1. INTRODUCTION

Ghana is a developing country in West Africa with a population of about 19.2 million, a growth rate of 2.4 per annum and a nominal Gross Domestic Product (GDP) of about five billion US dollars. Agriculture is the mainstay of the economy, accounting for about 40% of the GDP, over 54% of the working population and over 35% of export earnings. International trade relations are important for Ghana given the dependence on imports for much needed manufactured goods and earnings from the export of primary commodities. Ghana ranks 129th on the UNDP Human Development Index, and somewhat higher on the Gender Related Development Index, at number 104.

The challenge of reducing and eventually eradicating poverty in Ghana is colossal given the 39.5 percent living below its poverty line. The Ghana Living Standards

141 Kingsley Ofei-Nkansah is the Deputy General Secretary of the General Agricultural Workers Union of Ghana.


143 Ibid.

Survey, which is the source of this data, also reveals the fact that a greater number of the poor – up to about 70 percent – are women.

The incidence of poverty is highest among food crop farmers (59.4%), as compared to other socio-economic groups like export crop farmers (30.7%), non-farm self employed (28%), private formal employees (25.2%), public sector employees (22.7%) and others. Key causes and characteristics of poverty in Ghana identified include unemployment, limited access to social services, low health profile and malnutrition.145

New ACP-EU trade arrangements, as an integral part of the ACP-EU Partnership that has poverty eradication as an overall objective, will in practise have to effectively contribute the reduction of Ghana’s problems of poverty described above.

This chapter seeks to examine the likely impact of the new trade arrangements (Economic Partnership Agreements - EPAs), as proposed by the EC, on poverty eradication and sustainable development in Ghana, with a focus on the Poultry industry. In its first part it aims to provide a description of Ghana’s trade flows and the level of integration achieved in West Africa, the region through which Ghana is supposed to partner the EU in the new trade arrangements. It then endeavours to identify a number of obstacles that have hindered Ghana in using current ACP-EU trade arrangements as a tool for sustainable development and poverty reduction. Subsequently it tries to forecast the likely implications of EPAs (with a focus on the poultry industry) on poverty eradication and sustainable development, if based on liberalised trade146, on poverty eradication and sustainable development. Finally on the basis of all the above it attempts to set benchmarks for new ACP-EU trade arrangements that effectively contribute to poverty eradication.

The study makes extensive use of secondary material from official circles in the European Commission and Ghana, as well as a wealth of material from civil society organisations. The study also draws input from questionnaires administered to some thirty commercial poultry farmers and policy makers, as well as Ghanaian researchers working on ACP-EU trade relations.

2. GHANA’S EXTERNAL TRADE FLOWS

Ghana’s trade has been dominated by traditional exports like cocoa, minerals and timber products. Other exports have been dominated by non-traditional export (NTEs) products composed of agricultural products, processed and semi-processed products and handicrafts in recent years. An examination of the composition of exports, as shown in Table 1 - Merchandise Export Earnings by Sector, 1998 – 2002 points to the fact that Ghana – like many ACP countries – depends largely on a limited range of

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146 The EU has proposed that new ACP-EU trade arrangement to be agreed by the end of 2007 should be based on free trade areas between sub-regions of the ACP and the EU. As all ACP countries already enjoy over 90% access to the EU market, establishing these new arrangements basically involves ACP countries establishing sub-regional free trade areas, which will then open their markets to the EU.
primary products with low demand growth and stagnant prices. Consequently increased export volumes have been matched by low export earnings.

Table 1: Merchandise Export Earnings by Sector, 1998 – 2002 (US$ Million)

<table>
<thead>
<tr>
<th>Sector</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Exports (US $m) of which</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Cocoa Total</td>
<td>620.4</td>
<td>552.3</td>
<td>437.1</td>
<td>381.1</td>
<td>483.4</td>
</tr>
<tr>
<td>% Contribution</td>
<td>29.7</td>
<td>26.0</td>
<td>22.6</td>
<td>20.4</td>
<td>22.5</td>
</tr>
<tr>
<td>2. Minerals Total</td>
<td>717.9</td>
<td>749.1</td>
<td>755.9</td>
<td>691.4</td>
<td>756.5</td>
</tr>
<tr>
<td>% Contribution</td>
<td>34.3</td>
<td>37.4</td>
<td>39.0</td>
<td>37.0</td>
<td>36.6</td>
</tr>
<tr>
<td>3. Timber Total</td>
<td>171</td>
<td>174.0</td>
<td>175.2</td>
<td>169.3</td>
<td>182.7</td>
</tr>
<tr>
<td>% Contribution</td>
<td>8.2</td>
<td>8.7</td>
<td>9.0</td>
<td>9.1</td>
<td>8.8</td>
</tr>
<tr>
<td>4. Other Exports</td>
<td>581.5</td>
<td>530.1</td>
<td>568.1</td>
<td>625.3</td>
<td>661.2</td>
</tr>
<tr>
<td>% Contribution</td>
<td>27.8</td>
<td>27.9</td>
<td>29.4</td>
<td>33.5</td>
<td>32.1</td>
</tr>
</tbody>
</table>


Non-traditional exports (NTE) continue to show some potential for broadening the range of Ghana’s exportables, according to the latest data provided by ISSER and as shown in Table 1b below - Summary of Non-Traditional Exports Merchandise Export Earnings, 1998 – 2002.

