Final Dissertation:

Is EU agricultural and trade policy hampering their commitment towards the Millennium Development Goals?

Student Name:	**Raphael Fellmer**
Student Number:	**20061301**
Supervisor:	**Paul Nixon**
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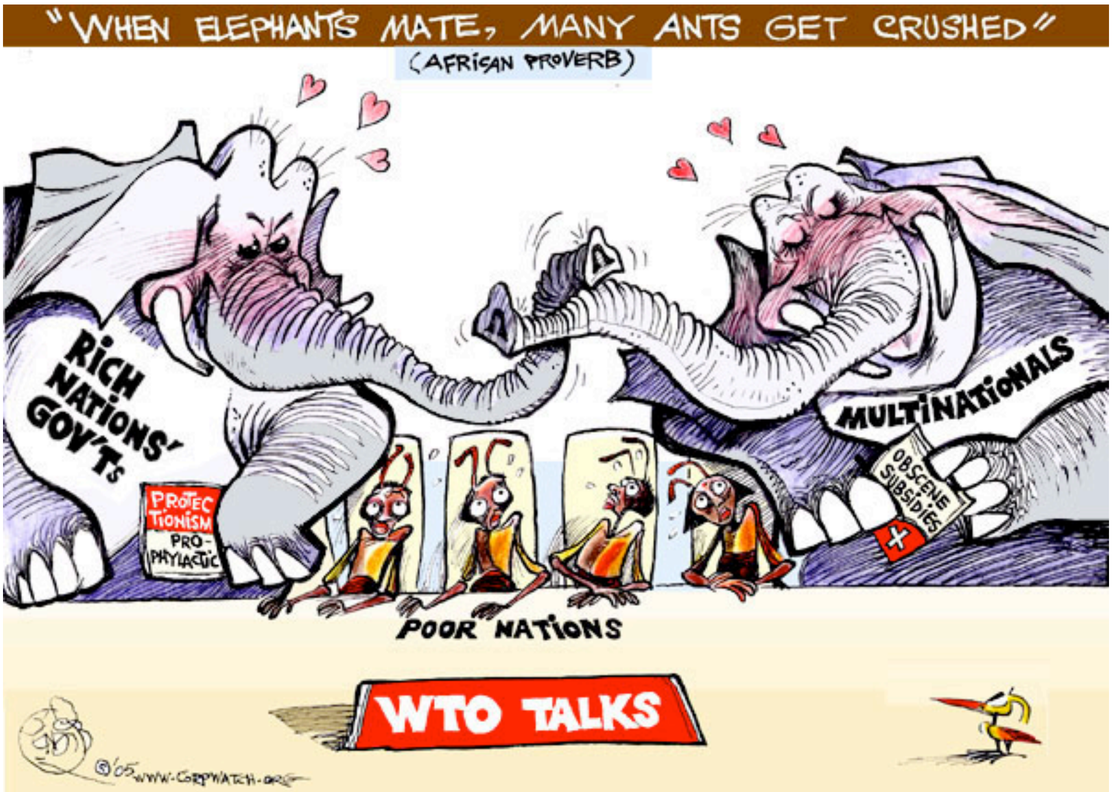


(Bendib, 2005)

Executive summary

In 2000 the European Union (EU) signed the Millennium Development Goals (MDGs), a United Nations (UN) policy in order to reduce poverty until 2015 by half compared to the figures from 2000. The EU is fully committed to the achievement of these internationally established MDGs which aim to end poverty in the long-term. Nevertheless, EU´s agriculture and trade policy is hindering the achievement of the MDGs.

The EU pays the biggest financial support worldwide to farmers via its Common Agricultural Policy (CAP). Over €50 billion are transferred each year to the European agricultural stakeholders and the secondary industry. It is the biggest burden of European taxpayers and accounts for almost half of the EU´s budget. CAP is highly trade distorting and deleterious for the developing countries throughout the world. EU companies are selling their products in poor countries below their cost of production. This policy is called price dumping and is common with poultry, cotton, dairy products and other dietary staples that end on the markets of developing countries (DC) that depend highly on agriculture as their base of life. Especially in Africa the farmers cannot compete with the subsidised food imported from the EU and their rural development is hindered. The EU hinders self-sufficiency in food to DC by cheap food exports, trade agreements and pressure imposed by the EU. The main goal of the CAP was originally to achieve self-sufficiency in food for Europe. The EU market itself is still highly protected by both official and non-official tariffs. The commitment of the EU to reduce poverty by 2015 by half is strong on paper, but fails to promote and support a genuine rural development and assistance policy for DC. The incoherence of EU policies is striking. On the one hand the EU wants to help DC to build up an independent and self-sufficient agriculture. On the other hand DC are flooded with foodstuff that compete with local products and destroy the livelihood of the local farmers, which is agriculture. These practices restrain DC especially in West Africa to aim for food sovereignty and their Right to Food - which is a "human right and is a binding obligation well-established under international law" (Ziegler, n.d.).

Abbreviations

ACP	African, Caribbean and Pacific Group of States
CAP	Common Agricultural Policy
DC	Developing Countries
EBA	Everything But Arms
EC	European Community
ECOWAS	Economic Community of West African States
EU	European Union
EPA	Economic Partnership Agreements
FAO	Food and Agricultural Organization of the United Nations
G8	Group of Eight
GDP	Gross Domestic Product
GSP	Generalised System Tariff of Preferences
GATT	General Agreement on Tariffs and Trade
LDC	Least Developed Countries
NAFTA	North American Free Trade Agreement
MDGs	United Nations Millennium Development Goals
NGO	Non Governmental Organisation
OECD	Organization for Economic Cooperation and Development
ODA	Official Development Assistance
ODI	Overseas Development Institute
PTA	Preferential trade agreements
SACU	Southern African Customs Union
UN	United Nations
UNDP	United Nations Development Programme
UNCTAD	United Nations Conference on Trade and Development
US	United States
WTO	World Trade Organisation

Contents page Page

Introduction

The achievement of the UN MDGs is an internationally declared aim and has been signed by more than 190 countries. This roadmap towards eradication of poverty in DC is fully supported by the EU and also enshrined in various EU policies. Nevertheless, the EU´s agriculture and trade policies are obstacles in the realization of the MDGs. The EU is encouraging the export of cheap agricultural goods to DC and hinders by doing so the development of a self-sufficient agriculture in Africa and other parts of the world. The EU interferes further with trade agreements in DC. These agreements take away the possibility for DC to protect their often still fragile agricultural markets and do not leave their farmers the chance to develop and fight hunger. The majority of the people in DC depend on agriculture. These subsistence farmers cannot compete with the imported floods of often subsidised food products from the EU and therefore lose their livelihood.

Meat consumption has risen dramatically in the EU. The meat diet has shifted from eating the entire chicken to the consumption of only chicken breast. The rest of the chicken cannot be sold in Europe and therefore thousands of tons are exported on African markets with dramatic effects on the local meat industry and society as a whole. The tremendous amount of meat consumed in the first world also has a strong negative impact on the world's climate. In a recent study the impact of the livestock industry is estimated to be responsible for more than "half of all greenhouse gases" (Hickman, 2009). Therefore, the meat industry of the developed world has a twofold negative effect for the DC. On the one hand the EU exported meat products ruin the DC markets and farmers. On the other hand DC suffer the most from global warming and its consequences like droughts, floods and other natural disasters.

The main objective of this dissertation is to reveal the negative impact of the EU´s agriculture and trade policy on DC and the achievement of the MDGs. Furthermore, it gives an insight of what needs to be done in order to reach fair, sustainable and coherent EU policies that help DC to take the necessary steps to reach the MDGs.

This dissertation is guided by the question if EU agricultural and trade policy is hampering their commitment towards the MDGs. In the course of five chapters the reader is guided towards the conclusion. In the first chapter essential background information is provided. Main aspects are: the world agricultural situation and its globalisation, the relation between world hunger and the meat industry, the MDGs and EU´s commitment towards the MDGs. The second chapter deals with the CAP of the EU. It outlines the history of reforms, problems and the new focus on a more sustainable and fair agriculture policy respecting international obligations. The central issue of this chapter is how the EU, the biggest trading bloc in the world, deals with self-sufficiency, obstacles and challenging reforms of their agricultural policy. The third chapter looks at the EU´s current agricultural and trade position in the world. It embraces ex- and imports as well as the main products of both sectors. The chapter underlines the important position and responsibility of the EU as the biggest trader with DC. The reasons of the good trade relations that the EU has with DC lead over to the second to last chapter. In this fourth chapter EU preferential trade agreements with DC around the world, with a special focus on African countries, are analysed. The origins of these trade agreements and the development towards duty and quota free agreements are discussed. This chapter also sheds light on the unfair methods, which the EU uses in order to reach such agreements. This chapter generally reveals the negative impact of EU trade policies on the realization of the MDGs. It is complemented by the "Everything but Arms initiative" which shows a different EU approach towards poor countries. In the last chapter a line is drawn between the inconsistency of EU policies and the importance of food sovereignty for DC. It assumes that in order to reach the MDGs African countries need to be more self-sufficient in agriculture. This gets illustrated with three cases studies. The chosen examples are the EU´s exports of dairy, cotton and poultry and their harmful and destructive influence on African countries. The chapter discloses the negative effects of EU agriculture and trade policies on DC and how they hinder the achievement of the MDGs. Furthermore, the chapter lays out that besides the Official Development Assistance (ODA) many other EU policies and actions hinder DC to develop and establish a functioning local market. The chapter ends with key solutions and recommendations, which are needed if the EU wants to be truly coherent in their approach with DC and the MDG. With the given overview about how strong internal and external policies of the EU are hampering the EU´s commitment towards the most vulnerable countries and the achievement of the MDGs the issue is rounded off with the conclusion.

Due to the constant development and evolution of the DC and EU´s internal and external policies most of the consulted sources are not older than 3 years. Therefore mostly online research was conducted since the information tends to be newer than in printed books. The dissertation is almost exclusively based on desk research and uses primary and secondary sources of literature. The most important primary sources are EU documents, as well as declarations of the United Nations. Also documents from other international institutions have a strong weight. However, the downside of EU documents is that negative sides are often not discussed. In general EU information is biased or at least more positive and optimistic than what for example Non Governmental Organisations (NGO) say and bring to light. To filter these biased secondary sources such as newspapers, magazines and documentaries are used. The information retrieved from these sources was always compared and critically analysed.

1 Background

This chapter outlines the general situation of agriculture in the world in order to enhance the understanding of the EU´s impact on DC. The focus lays on the necessity of self-sufficient agriculture, globalisation and starvation. Furthermore, it examines the negative influence of developed nations on poor countries through their meat industry, agricultural subsidies policy, cheap agri-food exports, tariffs and quotas. The Millennium Development Goals and EU's commitment to the latter is discussed in the last part.

