 'White Paper on Food Safety', Brussels, 12 January, COM(1999)719 final.

European Commission (2000b) 'European Policy to Support Rural Development', Brussels: Policy Orientation Paper, February.
European Commission (2006) 'EU Budget 2006', available at http://eur-lex.europa.eu/budget/www/index-en.htm (29 June, 2006).
Godfrey, Claire (2002) 'Stop the Dumping! How EU Agricultural Subsidies are Damaging Livelihoods in the Developing World', Oxfam Briefing Paper No. 31, October.
Goodison, Paul and Colin Stoneman (2005) 'Trade, Development and Cooperation: Is the EU Helping Africa?', in Henning Melber, ed., *Trade, Development, Cooperation: What Future for Africa?*, 16–34, Uppsala: Nordiska Afrikainstitutet.
Griswold, Daniel T. (2001) 'Trade, Labour, and the Environment: How Blue and Green Sanctions Threaten Higher Standards', Washington, DC: Centre for Trade Policy Studies Study Paper (CATO Institute), No. 15, August.
Grossman, Gene M. and Alan B. Krueger (1994) 'Economic Growth and the Environment', Cambridge, MA: NBER Working Paper No. 4634, February.
Hoekman, Bernard M., Francis Ng and Marcelo Olarreaga (2001) 'Eliminating Excessive Tariffs on Exports of Least Developed Countries', World Bank Discussion Paper, No. 2604, May.
Holland, Martin (2003) '20/20 Vision? The EU's Cotonou Partnership Agreement', *The Brown Journal of World Affairs* IX(2): 161–75.
Insausti, Mikel (2001) *How Can Multilateral Trade Deliver Sustainable Development Outcomes? (Part 2)*, Brussels: World Wildlife Fund for Nature (WWF) European Policy Office, May.
Jensen, Michael Friis (2002) 'Reviewing the SPS Agreement: A Developing Country Perspective', Centre for Development Research (CDR) Working Paper 02.3., January.
Kipe, Sandie (2003) 'Everything But Arms: Declining Agricultural Exports from Least Developed Countries', GAIN Report, No. E23149, June.
Kirk, Robert and Mathew Stern (2003) 'The New Southern African Customs Union Agreement', World Bank Africa Region Working Paper Series, No. 57, June.
Kumar, Pranav (2001) 'Framework for Fair Trade and Poverty Eradication', Consumer Unity and Trust Society (CUTS) Centre for International Trade, Economics and Environment, Briefing Paper, No. 4.
Kuznets, Simon (1993) 'Economic Growth and Income Inequality', in Mitchell A. Seligson and John T. Passé-Smith, eds, *Development and Underdevelopment: The Political Economy of Inequality*, 43–55, Boulder, CO: Lynne Rienner.
La Vina, Antonio, Lindsey Fransen, Paul Faeth and Yoko Kurauchi (2006) 'Reforming Agricultural Subsidies: "No Regrets" Policies for Livelihoods and the Environment', Washington, DC: World Resources Institute White Paper.
Leith, J. Clark, James Sackey and David Burns (1999) 'Botswana: A Case Study of Economic Policy Prudence and Growth', World Bank Working Paper, 2004, August.
Madeley, John (2000) *Hungry for Trade: How the Poor Pay for Free Trade*, London: Zed Books.
Mandelson, Peter (2005) 'Raising Living Standards in Africa: The G8 Trade Challenge', Speech, Edinburgh, 6 July, SPEECH 05/418.
Morisset, Jacques (2000) 'Foreign Direct Investment in Africa: Policies Also Matter', World Bank Policy Research Working Paper, No. 2481, November.
Morrison, Jamie A. and Richard Pearce (2003) 'Food Security and Trade: An Overview', in Food and Agriculture Organisation, ed., *Trade Reforms and Food Security: Conceptualising the Linkages*, 3–24, Rome: Food and Agriculture Organisation.
Morrissey, Oliver (2003) 'Trade Liberalisation and Food Security in Developing Countries', in Food and Agriculture Organisation, ed., *Trade Reforms and Food Security: Conceptualising the Linkages*, 35–42, Rome: Food and Agriculture Organisation.

Murphy, Sophia (2003) 'The Role of Transnational Corporations', in Food and Agriculture Organisation, ed., *Trade Reforms and Food Security: Conceptualising the Linkages*, 117–26, Rome: Food and Agriculture Organisation.

Muyakwa, Stephen L. (2001) 'Enhancing LDC's Exports to OECD Markets: Challenges and Opportunities', Consumer Unity and Trust Society (CUTS) Centre for International Trade, Economics and Environment, African Resource Centre, Policy Brief, No. 2.

Oceana (2006) 'United States Reasserts Commitment to Eliminating Subsidies Driving the Collapse of the World's Fisheries', Washington, DC: Press Release, 28 February.