It is significant that in 2002 NTEs yielded US$504.3 million, an increase of 9.7% in earnings over the previous year. There was however a reduction in the number of products exported under the NTE category and this occurred mainly in the processed and semi-processed category, thus reinforcing the continued dependence on primary commodities. Horticultural products dominated the agricultural non-traditional export category, accounting for 39.2% of earnings in 2002, with the contribution of pineapples to total earnings of horticultural products increasing from 16.2% in 2001 to 18.1 % in 2002. This increase in earnings is largely due to a 31.9% increase in export volume rather than an appreciation of value, thus reinforcing the often-made observation that increased export volumes are often matched by low earnings.

Coming second in the list of agricultural non-traditional exports is fish and seafood products, which earned US$12.2 million in 2002, a rise of 18.4% over the previous year. Significant, once again, is the vast increase in volume exported, from 16,881 tonnes in 2001 to 17,810 tonnes in 2002.

The EU is by far the single most important trading partner of Ghana, accounting for 50 % of Ghana’s exports and for about 32 % of imports into Ghana in 2001. In 2002 Ghana had a positive trade balance with the EU worth €106 million. The breakdown of Ghana’s exports to the EU in 2002 was as following: cocoa 37%, pearls; precious stones, metals 16%; aluminium 14%; wood 12%; other products

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148 Trade Issues, [http://europa.eu.int/comm/trade/issues/bilateral/regions/acp/stats.htm](http://europa.eu.int/comm/trade/issues/bilateral/regions/acp/stats.htm)
15%. In the same year the imports breakdown was: machinery 29%; chemicals 12%; vehicles 12%; and other products 47%.

Table 1b: Summary of Non-Traditional Exports Merchandise Export Earnings, 1998 – 2002

<table>
<thead>
<tr>
<th>Item</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number of products</td>
<td>253</td>
<td>263</td>
<td>272</td>
<td>260</td>
<td>257</td>
</tr>
<tr>
<td>Value (US$m)</td>
<td>401.7</td>
<td>404.4</td>
<td>400.7</td>
<td>459.6</td>
<td>504.3</td>
</tr>
<tr>
<td>Of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Agricultural Products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Products</td>
<td>72</td>
<td>74</td>
<td>77</td>
<td>75</td>
<td>78</td>
</tr>
<tr>
<td>Value</td>
<td>77.8</td>
<td>84.5</td>
<td>74.5</td>
<td>82.0</td>
<td>85.7</td>
</tr>
<tr>
<td>% Contribution</td>
<td>19.4</td>
<td>20.9</td>
<td>18.6</td>
<td>17.8</td>
<td>17.0</td>
</tr>
<tr>
<td>2. Processed and Semi Processed Products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Products</td>
<td>170</td>
<td>178</td>
<td>184</td>
<td>174</td>
<td>168</td>
</tr>
<tr>
<td>Value (US$m)</td>
<td>317.5</td>
<td>313.3</td>
<td>321.1</td>
<td>362.7</td>
<td>407.2</td>
</tr>
<tr>
<td>% Contribution</td>
<td>79</td>
<td>77.5</td>
<td>80.2</td>
<td>78.9</td>
<td>80.7</td>
</tr>
<tr>
<td>3. Handicrafts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Exporters</td>
<td>11</td>
<td>10</td>
<td>11</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Number of Exporters</td>
<td>6,387</td>
<td>6,656</td>
<td>5.0</td>
<td>14.9</td>
<td>11.3</td>
</tr>
<tr>
<td>Value (US$m)</td>
<td>1.59</td>
<td>1.60</td>
<td>1.2</td>
<td>3.2</td>
<td>2.2</td>
</tr>
</tbody>
</table>


That Ghana’s trade with Economic Community of West African States (ECOWAS) countries ranks second after the EU even though ECOWAS accounts for only some 12.5% and 11.5% of exports and imports respectively underscores the importance of the sub-regional market for the purpose of diversifying foreign market destinations and sources. It also points to the potential for expanded trade that could be realised through regional integration. Indeed, there has been growth in imports originating in the ECOWAS region since 2000. With Nigeria, Ivory Coast and Togo as the main sources of Ghana’s imports from the Sub-Region the share of total imports moved from 23.8% in 2000 to 29.3 in 2001, with continued growth performance being recorded into 2002. Exports to destinations within the sub-region have been on the low side, excepting Nigeria, which has been rising consistently since 1999. The potential for increased sub-regional trade may lie in the pursuit of ECOWAS protocols and the creation of a Free Trade Area within the Sub-Region. The challenge however is to harmonise economic policies in a manner that is compatible with sustainable development in the individual West African countries, through an organisation that has been slow in realising any level of synchronization of policies in its almost 30 year history.


150 Ibid.
3. REGIONAL INTEGRATION

ECOWAS together with Mauritania has agreed to negotiate an EPA with the EU. Ghana is one of five Anglophone member States (Ghana, Nigeria, Gambia, Liberia, Sierra Leone) of the 15-country ECOWAS. The other countries are the eight Francophone countries (Senegal, Burkina Faso, Togo, Ivory Coast, Benin, Mali, Niger, Guinea) and two Lusophone countries (Guinea Bissau and Cape Verde).