1.1 Agriculture in the world

Agriculture is the world's biggest industry in terms of the number of people who earn their living from it. Over 2.5 billion people till the soil of mother earth and most of them without any machines or chemicals (Bertrand, 2009). The industrialisation and the green revolution brought dramatic change and diminished the work force in agricultural fields in most industralized countries to less than five percent. Around the world more than 1.5 billon people are not using any of these technologies and their economic outcome is therefore very poor and their life is hard and marked by manual labour. The recent global food crisis displayed once again how important agriculture still is today and how dependent DC are on it. In DC agriculture is the base of live, i.e. "their main source of income" for the majority of people. (Shafaeddin, 2008)

1.2 The globalization of agriculture

The globalization of agriculture is happening with almost every product. In the United States this is reflected with products that travel an average of 1500 miles until they reach the plate (Cuesa, n.d.). In research about a typical breakfast in Sweden, it is demonstrated that the food "travelled a distance equal to the circumference of the Earth before reaching the Scandinavian table" (DeWeerdt, 2009)

International trade is on the rise and even more stimulated through the World Trade Organisation (WTO) and its agenda which started in an international trade meeting in 2001, the so-called Doha round. The objectives of the Doha round are the abolition of tariffs and quotas as well as the trade-distorting subsidies (EuroMove, 2006). The aim of the WTO is to "improve the economic circumstances of developing countries" (EuroMove, 2006). Nevertheless, the biggest agricultural block, the European Union (EU), continues to pay massive export subsidies via the CAP and will carry on this practise until at least 2013 (EuroMove, 2006). Throughout its entire existence, the CAP has been criticized harshly by DC, international organizations, academics and even some EU member states, that EU subsidies are harmful for the poorest countries in the world (Halderman & Nelson, p. 2). There is clear evidence that the CAP, which is responsible for about the half of the EU´s budget, is affecting world agricultural prices negatively (Herzfeld, 2005).

Even if the policy of the EU towards DC and LDC is to support their economic independence and growth, the EU is financing massive export of all varieties of agricultural goods and "is the only country or trading bloc that provides exports subsidies for beef" (Halderman & Nelson, p. 7). These trade-distorting policies have "very negative consequences on the economies of both developing and developed countries" (Halderman & Nelson, p. 7). Furthermore, the CAP of the EU is stimulating overproduction within its member states. This leads to dumping (selling below production cost) of meat and other foodstuff in DC and LDC alike (Halderman & Nelson, p. 7). The CAP and trade policies are subverting the fragile agricultural system and economy of millions of farmers in countries where the primary sector is still the biggest employer (Halderman & Nelson, p. 7). Moreover the access to the EU market for these countries is often denied by trade agreements, regulations and tariffs, which worsen the situations of the poorest countries in the world even more (Halderman & Nelson, p. 7).

The total agricultural subsidies from the Organization for Economic Cooperation and Development (OECD) countries reached an average of $368 billion between 2006-2008 (OECD, 2009). In comparison to the massive support for the farmers and food processing industry in the developed world, the total development aid paid by the OECD countries has been only $119 billion. Africa's share of the official development assistance (ODA) has been just $26 billion, with the sub-Saharan region receiving the biggest share of $22.5 billion. (OECD, 2009)

1.3 The Relation between World Hunger and Meat Industry

The Food and Agricultural Organization of the United Nations (FAO), reported in October 2009 that 1.02 billion people are starving, the highest figure since 1970. Statistically every sixth person on the planet is suffering from starvation, 100 million more than one year ago. (Spiegel, 2009) Hunger is especially affecting the youngest people, every five seconds a child dies because of undernourishment (bread, 2009). Nevertheless, this does not mean that humanity has exceeded the maximum of people that can be well nutritioned. UN special rapporteur on the Right to Food, Jean Ziegler, declared that without any problems the world could feed 12 billion people. Ziegler further points out that every child that dies of starvation is being murdered (WFP, 2007). Already with the food produced today the world could feed 12 billion people (Westhuizen, 2007). One reason why still over 100,000 people die every day of direct or indirect causes of hunger (WFP,

2007) is the meat industry. FAO indicated that the land use for livestock accounts for 70 percent of all agricultural land on earth (FAO, 2006, p. 271). This includes the grazing land and the cropland that is used for the production of pasture and fodder; this means "30 percent of the ice free terrestrial surface of the planet" (FAO, 2006, p. 271). Nonetheless, the livestock industry is a small proportion of the world economy with just 1.4 percent of world's Gross Domestic Product (GDP) (FAO, 2006, p. 268). The rich people in the world consume a big portion of world's cereals for livestock, i.e. to feed the animals they consume later. By feeding grain to animals most of the proteins from the cereals are wasted since an average of 90 percent of the proteins are lost by "cycling grain through livestock" (Consumercide, n.d.). If the world would not use most of its grain to feed animals, but humans instead, starvation could be solved. But with the ever more powerful corporations from the western hemisphere and in Jean Zieglers words: "The EU´s killing agricultural policy" the life of farmers in poor countries is becoming more and more difficult and often impossible to compete with the flood of cheap and subsidised food imports (WFP, 2007). At the same time the FAO reports that about one billion hectares of cropland lie fallow in the world (Böhm, 2008). The majority of the 1.6 billion hectares "additional land available for agriculture" lies, contrary to expectations, in Africa. Together with the 1.4 billion hectares of agricultural land in use today (OECD, 2009), there would be enough food to feed the world (NewScientist, 2009). The NewScientist magazine even claims that: "Africa alone could feed the world" (NewScientist, 2009).

1.4 United Nation's Millennium Development Goals (MDGs)

The MDGs are the result of targets and commitments established "at the world summits of the 1990s" (UNDP, n.d.). It is a global partnership between countries and NGOs responding to the most pressing problems of today, e.g. poverty and world hunger. In September 2000 the heads of governments and states came together to sign the MDGs. In total 189 countries adopted the eight goals that "respond to the world's main development challenges" (UNDP, n.d.). The established goals are to be achieved in a timeframe of 15 years. It is the most important declaration to eradicate poverty in the world (European Commission, 2005). It is a binding commitment to the leaders and their countries (European Commission, 2005). From this point on it was a global responsibility, especially of the rich countries, "to decisively reduce extreme poverty in all its key dimensions" (European Commission, 2005). The roadmap until 2015 is to achieve the following eight MDGs:

- eradicating poverty and hunger in the world;
- achieving universal primary education;
- strengthening gender equality;

- reducing child mortality;
- improving maternal health;
- combating HIV/AIDS, malaria and other diseases;
- ensuring environmental sustainability;
- developing a global partnership for development.

(Europa, 2008)

All of these eight goals are subdivided into more detailed objectives. Several MDGs especially depend on the developing of EU trade and agricultural policy. In the next paragraph the most important sub goals concerning these EU policies are outlined:

- Reduce by half the proportion of people who suffer from hunger
- Reduce by half the proportion of people whose income is less than $1 a day
- Achieve full and productive employment and decent work for all, including women and young people
- Reduce by two thirds the mortality of children under five
- Halve the proportion of people without access to safe drinking water and basic sanitation
- Develop further an open, rule-based, predictable, non-discriminanatory trading and financial system
- Address special needs of the less developed countries and landlocked
- Reduce biodiversity loss, achieving by 2010, a significant reduction in the rate of loss

(United Nations, 2008)

1.5 EU commitment to the MDGs

All EU member states and the EU itself "dedicated its full commitment and dedication" to the achievement of the MDGs on various occasions (European Commission, 2005). In 2004 the European Council announced that the EU has to strengthen it's leadership position in "the fight against global poverty" and the "achievement of the MDGs, especially in Africa" (European Commission, 2005). One year later the EU established the European Consensus on Development policy. In this policy the MDGs were enshrined as a common goal that the European Commission and the EU member states have to implement in their development policies (European Commission, n.d.). The European Consensus on Development reflects "EU's willingness to eradicate poverty and build a more stable and equitable world" (European Commission, n.d.).

The EU issued several policy papers in order to reach the MDGs. One of the most recent policy is the "EU Strategy for Africa" adopted by the EU parliament, the EU commission and all member states in 2005 (European Commission, 2005). The aim of this strategy is to "give EU a comprehensive, integrated and long-term framework for its relation with the African continent" in order to reach the MDGs (Red Cross, n.d.). The EU is already today the biggest developing aid donor with 55 percent of total Official Development Assistance (ODA) worldwide (Europa, 2008). Despite this the EU Commission itself pointed out that in order to reach the MDGs the EU has to "rethink the way the EU" influences development with their "internal and external policies" (Europa, 2008). In the report "On the role of the EU in the achievement of the MDGs" issued by the European Parliament in 2005 the problematic of ODA is analysed (European Parliament, 2005). "The MDGs are not a technical matter which will be resolved simply by providing more money without identifying and tackling the underlying causes of poverty" (European Parliament, 2005). The report wants to underline the importance that besides financial aid to DC, the EU has to "tackle practices which depress world prices, distort poor country markets and undermine earning opportunities for their farmers" (European Parliament, 2005). In order to give the DC and LDC a fair chance to reach the MDGs, the EU has to undergo a "rigorous reform of the CAP" and in the words of the European Parliament even to "to set a date for removing agricultural subsidies" in general (European Parliament, 2005). Besides all financial developing aid, EU commitments towards the achievement of the MDGs can only be genuine and effective if all EU policies are coherent. Therefore EU trade and especially the CAP need to be understood and taking in consideration to don't endanger the international roadmap towards the MDGs.

2 History of the EU Common Agricultural Policy (CAP)

This chapter explains the CAP history from a EU perspective. It gives an insight why the CAP was initiated and how reforms tackled problems like overproduction, exploding expenditure and trade-distorting effects. Furthermore, it shows the shift from production-linked payments towards decoupled subsidies. Lastly, the chapter deals with the change towards a more sustainable and fair EU agricultural policy as well as the development of the CAP budget.

2.1 CAP

The CAP is a system of support programmes and subsidies for agriculture of EU member states run by the EU (Independent, 2009).
As written in an analysis of the European Commission: "Situation and prospects for EU agriculture and rural areas" (2007) the following part examines the development of the EU-CAP. The birth of the CAP lies in the aftermath of the Second World War. Europe's agricultural sector was not able to cope with demand after the long and devastating war. The objective of the CAP was to raise the output of European farmers, to produce enough food commodities for the needs of EU consumers and to stabilize prices. The CAP policy was aiming for self-suffiency in agricultural goods within the EU. The EU helped farmers to modernize their farms and to adapt to the ever-growing demand of EU society. Since the introduction of CAP subsidies, their budget has grown and according to the EU, financial support to farmers not only benefited EU citizens but also the export industry. The EU farmers were also supported by tariffs and quotas that aimed to protect the EU zone from cheap agricultural imports. By the 1980s the CAP had reached its aim of food sovereignty within the EU. A new problem had arisen; now food surpluses and overproduction in major agricultural commodities led the pendulum to go to another extreme. EU farm output went up and it was more food produced than what Europeans could consume. The number of farmers in the EU went down, but their financial support went up and with it the discontent of the European taxpayers. It was not only within the EU that the negative effects of the CAP policy were noted. World markets were distorted, consumers were unsatisfied and farmers in and outside the EU felt that the policy often did not serve their interest. Furthermore, the awareness about the negative environmental effects of the policy led to an unpopular image of the expensive CAP. (European Commission, 2007, pp. 7-8)

The surpluses of EU agricultural output "had to be stored or disposed of within the EU"; moreover the EU "distorted some world markets" (European Commission, 2007, p. 7). Soon the CAP became "unpopular by consumers and taxpayers" and the Europeans started to demand that the EU policy makers undergo rudimentary reforms of the CAP (European Commission, 2007, p. 7).

