

CHARGESHEET AGAINST TWO DUTCH MINISTERS

CONCERNING E.P.A.s (ECONOMIC PARTNERSHIP AGREEMENTS)

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on the Economic Policies of the Netherlands,*

This charge sheet targets a crucial aspect of the Netherlands' and the European Union's foreign economic policy. Below I will briefly discuss the Economic Partnership Agreements which the EU in the future intends to sign with groups of ACP-countries, and which currently are being negotiated. The negotiations are being conducted within the framework of the treaty of Cotonou concluded in the year 2000, and aim amongst others at comprehensive liberalization of trade relations between the EU and ACP-countries. This charge sheet is directed not against one, but against two Ministers belonging to the present government of the Netherlands: against Minister Brinkhorst who as Minister of Economic Affairs champions the trading interests of Dutch companies at the international level; and against Minister van Ardenne, who under the guise of development aid too is engaged in promoting the Netherlands' trading interests. Both Ministers are proponents of 'free trade'. It is 'free trade' and its disastrous consequences for Africa that is the main topic of this court case.

*To start, I wish to briefly draw attention to the severe poverty crisis besetting most African countries today. Proponents of the neo-liberal economic model which continues to be the ruling model at the world level claim that 'free trade' and globalization result in poverty reduction. Yet this claim is belied by reports which UN-institutions have brought out in recent years regarding the situation in Africa and in Least Developed Countries (LDCs). According to UNCTAD, for instance, the number of people who have to survive on less than a Dollar per day has increased during the eighties and nineties, both in absolute and in relative terms (i.e. as percentage of the population). In 1997-1999 69 percent of the population of LDCs exporting primary products had to cope with less than one Dollar a day; for countries exporting minerals the percentage was even higher: more than 80 percent! (1) Before elaborating on the causes of persistent poverty we may already note that African Least Developed Countries and other LDCs can **in no way afford to see any further deterioration in their economic plight**. The only policy proposals which*

can reasonably be discussed are proposals which aim at radically reducing poverty.

Secondly: there are academicians who link the continuation of deep poverty in Africa and other ACP-countries with the fact that those countries have for decades benefited from preferential treatment from the side of the European Union (Community). In the context of the Lome-treaties which were put in place from the end of the colonial period onwards, 'non-reciprocal' trade relations were established. ACP-countries could get access to the European market for their products on rather easy terms - without having to concede similar terms to (West) European countries. (2) Preferential access is now cited among the reasons for persistent poverty. The explanation offered by African critics of globalization is very different, though. In their view, one of the key causes for the meager economic performances of the continent in the last quarter century is located in mismanagement by the international financial institutions (World Bank/IMF). By making use of the crisis around the prices of primary products in the late seventies, they uniformly imposed structural adjustment programs. (3) These adjustment programs did not result in enhanced economic growth, but in aggravation of the crisis. Linking poverty with the existence of 'non-reciprocal' trade relations in any case is not founded on sound factual evidence.

This charge sheet against Brinkhorst and van Ardenne, as stated, focuses on the negative consequences of trade liberalisation. To start, there is the danger that Least Developed Countries and other ACP-countries be flooded with cheap European commodities, complicating the sale of domestic ACP-products. This may be illustrated by describing the examples of frozen chicken and tomato concentrates. Let's take frozen chicken first. As European consumers don't like to eat rest-parts of chicken, such as wings and thighs, - these are dumped in countries of the South. According to a joint investigation which French and Belgian non-governmental organizations have carried out into the export of frozen chicken from Europe, export subsidies towards chicken products have been reduced since the WTO's founding, but have increasingly been oriented towards exports of frozen chicken. (4) Further, prices of European chicken products are low since animal feed can be bought at a rate below its production price. The consequences for poultry farmers in West Africa are disastrous, as is evidenced by facts for Cameroun. Here, previous to the inflow of frozen chicken from Europe, the sector of poultry production was divided into several subsectors, - including a subsector of small farmers who engaged in poultry raising as side-occupation, and a semi-industrial subsector oriented towards urban consumption.

Published data indicate that the expanded imports of frozen chicken from Europe have been highly detrimental to Cameroun's own poultry farming. During the period from 1997 til 2003, Cameroun witnessed rapidly rising imports of frozen chicken, from 970 ton to 22 thousand ton. The average

yearly growth was around 300 percent. (5) The imports also exceeded import quota for which the government had given permission. And whereas imports rose, Cameroun's production of chicken tumbled. According to the above-mentioned investigation by non-governmental organizations, - poultry production decreased by 26 percent over a period of just three years. And whereas the country was forced to open its borders to imports of European chicken, it failed to effectively protect its own poultry farmers. Moreover, a sample study brought out that Cameroun's consumers did not benefit either: 83.5 percent of imported chicken subjected to quality control did not fulfill sanitary standards. (6) In short: this indeed is a scandalous case of dumping.