The ECOWAS treaty of 1975 and the subsequent revised treaty of 1992 have sought to promote regional integration to further trade and development within the sub-region, among the 15 member countries. In particular the ECOWAS Trade Liberalisation Scheme (ETLS) of 1999 has sought to promote the removal of tariff and non-tariff barriers to trade within the Region.

Dr Robert Osei, a Research Fellow of the Institute of Economic Affairs in Accra, has expressed the view that the main advantage of the new trade arrangement that an EPA should establish is that it could help to boost intra-regional trade. As indicated above, Ghana’s trade with sub-regional neighbours has potential. The essence of promoting regional integration is by and large to harness this potential for increased intra-regional trade. This has however been slow in being realised.

Integration efforts are extremely constrained by the different levels of economic development among countries in the region, the large number of Least Developed Countries (LDCs) (12 out of 15), the internal conflicts and unrests and the varying legacies of the different colonial heritage. Historically, the colonial heritage and their effects on trade and other relations have meant a huge flow of trading activities between the Francophone countries and France on the one hand and the Anglophone counties and Britain on the other. The advanced stage of development of a customs and monetary union of the predominantly Francophone countries within ECOWAS, through the framework of the West African Economic Monetary Union (WAEMU), has tended to impede negotiations and implementation of an ECOWAS–wide customs union.

What is more, West African States also have to develop common policies that accommodate the regional giant – Nigeria. Nigeria with a population of over 150 million is by far the biggest market and economy in West Africa. Nigeria alone accounts for 18% of all ACP-EU trade and the fact that West Africa is the top ranking ACP sub region in terms of trade with the EU (41%) is mainly due to the sheer volume of EU-Nigeria imports and exports. Unlike most other West African states Nigerian exports are dominated by oil.

Many West African civil society actors are of the view that ECOWAS is far from realising the level of economic and financial integration and institutional development that the WAEMU community has already realised. On the other hand it is clear from all indications that EU-WAEMU negotiations of EPA would certainly undermine the decades-old regional integration efforts through an ECOWAS that has demonstrated strength in political interventions, with particular reference to peacekeeping.

Nevertheless in the face of these concerns, EPA negotiations between the EU and ECOWAS plus Mauritania were launched on October 6 2003, with ECOWAS setting
itself the schedule of establishing a free trade area at the end of 2005 and a customs union by 2007.

Many observers of integration in the region question the feasibility of these pursuits in that timeframe, given the fact that there has been little progress on economic integration efforts since the organisation was set up as far back as 1975. Furthermore that ECOWAS has to extend integration to Mauritania solely for the purpose of negotiating an EPA, raises the fundamental question as to whether regional integration driven by external forces will meet the needs and requirements of the region to address poverty. ECOWAS officials are however not oblivious of the immense challenges entailed in fast-tracking the regional integration process to make it a relevant instrument for poverty reduction and sustainable development.

4. EXPORT BARRIERS EU POLICIES

It is noteworthy that even under the current non-reciprocal market access provided for ACP products through current ACP-EU trade arrangements, Ghana, like other ACP countries, face a number of barriers in exporting to the EU. Without a doubt, the Common Agricultural Policy (CAP) of the EU also exacts an enormous toll on producers in Ghana and the ACP, the so-called reforms notwithstanding. Furthermore various sanitary and phytosanitary standards and technical restrictions on a number of agricultural and value-added food products, ad valorem tariffs, special duties, quota and seasonal restrictions have further limited access of Ghanaian products to the EU market.\(^{151}\) If EPAs are to tackle poverty they will have to address these limitations. A few examples of such limitations and their consequences on poverty are detailed below.

**Sanitary and Phytosanitary Standards\(^ {152}\)**

Horticultural products like pineapples account for as much as 39.2% of the value of NTEs. There seems to be great potential for exports in these products considering that fruit and vegetables are amongst the ACP products that have experienced the biggest growth in exports to the EU as a result of trade preferences. Increased production of NTEs occupies an important place in Ghana’s Poverty Reduction Strategy.\(^ {153}\) But tough EU rules on food safety and other regulatory measures have constituted barriers to further expansion to some of the NTEs in Ghana. This is more so because SPS of the EU have become even more stringent since the Uruguay Round of WTO negotiations. David Yawson,\(^ {154}\) a Business Development Specialist, laments about the strain that Ghanaian exporters have had to go through to meet minimum standards with regard to the Maximum Residue Levels (MRLs) of agrochemicals in fresh fruits going to the European Markets. According to the Government, the EU rejects all products using pesticides that are not registered in the EU, or of which it does not have relevant data.

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\(^{152}\) Standards to protect health, of humans, plants, and animals.

\(^{153}\) Ghana Ministry of Finance, “Ghana Poverty Reduction Strategy”,

http://www.finance.gov.gh

\(^{154}\) David Yawson is the Business Development Specialist of the Federation of Ghanaian Exporters (FAGE).
Fish smokers from Lake Volta region have also complained about the ever evolving and unpredictable nature of SPS standards. In 2001 women fish smokers began building new smoking facilities so that their products would comply with EU hygiene and quality rules and allow for export. But even before the facilities were finished the EU changed its standards making it more difficult for the women fish smokers to meet the standards, and the project had to be abandoned resulting in an income decline for the fish smoking community.