2.2 First structural reforms of the CAP

In 1992, the first big reforms lead to a drastic change in the payment system. The main goal was the shift from direct price support towards financial support for certain main agricultural sectors and to provide more income support for farmers instead of payments for production. Furthermore, the EU extended the CAP with a new pillar that finances the rural development. This new pillar helped to broaden farmer's variety of products and their marketing in the new market situation. (European Commission, 2007, pp. 7-8)

2.3 "Agenda 2000"

The reforms of 1992 had been continued in 1999 with the so-called "Agenda 2000". The latter clearly redefined the main objectives of the CAP towards a social and environmental friendly policy. An import instrument became the so-called cross-compliance rules that coupled subsidies to nature and animal protection. These new policies were established under the requirements of the Amsterdam Treaty, which was amending the Treaty of the European Union or also called the Maastricht Treaty. The Treaty of Amsterdam had the goal to create the *European Model of Agriculture,* which stands for market orientation, more competitiveness, food quality and safety as well as the stabilisation of incomes in agricultural fields. The *European Model of Agriculture* aims for a more ecological, sustainable and decentralized farming policy. These new CAP objectives were deepened in further reforms between 2003 and 2007. Income support and production activity are almost completely decoupled and this enhanced the free market where EU farmers can react independently to the market situation. The income support for farmers was by than strongly linked to EU standards concerning environment, animal welfare but also food quality and safety. (European Commission, 2007, pp. 7-8)

In the latest EU budget round from 2007-2013 the three main goals for the CAP were the improvement of the quality of life in the countryside, competitiveness and once more the environment; these values had an important influence on following reforms of the CAP in 2008. (European Commission, 2007, pp. 7-8)

2.4 Most recent CAP reforms

Already before the big CAP reform in 2008, the European Parliament emphasized a further "market liberalisation, reduced distortion [of the world market] and delivery of public benefits" (European Parliament, 2007).

In 2008 the EU agricultural ministries agreed on the ""Health Check" of the CAP". In this paper the European Commission lay down the most important:

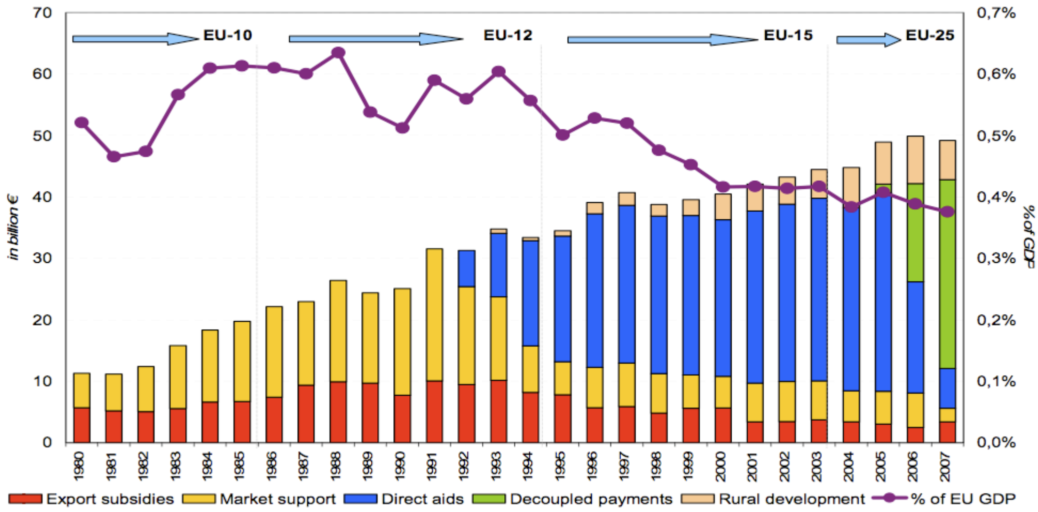
- The slow abolition of any milk quotas by 2015.
- More flexibility for Member States to spend "10 percent of their national budget ceilings for direct payments for use" in improving the marketing and quality of products as well as environmental and risk management measures.
- The extension of the shift from the coupled subsidies (Single Area Payment Scheme = SAPS) towards the uncoupled, the so-called Single Payment Scheme (SPS) from 2010 to 2013.
- Abolition of the compulsory setting aside of 10 percent of farmland in order to maximise production.
- Further attention to rural development to tackle climate change with water management, renewable energies and biodiversity as well as animals and food quality with a further simplified cross-compliance regulation that stimulates and controls responsibility of farmers.
  (European Commission, 2009)

After the "Health Check of the CAP" the only big adjustment has been the publishing of all beneficiaries from the CAP in April 2009. This EU policy change is in accordance with an overall commitment to create more transparency, improvement of management of the funds together with the idea that EU "taxpayers have the right to know what their money is spent on".
(European Commission, 2009)

2.5 Development of CAP expenditure from 1980 – 2007

Graph 1

The path of CAP expenditure (1980 – 2007 in billion € and in % of EU GDP)



(European Commission, 2007, p. 9)

Graph 1 shows the development of EU-CAP budget during a 27 years timeframe from 1980 until 2007. It can be seen that in this period the number of EU member states grew from 10 to 25, not including the two latest member states Romania and Bulgaria. The pink line displays the EU agricultural support to its farmers in percentage to the whole EU gross domestic product (GDP). On the x-coordinate the CAP spending is displayed in billions of Euros and it has frozen in the last years, to just above €50 billion per year. Because of the good economic development of the EU, the percentage of the CAP expenditure compared to the total EU budget is falling but remains high with over 40 percent. This is 30 percent lower than the “maximum of nearly 70 percent” of total EU budget and is expected to decline to 30 percent by 2012 (Franklin, 2009). Nevertheless, to this day the share of the cost for the CAP in the EU budget has always been controversial. The total overall amount of the CAP has been growing since the introduction of the financial support for farmers. The stakeholders and their lobbyists are keen on keeping it this way. In absolute numbers the CAP budget had been growing from €3.6 billion to €126.5 billion with the all time high in 2007 (von Harbou & Dr. Schneider, 2008). The blue part of the bars represents the direct aid to farmers, and has been increasing since its introduction in the 1992 reforms. Nevertheless, since 2006 it decreased rapidly and has been substituted by the decoupled payments, which “deemed to have less or no distortion on domestic production and trade” (Jianyu, 2006) and are represented as the green part in the bars. Today almost all payments are decoupled and therefore paid independently from production (Blandford & Hill, 2006). They are therefore an important step towards a sustainable and non-trade distorting CAP. The latest reforms in the CAP are also complying much more with WTO standards, as only 10 percent of the subsidies are classified as trade-distorting (Allaboutfeed.net, 2008). The red part in the bottom of the bar stands for the export subsidies that have been declining over the last 15 years from the peak of €10 billion. For 2009 this "budget is maximised at €350 million" (Allaboutfeed.net, 2008).

The market support, the yellow part in the bars, is mainly used to keep prices stable and are often paid to processing food industry and not to farmers. But since the 1992 reform the support dropped from 80 percent of the CAP subsidies to less than 10 percent of the total CAP budget (European Commission, 2009). The rural development payments are the second pillar of the CAP and are displayed in the top of the bars. This support had been continuously rising since its introduction in 1992.

3 EU's agricultural trading position in the World

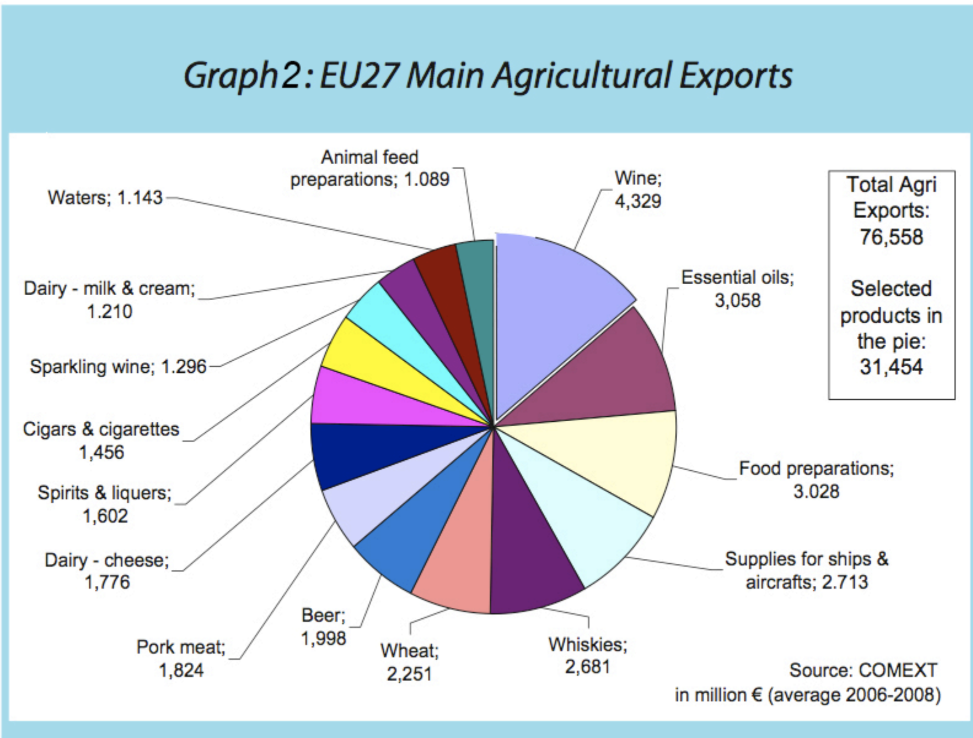
This chapter explains and demonstrates the importance of EU´s trading position as the biggest ex- and importer of agricultural goods. Furthermore, it takes a look at the most ex- and import products to reveal the influential trading position the EU has towards DC.

3.1 Agricultural Exports of the EU

The European Union is today the biggest exporter of agricultural goods. In 2008, the total volume added up to $122 billion and was therefore slightly ahead of the second leading exporting trade union, the United States (US) with $121.7 billion (European Commission, 2009, p. 2). Over two thirds of the total value exported from the EU had been final goods, as seen in the export graph 2 that displays the main agricultural exports of the EU as an average between 2006 and 2008. In the pie of graph 2 only the main exported agricultural goods are displayed. They account together to €31.4 billion from the total of €76.558 billion. Besides final products, wheat, milk, cream and oils also have an important role in EU exports. The most valuable goods which leave EU borders remains alcohol with a total value of more than €12 billion (graph 2) (European Commission, 2009, p. 2).