My second example is that of tomato concentrates. This example again is cited in a report published by non-governmental organizations. (7) Just like frozen chicken, the export of tomato concentrates can hardly be called a case of 'free trade' in the true sense of the word. While trade liberalization is being imposed on Southern countries, Northern countries, including countries belonging to the European Union, continue to rely on protectionist measures. Thus, Europe's production of tomato concentrate for exports is clearly being subsidized. Companies processing tomato reportedly are paid the price difference between the domestic and the international price. In consequence, they are able to dump their commodities on the world market for a price that's below the production price. Here again, the combination of continuation of European subsidies with pressure to breakdown tariff walls affects African countries negatively.

Take the consequences of the dumping of tomato concentrate for Senegal. In 1994, imports were liberalized. Imports of tomato concentrate rose rapidly, from 62 ton in 1994 to 5 thousand 348 ton in 1996, i.e. in merely two years' time! At the same time, domestic production slumped. Whereas in the early nineties it amounted to 73 thousand ton, seven years later production was less than a third of this! (8) Thus, trade liberalization was achieved at the expense of both Senegal's tomato farmers, and at the expense of the country's feeble industrialization. Moreover - and this too is important for our discussion, since the European Union preaches 'regional integration' - trade liberalization was detrimental for the development of a regional market in West Africa. Whereas previous to liberalization Senegal sold tomato concentrate to neighboring West African countries, since the middle of the nineties those countries too are flooded with European tomato concentrate. This example thus illustrates that construction of regional markets in Africa must be distinguished sharply from questions concerning trade liberalization between African countries and Europe.

Corporate representatives, even after reading about these instances highlighting the negative impact of trade liberalization, will continue to

object, saying that certain sectors in LDCs and ACP-countries such as poultry farming and tomato production may suffer, but that the export of cheap European agrarian commodities to Africa are simply necessary for the sake of fighting poverty, for 'the consumers' benefit'. Therefore, and before concluding the first part of my presentation, I should wish to refer to statistical data on trade liberalization and poverty. My data are derived from UNCTAD's influential 2002 report on LDCs, entitled 'Escaping the Poverty Trap'. This report precisely discusses the question of trade liberalization and poverty. Though UNCTAD does not deny that liberalization at times can contribute to poverty reduction, it argues that the lowering of tariffs by LDCs in the nineties has not led to decreasing poverty. Most countries had substantially lowered their tariffs, but without obtaining positive results. Instead, poverty increased, especially in those countries which underwent a process of 'rapid' and 'deep' trade liberalization. (9)

I now wish to discuss the second major danger underlying trade liberalization via EPAs by African and ACP-countries. At issue here are the negative effects on the amount countries receive by way of taxation on imported commodities, the negative impact on governmental income, and on their debt position. When the controversy over EPAs started, the European Commission initially argued that the impact for ACP state-income would be quite limited, that critics engaged in irresponsible speculation. By now, the EU and our Dutch Ministers can no longer get around the issue, for it is broadly acknowledged that consequences will be dramatic. First, income via import tariffs does constitute a crucial source of income for governments of African countries. For most Sub-Saharan countries the EU is their principal trade partner, furnishing some 40 percent of imports. Again, the contribution of those tariffs to national income is generally very high, 2 percent of GDP on average, but in some cases as much as 6 percent (10). The research institution ECDPM (European Centre for Development Policy Management) has systematically calculated the losses in tariff income that ACP-countries stand to suffer in case of (full) trade liberalization under EPAs. In five cases these losses would be over 70 percent of the country's total tariff income! (11)

Various figures are also circulating regarding the losses ACP-countries will incur as percentage of government income. It is expected that losses on average will amount to 10 to 20 percent of total annual government income. (12) The European Commission – and similarly Minister van Ardenne, in her answer to parliamentary questions on EPAs – argues that those losses can well be covered through tax reforms.(13) Countries should be pushed into introducing a system of taxation on added value (VAT). Here the simple truth appears to be overlooked that 'one cannot fleece a chicken without feathers' (one Dollar earners). In fact, implementation of EPAs and comprehensive trade liberalization threaten

to further undermine the capacity of ACP-states to promote the welfare of their citizens. Their capacity to defend people's social and economic rights has already been reduced much in consequence of bad governance by the World Bank and the IMF. For sure, high tariff and government incomes do not automatically serve to bring down the rate of undernourishment and poverty. Nevertheless, the European Commission's proposal on tax reforms smells of 'bad governance'. Instead of forcing ACP-countries to sustain (further) income losses, our ministers and bureaucrats should promote restoration of the social state, in particular in Africa.