EU requirements for the size and shape of bananas have also hit banana exporters from the Volta River Estate. The industry has argued that is has no problems meeting the health requirements but struggles to meet EU requirements relating to size. Manager Alex Yeboah Afari explains:

“to make your bananas grow big in size and in length all that you have to do is to dump a lot of chemical fertiliser and in the next couple of months you have your big sizes and then your length. But we talk about fair trade, as a fair trade company, we believe that we have to grow our bananas in a more sustainable way.”

EU Chocolate Directive

The European Union so-called chocolate directive adopted in 2000 allowing EU chocolate producers to replace cocoa butter with cheaper vegetable fats in chocolates constitutes another technical barrier to the export of cocoa in so far as this means considerable decrease in demand and hence loss of export revenues. This is particularly significant given the fact that some 11 million people in West Africa derive their livelihood from the cocoa industry, mostly in countries like Ivory Coast, Ghana, Nigeria and Togo. Analysts have calculated that major cocoa producing countries could lose 20% of their revenue on cocoa through this regulation. For Ghana this is extremely significant as cocoa accounted for over 37% of its exports to the EU in 2002. The loss of this revenue deprives cocoa farmers of valuable incomes and cuts government revenue that could have been invested in social sectors.

Rules of Origin

Canned tuna has accounted for over 20% of the value of NTEs in recent years. According to the Ministry of Food and Agriculture tuna exports more than doubled from 23 160 tonnes in 1995 to 52 454 tonnes in 1999. France and UK account for 74% of these exports. Ghana’s tuna industry is particularly competitive in EU markets because of the trade preferences it receives. However, recently Ghana has encountered problems with the EU’s application of the Rules of Origin on its canned tuna exports. The EU has accused Ghana of violating an aspect of the Rules of Origin relating to the requirement that 50% of fishing vessels used for tuna production should be owned by an EU or ACP country. As a result EU market access for

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158 A rule stipulating that goods for export originate from a particular country and comply with certain conditions concerning their manufacture.
Ghanaian tuna has been restricted. While the issue is being contested by the Ghanaian government, it is unclear which party is in the right on the issue. However, what is clear is that Ghana has problems in applying the stringent Rules to the satisfaction of the EU. These Rules may thus be inconsistent with the object of attracting investments that are seen as critical for employment creation and poverty reduction. Apart from the implications for government revenue there are implications for employment as the tuna industry employs 1700 persons directly and a lot more indirectly. The ACP has called for asymmetry in the Rules that allow different rules to be applied to ACP and the EU on the basis of their different levels of development.

**EU Banana Regime**

Other than the standards requirement mentioned above, Ghana has suffered other considerable difficulties exporting bananas to the EU market following the institution of the EU common banana-importing regime in 1993. Ghana’s access to European banana market was limited by dint of its categorisation as a non-traditional ACP banana producer. In the period after 2000 following various reviews of the EU banana regime Ghana still faces market access constraints through a limited quota. The General Agricultural Workers Union of the TUC has consistently followed the fate of Ghana’s banana in Europe because the banana plantation in question provides very stable employment as well as a much higher workforce per hectare than any other plantation in Ghana. It is a critical means of livelihood in an otherwise very poor area.

**5. IMPACTS OF LIBERALISED TRADE WITH THE EU ON POULTRY SECTOR**

A study of the poultry sub-sector allows an insight into the likely effects of free trade arrangements on a promising domestic productive activity with immense possibilities for increased direct and indirect employment, internally integrated economic linkages and enhanced sources of livelihood. The pressing need to address malnutrition and the protein deficiency in Ghana from the standpoint of national food security, fundamental right to food and poverty reduction also make the poultry industry a relevant focus of study. Poultry has possibilities for intra-regional trade, and therefore allows a brief interrogation of how national interest in poultry could be reconciled with sub-regional interests given its exportable potential to net-food/maize importing and sometimes land-locked countries of the sub-region.

**A Viable and Promising Poultry Industry**

The history of Ghana’s poultry industry shows how it grew from scratch in the late fifties, reaching its prime in the late 1980s and began to plummet in the 1990s. Government intervention in the 1960s targeting disease control in particular saw the poultry industry grow from one million birds in the late sixties to ten million by the late seventies. The rapid growth of poultry stocks on many occasions outstripped the local raw material and feed supply thus necessitating the next major Government intervention in the form of support for the production of local feed/raw material such

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59 Agro-Ind 2002, “Ghana”,
as maize, fish meal and soybean meal, as well as the importation of feed mill ingredients to meet supply gaps. What is more, the drive for more feed and the development of know-how led to the utilisation of otherwise waste by-products from agricultural processing activities, such as vegetable oil meal, fish meal, oyster shells, rice bran, wheat bran, etc. In addition to these supportive interventions targeting poultry in particular the industry also benefited from the Government’s active support in mobilising credit towards agriculture at interest rates below the commercial.

The poultry industry had started maturing into full bloom when the effects of liberalisation under Structural Adjustment Programmes started denting the industry in the early 1990s. With the removal of government support for drug costs, the discontinuation of government importation and subvention for stopgap feed mill ingredients and the lowering of the preferential credit rates for agriculture many poultry operations began to curve in as production costs rose dramatically resulting in the closure of many operations.