Graph 2

EU main agricultural export goods as an average between 2006 – 2008 in million €



(European Commission, 2009, p. 5)

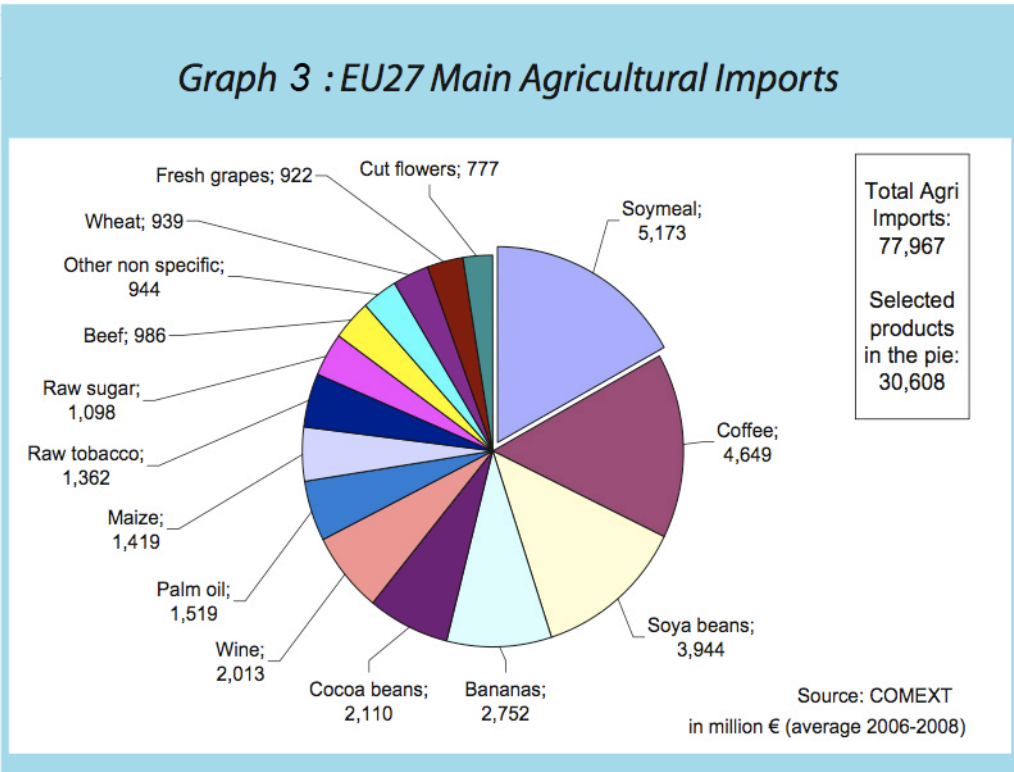
3.2 Agricultural Imports of the EU

The EU is not only the world's biggest exporter but also the leading importer of agricultural products. Except for the year 2006, the EU had a small trade deficit in agricultural goods over the last 10 years and its total imports rose to $129 billion in 2008 (European Commission, 2009, p. 13). EU imports account for almost 20 percent of world agricultural imports, the second biggest importer, the US, has only a share of 14 percent of world's imports. New big players appear on the world market, with China and India on the foreside. In 2007 agricultural imports to China increased by 28 percent over previous years level to a total of $41 billion (Einhorn & Srivastava, 2008).

The biggest parts of the imported commodities in the EU are soya beans and the soymeal that account together for 12 percent of total imports (graph 3) (European Commission, 2009, p. 5). Only China overtops soybean imports with a total of $11.5 billion, with surges of over 50 percent compared to last year (Einhorn & Srivastava, 2008).

Graph 3

EU main agricultural imports goods as an average between 2006 and 2008 in million €



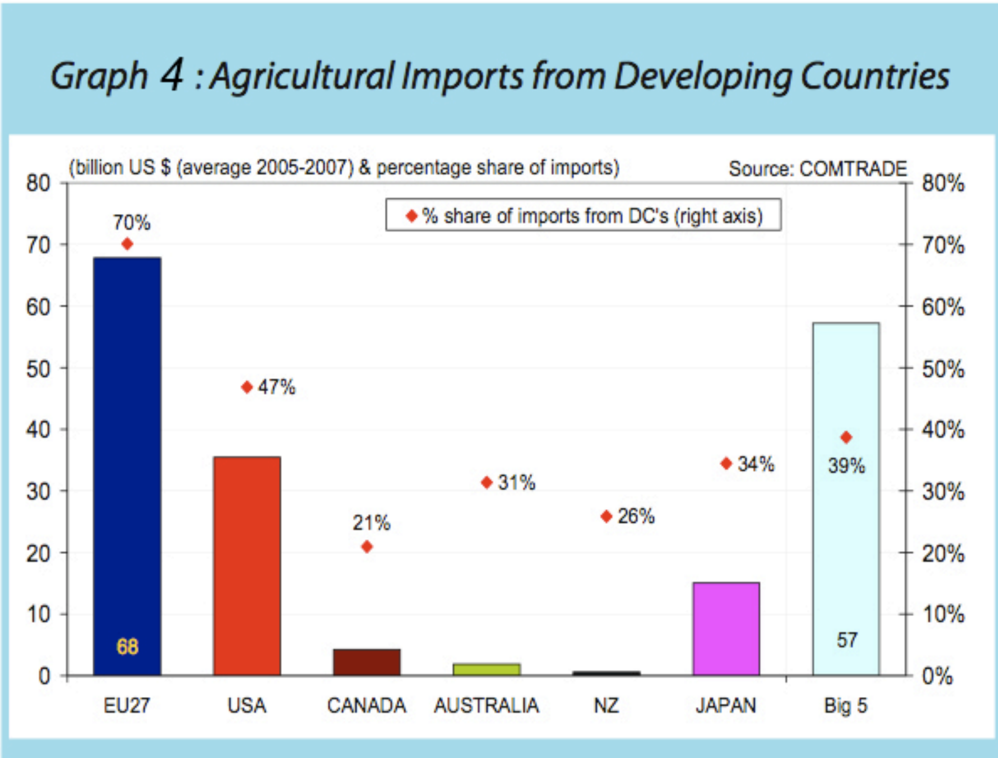
(European Commission, 2009, p. 6)

3.2.1 Agricultural Imports of the EU from DC

In the following graph 4 the major agricultural imports from DC into the EU are analysed. The EU plays a key role in importing from DC, the average EU imports from these countries in 2005-2007 reached $68 billion and accounted for 70 percent of all EU agricultural imports. The US, Japan, Canada, Australia and New Zealand together imported only $57 billion per year (European Commission, 2009, p. 10). Nonetheless, the weight of major exporting countries like Brazil and Argentina, which are also developing countries in the statistics, is huge, both of them together account for more than a third of all imports from DC in the EU. This is mainly because of the amount of fodder that is imported for EU livestock production (European Commission, 2009, p. 10).

Graph 4

Agricultural imports from DC in the most important industrialized countries in $ billion as an average between 2005 and 2007



(European Commission, 2009, p. 10)

4 EU Preferential trade agreements

This chapter deals with the influential trade relation between the EU and DC. It examines the origins of the preferential trade agreements and their development towards a complete duty and quota free trade. Furthermore, this chapter outlines unfair practices used by the EU and how these are endangering the MDGs. Finally it gives an insight into how non-reciprocal trade agreements such as the "Everything but arms initiative" of the EU can help the least developed countries (LDC) around the world.

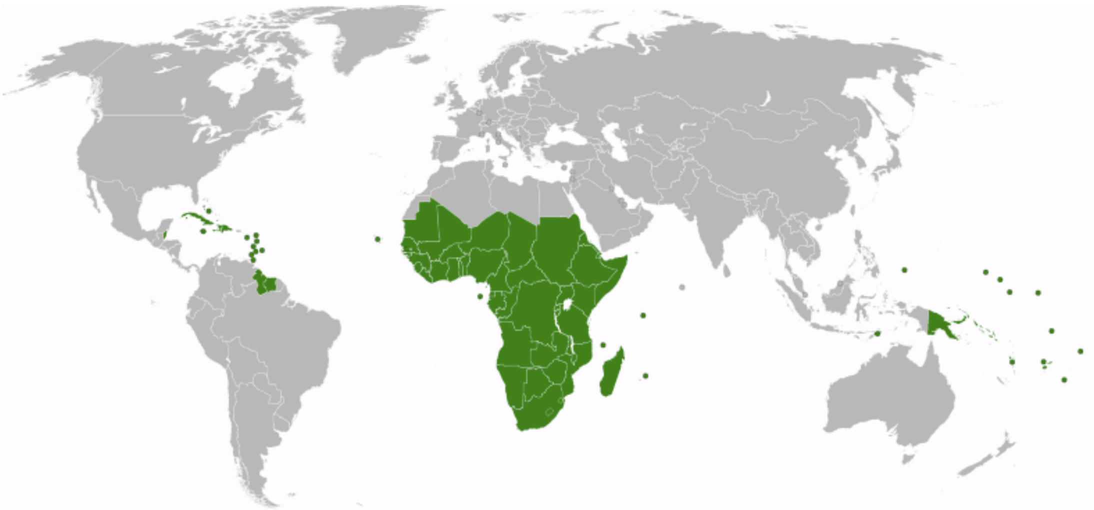
4.1 Trade agreement with the African, Caribbean and Pacific Group of States (ACP)

The EU is the biggest trading bloc in the world and has several preferential trade agreements (PTA) with countries all over the world. The most important EU-PTA with DC and LDC is the trade pact with the African, Caribbean and Pacific Group of States (ACP) (Lane, 2007, p. 270), the so-called ACP-EU Development Cooperation. Established during the Treaty of Rome in 1957 it was the first "collective European development policy "and celebrated in 2007 its 50th anniversary (WorldLingo, n.d.).

As explained on the ACP Secretariat Website (n.d.) this development cooperation, which first included the founding countries of the EU as well as 18 countries from the non-developed world, expanded over the decades and includes today the majority of all countries in the southern hemisphere and all sub-Saharan countries in Africa, as seen in graphic 1:

Graphic 1

All African, Caribbean and Pacific Group of States countries in 2009



(Wikipedia, 2009)

(See Appendix A for a complete list of the countries)

The first cooperation between the ACP countries and the EU started with the Lome Convention that "granted non-reciprocal trade preferences to ACP countries" in 1975. It meant advantages for the non-developed countries and it was the beginning of a new area in the relationship of Europe towards the ex-colonies within the ACP countries.

The cooperation between the ACP and the EU has been deepened and went through various reform rounds (Lome I, II, III and IV). The improvement of the situation in the ACP countries had been fostered with the emphasis on self-sufficiency in food questions as well as the "respect for Human Rights as a fundamental clause". Both economic blocs grew over the years and for the last Lome convention in 1995 the number of ACP countries who signed the Lome IV had been 70 and 15 on behalf of the EU.

In June 2000 the ACP Member-States and EU signed a new PTA in Benin, the so-called Cotonou Agreement that was the successors of the Lome conventions. The biggest difference was the extension of time from five years, like for each Lome convention, to twenty years duration. This should help the ACP countries "to get onto the road to development and, especially, to become smoothly integrated into the global market". Furthermore, the Cotonou Agreement fosters the democratisation process as well as the slow opening of the ACP markets to the world.