Let's lastly refer to the connection between EPAs and the debt question. The African continent, as is well known, is burdened by enormously large external debts. Though countries of the continent in the thirty-two years lying between 1970 and 2002 repaid more money in loans and interest than they received (550 Billion versus 540 Billion Dollars), the continent continues being saddled with a foreign debt of 295 Billion Dollar. (14) Be it painfully slowly, international institutions and Western creditors are starting to realize that this situation is becoming untenable. African countries can only succeed in fighting poverty, if all multilateral and bilateral debts, including debts owed to credit-agencies, either be cancelled completely; or in case indebted countries collectively repudiate their external debts. Meanwhile, it would be foolhardy for the European Union to re-immense African countries in new external debts, - as threatens to occur in case EPAs be signed. Countries like Sierra Leone, Uganda, Ivory Coast, Ghana and Senegal - which all threaten to loose large chunks of government income - all belong to the category of countries called HIPC's (Highly Indebted Poor Countries). They are acknowledged to have built up external debts which are so high when compared with their export income, as to make it impossible to fulfill their debt obligations (15).

On the basis of the above-mentioned assessments of the consequences of free trade and of future EPAs for African and other ACP-countries, I request the jury of this Tribunal to condemn the Ministers Brinkhorst and van Ardenne on account of 'bad governance'. Social scientists working under the UN-system have formulated a set of Millennium Development Goals (MDGs), which include the pledge to bring down by half the number of people living under the poverty line by the year 2015. These are goals which governments throughout the world need to transform into concrete policies. From the above presentation it should be evident that, in case EPAs are signed with trade liberalization being the chief target, implementation of MDGs will not be facilitated, but seriously compromised.

The Netherlands government therefore should request the European Commission to suspend negotiations around EPAs, and instead support

formulation of an alternative plan that may consist of the following five main points:

- * continuation of non-reciprocity in the EU's relations with ACP-countries;*
- * accelerated reduction of subsidies towards Europe's agriculture, instead of implementation of sham reforms;*
- * recognition of the right of ACP-countries to strengthen their regional markets behind common tariff walls to prevent their markets from being flooded with under-priced European commodities;*
- * recognition of the need for restoration of the social state; and*
- * recognition of the need for comprehensive debt cancellation, without such being subject to economic conditionalities.*

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- (2) Olufemi Babarinde/Gerrit Faber, 'From Loma to Cotonou: Business as Usual? (European Foreign Affairs Review, 2004 – see also the Reader 'Trade or Aid?' Experts Meeting on the Economic Partnership Agreements, EVS/IPP, 21 maart, 2005, p.47;*
- (3) Adebayo Olukoshi, 'Towards the Restoration of the Social State' (speech to the European Parliament – see Peter Custers, Report of the International Experts' Meeting. Globalisation and Africa, Amsterdam, Nederland, October 2004, p.55);*
- (4) Caroline Doremus-Mege/Catherine Gaudard/Denis Horman/Benedicte Hermelin/Jean-Jacques Godent, Exportation de Poulets: l'Europe Plume l'Afrique. Campagne Pour le Droit a la Protection des Marches Agricoles (Agir Ici/CCFD/Grèsea/GRET/S.O.S. Faim Belgique, undated);*
- (5) ibid, p.7;*
- (6) Citizens Association for the Defense of Collective Interests (ACDIC), Frozen Chicken is Dangerous! (Yaunde, Cameroun, maart 2004);*
- (7) this example has been drawn from the report by the coalition of European no-governmental organisations EUROSTEP; it was summarized in UNCTAD's report regarding LDCs – see 'Subsidized Exports and West African Tomatoes' in UNCTAD (2002), p.190;*
- (8) ibid;*
- (9) UNCTAD (2002), p.114-117;*

- (10) Lawrence E.Hinkle and Richard S.Newfarmer, 'Risks and Rewards of Regional Trading Arrangements in Africa: Economic Partnership Agreements (EPAs) Between the EU and SSA (Subsaharan Africa)' (7 januari, 2005) – see the Reader 'Trade or Aid?' Experts Meeting on the Economic Partnership Agreements, EVS/IPP, 21 March, 2005, p.67;
- (11) Stefan Szepesi, 'Coercion or Engagement? Economics and Institutions in ACP-EU Trade Negotiations' (ECDPM Discussion Paper 56), Maastricht, the Netherlands, 2004, p.7;
- (12) this was argued amongst others by the World Bank's representative in his speech held during the workshop of the Joint Parliamentary Assembly (JPA) in the European Parliament, Brussels, Belgium, February 2, 2005; see also Lawrence Hinkle and Richard Newfarmer (2005), p.67;
- (13) see the Response to Parliamentary Questions posed by the Parliamentarian van Bommel to Minister for Development Cooperation A.M.A.Van Ardenne-Verhoeven and State Secretary for Economic Affairs van Gennip, January 25, 2005;
- (14) United Nations Conference on Trade and Development, *Economic Development in Africa. Debt Sustainability: Oasis or Mirage?* (United Nations, New York en Geneve, 2004, p.9;
- (15) see Lawrence Hinkle and Richard Newfarmer (2005), p.67; and Stephen Rand, *If Not Now, When? Urgent Recommendations on Debt Cancellation for a Strong and Prosperous Africa* (All Party Parliamentary Group on Heavily Indebted Poor Countries/Jubilee Debt Campaign, Londen, Great Brittain, 2005).