**EU Dumping of Poultry in Ghana**

These heightening costs coincided with the liberalised import regime that led to the influx of “cheap” frozen poultry primarily from the EU and the US - mainly chicken legs, necks, wings and other such parts that have no market in Europe anyway. According to Christian Aid\(^\text{160}\) in 2001 over 11,000 tonnes of chicken were imported into Ghana with over two-thirds of this coming from Europe. In 2002 the level of imports more than doubled to 23,100 tonnes\(^\text{161}\). There are approximately 400,000 chicken farmers in Ghana and the result of these imports is that only those operations with considerable improving production efficiencies have continued to operate. Beyond the CAP subsidies, that give the EU an unfair competitive advantage, EU poultry farmers have benefited from a reform of the cereal sector, which has substantially reduced the cost of animal feed. Even in the face of this influx, Ghana’s industry has over the second half of the nineties accounted for as much as 50% of the total supply, even when import duty on imported poultry products have remained as low as 20%.

One of the effects of the unfair competition from highly subsidised poultry imports is the apparent wasteful under-utilisation of poultry facilities in the country; utilisation of hatcheries stands at 25%, feed mills at 42 and processing plants at 25 percent.\(^\text{162}\) The yawning capacity under-utilisation confirming the unprecedented growth rates of between 10 to 20% per annum in the 20 years from 1960 - 1980, with its attendant installation of modern production facilities reinforces the potentialities of the poultry industry given the right protective and supportive policy environment.

What is more, according to the Watt Poultry 1999 Statistical Year book Ghana is one of the lowest poultry consuming countries in the world, with a per capita consumption of 1.6kgs of chicken meat as against the 5.6kgs for Africa. Nor does it rank high with animal protein as whole. For a country whose per capita livestock consumption is

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\(^{160}\) Christian Aid, “Ghana and the IMF: The Farmer’s Story”  

\(^{161}\) The Post IE, “Cancun Carries Dreams of the Developing World”  

\(^{162}\) Mr Adjei Henaku (2002), Situational analysis of the poultry industry.
only 6.7% of the average for Africa and 2% of the FAO recommended levels it is not surprising that as many as 40 percent of the population are malnourished.

Increasing poultry product intake is globally the immediate choice for meeting shortfalls in animal protein, a characteristic of poverty in Ghana, because of its short production cycle of some five weeks and its suitability for intensive production. The immediate question that arises is whether to depend on the highly subsidised and therefore cheaper imported frozen chicken parts from the EU and sometimes from the US or concentrate on promoting local production of poultry products?

The wide gap between installed capacity and utilised capacity, between actual and FAO recommended consumption levels led to a number of studies that bring out the far reaching multiplier effects of increasing the production of poultry, more so through a broiler revitalisation programme –*poultry production for chicken meat* –as against increased production of layers –*production for eggs* -alone. This is consistent with the DFID study which makes clear arguments that the poultry sub-sector (like rice, livestock and fisheries) could realise their potential to become competitive in a 5-10 year time scale given the appropriate trade policies and complementary supportive measures.163

The projections bring out the immense benefits of local production. Assuming a higher consumption level of 2.34kgs chicken meat per person per year in five years time when national population is estimated to be 24,536,092, the broiler demand would be 57,477,268 kilograms. A broiler revitalisation programme would result in local broiler demand of 43,812,793 Kgs which would be 76.23% of total demand. Such a modest increase in consumption (still less than half of Africa’s average) would, together with other price support and tariff barriers that are consistent with WTO obligations, certainly result in a number of expanded broiler production and various multiplier effects. It would result in:

- Higher level of feed milling activity;
- Increased demand for feed ingredients;
- Increased field crop demand;
- Expanded hatchery activity for the production of day old chicks;
- Savings on scarce foreign exchange.

For the same five year time scale it is estimated that total day old chick market value would be US$31,947,690, (€25,124,008) a more than modest contribution to GDP, not to mention the implications for employment and incomes – especially in the rural sector where poverty incidence is most severe- as well as the utilisation of otherwise wasting under-utilised capital of hatcheries. The corresponding broiler feed requirement for the same time line is 195,802 tonnes, - *with a market value of US$56,781,380 (€45,850,664)-* made up of 117,481 tonnes of maize, 58,741 tonnes of vegetable proteins, 29,370 tonnes of wheat bran and 11,748 tonnes of fish meal. Significant in the feed mill-cropped field relationship is that every 20,000 tons of feed provides a market for 13,000 maize farmers.164


164 Source: Ghana National Association of Poultry Farmers (GNAFP).
With women accounting for about 70% of food producers in the country, their fortunes could be directly boosted by increases in poultry production, as one of the most widely grown food -maize- is also the single most important ingredient of poultry feed. At 1996 stock levels, the poultry industry’s consumption of 25% of the nation’s maize effectively created employment directly for 85,000 maize farmers. Taking into consideration the average dependency rate of three for the maize farmer the poultry sub-sector generated income for 250,000 people, many of who are rural women and often times household heads.