(ACP-EU Trade, n.d.)

4.2 ACP-EU Economic Partnership Agreements (EPA)

In the next trade agreement, which Europe started to set up already in September 2002, only two years after the signing of the Cotonou agreement, the ACP countries have to grant EU products duty-free access to their markets. (ACP-EU Trade, n.d.) This meant the loss of the biggest advantage of the Lome Conventions, where the EU granted the ACP countries, the non-reciprocal trade preferences. De facto with the EPA the ACP countries will lose the possibility to protect their markets from the EU products with tariffs and quotas. The idea that in the new ACP-EU Economic Partnership Agreements (EPA), both sides will benefit mutually is highly questionable. Many DC will face a "worsening of trade and economic situation" by applying the up to 80 percent duty free access to goods coming from the EU. (DIIS, 2007) The main problem is that the ACP countries and especially the Economic Community of West African States (ECOWAS) have a complete different trade scheme than the EU. The ECOWAS mainly exports to the EU "non staple agricultural tropical products such as cocoa, coffee, cotton, tropical fruits and rubber" which are not competing in the EU market, since they are practically not available in this latitudinal line (BBC, n.d.). Whereas the EU is mostly exporting agricultural food products such as cereals, dairy products, meats and preparations, beverages as well as vegetables and fruit preparations which are directly competing with the staple products in West Africa (BBC, n.d.). The production of these staple goods is crucial for people living in the ECOWAS since it is their base of life. The EU protects its farmers since the introduction of the CAP from agricultural imports through high tariffs and so-called “non tariff barriers” such as “health requirements” (BBC, n.d.). Sensitive products like meat are protected with 69 percent tariff, dairy products with 79 percent, vegetables with 64 percent and sugar even with 117 percent (Berthelot, 2009). Even if the EU would reduce significantly its high tariffs the “huge domestic subsidies” from the CAP would not question the competitiveness of its farmers since the financial support for EU farmers compensate “a sharp reduction of agricultural prices” which have a “large import-substitution effect”. (Berthelot, 2009)

4.3 Unfair EU practices and methods concerning EPAs

The EU demands for the ACP countries to gradually fade out any protection for their home economy (DIIS, 2007). That implies the abolishment of any tariffs and quotas for their vulnerable and non-competitive economical structures, which are decades behind the EU´s modern industry and agriculture system. The EU also tries to use their economic power and the ACP countries “dependence on the EU market in order to force ACP countries to agree to some other provisions”. These are investment and competition rules, “unbalanced trade defence provisions, such as Anti-Dumping” and competition rules as well as stricter “intellectual property rights” (DIIS, 2007). There are big worries for African countries that they are ultimately forced into an EPA with the EU, which will threaten “its already delicate trade balance” (ONE, n.d.).

EU´s original schedule for the EPA with the ACP countries was the signing of the agreement before 31 December 2007. Until today the EU and the ACP member states were not able to agree on a complete EPA. Just the Caribbean, one out of the six ACP regions, could agree with the EU to an interim EPA that is still not embracing the whole opening of the market. (Avril, 2008) The European Commission continues to keep its hard line and aims for further development of the global trade, which helps mostly international cooperation’s instead of considering the DC wishes for a fairer trade system. A Belgian anti-poverty group stated that most of the ACP member states are firm in keeping to it’s negative approach towards the EU proposal of the EPA, because it is simply “not reflecting the interests and needs of ACP countries” (Cronin, 2007).

Thomas Deve a policy analyst of the UN Development Programme (UNDP) argued that the EPA is largely an “anti-development agenda” which will negatively affect “all MDGs targets”. (Kwenda, 2009)

Even before the EPA comes into effect the influence on regions like West Africa are not promising and hinder the regional integration that is so important to the DC and LDC alike (Kwenda, 2009). The EU excluded in the EPA discussion possible negative affects and did not even mention “the word dumping” in the interim EPA, which is reality for many ACP countries and especially the ones in West Africa (Berthelot, 2009). Nevertheless, through pressure from the EU to cut development aid, Ghana and Cote d´Ivoire have already signed an interim EPA. The results were that they cut the talks for regional unity and support with the neighbouring countries. Since the EPA is a bilateral trade agreement, there is also the risk that commerce between all ACP countries is in great danger. With the EPA it will be still allowed for a certain period of time to protect 20 percent of products and commodities. Since the ACP countries have different economical situations, this is a trade-distorting factor, which harms the free trade between the ACP Member States. (Kwenda, 2009) In a case of Namibia the EU “demands the abolition of internal quantitative restrictions on EU exports to the rest of the Southern African Customs Union (SACU)” (Weidlich, 2008). The same or similar requests are made to other ACP countries and their regional trade unions. In fact these demands are incoherent with the regional trade agreements such as the SACU (Weidlich, 2008). In the words of Mr. Deves from the UNDP: The EPA “will kill off any ambitions for regional integration within and across Africa and South-South relations with other developing regions” (Kwenda, 2009). In his opinion the trade agreement is imposed from the ex-colonial rulers from Europe on the weak and non-developed economies in Africa and other ACP regions. The implication of the EPA would be devastating for the poor countries and destroy the local industry as well as the cornerstone of their economy, the agricultural sector. (Kwenda, 2009) Therefore Timothy Kondo, from an African trade union umbrella group, makes a plea to the EU to change their attitude towards fair negotiations of the

EPA. Kondo claims that till now there has been no collective bargaining involved, which is usual for these talks. Instead it is just collective begging by poor countries. (Cronin, 2007)

The EU does not respect its own policies like the Consensus on Development and the Joint EU-Africa Strategy, which focus on equality, ownership, solidarity and subsidiarity (Roux, 2009). Therefore the EU endangers the compliance of the MDGs (Roux, 2009). Moreover the EU is putting a lot of pressure on the ACP countries to sign the EPA. The Malawian president Bingu Wa Mutharika asked: "if EPAs are good, why are we being forced to sign?" (Kwenda, 2009). The EU is threatening to "impose punitive tariffs" on the ACP member states if they will not sign the EPA (Cronin, 2007). Instead of showing an interest for the real development of ACP countries, like the need of protection from highly subsidised agricultural products from Europe (Cronin, 2007).

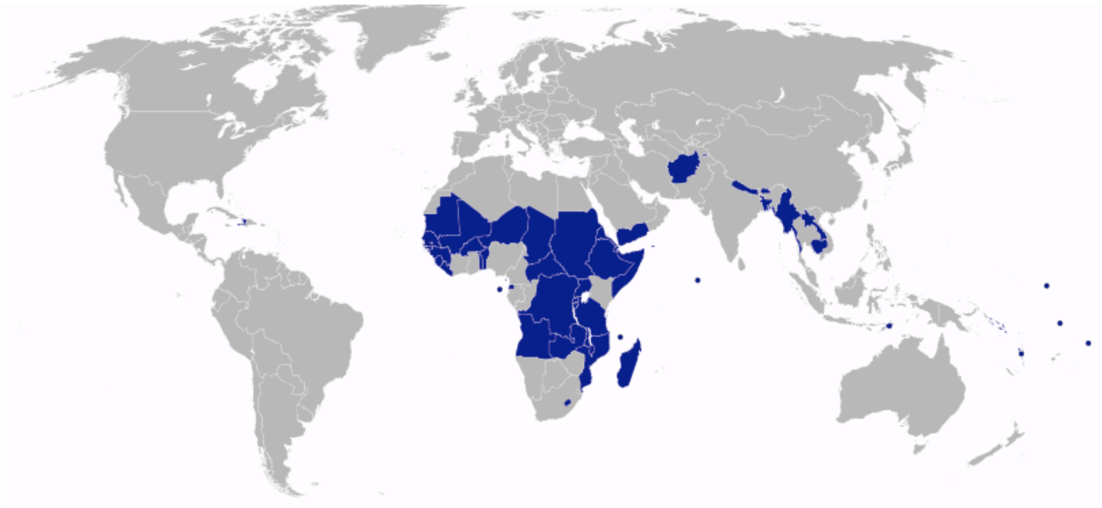
As a result of the one-way interested EU negotiations, regarding the establishing of the EPA with the ACP countries, DC encountered "public hostility towards the EPA" (Avril, 2008). The British think tank Overseas Development Institute (ODI) questioned in a recently published analysis of the EPA, if the "full EPA will ever be finalised, as envisaged" (Avril, 2008). The ODI highlighted in their report that the EU has shown during the EPA process, with the ACP member-states, an absence of interest and involvement of the civil society, the parliamentarians and the private sector in these countries. The letdown of the people in the ACP countries is comprehensible, since without the EPA, "about 98 percent of ACP products were already exported duty free to the EU" (Avril, 2008). The benefits of this free trade agreement would be almost solely for the EU who gains "duty-and-quota-free market access" to the ACP markets (Avril, 2008). A member of the ODI recommends the European Commission therefore to improve the talks with the ACP member states and "to find pragmatic solutions". (Avril, 2008)

4.4 "Everything But Arms Initiative"

An official EU story brings a promising initiative for the LDC around the world. During the first United Nations Conference on Trade and Development (UNCTAD) in 1968 the creation of a Generalised System Tariff of Preferences (GSP) "under which industrialised countries would grant autonomous trade preferences to all developing countries" was recommended (Europa, 2008). Three years later an exemption clause from Article 1 of the General Agreement on Tariffs and Trade (GATT) was granted, under which developed nations were now allowed to set up individual GSP for the LDC. The European Community (EC), which is now the EU, was the first to establish a GSP for the developing world already in the same year. The goal was to help the poorest countries in the world to develop their economy, increase their trade and export revenues, "promote their industrialisation plus encourage the diversification of their economy" (Europa, 2008). Gradually the EU liberalised their markets for the LDC, until in 2001 the "Everything But Arms" (EBA) initiative was born. It was the last step to provide the LDC full access to the EU market. The EU grants duty-free imports "without any quantitative restrictions" for all countries, which have been officially recognized as LDC by the UN, with the exception of "arms and ammunitions" (Europa, 2008). The EU itself calls its EBA initiative "the most favourable regime available", even if they also established 41 tariff lines for sugar and rice that continues to let the EBA be an "Everything but Arms, sugar and rice policy" (Europa, 2008). As scheduled by the EU until 2012 also these last obstacles of a real unconditional duty-free access to the EU market for all the 50 LDC (see graphic 2) will be reality. (Europa, 2008)

Graphic 2

Least Developed Countries in the World 2009



(Wikipedia, 2009)
(See Appendix B for a full list of LDC countries)

5 Case studies

In order to understand the case studies in this chapter the inconsistency of the EU´s agricultural and trade policies are examined. Furthermore, the EU´s influence on the cultivation of certain products in DC is shown and how those affect the food sovereignty from the latter. The negative impact of the EU´s CAP and trade policy is demonstrated with three case studies concerning dairy products, cotton and poultry. In the last part of the chapter the key recommendations to solve these problems are displayed.