Organisation for Economic Cooperation and Development (2001) ''Poverty–Environment–Gender Linkages', *OECD Journal on Development* 2(4): 1–79.

Panagariya, Arvind (2005a) 'Liberalising Agriculture', *Foreign Affairs* 84(7): 56–66.

Panagariya, Arvind (2005b) 'Agricultural Liberalisation and the Least Developed Countries: Six Fallacies', in David Greenaway, ed., *World Economy: Global Trade Policy 2005*, 1277–99, Oxford: Blackwell.

Panayotou, Theodore (1993) *Green Markets: The Economics of Sustainable Development*, San Francisco: ICS Press.

Reardon, T. (2003) 'Capital Market Liberalisation and the Latin American Agrifood System', in Food and Agriculture Organisation, ed., *Trade Reforms and Food Security: Conceptualising the Linkages*, 127–36, Rome: Food and Agriculture Organisation.

Richardson, Sarah and Jochen Krimphoff (2007) 'Sustainability Impact Assessment of the EU–ACP Economic Partnership Agreements: Summary of Key Findings, Policy Recommendations and Lessons Learned', PricewaterhouseCoopers Audit, France.

Roederer-Rynning, Christilla (2005) 'Centre-Periphery Conflict and Institutional Development: The Significance of North–South Relations for the CAP', *Journal of International Relations and Development* 8(3): 287–310.

Shafik, Nemat and Sushenjit Bandyopadhyay (1992) 'Economic Growth and Environmental Quality: Time Series and Cross Country Evidence', World Bank Paper in Preparation for the *World Development Report 1992*, June.

Shoprite (2006) 'Shoprite Holdings LTD', available at http://www.shoprite.co.za (14 July, 2006).

Steele, Paul, Simon Le-Grand, Philip Dobie, Peter Hazelwood and Jan Bojö (2002) *Linking Poverty Reduction and Environmental Management: Policy Challenges and Opportunities*, Washington, DC: IRDB/World Bank, July.

Stevens, Christopher (2007) 'Economic Partnership Agreements: What Happens in 2008', ODI Briefing Paper No. 23, June.

Stuart, Liz (2005) 'Truth or Consequences: Why the EU and the USA Must Reform their Subsidies, or Pay the Price', Oxfam Briefing Paper 81, November.

Thomas, David (1998) 'Desertification and the CCD: Issues and Links to Poverty, Natural Resources and Policies', Windhoek, Briefing for DFID, October.

Tucker, Richard P. (2000) *Insatiable Appetite: The United States and the Ecological Degradation of the Tropical World*, Berkeley, CA: University of California Press.

UNESCAP Bulletin on Asia-Pacific Perspectives (2004–2005) available at http://www.unescap.org/pdd/publications/bulletin04-05/bulletin04-05_ch6.pdf (6 July, 2006).

Unnevehr, Laurian J. (2000) 'Food Safety Issues and Fresh Food Product Exports from LDCs', *Agricultural Economics* 23(3): 231–40.

Van Haren, Nathalie, Saskia Berends, Wiert Wiertsema, Peter van der Gaag and Stephan Verwer (2007) 'The Flower Industry in Kenya and Ethiopia', Trade Matters Report, February.

Van Reisen, Miriam, ed. (2007) 'The EU's Contribution to the Millennium Development Goals — Halfway to 2015: Mid-Term Review', Alliance 2015 Report, June.

Watkins, Kevin (2002) 'Cultivating Poverty: The Impact of US Cotton Subsidies on Africa', Oxfam Briefing Paper No. 30, September.

Watkins, Kevin and Penny Fowler (2004) 'Rigged Rules and Double Standards: Trade, Globalisation, and the Fight Against Poverty', Oxfam Campaign Report, February.
Wilson, John S. (2001) 'Advancing the WTO Agenda on Trade and Standards: A Developing Country Voice in the Debate', Geneva: The African Economic Research Consortium Conference on Trade, Conference Paper, 8–9 March.
World Bank (2004) 'World Development Indicators', available at http://iresearch.worldbank.org/PovcalNet/jsp/index.jsp (29 June, 2006).
World Bank (2005) 'World Bank and Partners Launch Initiative to ''Turn the Tide'' of Fisheries Depletion', Washington, DC: Press Release, 24 August.
World Trade Organisation (2004) 'Report on the Activities of the Committee on Sanitary and Phytosanitary Measures', G/L/709, 28 October.

About the Author

Adrian Flint, Ph.D., has been a Teaching Fellow at the University of Bristol, Department of Politics from 2006. His main research interests lie within the field of North–South relations and include issues such as poverty alleviation, sustainable development and European Union development policy. He is the author of *Trade, Poverty and the Environment: The EU, Cotonou and the African, Caribbean and Pacific Bloc* (Palgrave 2008).