The import substitution\textsuperscript{165} value of a revitalised broiler programme would for the five year time line amount to anything between US$28,478,315 (€22,996,088.93) and US$43,812,793 (€35,378,598.91) assuming a per kilo value of chicken meat to be anything between US$0.65 (€0.48) and US$1.00 (€0.8). For a country whose dearth of foreign currency is one of the major explanations for Balance of Payment difficulties and exchange rate instability the import substitution value of domestic poultry is crucial for a macro-economic environment that is supportive of sustainable development.

For the Ghana National Association of Poultry Farmers, an organisation sharing the same trade advocacy platform with the General Agricultural Workers Union of the Trades Union Congress, any package of policy responses to make the poultry industry realise its competitive advantage should include measures to neutralise the effects of producer and export subsidies on poultry products imported into the country. This certainly calls for appropriate levels of tariffs that should also add to Government revenue. It is estimated that a tariff level of 20-80 percent would generate incomes of US$2,457,600 - 9,830,400 (€1,984,499 - 7,937,996) on the basis of the anticipated imports of chicken to supplement the local production based on the projections of the five year time line. Such revenue should enable the Government to provide to the poultry producers requisite guarantee price support and institute that over a specified period special long-term low interest finance, shielded from exchange rate risks, that should enable them to expand and realise economies of scale and look beyond the national market in furtherance of regional economic integration. This approach is supported by Ghana’s Poverty Reduction Strategy, which states that, “The current heavy reliance on imported frozen meat, dairy products and live cattle and sheep is a reflection of the lack of concerted efforts aimed at increasing productivity in the livestock sub-sector”. The Strategy goes on to call for the “implementation of a tariff and tax structure that expedites trade, minimizes tax avoidance and penalizes “dumping”\textsuperscript{166}.”

The immense potential that emerges from these accounts is based on the conscious and programmatic revitalisation of broiler production alone. Anticipated increased layer production in the same period gives a broader purview of the viability of the industry.

\textsuperscript{165} A strategy for economic development based on replacing imports with domestic production.

Impact of Liberalised Trade between EU and Ghana on the Poultry Industry

From the foregoing it is quite clear that reciprocal free trade with the EU which results in prying open the domestic market increase the influx of “cheap” subsidised frozen chicken and in the process destroy completely the viable and promising domestic poultry production, the allied feed mill industry, the poultry processing plants and the promising multiplier effects on the maize and agro-processing production activities and other feed mill ingredients production. Ominously for 2004 the EU has proposed a 16% increase to export refunds to EU poultry farmers further increasing their ability to dump poultry on the Ghanaian market. As Mr Adjei Henaku, the Executive Secretary of the Ghana Poultry Farmers Association put it, “it is extremely difficult to figure out how the dumping of cheap poultry parts-like legs, wings, necks - that have no markets in the EU anyway, could be permitted in the name of free trade that is supposed to promote competitiveness.

The EU could through its dumping of poultry or livestock products in the West African region undermine the possibilities for strengthening intra-regional trade. Again, the study goes to confirm in clear vivid terms the revenue losses that would arise with the dismantling of tariff barriers, as well as the revenue gains that would accrue to Government when justifiable protection from imported poultry products is imposed.

Clearly, the poultry sub-sector has strong implications for food security and rural income generation, especially for women who form the majority of the poor in the rural areas. What is more, the poultry industry is particularly relevant for redistributing income between the rural and urban areas and stemming the tide of rural–urban migration being an activity present in eight out of the ten administrative regions and given its vital linkages with agricultural and allied industries in the rural areas.

6. GENERAL IMPACT OF LIBERALISED TRADE BETWEEN EU AND GHANA

Many a credible study suggest that liberalised trade with the EU for the ACP countries could mean:

- Loss of government revenue;
- Undermining Regional Integration or at best fashion it for the EU’s own needs and interests;
- Worsening terms of trade given the envisaged dumping of European products onto the ACP market without a corresponding increase in earnings from exports;
- Adjustment cost pressures;
- Fiscal and budgetary constraints that are likely to affect macro-economic stability;
- CAP-induced depression of domestic agriculture and agro-based industrial development.

While there are very few comprehensive studies on the likely impact of free trade on Ghana in particular, all indications show that they are likely to be similar to these general negative findings.

**Impact on Public Revenue**

The Ghanaian Government is dependent on customs duties and loss of these duties would require substantial efforts towards fiscal reform. Ghana in 2002 derived about 10.5% of total revenue from import duty, thus confirming the estimation of Government official that free trade arrangement may result in 4-7% government revenue loss.\(^{168}\) This according to a Ghana government study will amount to up to something in the area of US$72 million (€58.1 million) fall in revenue.\(^{169}\)

For a Highly Indebted Poor Country like Ghana such shortfalls in revenue put undue pressures on fiscal and budgetary measures and undermine the social and economic programmes being pursued within the growth and poverty reduction programmes. Even without taking into account of such shortfalls Ghana’s Poverty Reduction Strategy states that levels of spending on health and education at 2.0% and 2.8% of GDP respectively are much lower than African averages and have constrained poverty reduction. The strategy also states “Revenue mobilization must be perpetually strengthened with a tariff structure to maximise revenues and minimize unfair competition.”\(^{170}\)

**Impact on Influx of EU Imports**

The lessons emerging from the poultry industry study easily apply to other productive activities and the economy of Ghana as a whole, as to be expected, given the fact that the EU is by far Ghana’s most important trading partner, receiving about 50% of Ghana’s exports and accounting for some 32% of imports in 2001. With liberalised trade, imports from the EU are expected to increase by up to US$115 million (€92.8 million) annually.\(^{171}\) A host of other domestic productive activities, many with immense potential, could be threatened with the free trade arrangement that the EU is seeking to realise in the negotiation of EPA.