5.1 The Inconsistency of EU´s trade and CAP

From 1962, in the year when European leaders established the CAP policy, until 2007 when all heads of state of the EU-27 signed the Lisbon Treaty, the objectives of the biggest subsidy program of the world remained officially the same (ong-ngo, 2008). The emphasis to "become self-sufficient in food production" (ong-ngo, 2008) was laid down in the Treaty of Rome. The aim of "providing enough food" (Europa, n.d) was reached already in the 1970s, nevertheless the subsidies continued to rise. Also other objectives such as higher agricultural productivity, a stable market, reasonable prices and a good standard of living for EU farmers had been reached to "a greater or lesser extent" (ong-ngo, 2008). Nonetheless, for DC and especially Africa the EU has not granted the first aim of food sovereignty to full extent. For the DC and LDC who aim for agricultural autonomy, the core principle of EU-CAP remains de facto fiction. As the ONG-NGO organisation stated in a paper from 2008, the CAP could be an interesting model for the DC and LDC alike, in order to reach food sovereignty and to regulate their internal market (ong-ngo, 2008). But instead, through pressure for loans and development programs from the WTO and rich countries, the CAP remained until today a threat for most local agricultural economies in poor countries (ong-ngo, 2008). The EU does not leave DC and LDC the chance to develop their own protective agricultural policy, which could help the latter to reach the Right to Food through an auto-sufficient agriculture. Instead the EU hampers with its CAP the development of independent agricultural markets in the DC and LDC. Despite efforts on the part of the EU to carry through reforms on the CAP to relieve distress from the most vulnerable agricultural economies around the globe, CAP is still "listed in the WTO Orange Box" (ong-ngo, 2008). This means that they are either trade distorting or detrimental to DC and LDC. The EU Commission wants to hold its promises to cut all official export subsidies by 2013 and therefore they limited the export subsidies in 2009 to €350 million (Europa, 2008). Nonetheless, in the beginning of 2009 the EU raised these destructive export subsidies again for "dairy products in 2010" to €449 million (CIDSE, 2009). The reason was to support the dairy producing industry after the prices for milk went down.

Besides the "formal export subsidies" the EU paid in 2006 over five billion Euros of so-called hidden export subsidies which are not officially for the export but do benefit "the EU agricultural exports"

(Berthelot, 2009). Meaning that even by the "elimination of export refunds, foreseen in December 2013 if the Doha Round finalized, [the EU] would be far from stopping dumping" (Berthelot, 2009). The WTO ordered repeatedly to include non-formal export subsidies "when assessing dumping" (Berthelot, 2009). Nevertheless, the EU continues its practice of hidden export subsidies which results in dumping. Wheat, dairy products, tomato paste, poultry and other agricultural products are continuously exported, especially to West Africa. (Berthelot, 2009) The EU is supporting the MDGs with their Consensus on Development policy, i.e. "eradication of poverty […] and a more peaceful and equitable world" with food sovereignty as main goals (European Commission, n.d.). According to the FAO the food imports in DC have increased by 60 percent since 1980. Today 60 to 70 percent of African countries have to import food and are not able to be self-sufficient in food. The main reasons are international trade regulations, pressure and the cheap agricultural products from rich nations, which are sold below production cost and consequently destroying local agriculture. In most cases these food imports are formal or non-formal subsidised agricultural goods from the EU (von Harbou & Dr. Schneider, 2008). In the EU parliament the highly subsidised agricultural goods and the agricultural industry, which account for nearly the half of EU budget, have already been long subject to criticism. In 2008, Mrs. Koch-Mehrin, a European Member of Parliament (MEP) outlined clearly the structural relation between the global food crisis and the CAP (von Harbou & Dr. Schneider, 2008). The chairman of the German council for sustainability demanded that the EU cannot seal its agricultural market from the world markets and has to open itself for the imports of developing countries (von Harbou & Dr. Schneider, 2008). Also the British finance minister, Alistair Darling, calls for a clear reduction of the CAP billions and supports its ideas with the words that they only cost a lot for European taxpayers and harmful for farmers in the DC and LDC. (von Harbou & Dr. Schneider, 2008)

In 2009 the same year the EU raised its subsidies for agricultural export, the EU committed itself with the Group of Eight (G8) in L´Aquila, Italy to assist the DC and LDC farmers with €14 billion. This is a direct contradiction and does not make sense for many nongovernmental organisations (NGOs). (EurActiv, 2009) The fact that these policies are contradictory becomes clearer if one listens to NGO workers like Mute Schimp from Misereor: "Think about it: 99% of milk powder produced in the EU goes to developing countries at a market price below production cost" (CIDSE, 2009).

Every euro spent on EU export subsidies is harmful for the objectives of the €14 billion by the G8. Furthermore, the EU is bringing at risk the MDGs, to which they repeatedly strongly committed themselves (EurActiv, 2009).

5.2 Food sovereignty in developing countries

The MDGs can only be achieved when the EU applies and respects a policy that strives for food sovereignty not only within the EU, but also within the DC and LDC. Many European politicians and the EU Commission forgot that this is what really brings economical and environmental progress. MEP Paolo de Castro, who is part of the Group of the Progressive Alliance of Socialists and Chair of Agriculture Committee, stated in an interview: “Europe needs to produce food because the demand of the world is so big. The challenge is not to reduce production, the challenge is to produce more to feed the world” (European Parliament, 2009). This ideology is counterproductive and does not leave space for the DC and LDC to endeavour a self-sufficient food policy, which was at the beginning of the CAP also the idea for Europe, to be self-supporting in food. The Right to Food is a human right and this means food security and independence of imports for all countries (CIDSE, 2008). Therefore it cannot be the goal to feed the world from rich countries and let the poorer countries be dependant on food imports. Today most of the non-developed nations produce almost all commodities for their cash export. It is the “key component” of their mostly fragile and monotone agricultural economy that accounts for the biggest part of their GDP (Leonard, 2006, p. 1284). The most common of these so-called “cash crops” are sugar cane, soya products, coffee, pineapple, cotton, banana, cacao and rice (Leonard, 2006, p. 1284). Nowadays the developed countries increasingly demand crops for biofuels like: oil palm, algae, soybean and jatropha (King & Inderwildi, 2009). The export of these cash crops bring revenues to the DC and LDC but they work against the food security of the latter. Agricultural situations in these countries get more precarious through the vast use of pesticides, fertilizers and high use of water. Furthermore, it’s threatening the subsistence agriculture for the local population. The dependency of food imports makes them highly vulnerable to the raise of commodity prices like the world has seen in 2008. Therefore the main goal for a sustainable and socially fair agricultural policy in and outside of Europe can only be the allowance for every country or economic block to develop a self-sufficient agricultural economy. The EU should take a clear stand point to its commitment set in the “EU strategy for Africa” from 2005, where they foster “macroeconomic stability and assisting in the creation of integrated regional markets” (Europa, 2008). Nobody other than the EU itself set the goal of “coherence of all Community policies so that they take account of development Objectives” like mentioned in the Maastricht Treaty from 1992. Moreover this responsibility has been underlined in the Amsterdam Treaty in 1997 with the words: “consistency of all external activities of the European Union” (Aprodev, n.d.). In 2001 the EU went even a step further and devoted itself in the complete abolishment of all subsidies “that help its farmers sell food abroad” (Cronin, 2007). Despite drastic cuts for export subsidies from €10 billion in 1988, the EU-CAP continued to subsidy exports with €2.5 billion in 2006. The EU´s agriculture commissioner Mariann

Fischer Boel stated clearly that abolishing them completely depends on whether other countries like the US take similar actions (Cronin, 2007). The Independent newspaper went even a step further; they claim that the CAP reforms are only driven by the "burden on European taxpayers, not the burden on millions of African farmers" (The Independent, 2005). Furthermore, the English newspaper describes the incoherent policies for DC on behalf of the EU. For each dollar spent for developing aid, "another is snatched away by perverse farm subsidies" and western protectionism (The Independent, 2005). The Commission for Africa initiated in 2004 by Tony Blair took "a fresh look at Africa's past and present and the international community's role in its development path" (The World Bank, 2006, p. 85). The results of the report are clear: "the EU remains the largest protector of agriculture in the world" and continues to dump surplus commodities at prices below production cost (The Independent, 2005). Nevertheless, like the Christian Aid NGO analysed, the majority of sub-Saharan African countries are not even able to compete with highly modern agriculture on world markets. The biggest problem is "to compete in local markets with heavily subsidised imports from Europe" (The Independent, 2005).

Thus to promote a genuine developing policy the EU has to reform its CAP with the main focus on the DC and the LDC in order to fulfil its commitment to the MDGs.

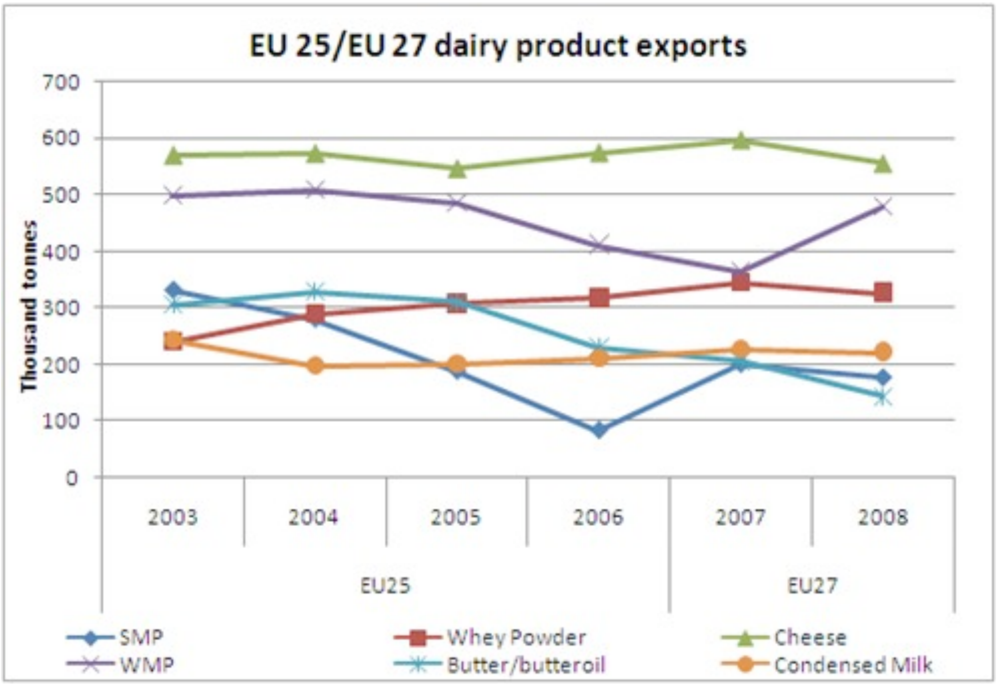
5.3 Dairy industry (milk & milk powder)

The EU dairy industry and the related CAP plays an important role when it comes to world dairy prices, volume and influence on the DC and LDC. The EU-27 exports more than 25 percent "of total world dairy exports" and is the largest producer, even before the US. The EU supported their dairy industry historically through high export subsidies and at the same time protected its farmers with strict import restrictions from competition. Especially before 2007 this resulted in large dairy product surpluses that were mostly exported and as a result it lowered the world dairy prices and pressured other dairy exporting countries. Increased production and market surpluses are the result of the EU subsidies to the dairy industry (Hogan, 2009, p. 95). Already in 1984 the EU introduced milk quotas with the goal to stop overproduction, but it has not stopped the dairy industry to produce surpluses and to export them. Since the quotas were set 10 percent higher than the consumption of milk within the EU, the dairy industry could continue to produce more than the EU market needed and export these surpluses exempted from punishment (Thomsen, 2007). Especially milk powder is almost entirely produced for the export market; 99 percent of the production leaves the EU and it is sold below production cost (CIDSE, 2009). For the small-scale farmers in countries like Burkina Faso and other DC and LDC it becomes almost impossible to compete with dairy products from the EU (CIDSE, 2009). Therefore a coalition of 34 NGOs called in a joint letter from July 2009 to all EU-27 agricultural ministries and the EU Commissioners for agriculture, to stop export subsidies now. The letter claims that the reintroduction of export subsidies did not stop the deterioration of milk prices and their products in the world, but hinders any development of the milk-producing sector in the DC and LDC like Burkina Faso, Uganda and Cameron. In these countries the "cheap imported milk powder" makes it impossible for local farmers to develop or sell their own dairy products. Instead it fosters increasing poverty especially in the poor rural areas where most people depend on livestock and agriculture as it is their livelihood (Brot für die Welt, 2009).