In April 2003 Ghana’s then Minister of Trade and industry, Dr Kofi Konadu Apraku, informed an ECOWAS meeting that studies on the competitiveness of industry and agriculture showed that, in the event of free trade with the EU only 25% of Ghanaian industries could survive without import tariff support.\(^{172}\)

However, a high-level official of a member-state of ECOWAS believes that the European Commission is not inclined to give any convincing response to justifiable fears expressed about the likely impact of EPA because ACP countries are constantly


\(^{171}\) Myjoyonline – News, op. cit.

taking a peep into the pockets of the EU to see what additional funding support is possible beyond the EDF budget lines.

The collapse of industries is likely to have a significant impact on unemployment and incomes in many of the sectors, which employ the poor. That imports of maize, rice, fish, poultry, eggs, wheat, hops and malt, sugar and dairy products constituted about 7% of non-oil imports in 2001, in spite of the high focus Government gives to food security, is a pointer to how the removal of tariff barriers to EU imports could result in dumping to the depression of local food production and the allied food processing industries.

Besides, with the expansion of EU cereals production since the mid nineties there has been considerable expansion of cereal-based food products, which are now exported to Ghana and other ACP countries thus undermining the prospects of agro-industrial processing activities and reducing the possibilities for diversifying away from primary commodity production. As stated earlier crop farmers are hardest hit by poverty in Ghana and any further expansion of EU imports in the crop sub-sectors is likely to lead to further hardship in unemployment and lower incomes.

In addition, the competitiveness of the Ghana livestock industry, as underscored by DFID/GOG studies, will be considerably lost, with the influx of artificially cheap meat, more so when the reformed CAP threatens to continue pampering the average EU cow with over one pound (£1.5) a day support. The implications for poverty alleviation in particular is obvious from the fact that the three northern-most administrative regions of the Ghana have the largest livestock production levels as well as the highest incidence of poverty, with 69 – 88% of the populations living below the poverty line. Meanwhile, the meat cannery activity processing livestock in heart of this poverty-stricken region has collapsed. The non-operation of this cannery factory certainly has negative implications for employment and livelihoods; what is more it deprives West African northern neighbour-Burkina Faso –of a market for livestock as well as leather that served the shoe factory located in Kumasi, the Ghana’s centrally-located second city.

It may also be recalled that a three-day Workshop on Trade and Food Security in the Sub-Region organised by the General Agricultural Workers Union (GAWU) with the support of FES-Ghana in Accra, 27-29 October 2003, underlined the need to protect and support products in competitive markets, that meet the staple food and livelihoods needs of the population.  

Indeed, the threat to agricultural production also extends to agro-processing industrial activities like vegetable oil and tomatoes production. The development of Ghanaian agro-industry is a key part of Ghana’s strategy in poverty reduction, and free trade

173 They also recognised the need to protect and support production activities which have a high multiplier effect and lend themselves to boosting industrialization to ensure food security, diversification and sustainable development; the poultry sub-sector for the Workshop participants clearly meets the latter criteria in Ghana, Senegal, Nigeria and other West African countries that have a fairly reliable maize production record.

174 According to the Pricewaterhouse Consortium, liberalized trade with the EU may accelerate the collapse of the modern West African manufacturing sector – Pricewaterhouse Consortium (2003), Mid-Term Report Summary Main findings and Way Ahead, Brief n. ° 3, November, http://www.sia-acp.org/acp/uk/index03.php
with EU as such may be far from enabling the country to develop industries based on its own domestic agricultural production or even that of its sub-regional neighbours.

**The mirage of market access**

Some poultry farmers have asked “what is Ghana getting in return for allowing the EU to dump cheap goods on the Ghanaian market?” While enhanced market access to the EU seems the obvious answer, it soon becomes clear that increased trade with the EU resulting from the reciprocal removal of trade barriers is a promissory note that leads into the market access mirage.

Given the extension of duty- and quota-free EU market access to all LDCs and other developing countries within the framework of the GSP, also known as the ‘Everything But Arms Initiative’ and the fact that these countries’ export product composition are almost similar to that of Ghana it stands to reason that the ensuing competition for EU market can at best be of little benefit or benefit only a few. Again, given the acknowledged multiplicity of constraints facing supply capacity of Ghana and other ACP countries market access is no good when there are no goods to send to the EU market-no matter how free! That means ACP countries effectively will get hardly anything return for opening up markets to EU products.

**Overall Impact on Poverty**

The case of the Ghana poultry industry demonstrates clearly that a trade arrangement that allows an influx of artificially cheap products from Europe can only undermine any effort to realise food security, poverty alleviation and sustainable development and remove elements that could bolster much needed regional integration. It shows how the CAP reforms could directly and indirectly impact negatively on productive sectors and take away livelihoods particularly of the more vulnerable sections of the population. Besides it brings out the likely loss of revenue and its attendant fiscal and budgetary constraints and pressures.

The promise of enhanced market access to the EU could be a mirage unless the EU consciously sets out to remove a host of non-tariff barriers which impede ACP exports and support the latter with enhanced capacity to meet justifiable sanitary and phytosanitary standards. Besides, unless due recognition is given to removing a host of impediments to productive capacity enhancement of the ACP economies and specific support instruments and budget lines are put in place for them the promise of market access for Ghana and ACP products would come to nought given the fact that the non-traditional exports which offer better possibilities enjoy an increasingly lower margin of advantage over non-ACP exporters. For Dr C. D. Jebuni,175 to address poverty in Ghana, it is necessary to introduce into the trade arrangements “supply capacity building measures through the provisions that encourage technology transfer and investment.”

This study cannot pretend to provide comprehensive analyses of how liberalised trade with the EU would impact on Ghana. However a few key indicators often used to demonstrate the effect of trade on poverty come in handy here; these are the effects of

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175 Dr C. D. Jebuni, Research Fellow of the Centre For Policy Analysis, Accra, in response to a questionnaire.
trade liberalisation on 1) Government revenue derived from import duties which could be channelled to social services and anti poverty programmes; and 2) the effect on the agriculture production the sector that employs most of the poor. These two indicators do point to a worsening of the situation of the poor if the EPA negotiations should lead to the creation of free trade agreement between EU and ECOWAS.

Other oft employed indicators analysing trade and poverty such as impact on prices and the so-called dynamic effects like impact on investment and efficiency are not cited here. But other studies commissioned by the EU and the ACP\textsuperscript{176} using these indicators have also failed to give a clear picture of how liberalised trade with EU could reduce poverty and promote sustainable development.

7. BENCHMARKS FOR TRADE ARRANGEMENTS GEARED TOWARDS POVERTY REDUCTION

The findings above show that negotiation of reciprocal trade liberalisation between ECOWAS and the EU is incompatible with the fight against poverty and the developmental needs of Ghana and the region. As a result observers in close proximity to peoples living in poverty in Ghana strongly believe that EPA negotiation should not result in the creation of Free Trade Agreements.

For the new trade arrangements to be consistent with the fight against poverty and developmental needs of Ghana and West Africa the negotiation outcomes should ensure that:

- No country is worse off as a result of the negotiations;
- The EU and ECOWAS do not assume the same levels of commitment with regard to reciprocity;
- ECOWAS and indeed all ACP countries should continue to enjoy significant levels of preferences;
- The non-tariff barriers that have hindered ACP countries from benefiting from trade are removed.

Flowing from the above conclusions and broad principles the negotiations should proceed only on the basis of rigorous set of bench-marks implied by the following recommendations:

The Ghana Government should:

- Support more comprehensive studies examining the socio-economic impact of liberalised trade with the EU while examining alternatives.
- Support civil society participation in the negotiations including producers’ associations, in a manner that strengthens negotiators and addresses the critical concerns and issues for real development that makes meaningful integration into the global economy.


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• On the basis of studies identify and protect products that impact on the poor such as maize, rice and tubers in line with poverty strategy and food security needs.
• Devise a comprehensive strategy to support Ghana’s poultry industry that aims to ensure the viability of this industry in 10 years. This could include tariff protection, income support and capacity building for farmers.
• Support the creation of new sources of employment and livelihoods in the Northern region in its strategy on trade with the ECOWAS and the EU.
• Support further research into the gender dimension of production and address the problem facing women traders such as poor access to credit.
• Invest in developing agro-industry for export of value added products to the EU as well as the development of cash crop exports to the EU such as cashew nuts in line with Ghana’s Poverty Reduction Strategy.
• Work with ECOWAS and the EU and their various consumer organisations in devising a strategy on standards.

**ECOWAS should:**

• Develop a West Africa wide pool of experts that can assist government officials in the negotiations and ensure that their negotiation mandate has a strong political backing derived from the National legislative institutions as well as the ECOWAS Secretariat.
• Develop sub-regional development strategies that inform the development of a trade agenda for the sub-region.
• Establish a system of exchange of information on preparations for the negotiations in the different countries.
• Work with other ACP regions in ensuring coherence in positions between the different ACP sub regions.

**The European Union should:**

• Engage ECOWAS in a comprehensive strategy in overcoming non-tariff barriers. This should include:
  - Support to ECOWAS countries in participation in standard setting, compliance and verification.
  - Revision of the Rules of Origin that allows for asymmetry in the treatment of the ACP and the EU according their different levels of development and greater possibilities for derogation from stringent rules.
• Review the EU chocolate directive and introduce compulsory labelling of chocolates, which distinguish chocolates utilising cocoa fats.
• Review the CAP to allow external effects of CAP reform to be fully taken up and addressed in the negotiations, with a view to maintaining and enhancing the value of existing ACP agricultural preferences and ensuring effective protection of ACP markets from unfair competition.
• Increase funds and improve accessibility not only for governments but civil society organisations, producer’s organisations and woman’s organisations for trade capacity building.

• Provide funds additional to what is foreseen in National and Regional Indicative Programmes to address supply side constraints water, power, health, education, roads, technological transfer and modern farming methods.

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