The EU presented in a press release in 2008 that they are not destroying farmers livelihood with their CAP, even so they admit that through "overproduction" and "generous export subsidies" they did so in the past. "But times have changed" and today there "are no export refunds for dairy products" (EUROPA, 2008). The title of this assertion of innocence was "sorting the facts from the fiction". European NGOs concerning trade and Africa cannot confirm these facts and the words of the press release remain a hopeful fiction for them. (Dairy Mail Africa, 2009) Further they state that the in January 2009 increased export subsidy for dairy products as well as the higher quotas for milk production "will lead to increased milk and butter dumping on world markets" (Dairy Mail Africa, 2009). Contrary to how the EU describes its CAP influence on African countries, the over 50 years operating German NGO Miseor for self-help in Africa, pronounces it clearly: "The EU continues to opt for export dumping in developing countries" (Afrol News, 2008). The influence of European "farmers and co-operative lobby Copa-Cogeca" is still dominant and plays a strong rule in EU dairy policy decisions; the latter mentioned lobby group stated: **"**Exceptional situations need exceptional measures". The problem for DC is that the only focus lies on the benefits of the European large-scale milk producing and processing industry. Moreover the lobby group arrogates further export subsidies on dairy products (EurActiv, 2009). At the same time due to negative influence of the CAP, the milk production in Asia and Africa went down by approximately 50 percent (MISEREOR, 2009). Even till today the European dairy products, which are dominant in the majority of African countries, continue to undermine local initiatives to set up dairy plants for their local market and thus "have utterly failed due to EU competition" (Afrol News, 2008).

Graph 5

EU dairy product exports from 2003 – 2008 in thousand tonnes



(DairyCo Datum, 2009)

In graph 7 one can see the development of the dairy products that are exported from the EU into world. The Skimmed Milk Powder (SMP) and the butter/butter oil dropped the most in exports over the last years. Nevertheless, the total amount of milk products that were exported fall only by 15 percent, a clear sign that the EU has not succeeded yet to accomplish their own objective not to harm any local economy with their exports.

5.3.1 A failed and incoherent development policy of the EU in Tanzania

The Dutch Development Co-operation financed the Tanga Dairy Development Programme in Tanzania for more than two decades. The goal was to stimulate a local production of dairy products. The financial support on behalf the Dutch development aid program was about €200,000 per year. Despite this generous help the local farmers did not have the expected success. The reason for the hard time for the Tanzanian farmers was the high availability of the cheap powdered milk products imported from the EU with an even more generous support of €600,000 from the CAP export subsidies.

(EUROSTEP, n.d.)

5.3.2 The struggling dairy industry in Kenya

As Aileen Kwa wrote in an article from "AllAfrica": Kenya's dairy industry has been always one of the biggest in Africa and plays a crucial rule in their agriculture (2007). The liberalisation of Kenya´s dairy sector in 1992 was the beginning of harsh times for the farmers who were working in the milk business. The liberalisation was due to the pressure coming from the developed nations, reached through their long arm, the WTO. The imposed regulations led to massive imports of milk, mostly from the EU. The tariffs dropped to only 25 percent on dairy products in Kenya and led the milk powder imports to explode from "48 tonnes in 1990 to 2,500 tonnes by the end of the decade" (Kwa, 2007). The same dramatic change happened with fresh milk of which imports rose from "400,000 litres to 21 million tonnes" (Kwa, 2007). After massive protest of the hundreds of thousands of farmers pushed into poverty, the government raised the tariffs to 35 and later to 60 percent (Kwa, 2007). This helped the local dairy industry to recover quickly and shares of domestic produced dairy products rose again in 2003 to the levels existent before the WTO intervention. (Kwa, 2007) But the EU is pushing Kenya to sign the EPA and this could start the nightmare for the dairy farmers in Kenya and many other ACP countries again; like in 1992 when they were obliged to open their markets. Even though Kenya demanded the EU during the EPA negotiations to reduce their subsidies to the dairy sector, the EU refused and dismissed the topic as an "internal issue". Thus due to the "hidden export subsidisation" of €2.5 billion for the EU dairy sector, the free market idea in the EPA is a farce and will cause dramatic damage if not reviewed. (Kwa, 2007)

5.4 Cotton industry

The EU is not a big player on the cotton market, but it has nevertheless, a big influence on the world cotton prices and the situation of cotton farmers especially in South-West Africa. EU cotton "EU farmers produce 2.5% of the world's cotton but receive 17%" of total cotton subsidies worldwide (Better by the year, n.d.). Most of the DC and LDC depend on certain cash crops as their "engine for economic development" (European Commission, 2004). From 1970 to 2000 world market prices for the most crucial agricultural products like, cotton, sugar, coffee and cocoa dropped by 30 to 60 percent (European Commission, 2004). This was especially harmful for the non-developed countries that produce most of these commodities for the export market (European Commission, 2004). In 2005 a cotton farmer in Mali earned an average of €300 per ton of cotton, only 3 years later the average revenue subsides to only €204 (Fair Politics, 2009). The reason for the fall of revenues for the cotton-producing farmers lays thousands of kilometers away. It is "largely the subsidies in the US and the EU that are to blame" for the devastating development of world market prices (Fair Politics, 2009). In an analysis about "how cotton subsidies harm Africa" it is revealed that CAP subsidies “account for as much as 38% of the loss of earnings in West and Central Africa” (Gillson, 2005). Mali is not the only country in Africa that depends on the cotton production; it is very important for many countries especially in West Africa. Their hard manual labour makes their production costs lower than the cotton producing by the EU countries; nevertheless from the EU subsidised, cotton farmers can even undercut them with the financial support of the CAP (Gelder, 2006). Greece, Portugal, Bulgaria and Spain are the main cotton producers in the EU and they export as well. Greece is by far the most important player in the EU “with cotton accounting for 9.1 percent of country’s entire agricultural output”, Spain being the second big player with respectively 4.9 percent (Gelder, 2006). Greece has more than tripled its cotton production since its entry in the EU (Gelder, 2006). The EU is trying to restructure its cotton policy to make it more coherent with EU´s developing policy, but there is still a long way to go. The restructuring process has just been extended from four to eight years. The EU continuously “stimulates overproduction” and distorts with its subsidised cotton world market prices since they “can place their cotton on the market for very low prices” (Fair Politcs, 2009). This leads to the unjust situation for the DC and LDC who “do not get a fair chance on the world market”. Yet there is hope for the cotton farmers in Africa, since the EU Coherence Programme takes the cotton producing DC and LDC into account (Fair Politcs, 2009). EU policies will remain a “political compromise at the expense of both European taxpayers and African farmers” (Fair Politics, “Trade Cotton“, 2009).

5.4.1 The Benin cotton industries and its struggle to survive

Benin is after Mali and Burkina Faso the most important cotton exporter in West Africa. Benin’s cotton industry accounts for 90 percent of the entire agricultural export of the country. More than 325,000 small farmer families depend directly from it and many more families who work indirectly for the cotton industry. The constant price collapse of worlds cotton price endangered the development of the main agricultural activity of Benin’s farmers. Cotton farmers in Benin don´t have subsidies that support their work and make their cotton production price competitive with EU´s and US´s cotton farmers who benefit from billions of Euros. The struggle for survival of the cotton farmers in Benin is one reason that more than 480,000 children aged between 6 and 14 have to work. Between 1996 and 2003 only 47 percent of the girls in Benin went to school. Cotton farmer’s don´t have enough money to send their children to school and instead they need them on the fields in order to produce cheap cotton. Every year it is harder for the farmers to earn their living from cotton production and the hands of their own children help them to survive.

The low world cotton price and EU´s cotton production is related. By observing graph 6 one can see the falling world price for cotton and on graph 7 the raising cotton production of the EU who is a cause for this deterioration in cotton prices. (Burmann, 2005)

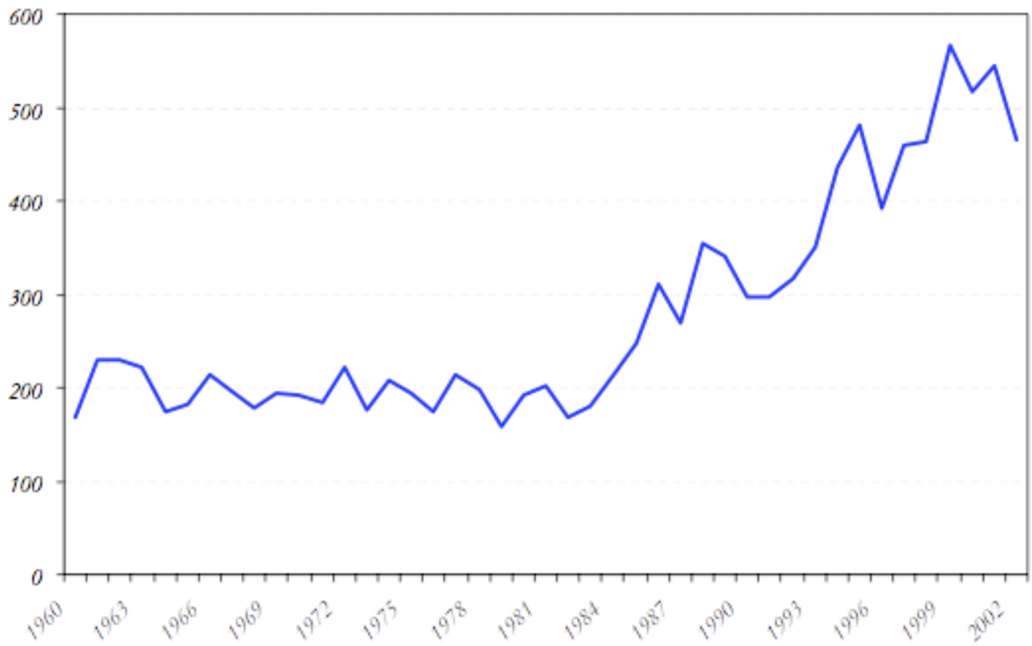
Graph 6

World cotton price in $ cent per pound between 1994 and 2008

(indexMundi, 2009)

Graph 7

EU cotton production in Europe in thousand tons between 1980 and 2002



(Baffes, 2004, p. 43)

5.5 Poultry industry

The price dumping of entire chickens and chicken parts from the EU in West and Central Africa is not new. However, in the last 10 years the export of poultry from rich European countries became even more harmful for DC and LDC. The export of leftover meat from the EU to Africa reaches continually more dramatic dimensions. In 2007 the total dumped flesh was more than 300,000 tons per year (EED, 2008). The farmers in the livestock breeding and other agricultural industries in these countries are put under high stress due to the damaging frozen chicken, which are dumped at prices below production costs on their markets. The reduction of poverty due to successful rural development in the last years had been deeply interrupted due to the massive imports of EU meat. (Acdic, 2008) The European consumers changed their meat diet drastically; as recently as 15 years ago the Europeans still bought 80 percent of their chicken as a whole, this figure is now below 20 percent. Today Europeans buy only the low fat and clean looking parts of the chicken. Since the Europeans pay higher prices for the exquisite parts, like the chicken breast, the rest of the chicken, mostly the back, legs and others parts, can be sold for less than €50 cent per kilo (EED, 2008). This low price is only possible due to the fact that the leftovers of the poultry industry are only competing with the disposal fees for what the Europeans don’t like to eat. Thus the European poultry industry and the change of behaviour in cooking and esthetics by EU consumers are actively responsible for the “most severe economic crisis in [Africa´s] history” (Acdic, 2008). In 1950 the majority of British people consumed less than one kilo of chicken per year, today this number is on an all time high of an average of 23 kilos per year (CIWF, n.d.). In total over 5 billion chicken are killed in Europe per year (FAO, 2007), and most of their flesh is not even eaten. About 60 percent of the poultry consumed by the Europeans “consists of chicken breast”, which only account for one fifth of the chicken, consequently hundreds of thousands of tons of chicken meat become “a so-called by-product” which can be sold for practically nothing (Germanwatch, 2008). Also the long practised processing of the “rest of the rest” of chicken meat to cat and dog food is becoming increasingly difficult since Europeans claim also more high quality meat for their pets. Today Europeans pet owners demand beef and pork instead of the cheap leftovers of the poultry industry. (Germanwatch, 2008) The fallout is that Europe’s chicken remnants are overflowing West-African markets and putting local poultry industry “on the brink of destruction” (Acdic, 2008). The contrary is the case of the worlds biggest poultry industry, Europeans companies save money by exporting the “rest” of the chicken since they “save the costs for the disposal of waste, earn some additional money and conquer new markets” (Germanwatch, 2007). Most of the ever increasing imports of poultry are violating “fair trade principles and distort competition” (Acdic, 2008). Furthermore, the EU, the WTO and the International Monetary Fund (IMF) pressure the DC and LDC to keep their countries open with low or no tariffs that could protect their local economy.

They use harassment in the form of cuts in developing aid and debt relief to keep their agenda of a free world market where only the strongest and biggest survive.

5.5.1 The demise of Ghana's poultry industry

According to a study of the FAO in 1990 Ghana's consumption of chicken was entirely "covered by domestic production" (Germanwatch, 2008). In 1992 the government of Ghana ducked under the pressure of the IMF to reduce their tariffs on poultry meat to 20 percent. Thus the most important tool of the Ghanaian authorities, the tariff, was almost completely abolished. On top of that they had to remove "state support for agricultural inputs", i.e. the loss of protection and assistance for the Right to Food. (Germanwatch, 2007). The "import floods" of chicken started at the end of the last century (Germanwatch, 2008). In 1997 the Ghanaian farmers still produced about 85 percent of their chicken consumption (Mari & Buntzel, 2007). A FAO study recorded that in 1998 already 4,800 tons "of chicken meat were imported"; nevertheless, in 2003 this number had risen more than eight-fold to 39,200 (Germanwatch, 2008). As a reaction to this dangerous situation for Ghana, the tariff on poultry was increased to 40 percent. Only four days after the introduction of the new tariff in 2003, Ghana was acquiescent to the IMF and lowered the tariff again to 20 percent. Yet the introduced tariff was according to WTO rules. (Germanwatch, 2007)

The result was shocking, only 3 years later the domestic production of chicken from the total consumption of poultry in Ghana dropped dramatically to 5 percent (Mari & Buntzel, 2007). The dumped chicken exports from mainly European countries to Ghana reached 170,000 tons. Not only Ghana's poultry industry is affected, all other related businesses like slaughterhouses, corn producers and also the hen laying industry. In Africa "poultry farming is only lucrative if both eggs and meat chickens can be sold". It's a dilemma for the hen laying farmers who have to replace their hens after a certain time with new ones. Since this costs money and they cannot sell them on the market their egg production sinks and this will reduce their revenues. Finally it is their ruin, a vicious cycle. Also in other West African countries the danger of losing their livelihood is arising: "now exports additionally reach new markets (Liberia, Sierra Leone, Guinea, the DR Congo and Angola)" (Germanwatch, 2008). In Senegal the results are already devastating, "70 percent of local production of poultry was wiped out" (Shafaeddin, 2008). In Ghana the poultry industry does almost not exist anymore (Germanwatch, 2007).

5.6 Key recommendations

To solve the negative influence of EU-CAP the following steps need to be taken: More awareness from the European public for problems that arise elsewhere from EU´s internal and external policies (Halderman & Nelson, p. 10). The EU needs to be coherent in their policies and further international political commitments like the MDGs and FAO Guidelines on the Right to Food need to be "legally binding" (Mari F. J., 2008). The industrialized countries have to find genuine and sustainable solutions to tackle climate change and not let their need of biofuels compete with the food production in agriculturally dependant countries. The EU´s whole relation and developing policy towards Africa needs to be changed, it has to be understood that social imbalances and injustice anywhere in the world lead to terrorism, war, refugee flows and ultimately to the destruction of the earth, the base of life of all earthlings. (von Harbou & Dr. Schneider, 2008) Agriculture is still the main source of income for most people in the world and the subsistence of their work needs to be protected and ensured throughout the world. The honorary president of the World Federation of United Nations Associations, Hilkka Pietila, suggests, "that agriculture be removed from the ambit of the WTO because, as people have a right to food, food is not a commodity" (Westhuizen, 2007). Mrs. Pietila proposed that FAO and the World Food Programme "have to be welded into one organisation that should also take responsibility for trade in food products" (Westhuizen, 2007). Further she states that: "We are wasting food in the North. We are eating too much, burning grain as fuel, and growing grain to feed pigs to slaughter for ham." (Westhuizen, 2007).

Conclusion

It is important to notice that EU agricultural exports of subsidised food products and unfair trade relation with DC threaten the livelihood of the people in the poor countries since the majority of the population in DC and LDC depend on agriculture. With the knowledge, established in the course of this dissertation, this connection should make sense. Looking back on the research question: "Is EU agricultural and trade policy hampering their commitment towards the MDGs?" it can be concluded that with an incoherent EU development policy regarding agriculture and trade, the achievement of the MDGs is thwarted. The aim of the EU and the global community to accomplish the MDGs can only be reached by drastic policy changes on the CAP and a shift of Europe's whole approach towards DC. In order to let the billions of euros of ODA achieve their desired effect the shift towards a fair, sustainable and self-sufficient agricultural and trade policy needs to be established in Europe and throughout the world. The EU already set the general conditions in several of its policies in which food sovereignty, autonomy and self-reliance for the DC are fostered. Besides having written down all necessary steps that are needed for a fair and genuine development policy, the EU is already "biggest provider of development aid in the world" (Europa, 2009). Nevertheless, the effort and commitment of the EU are yet not enough and need to become integer. The magic word is coherence within all EU policies, since the theoretical framework for a fair agricultural and trade scheme are already implemented. The problem is that stakeholders of the CAP are mainly big international corporations, which have a strong influence on the EU in comparison of DC and their starving population. Starving and struggling people do not have a voice and therefore they remain mostly unheard. Each year millions of their voices disappear forever, after an often cruel and afflicting lifetime. The European public and therefore the payer of EU-CAP billions are not completely aware of the direct relation between the subsidies and the suffering and injustice they produce on the other half of the sphere. More awareness for DC and their problems that are negatively influenced by EU policies is needed. Sustainable organic farming, more local and seasonable food consumption will benefit both European and African farmers and consumers and at the same time tackle climate change. The importance of necessary reforms and a different approach especially to Africa needs to be established in the European public. Therefore consciousness for a holistic world in which every human being plays an equal important role will help to solve starvation and stimulate development in Africa. Complying with the MDGs is a good first step in the right direction.

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Appendix

Appendix A

All African, Caribbean and Pacific Group of States countries in 2009

Angola - Antigua and Barbuda - Belize - Cape Verde - Comoros - Bahamas - Barbados - Benin - Botswana - Burkina Faso - Burundi - Cameroon - Central African Republic - Chad - Congo (Brazzaville) - Congo (Kinshasa) - Cook Islands - Cte d'Ivoire - Cuba - Djibouti - Dominica - Dominican Republic - Eritrea - Ethiopia - Fiji - Gabon - Gambia - Ghana - Grenada - Republic of Guinea - Guinea-Bissau - Equatorial Guinea - Guyana - Haiti - Jamaica - Kenya - Kiribati - Lesotho - Liberia - Madagascar - Malawi - Mali - Marshall Islands - Mauritania - Mauritius - Micronesia - Mozambique - Namibia - Nauru - Niger - Nigeria - Niue - Palau - Papua New Guinea - Rwanda - St. Kitts and Nevis - St. Lucia - St. Vincent and the Grenadines - Solomon Islands - Samoa - Sao Tome and Principe - Senegal - Seychelles - Sierra Leone - Somalia - South Africa - Sudan - Suriname - Swaziland - Tanzania - Timor Leste - Togo - Tonga - Trinidad and Tobago - Tuvalu - Uganda - Vanuatu - Zambia – Zimbabwe

Appendix B

All Least Developed Countries in the World 2009

Africa

Angola, Benin, Burkina-Faso, Burundi, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Lesotho, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, Somalia, Togo, Uganda, United Republic of Tanzania and Zambia

Arab States

Mauritania, Sudan and Yemen

Asia and the Pacific

Afghanistan, Bangladesh, Bhutan, Cambodia, Kiribati, Lao People's Democratic Republic, Maldives, Myanmar, Nepal, Samoa, Solomon Islands, Tuvalu and Vanuatu

Latin America and the Caribbean

Haiti